

132018

INTERNATIONAL CHEMICAL COMPANY LIMITED

=====

ACCOUNTS -- 31 OCTOBER 1986

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS



INTERNATIONAL CHEMICAL COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 1986

The directors report that:

During the financial year ended 31 October 1986 the directors of the company were Messrs. G.K. Bell, J.W. Culligan, J.R. Stafford, J.C. Ashford, C.M. Cooke, S.E. King, J.J. McGinn and D.A. Beauchamp. At no time during the year did any director possess any interest in shares or debentures requiring notification under the Companies Act 1985.

The principal activity of the company continues to be the manufacture and sale of over-the-counter medicines and toiletries.

During 1986 the Company adopted the trading name 'Whitehall Laboratories' although the registered Company name remains 'International Chemical Company Limited'. The name 'Whitehall' is the worldwide name used by subsidiaries of the proprietary medicines division of American Home Products Corporation.

Turnover increased during the year by £342,247 (1.2%). This was achieved despite difficult trading conditions in both UK and overseas markets. In the UK sales of "Anadin Regular" analgesic tablets were disappointing, although partly compensated for by the continued upward trend of the "Anadin Extra" variant, together with the buoyancy of toiletry products. The analgesic market continues to reflect great competitive activity, particularly the growth of non aspirin based products.

Export business was again difficult, due to both political and financial problems in our key Middle Eastern and African markets.

We believe that the Company will be able to maintain its current share of the market during 1987.

Research and development expenditure during the year under review amounted to £230,975 (1985 - £230,339) and was undertaken in connection with normal trading activities.

DIRECTORS' REPORT (Continued)

The net profit of the company for the year under review, after providing for all expenses, depreciation of assets and United Kingdom and overseas taxation amounted to £3,340,958 as compared with £3,107,958 for the previous year.

After payment of interim dividends totalling £1,875,000 (1985 - £1,650,000) the accumulated balance on retained earnings carried forward to the next financial year amounted to £8,819,236 as compared with the balance of £7,353,278 brought forward from the previous year. No final dividend is proposed.

As stated in note 1c, property, plant and equipment are stated in the accounts prepared for the year under review at cost less depreciation and any government grants. In the directors' opinion, the current value of freehold land and buildings is £2,876,500 on a replacement cost basis. This valuation has not been incorporated in the accounts as an independent professional valuation has not been obtained.

Consolidated accounts covering the company and its subsidiaries have not been prepared as, in the opinion of the directors, they would be of no real value to the members in view of the insignificant amounts involved. Neither subsidiary has traded during the year; as at 31 October 1986, the accumulated balance on retained earnings of Irish Chemical Products Limited was £Nil and of Kolynos (Sales) Limited was £1,597.

Charitable donations made in the course of the year under review totalled £270 (1985 - £205).

During the year under review the company has been willing to employ disabled persons when vacancies occurred, and has been prepared when practicable to continue to employ and when appropriate to re-train any employee who became disabled, and when appropriate to train and promote disabled employees.

As always, the company's performance reflects the skills and application of individual employees at all levels, and the directors are grateful for their efforts. Appropriate consultative procedures within the company have continued to operate satisfactorily throughout the year.

DIRECTORS' REPORT (Continued)

Arthur Andersen & Co. have expressed their willingness to continue in office as auditors, and a motion proposing their re-appointment will be put to the next annual general meeting.

11 Chenies Street
London WC1E 7ET

BY ORDER OF THE BOARD,



C.M. Cooke
Secretary

25 March 1987

Arthur Andersen & Co.

Broad Quay House · Broad Quay
Bristol BS1 4DJ

To the Members of INTERNATIONAL CHEMICAL COMPANY LIMITED:

We have audited the accounts set out on pages 5 to 15 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of affairs of the company at 31 October 1986 and of the profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co.

