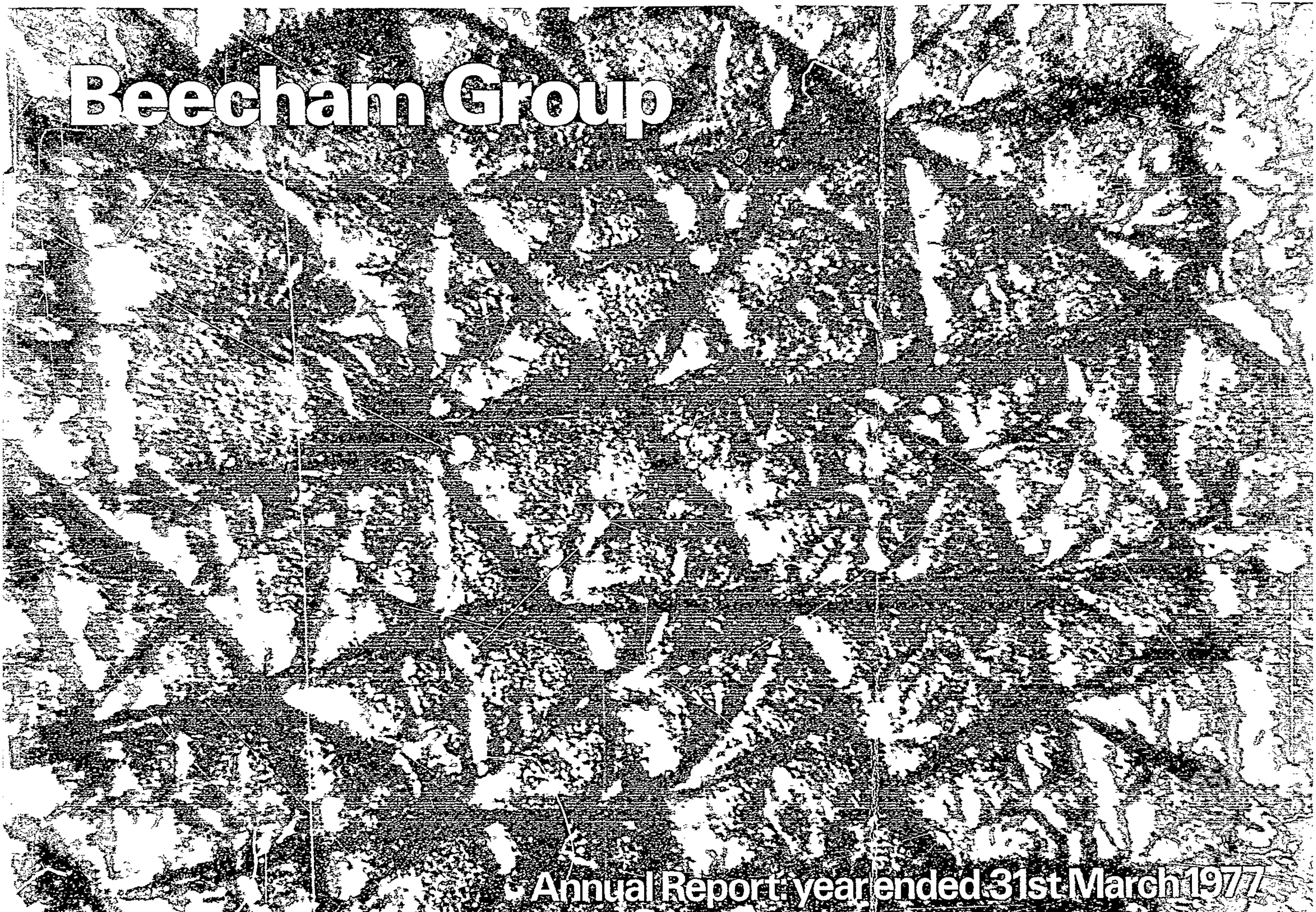

Beecham Group
Annual Report: year ended 31st March 1977

Contents

Cover: A replica of human skin, magnified 175 times, made and photographed at the Beecham Products Applied Research Unit, Leatherhead, Surrey. Accurate replicas of the skin surface, taken from people of various ages, are used in the unit's programme of work on new compounds which will improve skin condition.

Beecham Group Limited

Notice of Annual General Meeting

Date: 27th July 1977. Time: 12 noon.

Place: Royal Garden Hotel, Kensington High Street, London, W.8.

NOTICE IS HEREBY GIVEN that the forty-ninth annual general meeting of Beecham Group Limited will be held on Wednesday 27th July 1977 at 12 noon for the following purposes:

To receive and adopt the directors' report and the accounts for the year ended 31st March 1977	Resolution 1
To declare a final dividend	Resolution 2
To re-elect directors	Resolutions 3 & 4
To re-appoint the auditors	Resolution 5
To authorise the directors to fix the auditors' remuneration	Resolution 6

4th July 1977

By Order of the Board
I. M. F. BALFOUR
Secretary

(i) A member of the company entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member. A proxy card is enclosed herewith.

(ii) Copies of the annual report are sent to holders of loan stock although only holders of ordinary shares are entitled to attend and vote at this meeting.

(iii) All contracts of service between the company or its subsidiaries and directors of the company are determinable within one year without payment of compensation and therefore no such contracts will be available for inspection at the meeting.

(iv) Shareholders unable to attend the annual general meeting may obtain a copy of the chairman's speech from the secretary.

Registered office: Beecham House, Brentford, Middlesex TW8 9BD.

Registrar's and transfer office: 6 Greencoat Place, London SW1P 1PL.
Telephone: 01-828 4321.

Beecham Group Limited

H. G. LAZELL
Hon. President

Directors

G. J. WILKINS, B.Sc.
Chairman and Chief Executive

Sir KENNETH KEITH
Vice-Chairman

R. HALSTEAD, C.B.E., M.A., B.Sc., F.R.I.C.
Managing Director, Consumer Products

W. G. PETLEY
Managing Director, Pharmaceuticals

R. J. L. ALLEN, O.B.E., M.Sc., Ph.D.
E. H. BOND, F.C.A.
F. P. DOYLE, O.B.E., M.Sc., F.R.I.C.
F. S. LOMAX, A.R.I.C.
Sir FRANK McFADZEAN
D. N. A. McLURE, M.A.
R. E. NEWMAN, A.C.M.A.
J. D. POLLARD, B.Sc.
W. J. SULLIVAN
D. E. WEBB, F.C.A.

Group Controllers

I. D. BARNETT, Barrister
C. H. COPLEY, B.Sc.
P. E. FISHBURN, F.C.A.
R. E. McENTEE, B.S., C.P.A.
R. SMITHER, B.Sc., C.P.A.
R. V. STEVENS, B.A.
A. J. WHITE, B.A.

Secretary

I. M. F. BALFOUR, M.A., LL.B.

Statement by the Chairman

The growth achieved in 1976/77 means that in the last two years the Group's worldwide sales have increased by 65 per cent, and the pre-tax profit has more than doubled. This remarkable performance obviously owes a great deal to the worth and attractiveness of our brands, on both the pharmaceutical and consumer products sides of the business. But it is due above all to the efforts and enthusiasm of the people, in many countries, who work for Beecham. I should like to begin this review of the year by putting on record my personal appreciation of the enormous contribution which they make.

It is necessary to point out that, because of exchange rate movements during the year, the trading profit of our overseas subsidiaries was increased by £8·4 million when expressed in sterling at the rates of exchange ruling at the end of the year. I hope very much that the recent stabilisation of sterling will bring an end to this unwanted distortion of our accounts. It serves only to obscure the Group's real progress. At the risk of stating the obvious, I also want to point out that our rate of growth last year—as in 1975/76—was exceptionally high. Clearly, we cannot hope to increase the trading profit by such an amount every year, especially as the base from which we expand is becoming continuously larger. I am, however, confident that we shall continue to achieve our long-term objective of a significant measure of real annual growth.

£700 million Sales

The Group's sales passed the £700 million point for the first time in 1976/77, rising by 27·2 per cent over the previous year to £720·8 million. Overseas sales, including exports from the United Kingdom, increased by 32·9 per cent to £488·1 million, representing 67·7 per cent of total sales. U.K. sales rose by 16·7 per cent to £232·7 million.

Trading profit, including royalties but after charging research and development expenditure of £19·4 million, amounted to £132·6 million, an increase of 35·3 per cent. As is now customary, a very high proportion of the trading profit was earned overseas: 82·5 per cent, or £109·4 million, 39·2 per cent more than in 1975/76. U.K. trading profit increased by 19·6 per cent to £23·2 million. Earnings per share rose by 37·0 per cent to 47·80p.

Though U.K. margins improved slightly for the second year in succession, they are still far below the level that is necessary to produce an adequate return on capital. On the pharmaceutical side of the business, the reason is the Government's price regulation scheme which has, over the years, created a noticeable gulf between pharmaceutical prices in the U.K. and in the rest of the world. The Government can, if it chooses, correct this situation within the revised price regulation scheme which it has negotiated with the industry. It has always been short-sighted to depress the U.K. prices of the products of an industry which has a large overseas business. To the extent that other countries follow this undesirable precedent the foreign exchange earnings of the British-based companies will be reduced. The question for the U.K. Government is whether an insignificant increase in the cost of the National Health Service (medicines account for only about six per cent of the total cost of the N.H.S.) would not be preferable to a possibly significant reduction in the industry's contribution to the balance of payments.

Capricious Price Controls

Our consumer products business in the U.K. has, of course, continued to be hindered by the fall in real incomes caused by inflation and pay controls, as well as by the complexities and bureaucratic apparatus of the price code. The relaxations in the code introduced in the summer of 1976 were helpful though inadequate; but even that small relief is now to be superseded by new price control legislation whose main provisions include authority to freeze or reduce prices subject only to very broad and imprecise criteria. These proposals will place a lot of power in the hands of politicians and the Price Commission, and are potentially even more damaging than the present controls. They are bound to lead to considerable uncertainty in British industry, and to harm both future investment and job security. The present Government and its supporters never cease to lecture industry on the importance of increasing capital investment. But they either fail to understand, or refuse to accept, that investment is bound to be discouraged by a price control system whose chief characteristics will be unpredictability and capriciousness.

There is of course, no mystery about why price controls (and dividend controls, from which we have vainly sought to be exempted) loom so large in the Government's thinking. They are an integral part of the bargain it hopes to reach with the unions, in order to achieve another year of pay restraint. Whether such an extension will be worth having is an open question; it is quite clear that a third phase of incomes policy will have to be much more flexible than the first two, and flexibility in an incomes policy can in practice be more inflationary than no incomes policy at all. Even the first two phases, though certainly very rigid, enabled many people—especially those employed in the public sector—to obtain larger pay increases than

Statement by the Chairman continued

they could otherwise have expected. Moreover, average earnings have been rising since the summer of 1976 by roughly 70 per cent more than was intended. One of the dangers of a more flexible third phase is that it might well result in a greater general increase in incomes than would have occurred under free bargaining conditions.

This is one of the reasons why Beecham would prefer the Government to influence the level of pay settlements in the private sector by monetary policy, and in the public sector by the strict enforcement of cash limits on wage and salary expenditure. There are others. First, as I pointed out a year ago, the people who have been most heavily penalised by the pay controls are the skilled, the highly qualified and those carrying executive responsibilities—in short, the people whom the country can least afford to discourage. Secondly, the controls have enabled the Government to avoid sizeable reductions in its own current expenditure; the public expenditure cuts announced last December were not only too little and too late, but applied almost entirely to future capital projects and left current expenditure—especially on the enormous public bureaucracy—virtually untouched. Thirdly, the controls have failed to achieve even their own primary aim, the elimination of double-figure inflation—a modest enough objective, and one which other countries have attained by ignoring the illusory charms of incomes policies.

The Bullock Report

The Government's anxiety to enlist the unions' support for the pay controls was the main reason why it established the Bullock committee of inquiry on industrial democracy. Since its terms of reference were virtually dictated by the Trades Union Congress, it is not surprising that the committee's majority recommendations were unacceptable to industry as a whole. What is more remarkable is that the recommendations—principally the suggestion that the boards of companies with more than 2,000 employees should consist of equal numbers of trade union and so-called shareholder directors, plus a smaller number of independents—found so few champions not only among detached observers but also within the Government and its supporters.

Now that the Government is in a parliamentary minority, there is clearly less danger of the committee's report being implemented without substantial modifications. Nevertheless, it is right that our view of the matter should be put on the record. We believe that Beecham staff want to have security of employment and opportunities for advancement far more than they want representation on the board through shop stewards or union officials. Security and career prospects obviously depend on the efficiency and competitiveness of the Group's various enterprises, so that anything which damages our efficiency must be against the interests of the staff.

