

BDH CHEMICALS LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER, 1977

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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 £2,124,421 before taxation and extraordinary items, and a profit attributable to members of £1,335,854. The Directors propose that a year's dividend be paid on the 50,000 4% preference shares and that a dividend of 10% 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 the 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.

4. EXPORTS

The value of the goods exported by the Company was £5,889,192.

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 £1,425.

7. AUDITORS

A resolution will be moved at the Annual General Meeting to appoint Turquands Barton Mayhew & Co., as auditors until the next Annual General Meeting at which accounts are laid before the members.

By Order of the Board



Secretary

17th February, 1978

BDH CHEMICALS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts on pages 4 - 12 which have been prepared under the historical cost convention.

In our opinion the accounts give, under the accounting convention stated above, a true and fair view of the state of affairs of the company at 31st December, 1977 and of the profit and the source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

Turkman & Kantor P.A. 5)
Chartered Accountants

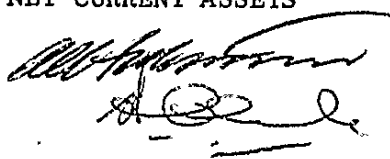
17th February, 1978

BDH CHEMICALS LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER, 1977

	<u>Note</u>	<u>1977</u>	<u>1976</u>
TURNOVER		<u>£14,531,451</u>	<u>£11,199,734</u>
PROFIT FOR THE YEAR	2	3,330,013	2,035,479
FINANCE CHARGES	3	<u>1,205,592</u>	<u>1,167,769</u>
PROFIT BEFORE TAXATION		2,124,421	867,710
TAXATION	4	<u>697,627</u>	<u>237,087</u>
PROFIT BEFORE EXTRAORDINARY ITEMS		1,426,794	630,623
EXTRAORDINARY ITEMS	5	<u>(90,940)</u>	<u>(1,252,455)</u>
PROFIT ATTRIBUTABLE TO MEMBERS		1,335,854	(621,832)
PROPOSED DIVIDENDS:			
Preference — 4p per share		(2,000)	-
Ordinary — 10p per share		<u>(65,000)</u>	<u>-</u>
PROFIT/(LOSS) RETAINED		<u>£1,268,854</u>	<u>£ (621,832)</u>
ACCUMULATED SURPLUS			
Deficit (1976 surplus) at beginning of year		(511,104)	110,728
For year		<u>1,268,854</u>	<u>(621,832)</u>
Surplus (1976 deficit) at end of year		<u>£ 757,750</u>	<u>£ (511,104)</u>
COMPANY		677,721	(573,269)
ASSOCIATED COMPANY		<u>80,029</u>	<u>62,165</u>
		<u>£ 757,750</u>	<u>£ (511,104)</u>

BDH CHEMICALS LIMITED
BALANCE SHEET AT 31st DECEMBER, 1977

	<u>Note</u>	<u>1977</u>	<u>1976</u>
<u>CAPITAL EMPLOYED</u>			
SHARE CAPITAL AND RESERVES			
Share Capital	7	700,000	700,000
Accumulated surplus (deficit)		757,750	(511,104)
		<u>1,457,750</u>	<u>188,896</u>
BORROWED MONIES			
Holding company		1,440,608	1,362,253
Fellow subsidiaries		-	405,194
Bank loans		1,700,000	6,492,684
Long term loans	8	5,000,000	-
		<u>8,140,608</u>	<u>8,260,131</u>
DEFERRED TAXATION	9	765,278	394,797
		<u>£ 10,363,636</u>	<u>£8,843,824</u>
<u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	10	7,304,833	5,815,763
SUBSIDIARY COMPANIES	12	422,752	976,271
INVESTMENT IN ASSOCIATED COMPANIES	14	91,280	73,416
CURRENT ASSETS			
Stocks	11	4,346,584	3,352,998
Debtors		3,822,923	2,176,776
Fellow subsidiaries	13	-	109,341
Cash		1,114	2,726
		<u>8,170,621</u>	<u>5,641,841</u>
CURRENT LIABILITIES			
Taxation		159,292	37,054
Bank overdraft, short term loans and acceptance credits		2,441,153	1,660,999
Creditors		2,958,405	1,965,414
Dividends		67,000	-
		<u>5,625,850</u>	<u>3,663,467</u>
NET CURRENT ASSETS		2,544,771	1,978,374
			