25 March 1987

INTERNATIONAL CHEMICAL COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 OCTOBER 1986

	<u>Notes</u>	<u>1986</u>	<u>1985</u>
TURNOVER	11&2	£28,277,995	£27,935,748
Cost of sales		(11,266,637)	(11,503,237)
GROSS PROFIT		17,011,358	16,432,511
Other operating expenses	3	(11,774,524)	(11,346,689)
OPERATING PROFIT		5,236,834	5,085,822
Investment income	4	204,066	62,614
Interest payable and similar charges	5	(2,228)	(416)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	5,438,672	5,148,020
Tax on profit on ordinary activities	1f&8	(2,097,714)	(2,040,062)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,340,958	3,107,958
Dividends paid	9	(1,875,000)	(1,650,000)
RETAINED PROFIT FOR THE YEAR		1,465,958	1,457,958
RETAINED PROFIT, beginning of year		7,353,278	5,895,320
RETAINED PROFIT, end of year		£ 8,819,236	£ 7,353,278

The accompanying notes are an integral part of this profit and loss account.



INTERNATIONAL CHEMICAL COMPANY LIMITED

BALANCE SHEET -- 31 OCTOBER 1986

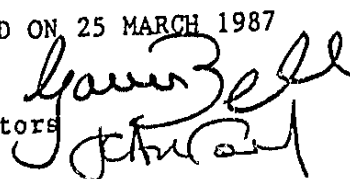
		<u>1986</u>	<u>1985</u>
	<u>Notes</u>		
FIXED ASSETS			
Tangible assets	1c&10	£ 3,136,950	£ 2,790,484
Investment in subsidiary companies	1d&11	25,191	25,191
		<u>3,162,141</u>	<u>2,815,675</u>
CURRENT ASSETS			
Stocks	1e&12	2,890,779	2,564,820
Debtors	13	7,783,350	6,937,615
Cash at bank and in hand		1,653,917	1,280,684
		<u>12,328,046</u>	<u>10,783,119</u>
CREDITORS: Amounts falling due within one year	14	<u>(4,894,951)</u>	<u>(4,260,266)</u>
NET CURRENT ASSETS		<u>7,433,095</u>	<u>6,522,853</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>10,595,236</u>	<u>9,338,528</u>
CREDITORS: Amounts falling due after more than one year	15	(1,208,000)	(1,283,250)
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(493,000)</u>	<u>(627,000)</u>
NET ASSETS		<u>£ 8,894,236</u>	<u>£ 7,428,278</u>
CAPITAL AND RESERVES			
Called-up share capital	17	£ 75,000	£ 75,000
Profit and loss account	18	8,819,236	7,353,278
TOTAL CAPITAL EMPLOYED		<u>£ 8,894,236</u>	<u>£ 7,428,278</u>

SIGNED ON BEHALF OF THE BOARD ON 25 MARCH 1987

G.K. Bell

J.C. Ashford

)
) Directors



The accompanying notes are an integral part of this balance sheet.

INTERNATIONAL CHEMICAL COMPANY LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 OCTOBER 1986

SOURCE OF FUNDS	<u>1986</u>	<u>1985</u>
Profit on ordinary activities after taxation	£3,340,958	£3,107,958
Add (deduct) items not involving cash flow during the year		
- depreciation	520,627	456,567
- loss on disposal of tangible fixed assets	27,803	24,149
- deferred taxation	(118,000)	(173,000)
Total funds from operations	3,771,388	3,415,674
Proceeds from disposal of tangible fixed assets	87,235	76,739
Increase in creditors falling due after more than one year	-	318,271
	£3,858,623	£3,810,684
	=====	=====
APPLICATION OF FUNDS		
Dividends paid	£1,875,000	£1,650,000
Purchase of tangible fixed assets	982,131	869,871
Decrease in creditors falling due after more than one year	75,250	-
Transfer from current to deferred taxation	16,000	-
Increase in net current assets, as shown below	910,242	1,290,813
	£3,858,623	£3,810,684
	=====	=====
INCREASE (DECREASE) IN NET CURRENT ASSETS		
Stocks	£ 325,959	£ 488,251
Debtors	845,735	532,150
Creditors falling due within one year	(634,685)	(216,052)
	537,009	804,349
Movement in net liquid funds		
- cash at bank and in hand	373,233	486,464
	£ 910,242	£1,290,813
	=====	=====

The accompanying notes are an integral part of this statement.