It is, I think, self-evident that the Bullock proposals would have this effect on any industrial company to which they were applied. They would put the executive directors (who are, of course, employees as well) in a permanent minority, so that those with the greatest knowledge of the business would have the smallest numerical weight; they would give the deciding voice on many questions to a handful of 'independent' people who, however well-meaning, would necessarily know little about the company's activities and would have no personal stake in its success; and since the T.U.C. has always admitted that it regards union representation at board level as an extension of the collective bargaining process, they would create an adversary situation within the board. It may be harsh but it is not unfair to describe the majority report of the Bullock committee as a prescription for industrial disaster.

Capital Investment

Despite the unfavourable economic climate, the greater part of our capital expenditure in 1976/77—which totalled £29 million, excluding acquisitions—was in the U.K. and this will remain the pattern for the immediate future unless official policy compels us to change course. The £10 million extension of the pharmaceutical factory at Irvine, Scotland, was completed during the year, providing us with both a major increase in our fermentation capacity and a new plant for the production of side-chains for semi-synthetic penicillins. On the consumer products side of the business a start was made on a £35 million programme for modernising and raising the capacity of our food and drink production and distribution facilities.

The year also saw the beginning of a major expansion of our pharmaceutical research and development facilities in the U.K. We purchased for £2·8 million a research site at Great Burgh, Surrey, where—as the necessary building modifications are carried out—work on immunology, metabolic biochemistry and non-antibiotic formulation development will be concentrated. This in turn will release space at the Brockham Park research centre for more work in the field of antibacterial chemotherapy. Meanwhile major developments will be taking place at the Walton Oaks and Harlow research centres.

Capital projects outside the U.K. included the completion of a new plant for the isolation of 6-amino penicillanic acid at the Singapore pharmaceutical factory; and the commissioning of a major extension of the Kuala Lumpur consumer products factory in Malaysia.

Acquisitions

Three acquisitions—two in the consumer products field and one in pharmaceuticals—were made by the Group in the course of the year. The most important (though it was not completed until 29th April 1977) was the purchase for U.S.$81 million from Merck & Co. Inc. of its Calgon consumer products business. This is, in fact, the largest acquisition Beecham has ever made, and it will give us the product range and the marketing strength that we have always lacked on the consumer products side of our business in the United States. A detailed statement on this acquisition appears on page 9.

In Switzerland we bought Haering and Co., a small family-owned toiletries business with a modern factory at Goldach, for Sw.Fr.4 million. Haering was previously the Swiss licensee for Odol mouthwash and Pitralon men's toiletries, brands which joined the Beecham consumer products range with our acquisition of the German Lingner

Group in 1974. The company has now been integrated with our existing toiletries business in Switzerland, giving us a strong presence in another important European market.

The third acquisition was in Canada, where we purchased for Can.$2·4 million a small private pharmaceutical company, Mowatt & Moore Limited, based in Pointe Claire, Quebec. This company has a modern plant, a range of speciality products and approximately 150 employees, including a national sales force. It gives us a foundation on which to build our own Canadian pharmaceutical business, which has hitherto been in the hands of a licensee.

BEECHAM PHARMACEUTICALS

Beecham Pharmaceuticals is responsible for the Group's worldwide pharmaceutical business, and is organised in six divisions.

European Division

In its first full year of operations the division, which is responsible for our human prescription medicines business in Continental Europe, achieved significant progress under generally difficult conditions. Germany received a great deal of management attention, following the acquisition of Johann A. Wülfing in 1975. The pharmaceutical company which we have had in Germany since the 'sixties has now been integrated with Wülfing; the two sales forces have been combined; and each has been through intensive training in the other company's products.

Amoxycillin and the other antibiotics which we sell in Continental Europe continued to make progress during the year, and we increased our share of the allergy vaccine market. After lengthy negotiations we received the approval of the Spanish Government for the establishment of a wholly-owned subsidiary company in Spain. We shall also be building a factory there, and licensing a Spanish company to manufacture some of our products. These arrangements follow Government decrees designed to encourage local production of pharmaceuticals and reduce the country's dependence on imports.

International Division

This division is responsible for our human prescription medicines business in Africa, the Middle and Far East, Japan and certain other countries.

In Japan, the second-largest pharmaceuticals market in the world, our long-standing relationship with a number of important Japanese pharmaceutical companies, which market several of our products under licence, continues to be an important factor in the development of our business. But in the course of 1976/77 we also expanded our Japanese subsidiary, Beecham Yakuhin K.K. In addition to amoxycillin—whose Japanese sales through both our licensees and our own company again increased significantly—B.Y.K.K. is selling four other products with a marketing organisation that is significantly larger than in the previous year.

Beecham Research International, which is responsible for marketing in the division's other territories, recorded an overall sales increase of one-third over 1975/76. The countries in which B.R.I. operates vary widely in population, economic strength and levels of health care, but collectively they are an important growth market for pharmaceuticals. Major contributors to last year's performance included Iran (where sales increased by 52 per cent); Indonesia (64 per cent); and the Philippines (35 per cent).

Research Division

I reported a year ago on the discovery at the Brockham Park research establishment of, among other things, certain compounds which can significantly extend the antibacterial activity of existing penicillins and some other antibiotics. One of them, clavulanic acid, has now entered clinical trials. This new molecule has the remarkable ability to make semi-synthetic penicillins, such as amoxycillin, effective against dangerous pathogenic bacteria which are at present beyond their reach. It does so by protecting the antibiotic from enzymes secreted by these bacteria, which would otherwise destroy it. The result is an antibacterial compound with a much broader spectrum of activity than anything currently available. An extensive development effort is naturally being devoted to clavulanic acid.

An injectable form of amoxycillin was successfully developed during the year. Other compounds under active development include an anti-asthmatic compound, which also shows promise against certain types of allergic disorder; a desensitising vaccine for the treatment of ragweed pollen allergy (which occurs mainly in the United States and Canada); and an agent for use in rheumatic disorders. Work is also in progress on a novel method of treatment for diabetes, which has entered initial clinical trials.

U.K. Division

This division is responsible for our prescription medicines and animal health products business in the U.K. and Ireland; for our animal health products business in Continental Europe; and for exports of animal health products from the U.K. to Africa and the Middle East.

In the first full year since the expiry of our U.K. patent on ampicillin, Penbritin was clearly preferred by the medical profession to the small number of competing brands which appeared. At the same time an improved form of ampicillin, Talpen, which achieves a much higher concentration of antibiotic in the bloodstream and which we have been marketing since September, 1975, made a useful contribution.

Our U.K. pharmaceuticals business continued, however, to become more diversified: Penbritin accounted last year for only a quarter of total sales. One reason was the continuing success of Amoxil (amoxycillin), the fastest-growing major antibiotic in the U.K. The number of prescriptions written for it grew by more than 50 per cent in 1976/77. Sales of our other antibiotics were also buoyant, with Floxapen (flucloxacillin) in particular achieving an increase of nearly 50 per cent.

Outside the antibiotics field, Orovite '7', a new multi-vitamin

Statement by the Chairman continued

product, achieved good results in its first year; sales of Pollinex, a three-injection desensitising vaccine for the treatment of hay fever, grew by 20 per cent; and sales of Maxolon, for the treatment of gastro-intestinal disorders, increased by 50 per cent. Finally, Norval, an anti-depressant, was launched in the second half of the year, and the early indications suggest that its advantages are being recognised by the medical profession.

The animal health business emerged from the year in good shape, considering the manifold problems of the livestock farming industry in the countries in which we operate. In the U.K. the reluctance of the Government to allow farmers' incomes to rise imposed pressures on the economics of livestock production, bringing a decline in the market for animal protein concentrates. In France the long summer drought followed by a price freeze created special difficulties for our milk replacer business, but our total French business showed good progress.

Sales of our veterinary products prospered generally in Europe, pa[illegible]larly in the U.K. and Holland, and in its first full year of oper[illegible]ons our French veterinary business established itself firmly with vete[illegible] practitioners and research institutes.

U.S.A. Division

With an overall sales growth of 31 per cent, this division—which is responsible for our prescription medicines and animal health products business in the United States—put up a remarkable performance in 1976/77. For example, the Beecham brand of amoxycillin now holds nearly a third of the U.S. market, despite the fact that our marketing resources are comparatively small. The division's sales of amoxycillin increased by 70 per cent over the previous year.

[illegible]ceptionally good progress was also made with the other major [illegible]an pharmaceuticals which we manufacture and market in the [illegible] States, and towards the end of the year the product range was [illegible] when ticarcillin, our latest semi-synthetic penicillin, was [illegible] for marketing by the Food and Drug Administration. Though the approval came too late for the product to have a significant effect on the financial results, this compound—which is effective against life-threatening infections—is expected to make a useful contribution to the business in the current year, and to add further to Beecham's reputation in the medical and research communities.

The U.S. veterinary business maintained its steady growth, especially in the small animal field. Amoxi-tabs, a veterinary formulation of amoxycillin for dogs, was launched during the year and was very well received by the veterinary profession.

Western Hemisphere Division

This division is responsible for our human and veterinary prescription medicines business in Canada, Latin America, Australia and New Zealand.

As in other parts of the world, amoxycillin made a major contribution to the division's 1976/77 performance. It accounted for approximately a third of total sales, which increased overall by more than 30 per cent. The growth in sales was particularly impressive in Canada, Australia, New Zealand and also in Mexico, despite the precipitous fall in the value of the Mexican peso. The devaluation inevitably raised the cost of imported raw materials, as well as the level of local inflation. However, the effect of this on our manufacturing costs was partially offset by the introduction of a new and more economic production process in our Mexican antibiotics factory. The same process is being introduced in our Brazilian production unit.

BEECHAM PRODUCTS

Beecham Products is responsible for the Group's worldwide consumer products business, and is organised in five divisions.

Cosmetics Division

Our cosmetics business in Continental Europe had another extremely successful year. The Astor range maintained its leading position in decorative cosmetics in Germany and Spain, its two major markets. In Germany relaunches of Astor eye make-up and lipsticks were well-received by the consumer, and the brand continued to make progress in the skin treatment field. In Spain, Astor sales were up by 28 per cent on the previous year.

Sales of the Lancaster range, which consists primarily of treatment cosmetics, increased in every market, and especially in Germany, Austria, Italy and Holland. In Germany the brand was strengthened by the addition of new ranges of hair and bath products.

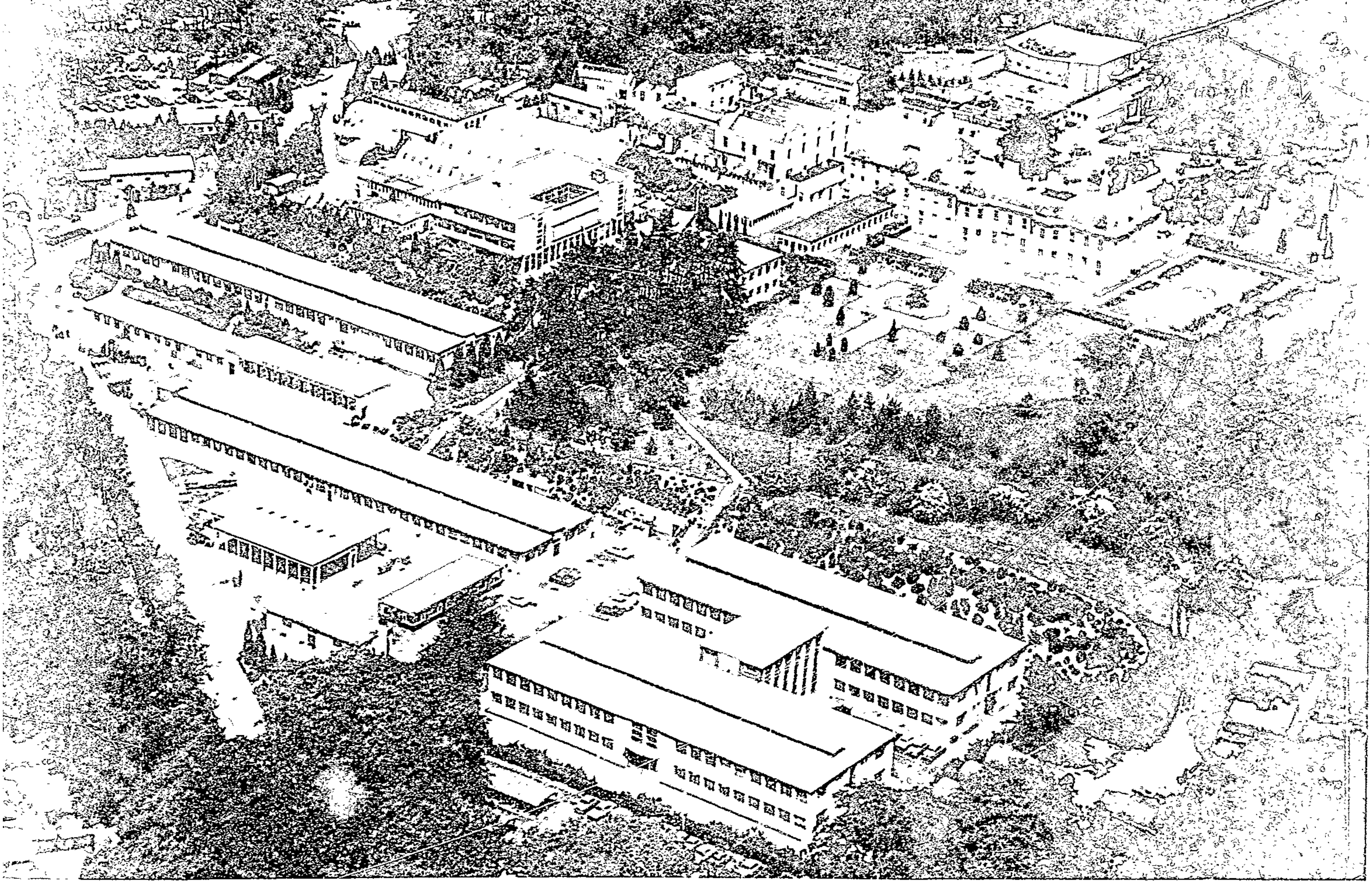
Food and Drink Division

This division is responsible for our food and drink businesses in the U.K. and, in part, Ireland.