Directors			
		<u>£10,363,636</u>	<u>£ 8,843,824</u>

BDH CHEMICALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER, 1977

	<u>1977</u> <u>£'000</u>	<u>1976</u> <u>£'000</u>
<u>SOURCE OF FUNDS</u>		
Profit before taxation and extraordinary items	2,124	868
Extraordinary items	(91)	(1,252)
Adjustments for items not involving the movement of funds:-		
Depreciation	363	304
Losses on translation of foreign currency loans	-	1,252
Profit retained in associated companies	(37)	(33)
	<hr/>	<hr/>
<u>TOTAL GENERATED FROM OPERATIONS</u>	2,359	1,139
<u>FUNDS FROM OTHER SOURCES</u>		
Fixed asset disposals	12	4
Issue of shares for cash	-	400
Sale of shares in subsidiary companies	417	-
Increase in bank loans	-	4,713
Decrease in loans from holding company and former fellow subsidiaries	(511)	(347)
Increase in long term loans	5,000	-
	<hr/>	<hr/>
	7,277	5,909
<u>APPLICATION OF FUNDS</u>		
Taxation paid	-	3
Fixed assets purchased (less inter company transfers)	1,864	663
Bank loans repaid	4,793	4,793
Subsidiary companies - cost of shares	-	122
	<hr/>	<hr/>
	6,657	5,581
	<hr/>	<hr/>
<u>INCREASE IN WORKING CAPITAL</u>	£ 620	£ 328
	<hr/>	<hr/>
Increase in stocks	994	700
Increase in debtors and amounts due from former fellow subsidiaries	1,537	452
(Decrease) in amounts due from subsidiary companies	(137)	(73)
(Increase) in creditors and amounts due to former fellow subsidiaries	(993)	(343)
Movement in net liquid funds:-	(1)	1
Increase/(decrease) in cash at bank and in hand	(780)	(409)
(Increase) in bank overdraft, short term loans and acceptance credits	<hr/>	<hr/>
	£ 620	£ 328
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BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Turnover

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

(b) Associated Companies

The Company's share of profits, less losses, of associated companies 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 profits are based on unaudited accounts for the accounting years ended in the year to 31st December, 1977. Details of associated companies are given in Note 14.

(c) Translation of overseas currencies into sterling

Loans designated in foreign currencies are translated into sterling at the exchange rates ruling at 31st December, 1977. The total of translation differences (Note 5) is taken to Profit and Loss Account as an extraordinary item.

(d) Depreciation

Land is not depreciated. Freehold buildings are depreciated at 2½% per annum; other fixed assets held at the beginning of the year are written off over their expected useful lives on a straight line basis at rates between 5% and 33½%. No provision is made for increased replacement costs of fixed assets.

(e) 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.

(f) Research and Development

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

(g) 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.

2. TRADING PROFIT

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

	<u>1977</u>	<u>1976</u>
Depreciation of fixed assets	£363,217	£303,810
Hire of Plant and Machinery	£ 80,851	£ 57,744
Auditors' remuneration	£ 14,877	£ 13,400
Special payment to Pension Scheme	£150,000	£ 70,000
Directors' remuneration for executive services, including pension contributions (Note 6)	£ 56,170	£ 56,752

NOTES TO THE ACCOUNTS (CONTINUED)2. TRADING PROFIT (Continued)

	<u>1977</u>	<u>1976</u>
and after crediting		
Interest receivable	£ 3,289	£ 1,494
Dividends and grants from subsidiaries	£ 122,647	£101,434
Share of profits of associated companies	£ 37,010	£ 33,781
Interest Relief Grant	£ 100,000	£ -

3. FINANCE CHARGES

	<u>1977</u>	<u>1976</u>
Bank loans, overdrafts and acceptance charges	651,082	947,731
Other loans repayable within 5 years	224,373	220,038
Loans not repayable within 5 years	330,137	-
	<u>£1,205,592</u>	<u>£1,167,769</u>

4. TAXATION

Taxation comprises:-

	<u>1977</u>	<u>1976</u>
United Kingdom Corporation Tax @ 52%	308,000	37,054
Deferred taxation	370,481	180,492
Overseas taxation	-	2,659
	<u>678,481</u>	<u>220,205</u>
Associated companies	19,146	16,882
	<u>£697,627</u>	<u>£237,087</u>

The Corporation tax charge on the profit of the year is affected by (a) losses brought forward and (b) depreciation of freehold buildings £75,045 not allowable as a deduction for tax purposes and stock relief of £753,084.

No provision for deferred taxation for stock relief has been made as it is not considered that the company could be involved in any tax liability.