INTERNATIONAL CHEMICAL COMPANY LIMITED

NOTES TO ACCOUNTS -- 31 OCTOBER 1986

1. ACCOUNTING POLICIES:

The principal accounting policies are-

a) Basis of accounting

The accounts are prepared under the historical cost convention.

b) Research and development

Research and development expenditure is written off in the year of expenditure.

c) Tangible fixed assets

Land and buildings are shown at original historical cost. Other fixed assets are shown at cost, any related government grants being deducted from cost.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows-

Leasehold buildings	-	term of lease
Freehold buildings	-	50 years
Plant and machinery	-	5 to 10 years
Motor vehicles	-	3 to 5 years

d) Investments

Fixed asset investments are shown at cost.

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress and finished goods	-	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation represents the amount required to allow for the effect of certain items of income and expense (primarily depreciation) being attributable for tax purposes to periods different from those in which credits or charges are recorded in the accounts, and is computed using the liability method, whereby such taxation is determined by applying the anticipated rate of tax which will be applicable at the date the timing differences are expected to reverse.

Full provision for deferred taxation has been made because the directors have concluded, on the basis of reasonable evidence, that the timing differences will probably reverse.

g) Pension costs

It is the policy of the company to fund pension liabilities, on the advice of external actuaries, by payments to insurance companies.

h) Foreign currency

Normal trading activities transacted in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities recorded in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

i) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

j) Group accounts

Consolidated accounts covering the company and its subsidiaries have not been prepared as, in the opinion of the directors, they would be of no real value to the members in view of the insignificant amounts involved.

2. SEGMENT INFORMATION:

Contributions to turnover were as follows-

	<u>1986</u>	<u>1985</u>
By geographical area-		
United Kingdom	£21,247,811	£20,850,491
Exports	7,316,719	7,320,110
	(286,535)	(234,853)
Less - returns and allowances	-----	-----
	£28,277,995	£27,935,748
	=====	=====

NOTES TO ACCOUNTS (Continued)

3. OTHER OPERATING EXPENSES:

	<u>1986</u>	<u>1985</u>
Distribution costs	£ 886,248	£ 838,023
Selling and marketing costs	8,393,986	8,167,923
Research and development costs	230,975	230,339
Administrative expenses	2,159,490	2,110,404
Exceptional item- Iraq bad debt provision	103,825	-
	-----	-----
	£11,774,524	£11,346,689
	=====	=====

4. INVESTMENT INCOME:

Interest receivable	£ 204,066	£ 62,614
	=====	=====

5. INTEREST PAYABLE AND SIMILAR CHARGES:

On bank overdrafts, and other loans repayable within 5 years	£ 2,228	£ 416
	=====	=====

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profit on ordinary activities before taxation is stated after crediting-

Rent receivable	£ 12,700	£ 18,726
	=====	=====

and after charging-

Depreciation - tangible fixed assets	£ 520,627	£ 456,567
Loss on disposal of tangible fixed assets	27,803	24,149
Hire of plant and machinery	31,022	6,997
Auditors' remuneration	26,185	24,500
	=====	=====

7. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown below-

	<u>1986</u>	<u>1985</u>
Employee costs during the year amounted to-		
Wages and salaries	£4,857,785	£4,659,594
Social security costs	373,158	357,985
Other pension costs	151,975	118,489
	-----	-----
	£5,382,918	£5,136,068
	=====	=====

NOTES TO ACCOUNTS (Continued)

The average weekly number of persons employed by the company during the year was as follows-