The brilliant summer of 1976 naturally produced buoyant trading conditions for our soft drinks, which helped both Corona and our Coca-Cola subsidiary to achieve record sales for the year as a whole. Progress was not, however, confined to the most weather-sensitive products. For example, Shloer apple and grape juice drinks also achieved record sales; Quosh further increased its share of the orange squash market; and Hunts mixer drinks recorded their largest-ever share of the grocery market. Our health drinks also performed satisfactorily, with Lucozade, Ribena, Horlicks and PLJ all increasing their sales over the previous year's levels.

Despite further increases in excise duty, our wine and spirits subsidiaries—Findlater, Mackie, Todd & Co. and F. S. Matta—had a successful year. Laurent Perrier champagne and De Luze Bordeaux wines performed well, while good progress was made with Campari, Irish Velvet—a liqueur Irish coffee maker—and Henkell Trocken sparkling wines.

Though the Irish economy was very depressed and the weather was less favourable than in the U.K., Batchelors of Ireland achieved



The new Biosciences Research Centre at Great Burgh, Surrey.
The site and buildings were purchased for £2·8 million during the year.

Statement by the Chairman continued

sales increases in all their major product categories: canned drinks, and canned and frozen foods.

After a record year in 1975/76, Horlicks Farms and Dairies held its own despite very difficult conditions in the cheese market.

International Division

This division is responsible for our consumer products businesses in Africa, Australasia, the Caribbean, India, Ireland (with the exception of Batchelors products), the Middle and Far East, Japan and Scandinavia. These businesses are, in the main, run by locally established Beecham subsidiaries which manufacture for their own requirements; the remainder are supplied primarily by direct exports from the U.K.

Despite the hesitant recovery from the recession in many of the division's territories, its sales increased by 30 per cent over 1975/76. One of the year's outstanding events was the introduction of Ribena in Australia, where incidentally our total consumer products sales have virtually doubled in the last three years. Ribena was an instantaneous success there, and Australia is now a major overseas market for this product, along with Hong Kong and Malaysia. At the same time a new range of deodorants was launched successfully in both Australia and New Zealand, while Macleans toothpaste increased its share of the Australian market and attai market leadership in New Zealand.

In the Far East, better economic conditions helped us achieve record sales, with established brands continuing to grow and new products, such as Lemon Eno, proving very successful. In Ireland, although per capita consumption of Lucozade is already four times higher than in the U.K., sales continued to increase. In India, Horlicks retained its market leadership, while Aquafresh toothpaste and several other toiletries were successfully introduced in South Africa, and Macleans toothpaste, Phensic and Lucozade maintained their progress in Nigeria.

Our direct exports of consumer products from the U.K. increased by 44 per cent during the year, with Brylcreem our leading export brand and Idris soft drinks, Body Mist deodorants and Horlicks also achieving worth while growth.

Proprietaries Division

This division is responsible for our toiletries, proprietary medicines and adhesives businesses in the U.K. and most of Continental Europe. Though economic conditions were extremely difficult throughout the year in all its markets, the division increased its sales and made a satisfactory contribution to the Group's overall performance.

In the U.K., with the market both static and highly competitive, our toiletries business continued to make progress. Macleans and Aquafresh maintained their high share of the toothpaste market; Body Mist deodorants and the Silvikrin range of hair products were improved and relaunched; and our men's hairdressing range retained its leadership, with Falcon hairspray increasing its market share. The proprietary medicines business had a very good year, with Night Nurse becoming firmly established as an effective cold remedy.

In Germany, now the division's largest market, steady growth was achieved. Odol mouthwash performed particularly well; the adhesives business was extended by the introduction of a range of do-it-yourself products under the UHU name; and both Pitralon men's toiletries and Fissan baby care products were improved and relaunched.

Our growth in Italy was well ahead of expectations, thanks mainly to the successful development of UHU and Badedas products and the introduction of a second fluoride variant of Aquafresh toothpaste. Meanwhile, Aquafresh was introduced in Austria and Belgium; in Benelux as a whole, our toothpaste brands—and especially Macleans—performed strongly.

Western Hemisphere Division

This division is responsible for our consumer products businesses throughout North and South America. In the United States all our major brands had a satisfactory year. Following its endorsement by the American Dental Association, Macleans toothpaste was relaunched and sales increased. Brylcreem maintained its share of the hairdressing market, helped by the introduction of an anti-dandruff version. The Massengill feminine hygiene products retained their market leadership with higher sales. Our U.S. cosmetics business continued to expand gradually from the base that it has now established. Distribution of Lancaster cosmetics was again increased and Vitabath—the American version of Badedas—achieved further growth.

There was no improvement in Canadian economic conditions during the year, and the combination of record unemployment and high inflation helped to bring about a marginal reduction in our total sales. However, Brylcreem and Eno achieved modest growth, and continued to lead their respective markets, while Aquafresh toothpaste was launched in Ontario and was well received by the trade.

The Latin American consumer products business continued to expand vigorously, with a sales increase averaging 39 per cent. In all countries the 2nd Début cosmetics range again strengthened its leading position, and Mistral deodorants, Brylcreem, Eno and Silvikrin shampoo all maintained or improved their strong market shares. Aquafresh toothpaste was introduced in Mexico in March, 1977, and its initial reception was encouraging.

Retirements

Finally, I wish to put on record my appreciation of the services of two directors who will be retiring this year. Mr. F. S. Lomax and Mr. W. J. Sullivan have been with the Group for many years. Mr. Lomax's career has spanned both sides of the business; Mr. Sullivan has always worked in the consumer products field, but there are few things within it that he has not done in his time. Both have certainly made a major contribution to our past performance. But equally important, the Group's great potential for the future owes not a little to the efforts they have made.

G. J. WILKINS

The Calgon Acquisition

It was announced to the press on 1st March 1977 that agreement in principle had been reached between Beecham Group Limited and Merck & Co. Inc., the American pharmaceutical company, on the purchase by Beecham of the assets and product rights of Merck's Calgon consumer products business. These were formally acquired by Beecham Inc. with effect from 29th April 1977.

Calgon develops, manufactures and markets household products, toiletries, proprietary medicines and fruit preservatives. The principal brands acquired are Cling Free, an anti-static fabric softener; Calgon and Calgonite, a water softener and a dishwasher detergent, respectively; Calgon bath additives; Sucrets throat lozenges; Hold cough suppressant; and Fruit Fresh, a fruit preservative. Beecham has acquired worldwide rights to all of these trademarks, with the exception of Calgon and Calgonite, for which the rights are limited in the main to North and South America.

All of the major Calgon lines other than proprietary medicines are manufactured in its factories at Morrisville, Pennsylvania, and Rockwood, Michigan. The proprietary medicines will continue to be made by Merck under contract until Beecham Inc. has constructed suitable production facilities. Research and development is presently based at Pittsburgh, Pennsylvania, and Rahway, New Jersey.

The acquisition cost was U.S.$81m (£47m) including expenses, but this is subject to adjustment to the extent that the tangible assets at 29th April 1977 differ from those at 31st December 1976. An initial payment of U.S.$22·4m was made on 29th April 1977 from the Group's own cash resources. The balance, subject to the possible adjustment referred to above, has been deferred and will be paid in two equal annual instalments which will bear interest at 7½% per annum. These instalments are expected to be financed largely by a private placement in the U.S. financial market. The cost of the new production facilities required for the manufacture of Calgon's proprietary medicines by Beecham Inc. and of new combined research facilities is expected to amount to a further U.S.$6m.

The directors of Beecham Group Limited are of the opinion that, having regard to available bank and other facilities, the enlarged Beecham Group has sufficient working capital for its present requirements.

Calgon has been operated as a division of Merck, and the internal management accounts show that divisional income before corporate and other allocations and taxes on income amounted in 1975 to U.S.$8·9m and in 1974 to U.S.$7·2m. As a result of exceptionally heavy promotional expenditure and other costs associated with the introduction of new products, approximating to U.S.$10m, there was a pre-tax loss before corporate and other allocations of U.S. $0·4m in 1976. Sales of the Calgon business in 1976 were U.S. $100m, with the U.S. accounting for about 90 per cent. Corresponding figures for 1975 and 1974 were U.S.$88m and U.S.$69m, respectively.

The following is a statement of the consolidated tangible assets attributable to the Calgon consumer products business shown in the Merck management accounts at 31st December 1976:

	U.S.$m	U.S.$m
FIXED ASSETS		
Land and buildings, at cost	2·6	
Plant and equipment, at cost	11·5	14·1
Accumulated depreciation		(7·7)
		6·4
CURRENT ASSETS		
Stocks		14·4
Debtors and prepayments		15·0
TOTAL TANGIBLE ASSETS		35·8

No liabilities, including liabilities for taxation as at 29th April 1977, have been assumed by Beecham Inc.

Although the existing Beecham consumer products business in North America is well-established and profitable, it has lacked the size and therefore the marketing strength necessary to achieve a high rate of growth in so competitive an environment. The acquisition of Calgon, with a range of consumer products complementary to those already manufactured and marketed by Beecham in North America—mainly toothpaste, hairdressings and feminine hygiene products—will result in a total North American business of significant size in the consumer products market.

The contract for the acquisition of Calgon by Beecham Inc., together with a guarantee to Merck by Beecham Group Limited in respect of the deferred purchase price, will be on display during normal business hours at the offices of Messrs. Simmons & Simmons, 14, Dominion Street, London, E.C.2, from 14th to 27th July 1977 inclusive, together with the following other material contracts entered into by Beecham Group Limited and its subsidiaries other than in the normal course of business in 1975/76 and 1976/77:

(i) 25th September 1975 – The acquisition by Beecham Pharma G.m.b.H. for DM76m of Johann A. Wülfing K.G., a German pharmaceutical concern.

(ii) 18th September 1975 – A five year loan of up to DM100m to Beecham Pharma G.m.b.H. from a German bank bearing interest at 8¾% per annum and guaranteed by Beecham Group Limited.

(iii) 15th June 1976 – Note agreement for a private placement in the United States by Beecham Inc. for U.S.$40m of 9¾% notes repayable 1982/96 and guaranteed by Beecham Group Limited.

(iv) 19th October 1976 – A bond purchase agreement between Beecham Financiering B.V. and a number of banks in respect of a public issue of DM75m 8% bonds repayable 1983 and guaranteed by Beecham Group Limited.