BDH CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. EXTRAORDINARY ITEMS

	<u>1977</u>	<u>1976</u>
Realised profit/(loss) on repayment of foreign currency loans	6,809	(1,149,456)
Adjustment on translation of foreign currency loans	50,981	(102,999)
Surplus arising from disposal of shares in overseas subsidiary companies	7,099	-
Expenses incurred in connection with the re-arrangement of borrowings	(155,829)	-
	<u>£ (90,940)</u>	<u>£(1,252,455)</u>

6. EMOLUMENTS OF DIRECTORS

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

	<u>1977</u>	<u>1976</u>
Up to £2,500	2	1
£5,001 to £7,500	-	1
£7,501 to £10,000	3	4
£10,001 to £12,500	1	1
£12,501 to £15,000	1	-

The Chairman received no emoluments from the Company. The emoluments of the highest paid Director were £12,583 (1976 - £11,688).

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

Arising from excess of book values
of fixed assets over their written
down values for tax purposes and
from other timing differences

<u>1977</u>	<u>1976</u>
<u>£765,278</u>	<u>£394,797</u>

10. FIXED ASSETS

	<u>Freehold Properties</u>	<u>Short Leaseholds</u>	<u>Plant and Equipment</u>	<u>Total</u>
Cost				
At 31st December, 1976	4,801,746	57,683	2,875,004	7,734,433
Additions during year	835,955	372	1,031,921	1,868,248
Disposals during year	-	-	(317,587)	(317,587)
At 31st December, 1977	<u>5,637,701</u>	<u>58,055</u>	<u>3,589,338</u>	<u>9,285,094</u>
Accumulated Depreciation				
At 31st December, 1976	153,774	17,562	1,747,334	1,918,670
Provided in year	75,045	7,914	280,258	363,217
On disposals during year	-	-	(301,626)	(301,626)
At 31st December, 1977	<u>228,819</u>	<u>25,476</u>	<u>1,725,966</u>	<u>1,980,261</u>
Net book values				
At 31st December, 1976	<u>£4,647,972</u>	<u>£40,121</u>	<u>£1,127,670</u>	<u>£5,815,763</u>
At 31st December, 1977	<u>£5,408,882</u>	<u>£32,579</u>	<u>£1,863,372</u>	<u>£7,304,833</u>

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

	<u>1977</u>	<u>1976</u>
Contracted for	212,446	1,399,032
Authorised but not contracted	299,027	91,661
	<u>£511,473</u>	<u>£1,490,693</u>

NOTES TO THE ACCOUNTS (CONTINUED)11. STOCKS

	<u>1977</u>	<u>1976</u>
Finished goods	1,816,273	1,380,891
Work in progress	313,800	232,329
Raw materials	2,112,717	1,667,424
Sundry	103,794	72,354
	<u>£4,346,584</u>	<u>£3,352,998</u>

12. SUBSIDIARY COMPANIES

	<u>1977</u>	<u>1976</u>
Shares at cost	202,875	619,392
Amounts owing by subsidiaries	220,281	357,636
Amounts owing to subsidiaries	(404)	(757)
	<u>£ 422,752</u>	<u>£ 976,271</u>

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

Country of Incorporation

Ferris & Company Limited	England
M.W. Scientific Limited	England
The British Drug Houses Limited (non-trading)	England
BDH Chemicals Sales Ltd (non-trading)	England
BDH Pension Trustees Ltd (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.

The following former subsidiaries were the subject of an agreement of sale dated 29th December, 1977 which has subsequently been implemented. They have, for the purposes of the Accounts, been treated as having been disposed of in 1977 cum results for that year.

BDH Chemicals Australia Pty Limited
 BDH Chemicals Canada Limited
 BDH Italia S.p.A.
 BDH Chemicals New Zealand Limited

NOTES TO THE ACCOUNTS (CONTINUED)13. FELLOW SUBSIDIARIES

	<u>1977</u>	<u>1976</u>
Amounts owing by fellow subsidiaries	-	115,736
Amounts owing to fellow subsidiaries	-	(6,395)
	<u>£ -</u>	<u>£109,341</u>

14. ASSOCIATED COMPANIESEquity Holding

- (a) Investments are in the undermentioned companies:-

Macfarlane Robson Limited	33%
Analar Standards Limited	50%

	<u>1977</u>	<u>1976</u>
(b) The value of the investments shown in the Balance Sheet consists of:-		
Shares (unquoted at cost)	11,251	11,251
Share of reserves since acquisition	80,029	62,165
	<u>£91,280</u>	<u>£73,416</u>

Dividends received from associated companies during the year amounted to £1,466 (1976 - £1,316).

15. CONTINGENT LIABILITIES

The company has given guarantees to bankers as follows:-

- (a) Unlimited guarantees in respect of U.K. subsidiaries of which £71,622 (1976 - £41,967) was outstanding at 31st December, 1977.
- (b) £147,413 in respect of a former overseas subsidiary of which £127,662 (1976 - £99,599) was outstanding at 31st December, 1977.

16. HOLDING COMPANY

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