	<u>Number</u>	
	<u>1986</u>	<u>1985</u>
Production	293	331
Distribution	59	58
Sales	99	97
Administration	87	87
	---	---
	538	573
	===	===

Directors' remuneration-

The employee costs shown above include the following remuneration in respect of directors of the company-

Emoluments (including pension contributions)	£ 200,093	£ 221,204
	=====	=====

In addition to the above emoluments, certain employees are eligible to participate in a Management Incentive Plan, run by the holding company. During the year, directors of the company received cash awards totalling £24,063 (1985 - £5,893) and became beneficially entitled to shares in the ultimate holding company with a market value of £9,631 (1985 - £39,569) in respect of awards under the plan in earlier years.

The directors' remuneration shown above (excluding pension contributions and amounts receivable under the Management Incentive Plan) included-

	<u>1986</u>	<u>1985</u>
Highest paid director	£ 40,872	£ 34,159
	=====	=====

Other directors received emoluments (excluding pension contributions and amounts received under the Management Incentive Plan) in the following ranges-

	<u>Number</u>	
	<u>1986</u>	<u>1985</u>
Nil	2	2
£ 5,001 - £10,000	-	1
£10,001 - £15,000	-	1
£15,001 - £20,000	-	3
£20,001 - £25,000	3	1
£25,001 - £30,000	1	1
£30,001 - £35,000	1	-
£35,001 - £40,000	1	-
	===	===

NOTES TO ACCOUNTS (Continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the year and comprises-

	<u>1986</u>	<u>1985</u>
Corporation tax at 37.1% (1985 - 42.1%)	£2,161,352	£2,182,094
Deferred taxation	(118,000)	(173,000)
	-----	-----
	2,043,352	2,009,094
Less - relief for overseas taxation	(176,069)	(168,701)
	-----	-----
	1,867,283	1,840,393
Overseas taxation	267,829	210,968
Adjustment of current taxation in respect of prior years	(37,398)	(11,299)
	-----	-----
	£2,097,714	£2,040,062
	=====	=====

9. DIVIDENDS:

Ordinary:		
- interim paid of £25 (1985 - £22) per share	£1,875,000	£1,650,000
	=====	=====

10. TANGIBLE FIXED ASSETS:

The movement in the year was as follows-

	<u>Land and buildings</u>		<u>Plant and</u>	<u>Total</u>
	<u>Freehold</u>	<u>Short leases</u>	<u>machinery</u>	
COST				
Beginning of year	£1,249,107	£41,436	£3,511,127	£4,801,670
Additions	67,643	-	914,488	982,131
Disposals	-	-	(256,210)	(256,210)
	-----	-----	-----	-----
End of year	1,316,750	41,436	4,169,405	5,527,591
	-----	-----	-----	-----
DEPRECIATION-				
Beginning of year	482,454	22,243	1,506,489	2,011,186
Charge	54,006	4,872	461,749	520,627
Disposals	-	-	(141,172)	(141,172)
	-----	-----	-----	-----
End of year	536,460	27,115	1,827,066	2,390,641
	-----	-----	-----	-----
NET BOOK VALUE				
beginning of year	£ 766,653	£19,193	£2,004,638	£2,790,484
	=====	=====	=====	=====
NET BOOK VALUE				
end of year	£ 780,290	14,321	2,342,339	3,136,950
	=====	=====	=====	=====

Freehold land of £52,786 (1985 - £52,786) included in the above is not depreciated.

NOTES TO ACCOUNTS (Continued)

11. INVESTMENT IN SUBSIDIARY COMPANIES:

The company's subsidiaries are as follows-

a) Kolynos (Sales) Limited, a wholly-owned subsidiary incorporated in Great Britain. This company has not traded during the year and the undistributed profits carried forward in its accounts at 31 October 1986 amounted to £1,597.

b) Irish Chemical Products Limited, a wholly-owned subsidiary incorporated in the Republic of Ireland. This company has not traded during the year and there were no undistributed profits carried forward in its accounts at 31 October 1986.