Beecham Pharmaceuticals

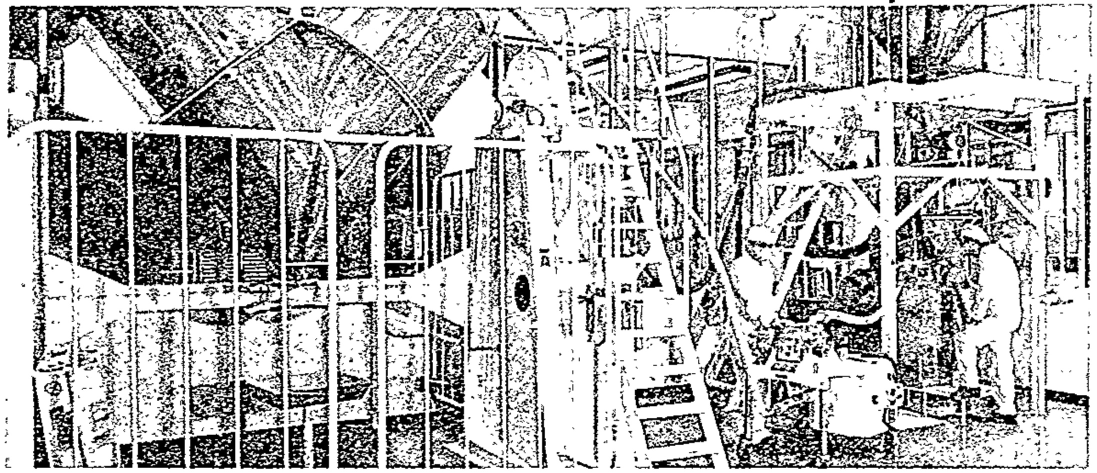
Sub-Group Management

W. G. Petley
Chairman

F. S. Lomax, A.R.I.C.
Deputy Chairman

T. H. Barnes, B.Sc.
F. R. Batchelor, M.A., Ph.D.
D. F. Bledsoe, B.S., R.Ph.
J. B. Diamond, C.Eng., F.R.I.C.
F. P. Doyle, O.B.E., M.Sc., F.R.I.C.
R. M. Gerber
C. A. Kapp, B.A.
R. A. Needs, B.Com., F.C.I.S.
J. D. Pollard, B.Sc.

European Division


Preparing the bulk ingredients for capsules and syrups at the Heppignies factory, Belgium.

Management

R. M. Gerber
Chairman

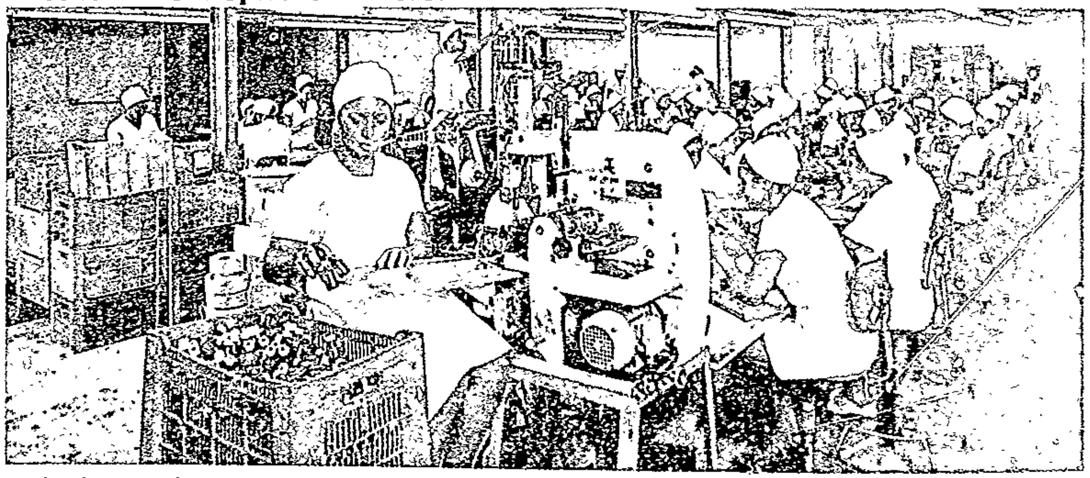
E. A. P. Croydon, M.B., B.S., M.R.C.S., L.R.C.P.
R. J. Eaglen, B.A., LL.B.
R. H[illegible]n
H. [illegible]nzen, M.A., Ph.D.
A. R. Strong
B. Verburgh
A. Wooldridge, B.Sc., A.R.I.C.

Western Hemisphere Division

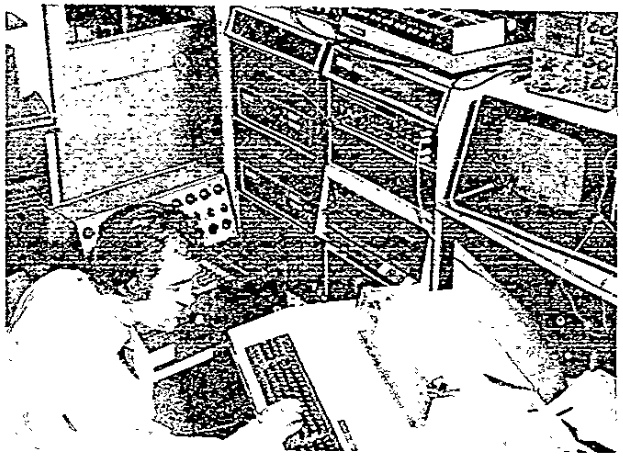
Management

C. A. Kapp, B.A.
President

A. Figari
T. W. Mischler, B.S., M.S., Ph.D.
W. O'Connor, M.B.A., C.P.A.
C. V. Rockoff, B.A.


Packaging Beecham semi-synthetic penicillins at the Rio de Janeiro factory, Br[illegible]l.

Research Division

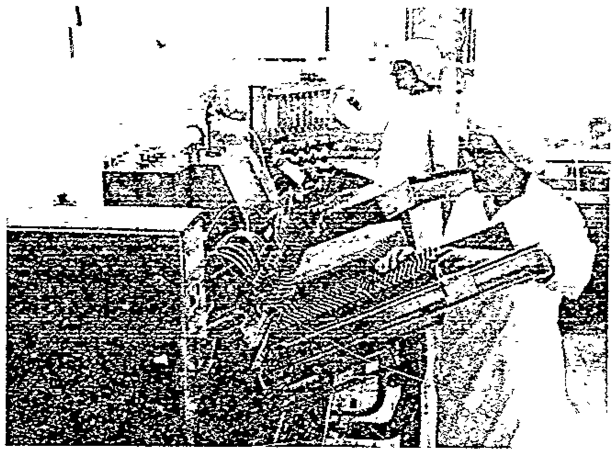


A mini-computer in use at the Harlow Medicinal Research Centre, U.K.

Management

F. P. Doyle, O.B.E., M.Sc., F.R.I.C.
Chairman
G. C. Brander, B.Sc., M.R.C.V.S.
J. M. Dewdney, Ph.D., M.R.C.V.S.
J. Green, Ph.D., D.Sc., F.R.I.C.
K. R. L. Mansford, Ph.D., F.R.I.C., F.I.Biol.
J. H. C. Nayler, Ph.D., F.R.I.C.
G. N. Rolinson, Ph.D., D.Sc.
M. J. Soulal, Ph.D., F.R.I.C.

U.K. Division



Producing ampoules of a high-potency vitamin product at the Crawley factory.

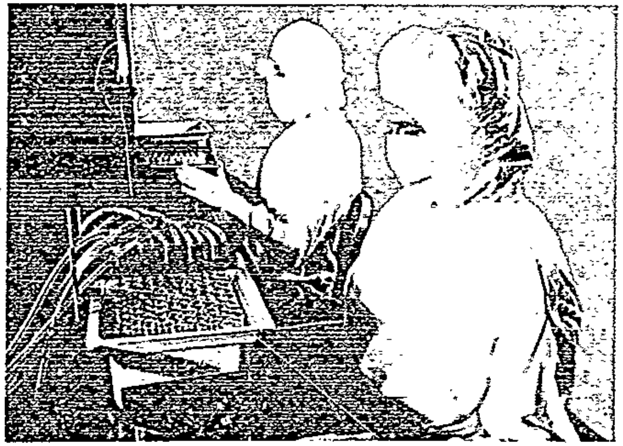
Management

J. B. Diamond, C.Eng., F.R.I.C.
Chairman
S. D. Beecroft, Barrister
J. A. Gilby, B.Sc., F.R.I.C.
E. T. Knudsen, M.B., M.R.C.P., F.R.C.Path.
A. Marson, B.A., A.C.M.A.
J. C. Monks, B.A.
E. W. Stanford, M.A.
R. P. Tatman, B.Sc.

U.S.A. Division

Management

D. F. Bledsoe, B.S., R.Ph.
President
F. M. Barnett, B.S.
R. O. Buchholtz, B.A., B.S.
W. M. Hepburn, B.S., M.S., C.P.A.
M. M. Jones
R. Schmidt, B.S.
P. A. Sells
D. R. Walters, B.S., M.S., Ph.D.

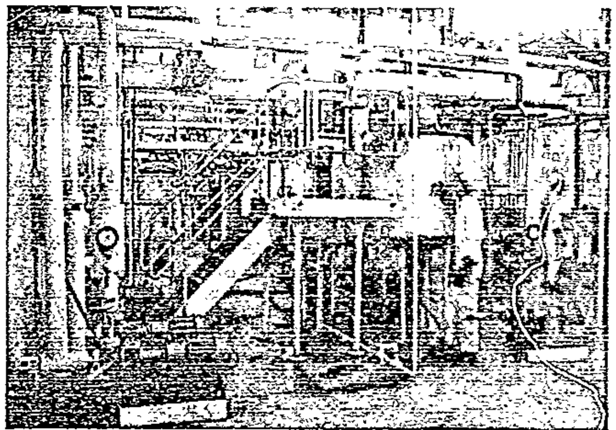


Filling disposable syringes with Tigan, an anti-nauseant, at the Bristol, Tennessee, factory.

International Division

Management

J. D. Pollard, B.Sc.
Chairman
R. H. Clark
R. Coskie, B.A., F.R.I.C., F.I.Chem.E.
H. P. G. Hinde
V. A. Kitch, B.A., A.C.M.A.
D. W. McMullan, M.P.S.
A. A. Mallett, B.Sc.
O. P. W. Robinson, M.B., B.S., D.T.M.& H.



The acylation plant in which synthetic side-chains are attached to the penicillin nucleus at the Singapore factory.

Beecham Products

Sub-Group Management

R. Halstead, C.B.E., M.A., B.Sc., F.R.I.C.
Chairman
W. J. Sullivan
Deputy Chairman
R. J. L. Allen, O.B.E., M.Sc., Ph.D.
M. E. Bale
D. F. Burditt, M.A.
R. M. Davies, F.C.A.
H. Hill, F.C.C.A., F.C.I.S., F.T.I.I.
D. N. A. McLure, M.A.
J. W. Robb

Central Services

H. A. Atkins
W. Beaumont, F.C.I.S.
D. Bloom, M.A.
M. Brook, Ph.D.
N. S. Downes, A.C.I.S.
J. Foster, M.B.E.
H. W. Gould
P. E. Jones
J. W. Sawtell, M.A., B.Sc.
R. G. Smith, B.Sc., A.R.I.C.

Western Hemisphere Division

Management

R. Halstead, C.B.E., M.A., B.Sc., F.R.I.C
Chairman
M. E. Bale
President
A. C. Cooke, B.S., C.P.A
R. A. Fallon
J. K. Morris
V. J. Steel, B.A.

Food and Drink Division

Management

W. J. Sullivan
Chairman
J. W. Robb
Managing Director
R. A. Dougal-Biggs, B.Sc.
J. L. C. Dribbell, F.C.I.S
D. J. Gwyer, F.C.C.A.
P. J. Loughrey, M.A., Ph.D.
A. McLachlan, B.Sc.
L. J. V. Warren, F.C.A.

Beecham Products

Sub-Group Management

R. Halstead, C.B.E., M.A., B.Sc., F.R.I.C.
Chairman
W. J. Sullivan
Deputy Chairman
R. J. L. Allen, O.B.E., M.Sc., Ph.D.
M. E. Bale
D. F. Burditt, M.A.
R. M. Davies, F.C.A.
H. Hill, F.C.C.A., F.C.I.S., F.T.I.I.
D. N. A. McLure, M.A.
J. W. Robb

Central Services

H. A. Atkins
W. Beaumont, F.C.I.S.
D. Bloom, M.A.
M. Brook, Ph.D.
N. S. Downes, A.C.I.S.
J. Foster, M.B.E.
H. W. Gould
P. E. Jones
J. W. Sawtell, M.A., B.Sc.
R. G. Smith, B.Sc., A.R.I.C.

Western Hemisphere Division

Management

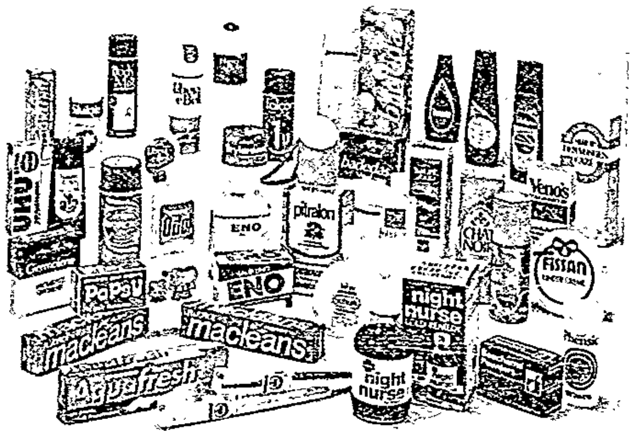
R. Halstead, C.B.E., M.A., B.Sc., F.R.I.C.
Chairman
M. E. Bale
President
A. C. Cooke, B.S., C.P.A.
R. A. Fallon
J. K. Morris
V. J. Steel, B.A.

Food and Drink Division

Management

W. J. Sullivan
Chairman
J. W. Robb
Managing Director
R. A. Dougal-Biggs, B.Sc.
J. L. C. Dribbell, F.C.I.S
D. J. Gwyer, F.C.C.A.
P. J. Loughrey, M.A., Ph.D.
A. McLachlan, B.Sc.
L. J. V. Warren, F.C.A.

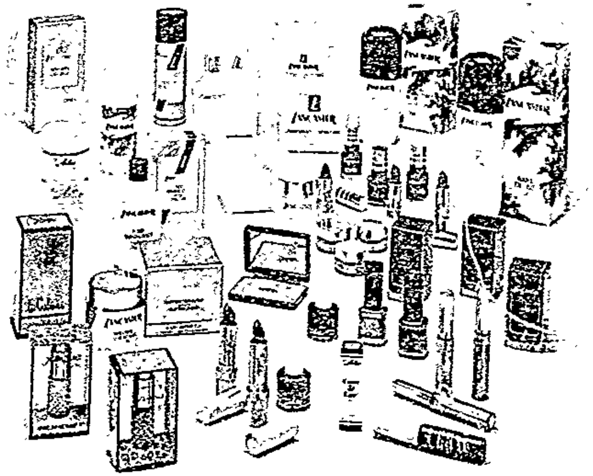
Proprietaries Division



Management

D. N. A. McLure, M.A.
Chairman
P. Gent, F.C.A.
J. F. B. Hunter
E. H. Lace, B.Com.
V. M. Shaw, M.A.
K. Wontorra, M.A.

Cosmetics Division



Management

D. N. A. McLure, M.A.
Chairman
J. H. Schröder
Managing Director
H. Frommen
A. Goma, Abogado
F. L. Sanders, F.C.A.
C. J. Walters, C.Eng., M.I.Mech.E.

International Division

Management

R. Halstead, C.B.E., M.A., B.Sc., F.R.I.C.
Chairman
W. J. Sullivan
Deputy Chairman
D. F. Burditt, M.A.
Managing Director
D. S. Boyle, B.A.
D. F. Corbett
J. D. S. Davies, A.C.M.A., A.C.I.S.
P. H. van Eeden
R. M. James, F.C.A.
J. R. Pountney
M. J. Tavender, M.A.

Directors' Report for the year ended 31st March 1977

The directors of Beecham Group Limited have pleasure in submitting their report and the accounts for the year ended 31st March 1977.

Trading results

The tables below analyse the Group's worldwide sales and trading profit both by product group and by geographical area. This year, for the first time, trading profit is stated before all interest payable and receivable; the comparative figures for the previous year have been adjusted on to the same basis.

	Sales		Trading profit	
	1976/77 £m	1975/76 £m	**1976/77 £m**	1975/76 £m
Pharmaceuticals and animal nutritional products	**279·5**	213·2	**78·2**	54·6
Consumer products	**441·3**	353·4	**44·5**	35·0
	720·8	566·6	**122·7**	89·6
Royalty income	—	—	**9·9**	8·4
	720·8	566·6	**132·6**	98·0
United Kingdom	**232·7**	199·4	**23·1**	19·4
Western Europe	**225·1**	171·6	**41·9**	30·2
North and South America	**117·6**	90·0	**19·8**	12·6
Other Areas	**145·4**	105·6	**37·9**	27·4
	720·8	566·6	**122·7**	89·6
Royalty income	—	—	**9·9**	8·4
	720·8	566 6	**132·6**	98·0

(i) Group policy is that sales between Group companies are made at prices which ensure a fair profit to each company involved. These sales are excluded from the above analysis.

(ii) U.K. exports are classified as overseas sales in the above analysis and, including exports to overseas subsidiaries, amounted to £66·2m (1975/76 £48·0m).

(iii) Royalty income arising overseas amounted to £9·8m (1975/76 £8·4m).

Dividends and retentions

The amount available for dividends on the ordinary shares and retentions is £68·9m.

In order to ensure that shareholders receive the maximum practicable benefit from any change in the rate of advance corporation tax occurring up to and including 6th August 1977 (by which date it is anticipated that the Finance Bill 1977 will have received the Royal Assent) the directors recommend:

(i) a final dividend which, with the related tax credit, is the gross equivalent of 4·96p per share. This, together with the interim dividend, is the maximum permitted under current U.K. legislation.

(ii) that payment of the final dividend be deferred until 19th August 1977 and the cash amount actually payable to shareholders on that date be calculated by reference to the rate of advance corporation tax in force on 6th August 1977.

The present rate of advance corporation tax is 35/65ths and would result in a final dividend of 3·22p per share, exclusive of the related tax credit. On this basis the recommended final dividend together with the interim dividend of 2·87p per share paid on 1st February 1977 makes a total for the year of 6·09p per share. These dividends for 1976/77 amount to £8·8m and leave a balance of £60·1m to be retained in the Group at 31st March 1977.

Principal activities

The Group's worldwide trading is conducted through Beecham Pharmaceuticals and Beecham Products. The principal activities of the former are research and development, manufacture and sale of human and veterinary pharmaceuticals, which are those normally prescribed by medical and veterinary practitioners, animal health products and animal feedstuff concentrates. Beecham Products' principal activities are research and development, manufacture and sale of consumer products which include toiletries, cosmetics, proprietary medicines, food and drink products and domestic adhesives.

Capital expenditure

Capital expenditure incurred during the year, after deducting sales and excluding acquisitions, amounted to £29·0m of which £15·2m related to pharmaceuticals and animal nutritional products and £13·8m to consumer products. This level of expenditure exceeded the amount required to maintain the real value of the Group's existing fixed assets and was spent in the following areas:

	1976/77	1975/76
	£m	£m
United Kingdom	17·6	15·0
Western Europe	5·2	3·3
North and South America	2·9	2·7
Other Areas	3·3	4·5
	29·0	25·5

Capital expenditure commitments and authorisations at the year-end amounted to £52·1m, compared with the amount of £17·8m committed and authorised at the beginning of the year. This increased capital expenditure programme includes a major expansion of the Group's pharmaceutical research facilities in the U.K. at a cost of more than £10m over the next three years, additional investment in U.K. pharmaceutical manufacturing facilities, and the building of a new pharmaceutical factory at a cost of £18m. It also includes the first stage of a plan to spend £35m in the U.K. on modernising and raising the capacity of the Group's food and drink production and distribution facilities.

Finance

Beecham Group Limited issued [illegible]997 ordinary shares of 25p each, fully paid, for a consider[illegible] of £57,891 in respect of the conversion of part of the company[illegible]% convertible unsecured loan stock 1984/94 and of a subsidiary's 5½% convertible debentures 1981.

Beecham Inc. raised U.S.$40m in the United States by a private note placement guaranteed by Beecham Group Limited. The proceeds from this placement were used to repay the Sw.Fr.100m of 7¼% notes issued in 1971 in connection with the acquisition of The S.E. Massengill Company.

The Group also took advantage of an improvement in international capital markets to issue DM 75m of 8% bearer bonds repayable in 1983 and guaranteed by Beecham Group Limited. Part of the proceeds of this issue was used to repay bridging bank loans of DM 62m which were arranged in connection with the acquisition in 1974 of the Lingner group of companies; the balance of the proceeds will be used for general financing purposes. The DM bonds have been listed on the Frankfurt Stock Exchange.

Loans increased by a net amount of £26·2m to £131·0m, while net liquid funds increased by £51·4m to £86·5m at the end of the year.

Acquisition

Since the end of the year, Beecham Inc. has acquired the Calgon consumer products business of Merck & Co. Inc. Details of the acquisition, which was effective from 29th April 1977, are set out in the statement on page 9.

Interests in land

The directors are of the opinion that the aggregate market value of the Group's worldwide interests in land and buildings, which are all employed in the business, is substantially in excess of the net book amount at which they are shown in the Group's consolidated balance sheet.

Charitable and political contributions

The following contributions were made in the U.K.:

Charitable organisations	£76,000
Conservative Party	£20,000
Centre for Policy Studies Ltd.	£1,000

Directors

The directors of the company at the date of this report are shown on page 2. J. D. Smartt retired from the board on 28th July 1976.

The directors retiring by rotation this year and offering themselves for re-election are Sir Frank McFadzean and W. G. Potley. F. S. Lomax and W. J. Sullivan also retire by rotation but, having informed the directors of their intention to retire from the board at the annual general meeting, do not offer themselves for re-election.

Directors' interests

The following interests of directors in the company have been notified in accordance with the Companies Act 1967:

	Beecham Group Limited ordinary shares 31.3.77	1.4.76
Beneficial interests:		
G. J. Wilkins	37,096	42,160
*Sir Kenneth Keith	12,750	12,750
R. Halstead	45,348	63,210
W. G. Petley	5,180	21,350
R. J. L. Allen	14,316	20,610
E. H. Bond	8,206	11,880
F. P. Doyle	10,015	20,000
F. S. Lomax	5,224	11,410
*Sir Frank McFadzean	500	500
D. N. A. McLure	13,000	15,310
R. E. Newman	4,010	13,914
J. D. Pollard	9,519	13,650
W. J. Sullivan	11,955	16,955
*D. E. Webb	22,300	22,300
Trustee interests (non-beneficial):		
Sir Kenneth Keith } jointly D. E. Webb }	147,330	573,850

(i) The joint trustee interest shown above relates to the company's share incentive scheme which was introduced in 1969/70. The effect of the scheme was to enable senior executives, including executive directors, to acquire ordinary shares in the company and to pay for these shares at the end of a period of seven years, during which period the shares remain held by the trustees as security and do not rank for dividend. No shares have been issued under the scheme since 1970/71.
All directors other than those marked * above are participants in the scheme and the ordinary shares acquired by them and held under the scheme are included in the numbers of shares notified.
During the financial year under review, the scheme matured in respect of 399,800 ordinary shares of which 140,080 related to executive directors. Under the terms of the scheme the trustees sold 105,419 shares, of which 40,626 related to executive directors, in order to repay loans outstanding under the scheme.

(ii) During the period from the end of the financial year to 4th June 1977 F. P. Doyle sold 500 ordinary shares in the company.

(iii) During or at the end of the financial year no director had any material interest in any contract, significant in relation to the Group's business, with a Group company.

Employees

The number of people employed worldwide by the Group at the end of the year was as follows:

	1977	1976
United Kingdom	**15,900**	16,000
Western Europe	**7,000**	6,900
North and South America	**3,900**	3,600
Other Areas	**4,900**	4,600
	31,700	31,100

The average number of people employed by the Group in the U.K. in each week was 16,300 and their aggregate gross remuneration for the year was £54·2m.

Shareholders

At 31st March 1977 there were 74,639 shareholdings in the company, the average holding being 1,933 shares. An analysis of shareholders is provided on page 32.

The company is not aware of any person holding 5% or more of its share capital.

The close company provisions of the Income and Corporation Taxes Act 1970 did not apply to the company during the year ended 31st March 1977. No change has occurred since that date.

Auditors

Price Waterhouse & Co. have intimated their willingness to continue in office as auditors and in accordance with the provisions of the Companies Act 1976 a resolution dealing with their re-appointment, together with a resolution authorising the directors to fix their remuneration, will be submitted to the annual general meeting.