12. STOCKS:

The following are included in the net book value of stocks-

	<u>1986</u>	<u>1985</u>
Raw materials and consumables	£1,420,333	£1,317,324
Work-in-progress	210,935	326,392
Finished goods and goods for resale	1,259,511	921,104
	<u>2,890,779</u>	<u>£2,564,820</u>
	=====	=====

13. DEBTORS:

The following are included in the net book value of debtors-

Amounts falling due within one year-

Trade debtors	£6,730,518	£5,889,781
Amounts owed by holding company and fellow-subsiidiaries	828,379	920,815
Other debtors	94,941	37,083
Prepayments	129,512	89,936
	<u>£7,783,350</u>	<u>£6,937,615</u>
	=====	=====

NOTES TO ACCOUNTS (Continued)

14. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year-

	<u>1986</u>	<u>1985</u>
Trade creditors	£1,519,371	£1,359,128
Amounts owed to holding company and fellow-sub-sidiaries	287,374	1,095
Amounts owed to subsidiaries	26,788	26,788
Other creditors		
- current taxation	1,565,134	1,357,987
- ACT payable	59,498	-
- VAT	445,988	341,516
- social security and PAYE	139,683	149,244
Accruals	851,115	1,024,508
	-----	-----
	£4,894,951	£4,260,266
	=====	=====

15. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

This balance represents UK corporation tax due fifteen months after the balance sheet date.

16. PROVISIONS FOR LIABILITIES AND CHARGES:

This comprises deferred taxation attributable to-

	<u>1986</u>	<u>1985</u>
Excess of tax allowances over book depreciation of fixed assets	£592,000	£627,000
Other timing differences relating to current assets and liabilities	(99,000)	-
	-----	-----
	£493,000	£627,000
	=====	=====
 The movement on deferred taxation comprises-		
Beginning of year	£627,000	£800,000
Amount transferred from current taxation	(16,000)	-
Credited to profit and loss	(118,000)	(173,000)
	-----	-----
End of year	£493,000	£627,000
	=====	=====

17. CALLED-UP SHARE CAPITAL:

Authorised, allotted, called up and fully-paid- 75,000 ordinary shares of £1 each	£ 75,000	£ 75,000
	=====	=====

NOTES TO ACCOUNTS (Continued)

18. PROFIT AND LOSS ACCOUNT:

The balance on the profit and loss account is considered to be distributable.

19. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

At the end of the year, capital commitments were-

	<u>1986</u>	<u>1985</u>
Contracted for	£195,240	£348,779
Authorised but not contracted for	209,149	12,842
	-----	-----
	£404,389	£361,621
	=====	=====

b) Lease commitments

The company occupies premises under the terms of a lease with an annual rental of £122,500. The lease expires in 1988.

c) Pension arrangements

The company maintains two defined benefit pension schemes which cover the majority of employees. The schemes are contributory and are insured with the Legal and General Assurance Society Limited and the Irish Life Assurance Company Limited respectively.

The most recent actuarial valuation of the pension scheme insured with the Legal and General Assurance Society Limited was performed at 6 April 1984 and this showed that the scheme was fully funded at that date. A further actuarial valuation at 6 April 1985 is currently in progress. The most recent actuarial valuation of the scheme insured with the Irish Life Assurance Company Limited was performed at 1 April 1986 and this showed that the scheme was fully funded at that date.

20. TRANSACTIONS WITH RELATED PARTIES:

a) Sales include £1,548,297 (1985 - £1,791,024) made to fellow-subsiidiaries.

b) Purchases include £691,668 (1985 - £712,168) from fellow-subsiidiaries. Other operating expenses include £1,960,669 (1985 - £1,975,623) for royalties, administrative charges and technical fees charged by related parties.

21. ULTIMATE HOLDING COMPANY:

The company is a subsidiary of American Home Products Corporation, incorporated in the State of Delaware, USA.