By Order of the Board

I. M. F. BALFOUR

Secretary

9th June 1977

Consolidated Profit and Loss Account year ended 31st March 1977

	Notes	1976/77	1975/76
		£m	£m
Group sales		**720·8**	566·6
Group trading profit	1	**132·6**	98·0
Interest	3	**5·8**	6·8
Group profit before taxation		**126·8**	91·2
Taxation	4	**56·6**	40·2
Group profit after taxation		**70·2**	51·0
Minority interests		**1·3**	0·9
Group profit available for dividends and retentions		**68·9**	50·1
Dividends	5	**8·8**	8·0
Group profit retained for the year	8	**60·1**	42·1
Earnings per ordinary share	6	**47·80p**	34·88p

Movements in Reserves

	Notes	1976/77	1975/76
		£m	£m
At beginning of year		**178·4**	136·7
Group profit retained for the year		**60·1**	42·1
Exchange adjustment		**0·6**	(0·4)
At end of year	8	**239·1**	178·4

Consolidated Balance Sheet 31st March 1977

	Notes	1977	1976
		£m	£m
Group capital employed			
Ordinary share capital	7	36·1	36·1
Reserves	8	239·1	178·4
		275·2	214·5
Minority interests		3·9	3·0
Loans	9	131·0	104·8
Deferred liabilities	10	6·2	3·9
Deferred taxation	11	21·1	10·6
Capital grants		4·6	4·7
		442·0	341·5
Employment of Group capital			
Current assets			
Stocks	12	132·0	99·9
Debtors and prepayments		133·9	109·0
Liquid resources	13	98·3	54·0
		364·2	262·9
Current liabilities			
Short-term borrowings	14	11·8	18·9
Creditors and accruals		112·2	87·4
Taxation	15	35·3	29·6
Dividends	5	4·6	4·2
		163·9	140·1
Net current assets		200·3	122·8
Fixed assets	16	147·5	125·3
Goodwill		94·2	93·4
		442·0	341·5

G. J. WILKINS
KENNETH KEITH } Directors

Balance Sheet of Beecham Group Limited 31st March 1977

	Notes	1977	1976
		£m	£m
Capital employed			
Ordinary share capital	7	36·1	36·1
Reserves	8	126·3	100·0
		162·4	136·1
Loans	9	39·3	57·4
Deferred taxation	11	30·1	21·7
Capital grants		4·1	4·2
		235·9	219·4
Employment of capital			
Current assets			
Stocks	12	47·1	37·2
Debtors and prepayments		48·3	40·5
Liquid resources	13	30·7	8·7
		126·1	86·4
Current liabilities			
Short-term borrowings	14	0·4	12·7
Creditors and accruals		40·5	35·0
Taxation	15	17·1	15·9
Dividends	5	4·6	4·2
		62·6	67·8
Net current assets		63·5	18·6
Fixed assets	16	62·4	54·5
Subsidiaries	17	92·7	129·6
Goodwill		17·3	16·7
		235·9	219·4

G. J. WILKINS
KENNETH KEITH } Directors

Statement of Accounting Policies

The main accounting policies of Beecham Group Limited are set out below. Legislation or local usage precludes some overseas subsidiaries from conforming with certain of these policies and, where appropriate, adjustments are made on consolidation in order that the Group accounts are presented on a consistent basis, conforming to accounting principles generally accepted in the United Kingdom.

The Group accounts are prepared under the historical cost convention.

Consolidation
The Group accounts include the accounts of the parent company and of all its subsidiaries for the year ended 31st March 1977, except that the accounts of companies acquired during the year are included from the date of their acquisition.

Group sales
These are amounts receivable by Group companies for the sale of their products to third parties after deducting trade discounts and allowances.

Depreciation
The cost to the Group of each fixed asset is written off evenly over its estimated useful life, except that the cost of freehold buildings and long leaseholds is normally written off over 50 years and no depreciation is provided on freehold land.

Research and development expenditure
Expenditure on laboratory buildings and equipment is capitalised and written off in accordance with the Group's depreciation policy. Other research and development expenditure is written off in the year in which it is incurred.

Advertising and marketing expenditure
Advertising and marketing expenditure is written off as incurred.

Retirement benefits
The Group makes contributions to various retirement plans which cover the majority of employees. The plans are devised in accordance with the local conditions and practices in the country concerned. The contributions are based on periodic actuarial calculations and are charged against profits as incurred. The plans are generally funded by payments to insurance companies or trusts whose assets are separately administered from those of the Group; where due to local conditions certain plans are not funded, appropriate provisions are made.

Deferred taxation
Fixed assets are, in many cases, written off for tax purposes more rapidly than for accounting purposes. There are also certain items of revenue, and of expense, which are not subject to tax or deductible for tax purposes in the year in which they are dealt with in the accounts. In addition there is tax relief for the appreciation in value of stocks held by United Kingdom companies. In order to avoid undue distortion, from one year to another, in the taxation charged against profits, the estimated taxation attributable to the net amount of these differences arising in each year, calculated at the rates of tax ruling for that year, is dealt with as deferred taxation.

Capital grants
Investment and regional development grants in respect of capital expenditure are credited to profit and loss account over the estimated average life of the relevant fixed assets. The capital grants shown in the balance sheets represent the total grants receivable to date, less the amounts so far credited to the profit and loss account.

Stocks
Stocks are stated at the lower of cost and net realisable value generally using the first in, first out method of valuation. The cost of finished and partly processed goods comprises raw materials, direct labour and expenses, and related production overheads.

Fixed assets
Fixed assets are stated at cost to the Group less depreciation but before deducting capital grants which are shown separately.

Goodwill
Goodwill is stated at cost having arisen mainly from the excess of the cost of shares in subsidiaries over the value attributed to their net tangible assets at the dates on which the subsidiaries were acquired.

Foreign currencies
Profit and loss account items and assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the balance sheet dates. Differences arising from changes in exchange rates during the year, in so far as they relate to the net tangible assets of overseas subsidiaries and to non-sterling long term liabilities and bridging loans, are taken direct to reserves.

Pro
Bal

Notes to Profit and Loss Account and Balance Sheets

1 Group trading profit

	1976/77 £m	1975/76 £m
Group trading profit is stated after:		
Royalty income	9·9	8·4
Capital grants	1·1	0·9
Employee costs:	154·6	121·9
Salaries and wages	131·0	104·5
Social security contributions	15·0	11·0
Retirement benefits	8·6	6·4
Research and development expenditure	19·4	15·3
†Depreciation	16·4	13·1
Hire of plant and equipment	3·9	3·1
Remuneration of auditors	0·7	0·6

†Including £1·2m (1975/76 £1·0m) charged as research and development expenditure.

2 Emoluments of directors and senior employees

Total emoluments of the directors of Beecham Group Limited, including pension contributions, amounted to £536,000 (1975/76 £475,000), of which £32,000 (1975/76 £34,000) related to advisory directors. One director waived emoluments of £2,625 during the year.

A retirement benefit of £14,600 was paid to a former director.

Emoluments of the chairman were £68,943. In 1975/76 the emoluments of the chairman and his predecessor totalled £62,103 and the annual emoluments of the present chairman were £62,744.

Emoluments of other directors and senior employees of Beecham Group Limited whose duties were wholly or mainly discharged in the United Kingdom were within the following scales:

Emoluments £	Directors 1976/77	Directors 1975/76	Employees 1976/77	Employees 1975/76
Up to 2,500	1	1		
2,501 – 5,000	1	2		
7,501 – 10,000	1	–		
10,001 – 12,500	–	–	55	45
12,501 – 15,000	1	3	18	20
15,001 – 17,500	–	–	16	15
17,501 – 20,000	–	–	3	1
20,001 – 22,500	1	2	1	1
22,501 – 25,000	1	1		
25,001 – 27,500	3	–		
27,501 – 30,000	–	3		
30,001 – 32,500	3	–		
50,001 – 52,500	–	1		
55,001 – 57,500	1	–		

One of the directors whose emoluments are shown above was a director for part of the year only (three in 1975/76).

3 Interest

	1976/77 £m	1975/76 £m
Interest payable:		
Loans – wholly repayable within 5 years	1·1	1·6
– not wholly repayable within 5 years	6·4	4·2
Bank loans and short-term borrowings	4·1	3·1
	11·6	8·9
Interest receivable	(5·8)	(2·1)
	5·8	6·8

4 Taxation

	1976/77 £m	1975/76 £m
United Kingdom taxation based on profit of the year:		
Corporation tax	38·6	31·2
Double tax relief	(16·3)	(12·7)
	22·3	18·5
Overseas taxation based on profit of the year	34·3	21·7
	56·6	40·2
Comprising:		
Current tax	43·2	34·4
Deferred tax	13·4	5·8
	56·6	40·2

U.K. corporation tax has been provided at the rate of 52% (1975/76—52%).
Overseas taxation is stated after allowing for tax relief amounting to £6·0m (1975/76 £5·2m) in respect of income from overseas development projects.

5 Dividends

	1976/77 Pence per share	1976/77 £m	1975/76 Pence per share	1975/76 £m
Payable to the ordinary shareholders of Beecham Group Limited:				
Interim dividend—paid	2·87p	4·2	2·61p	3·8
Final dividend—recommended payable	3·22p	4·6	2·93p	4·2
	6·09p	8·8	5·54p	8·0

The recommended final dividend which will be payable on 19th August 1977 has been calculated on the basis of the present rate of advance corporation tax, although the actual payment will be calculated by reference to the rate of tax which will be in force on 6th August 1977.

6 Earnings per ordinary share

This is calculated by dividing Group profit available for dividends and retentions—£68·9m (1975/76 £50·1m)—by the weighted average number of ordinary shares in issue during the year and ranking for dividend — 144,135,904 (1975/76—143,648,933).

7 Ordinary share capital

	Number of shares of 25p each	£m
Authorised	216,000,000	54·0
Issued and fully paid		
At beginning of year	144,268,311	
Issued during year in respect of conversion of loans	32,997	
At end of year	144,301,308	36·1

Conversion options

The unissued ordinary shares were subject to conversion options at the year end in respect of:

	Number of shares
(i) the parent company's 5% convertible unsecured loan stock 1984/94. Each £2·50 nominal stock is convertible into one ordinary share of 25p in any year up to 1981.	2,429,419
(ii) a subsidiary's 5½% U.S. dollar convertible debentures which are convertible in any year up to 1981.	87,316
	2,516,735

8 Reserves

	1976/77 Group £m	1976/77 Parent £m	1975/76 Group £m	1975/76 Parent £m
At beginning of year	178·4	100·0	136·7	83·5
Profit retained for the year	60·1	32·0	42·1	22·8
Exchange adjustment, after tax relief of £0·3m (1975/76 £0·3m)	0·6	(5·7)	(0·4)	(6·3)
At end of year	239·1	126·3	178·4	100·0

The Group and parent company reserves at the year end include £16·5m (1976 £16·5m) in respect of share premiums and £0·2m (1976 £0·2m) in respect of capital redemption reserve funds.

9 Loans

	Repayment dates	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Secured loans					
United Kingdom					
4½% first mortgage debenture stock		—	—	0·7	—
Overseas					
Various		0·9	—	0·7	—
Total secured loans		0·9	—	1·4	—
Unsecured loans					
United Kingdom					
6% loan stock 1978/83	1983	5·7	5·7	5·7	5·7
6¼% loan stock 1978/83	1983	3·4	3·4	3·4	3·4
5% convertible loan stock 1984/94 (see note 7)	1994	6·1	6·1	6·1	6·1
8½% loan stock 1984/94	1994	2·3	2·3	2·3	2·3
		17·5	17·5	17·5	17·5
Overseas					
7¼% Swiss Franc notes	1980	—	—	20·5	20·5
8¾% Deutsche Mark bank loan	1981	19·9	—	16·7	—
5½% U.S. Dollar convertible debentures (see note 7)	1981	0·2	—	0·2	—
6¼% U.S. Dollar non-convertible debentures	1983	1·1	—	1·0	—
8% Deutsche Mark bonds	1978/86	18·2	—	—	—
8½% U.S. Dollar bonds	1987	20·9	—	20·1	—
5½% Swiss Franc bonds	1977/91	18·3	18·3	16·4	16·4
8½% U.S. Dollar notes	1982/96	5·8	—	5·2	—
9¾% U.S. Dollar notes		23·3	—	—	—
Other loans		1·8	—	1·6	—
Other bank loans		7·5	3·5	6·9	3·0
Total unsecured loans		117·0	21·8	88·6	39·9
Total secured and unsecured loans		134·5	39·3	106·1	57·4
Amounts repayable within one year included in short-term borrowings (see note 14)		135·4	39·3	107·5	57·4
		(4·4)	—	(2·7)	—
Total loans		131·0	39·3	104·8	57·4
Comprising: Bank loans		26·7	3·5	23·1	3·0
Other loans—wholly repayable within 5 years		1·3	—	22·2	20·5
—not wholly repayable within 5 years		103·0	35·8	59·5	33·9

10 Deferred Liabilities

	1977 £m	1976 £m
Provisions made by overseas subsidiaries for unfunded retirement benefits	6·2	3·9

11 Deferred taxation

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Amount deferred at beginning of year	10·6	21·7	10·9	15·5
Movement in the year:				
Transfer from profit and loss account	13·4	9·4	5·8	6·4
Other movements	(2·9)	(1·0)	(6·1)	(0·2)
Amount deferred at end of year	21·1	30·1	10·6	21·7
Comprising:				
Accelerated capital allowances	25·7	21·1	20·3	16·7
U.K. stock relief	12·7	11·9	8·7	8·0
Relief on unrealised exchange losses	(2·9)	—	(6·2)	—
Advance corporation tax (see note 15)	(2·5)	(2·5)	(2·3)	(2·3)
Other timing differences	(11·9)	(0·4)	(9·9)	(0·7)
	21·1	30·1	10·6	21·7

12 Stocks

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Finished and partly processed goods	88·2	34·1	66 9	25·8
Raw materials	43·8	13·0	33·0	11·4
	132·0	47·1	99·9	37·2

13 Liquid resources

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
U.K. Government securities—at market value	5·6	5·2	—	—
Short-term deposits	78·2	24·2	39·1	5·0
Bank balances and cash	14·5	1·3	14·9	3·7
	98·3	30·7	54·0	8·7

14 Short-term borrowings

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Bank loans and overdrafts:				
Secured	0·7	—	0·8	—
Unsecured (1976 including bridging loans £12·7m)	6·7	0·4	15·4	12·7
	7·4	0·4	16·2	12·7
Loans or instalments thereof repayable within one year (see note 9)	4·4	—	2·7	—
	11·8	0·4	18·9	12·7

Notes continued

15 Current taxation

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
United Kingdom corporation tax:				
Current year	12·7	11·2	11·9	10·6
Prior years	5·1	4·6	4·8	4·2
Overseas taxation	17·5	1·3	12·9	1·1
	35·3	17·1	29·0	15·9

The amount of the United Kingdom corporation tax liability for the current year includes advance corporation tax amounting to £2·5m (1976 £2·3m) which will be payable in respect of the recommended final dividend for 1976/77 based on an ACT rate of 35/65ths. The whole of this amount is expected to be set off against future corporation tax liabilities and has been carried forward as a debtor under deferred taxation (see note 11).

16 Fixed assets

	Total net book amount £m	Land and buildings Cost £m	Land and buildings Depreciation £m	Land and buildings Net book amount £m	Plant, equipment and vehicles Cost £m	Plant, equipment and vehicles Depreciation £m	Plant, equipment and vehicles Net book amount £m
Group							
At beginning of year	125·3	76·9	15·2	61·7	120·6	57·0	63·6
Exchange adjustment (assets of overseas subsidiaries)	7·7	5·3	0·7	4·6	6·0	2·9	3·1
Assets of new subsidiaries and businesses	1·9	1·3	—	1·3	0·6	—	0·6
Additions	30·1	9·5	—	9·5	20·6	—	20·6
Disposals	(1·1)	(0·4)	(0·1)	(0·3)	(5·2)	(4·4)	(0·8)
Depreciation for year	(16·4)	—	2·4	(2·4)	—	14·0	(14·0)
At end of year	147·5	92·6	18·2	74·4	142·6	69·5	73·1
Parent							
At beginning of year	54·5	31·7	7·8	23·9	58·4	27·8	30·6
Additions	15·9	5·7	—	5·7	10·2	—	10·2
Disposals	(0·8)	(0·2)	—	(0·2)	(2·6)	(2·0)	(0·6)
Depreciation for year	(7·2)	—	0·9	(0·9)	—	6·3	(6·3)
At end of year	62·4	37·2	8·7	28·5	66·0	32·1	33·9

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Land and buildings comprise:				
Freeholds	80·9	33·0	67·3	28·0
Long leases (over 50 years unexpired)	7·5	4·0	6·7	3·5
Short leases	4·2	0·2	2·9	0·2
	92·6	37·2	76·9	31·7

17 Subsidiaries

	1977 £m	1976 £m
Shares at cost, less amount written off	102·5	99·9
Amount owed by subsidiaries	67·3	82·5
Amount owed to subsidiaries	(77·1)	(52·8)
	92·7	129·6

The principal subsidiaries and operating units of the parent company are shown on page 29.

18 Capital expenditure

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
Capital expenditure commitments	12·3	7·8	7·6	4·2
Capital expenditure authorised by the directors but not committed	3[illegible]·8	15·8	10·2	7·6

19 Contingent liabilities

(i) On 19th March 1970 the United States Department of Justice filed a civil complaint (in the U.S. District Court of Washington, D.C.) against Beecham Group Limited, Beecham Inc., and Bristol-Myers Company alleging a violation of American anti-trust laws in connection with the Group's semi-synthetic penicillin business in the United States. Following in the wake of that suit a number of civil suits by private parties, including public and private institutions, have been commenced containing substantially similar allegations and seeking injunctive relief and unspecified amounts of damages.

Assuming that the Court gives what the company, after consulting with its American legal advisers, believes to be appropriate credence to the information already submitted and to the facts as known, the company remains confident that the suits can be successfully defended.

(ii) In the opinion of the directors adequate provisions have been made against possible liabilities arising from all litigation or threatened litigation involving the parent company and its subsidiaries.

	1977 £m	1976 £m
(iii) Amount outstanding against guarantees given by the parent company on behalf of its subsidiaries in respect of their loans and short-term borrowings	9[illegible]·3	48·0

	1977 Group £m	1977 Parent £m	1976 Group £m	1976 Parent £m
(iv) Other contingent liabilities mainly in respect of bills discounted, for which no provision is considered necessary	5·6	0·7	3·7	0·3

20 Subsequent events

On 29th April 1977 Beecham Inc., a wholly-owned U.S. subsidiary of Beecham Group Limited, acquired the Calgon consumer products business of Merck & Co. Inc. The cost of the acquisition was U.S.$81m (£47m), subject to possible adjustment depending on the amount of tangible assets acquired. An initial payment of U.S.$22·4m (£13m) has been made from the Group's own cash resources; the balance has been deferred and will be paid in two equal annual instalments.

Details of the acquisition are set out in the statement on page 9.

Source and Application of Group Funds

Years ended 31st March	1977	1976	1975	1974	1973
	£m	£m	£m	£m	£m
Source					
Group profit before taxation	126·8	91·2	61·9	55·0	43·8
Exchange adjustment before taxation, taken to reserves	0·3	(0·7)	(3·0)	—	(1·7)
	127·1	90·5	58·9	55·0	42·1
Adjustments for items not involving the use of funds:					
Depreciation	16·4	13·1	10·8	8·6	6·5
Deferred liabilities	2·3	1·1	—	—	—
Capital grants release	(1·1)	(0·9)	(0·8)	(0·7)	(0·5)
Total generated from operations	144·7	103·8	68·9	62·9	48·1
Funds from other sources:					
Sale of fixed assets and investments	1·1	1·3	1·0	0·8	0·9
Capital grants received	1·0	1·0	1·1	3·2	0·1
Share capital including premiums	—	0·1	0·1	6·9	0·5
Minority interests	0·1	0·6	—	0·3	0·2
Loans	53·8	32·9	5·6	4·3	20·1
	200·7	139·7	76·7	78·4	70·0
Application					
Fixed assets	39·7	39·8	24·4	21·4	20·1
Goodwill	0·8	10·1	0·7	19·0	2·5
Purchase of shares held by minorities	—	—	—	—	0·9
Taxation	40·1	28·9	20·6	22·1	14·8
Dividends paid—Beecham Group Limited	8·4	7·6	7·0	10·9	4·6
—minority shareholders in subsidiaries	0·5	0·5	0·1	0·2	0·2
Repayment of loans	27·6	4·5	1·4	2·4	1·1
Increase/decrease in working capital	83·6	48·3	22·5	2·4	25·3
Stocks	32·1	14·4	21·0	24·0	7·9
Debtors (excluding capital grants)	24·9	18·0	15·7	12·0	10·7
Creditors (excluding taxation and dividends)	(24·8)	(21·0)	(8·5)	(18·1)	(6·9)
Net liquid funds	51·4	36·9	(5·7)	(15·5)	14·1
	200·7	139·7	76·7	78·4	70·0
Movements shown against individual headings include differences arising from changes in exchange rates between balance sheet dates.					

Auditors' Report to the members of Beecham Group Limited

In our opinion the accounts on pages 17 to 27 which have been prepared under the historical cost convention give, under that convention, a true and fair view of the state of affairs of the company and the Group at 31st March 1977 and of the profit and the source and application of funds of the Group for the year then ended and comply with the Companies Acts 1948 and 1967.

Southwark Towers
32 London Bridge Street
London SE1 9SY

9th June 1977

PRICE WATERHOUSE & CO.
Chartered Accountants

Ten Year Summary 1968-77

Years ended 31st March		1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Group sales											
United Kingdom		232·7	199·4	160·0	137·7	109·0	93·4	83·0	78·8	68·7	63·7
Overseas, including U.K. exports		488·1	367·2	276·4	200·7	150·8	125·7	98·8	82·3	65·2	51·8
		720·8	566·6	436·4	338·4	259·8	219·1	181·8	161·1	133·9	115·5
Group trading profit											
United Kingdom		23·1	19·4	13·7	16·1	14·8	11·3	9·7	8·2	7·9	9·0
Overseas, including U.K. exports		109·5	78·6	54·8	42·6	32·9	29·1	23·9	20·8	16·7	11·4
		132·6	98·0	63·5	58·7	47·7	40·4	33·6	29·0	24·6	20·4
Interest		5·8	6·8	6·6	3·7	3·9	3·3	0·7	0·4	(0·1)	0·4
Taxation	(i)	56·6	40·2	28·7	25·5	17·4	16·1	14·3	12·8	11·4	9·0
Minority interests and preference dividends		1·3	0·9	0·4	0·4	0·3	0·2	0·5	0·6	0·8	0·2
Dividends	(ii)	8·8	8·0	7·3	6·7	7·7	8·7	7·9	7·0	6·1	5·8
Group profit retained		60·1	42·1	25·5	22·4	18·4	12·1	10·2	8·2	6·4	5·0
		132·6	98·0	68·5	58·7	47·7	40·4	33·6	29·0	24·6	20·4
Group capital employed											
Ordinary shareholders' funds		275·2	214·5	[illegible]	147·8	117·7	98·7	87·5	77·6	68·1	49·8
Minority interests		[illegible]	3·0	2·0	1·6	1·1	1·7	2·4	2·1	2·2	0·1
Loans and redeemable preference share capital		131·0	104·8	[illegible]	72·2	70·3	51·3	40·0	21·8	23·2	15·5
Deferred liabilities, deferred taxation and capital grants		31·9	19·2	[illegible]	9·3	7·7	6·7	3·8	2·8	2·0	1·6
		442·0	341·5	266·0	230·9	196·8	158·4	133·7	104·3	95·5	67·0
Employment of Group capital											
Current assets		304·2	262·9	198·4	160·2	129·0	105·4	97·6	70·9	61·3	50·8
Current liabilities		[illegible]	[illegible]	115·6	99·3	71·1	70·8	55·8	41·9	38·0	35·1
Net current assets		200·3	122·8	82·8	60·9	57·9	34·6	41·8	29·0	23·3	15·7
Fixed assets and investments		147·5	125·3	99·9	87·4	75·3	62·7	47·9	39·4	36·8	28·9
Goodwill		94·2	93·4	83·3	82·6	63·6	61·1	44·0	35·9	35·4	22·4
		442·0	341·5	266·0	230·9	196·8	158·4	133·7	104·3	95·5	67·0
		%	%	%	%	%	%	%	%	%	%
Statistics											
Trading profit (excluding royalties) to sales:											
United Kingdom		9·9	9·7	8·6	11·7	13·6	12·1	11·7	10·4	11·5	14·1
Overseas, including U.K. exports		20·4	19·1	17·2	17·9	17·9	19·5	20·0	21·1	19·9	17·0
Total		17·0	15·8	14·0	15·4	16·1	16·3	16·2	15·9	15·6	15·4
Trading profit to average historic capital employed		33·8	32·3	27·6	27·4	26·9	27·7	28·2	29·0	30·3	32·5
Earnings per ordinary share	(iii)	47·8p	34·9p	22·8p	20·6p	17·7p	14·9p	12·9p	10·9p	9·2p	8·1p
Dividend per ordinary share	(iii)	6·1p	5·5p	5·1p	4·7p	6·6p	6·3p	5·6p	5·0p	4·4p	4·3p
Dividend gross rate or equivalent		37·5%	34·1%	31·0%	27·6%	26·3%	25·0%	22·5%	20·0%	17·8%	17·2%

(i) The figure for 1973 is stated after transitional ACT relief of £1·2m relating to 1972/73 dividends payable in 1973/74.
(ii) Due to changes in U.K. tax legislation the figures from 1973 onwards are not comparable with those for earlier years.
(iii) Due to changes in U.K. tax legislation the figures from 1974 onwards are not comparable with those for earlier years.
(iv) The statistics have been adjusted for capitalisation issues.

Principal Subsidiaries and Operating Units 31st March 1977

United Kingdom and Western Europe

Austria
*Cosmetic Vertriebs Ges. m.b.H.
Odol-Werke Wien Ges. m.b.H.

Belgium
Beecham Pharma S.A.
Beecham S.A.
Bencard S.A.
Fournex N.V.
N.V. Beecham Products S.A.
*Wülfing Belgium S.A. (78%)

Denmark
Beecham Scandinavia A/S.

France
Beecham-Cazé S.A. (85%)
Laboratoires Beecham-Sévigné S.A.
Laboratoires Nécolait S.A. (78%)

Germany (Federal Republic)
Beecham Pharma G.m.b.H.
*Cofa Cosmetik-Fabrikations G.m.b.H.
*Johann A. Wülfing K.G.
*Lancaster G.m.b.H.
Lingner & Fischer G.m.b.H.
*Lingner-Fissan-Produktion G.m.b.H.
Margaret Astor AG.
*Wülfing International G.m.b.H.

Greece
Beecham Hellas E.P.E.

Ireland
Batchelors Ltd.
Beecham Animal Health Ltd.
Beecham of Ireland Ltd.
Beecham Research Ltd.
*†Fismar Ltd.

Italy
Beecham Italia S.p.A. (51%)
S.E.A. Lancaster S.p.A.

Luxemburg
Beecham International Holdings S.A.

Monaco
*Lancaster S.A. (85%)

Netherlands
Beecham B.V.
Beecham Financiering B.V.

Portugal
Beecham Portuguesa Produtos Farmacêuticos e Quimicos Lda.

Spain
*Fismar Española S.A.

Switzerland
Beecham AG.
*Beecham Markenartikel AG.

United Kingdom
Beecham Animal Health
Beecham Foods
Beecham Pharmaceuticals
Beecham Products
Beecham Products Overseas
Beecham Proprietaries
Beecham Research International
Beecham Research Laboratories
Bencard Pharmaceuticals Ltd.
Coca-Cola Bottlers (Scotland & Northern) Ltd.
Corona Soft Drinks
Findlater, Mackie, Todd & Co. Ltd.
F. S. Matta Ltd.
Horlicks Ltd.
Horlicks Farms & Dairies Ltd.
Idris Ltd.

North and South America and Other Areas

Argentina
*Beecham (Argentina) S.A.C.I.

Australia
*Beecham (Australia) Pty. Ltd.

Bermuda
Beecham International (Bermuda) Ltd.

Brazil
*Laboratorios Beecham Ltda.

Canada
*Beecham Canada Ltd.
*Mowatt & Moore Ltd.

India
Beecham (India) Private Ltd.
*Hindustan Milkfood Manufacturers Ltd. (70%)

Japan
Beecham Yakuhin K.K.
*Royal Overseas (Japan) Ltd.

Malaysia
Beecham Products (Far East) Sdn. Bhd.

Mexico
*Beecham de Mexico S.A. de C.V.
*Laboratorios Cor S.A. de C.V.
*Orsabe S.A. de C.V.

New Zealand
*Beecham (New Zealand) Ltd.

Nigeria
Beecham Ltd. (60%)

Singapore
Beecham (Manufacturing) Singapore (Pte.) Ltd.
Beecham Pharmaceuticals (Pte.) Ltd.

South Africa
Beecham Pharmaceuticals (Pty.) Ltd.
Beecham South Africa (Pty.) Ltd.
*Dermacult Ltd. (61%)
*Group Laboratories South Africa (Pty.) Ltd.
*Hill & Murray Ltd.

U.S.A.
Beecham Inc.
*Beecham Western Hemisphere Inc.

Venezuela
*Beecham (Venezuela) S.A.

(i) Equity capital is wholly owned (unless otherwise stated) by Beecham Group Limited or, where marked *, through its subsidiaries.
(ii) † Preference capital also wholly owned.
(iii) Beecham Group Limited also holds investments in other subsidiaries and associated companies which are either non-trading or not significant; details of these companies will be annexed to the company's next annual return in compliance with Sections 3 and 4 of the Companies Act 1967.
(iv) The country of principal operations of each subsidiary is its country of incorporation and is as shown.

Representative Group Products

PRESCRIPTION MEDICINES

Semi-synthetic Penicillins

Broad-spectrum antibiotics for a wide range of bacterial infections:

Amoxil (other brand names include Clamoxyl)	Worldwide.
Ampiclox	Worldwide (excluding U.S.A.).
Magnapen	U.K.
Penbritin (other brand names include Totacillin, Britapen, Penbrock)	Worldwide.
Pyoclox	Germany.
Talpen	U.K.

For infections caused by penicillin-resistant staphylococci:

Bactocill	U.S.A.
Celbenin	U.K., U.S.A., Continental Europe, Middle East, Africa, Caribbean.
Floxapen	U.K., Continental Europe, Africa, Mexico, Middle East, Far East, Japan.
Orbenin	U.K., U.S.A., Ireland, Japan, Australia, Continental Europe, Middle East, Far East, Africa, Caribbean.
Broxil	For uncomplicated infections. U.K., Continental Europe, Africa, Middle East, Far East, Caribbean.
Nalpen	For ear, nose and throat infections. Holland, Germany.
Pyopen	For severe gram-negative bacterial infections, in particular those due to Pseudomonas and indole positive proteus. Worldwide.
Ticar (Aerugipen)	For severe gram-negative bacterial infections, in particular those due to Pseudomonas and indole positive proteus. U.S.A., Germany.
Uticillin	For urinary tract infections. U.K., Middle East, Far East, South Africa.

Allergy Vaccines

Standard vaccines for preventive treatment of hay fever:

Alavac-P	U.K., Continental Europe, Africa, Middle East, New Zealand, Caribbean.
Pollinex	U.K., Ireland, Continental Europe, South Africa.

Specific vaccines for preventive treatment of a wide variety of allergies:

Alavac-S Specific Desensitising Vaccines	U.K., Ireland, Continental Europe, Middle East, Far East, Africa, Caribbean.
Migen	Standard vaccine for preventive treatment of allergic asthma. U.K., Ireland, Continental Europe, Middle East, Far East, Africa, Caribbean.

Vitamin Products

High potency vitamin products:

Orovite	U.K., Ireland, Middle East, Continental Europe, Far East, Africa, Australasia, Caribbean.

PRESCRIPTION MEDICINES (cont.)

Parentrovite	U.K., Continental Europe, Middle East, Far East, Africa, Australasia, Caribbean.

Vitamin supplements:

Juvel	U.K.
Orovite '7'	U.K.
Pregnavite Forte	U.K., Ireland, Middle East, Australia, Africa, Caribbean.
Vitavel	U.K., Middle East.

Iron/Vitamin products:

Ferraplex B	U.K., Ireland, Portugal, Far East, Middle East, Caribbean.
Plexafer	Ireland, Holland, Middle East, Far East, Africa, Caribbean.
Eunova	Multi-vitamin product. Germany.
Livitamin	For the treatment of anaemia. U.S.A.

Gastro-Intestinal Products

Peptic ulcer products:

Daricon and Daricon PB	U.S.A.
Enarax	U.S.A.
Nacton	U.K., Continental Europe, Middle East, Far East, Caribbean, Africa, Australasia.
Nulacin	U.K., Caribbean, Africa, Middle East, New Zealand.
Prodexin	U.K., Ireland.
Maxolon*	For many gastro-intestinal disorders. U.K., Ireland, Africa, Far East, Australasia, Caribbean.
Normax	Laxative. U.K.

Other Prescription Medicines

Actol	Expectorant. U.S.A.
Angioverin	Coronary vasodilator. Mexico.
Aserbine	Cleansing agent for burns and skin ulcers. U.K., Ireland, Middle East, Far East, Caribbean, Africa, New Zealand.
A.S.-Cor	Antihypotensive. Mexico.
Brizin	For the management of Parkinson's Disease. U.K.
Complamin	Cardiovascular product. Continental Europe, Middle East, Far East, Africa.
Conar and Conar A	For the relief of coughs and congestion. U.S.A.
Corpotasin	Potassium supplement. Mexico.
Cotrol D	For the relief of nasal congestion. U.S.A.
Espasmo-Silidron	Antispasmodic. Brazil.
Fastin	For the treatment of obesity. U.S.A.
Lunipax*	For the treatment of insomnia. Brazil.
Menest	For the treatment of oestrogen deficiency. U.S.A.
Metabolan	For the treatment of hepatitis and chronic liver disease. Germany.
Norval*	Antidepressant. U.K.
Ozothin	Bronchial decongestant. Germany.
Paynocil	Analgesic. U.K., Far East.
Tigan	For the control of nausea. U.S.A., Mexico, Brazil.

*Manufactured and marketed under licence.

VETERINARY and other ANIMAL PRODUCTS

For most bacterial infections in animals:

Veterinary Clamoxyl	U.K., Ireland, Holland, South Africa.
Amoxi-Tabs, Amoxi-Drops	U.S.A.
Veterinary Penbritin	Worldwide.
Ampi-Tabs	U.S.A.

For the treatment of mastitis in dairy cows:

Veterinary Orbenin	Worldwide.
Veterinary Ampiclox	U.K., France, Ireland, Benelux, South Africa
Calf Scour Formula	For prevention and treatment of dehydration in farm animals. U.K., Ireland, Holland, France, U.S.A.
Canovel	A range of canine health products, including a multi-vitamin supplement. U.K., Ireland, France, Benelux.
Equivite	A range of equine health products and feed supplements U.K., France, Ireland, Holland, South Africa.
Flockcare	Summer and winter sheep dips. U.K.
Lixotinic	Haematinic. U.S.A.
Micromins and Microcons	Vitamin/mineral pre-mixes for animal feedstuffs U.K., Ireland, Middle East, Africa.
Mycodex	Antimicrobial topical ointment, anti-parasitic spray and shampoo for pets. U.S.A.
Néobreed and Néomilk	Milk replacer products. France.
Néolait Minerals	Mineral supplements. France.
Néolait Animal Health Range	France.
Orbisan, Orbitabs, Orbicream	Teat dips and cream for mastitis in dairy cows. U.K., Ireland, Continental Europe, Africa.
Pet-Derm	For the control of pruritus. U.S.A.
Pet-Tabs	Vitamin-mineral nutritional supplement for small animals. U.S.A.
Veterinary Parentrovite	High potency vitamin product. U.K., Ireland, France, Holland.
Vitamealo	A range of animal feedstuff concentrates and complete feeds. U.K., Ireland, Middle East, Africa.
Vitament	Vitamin supplement. U.K., Ireland, Holland, Africa

FOOD PRODUCTS

Batchelors	Canned foods. Ireland.
Bemax	Natural wheat germ. U.K.
Green Isle	Frozen foods. Ireland.
Morton	Canned vegetables and fruit fillings. U.K.
Horlicks Farms	Cheddar cheese. U.K.
Tabasco*	Pepper sauce. U.K., Continental Europe, Nigeria, South Africa, Far East, Australia

*Manufactured and marketed under licence.

and their Principal Markets

TOILETRIES

Amami	Hair shampoo. Italy, Greece.
Amami	Talcum powder, deodorants, face cream. Far East.
Amami	Hairspray. South Africa.
Aquafresh	Toothpaste. U.K., Ireland, Continental Europe, Nigeria, South Africa, Middle East, Australia, Caribbean, Singapore.
Badedas (marketed in the U.S.A., Canada and South America as Vitabath)	Bath products. Worldwide.
Body Mist	Talcum powder, body foam. Caribbean.
Body Mist	Antiperspirant deodorants. U.K., Ireland, Nigeria, South Africa, Iran, Caribbean.
Bristows	Hairsprays. U.K., Ireland.
Bristows	Hair shampoos. U.K., Ireland, Caribbean.
Brylcreem	Hairdressing. Worldwide.
Chat Noir	Toiletry products. Austria.
Cool	Antiperspirant deodorants. South Africa, Caribbean.
Cool Charm	Antiperspirant deodorants. Australasia.
Cool Charmers	Antiperspirant deodorants. Australasia.
Countess	Hair shampoos. Far East.
Countess	Hair conditioner. U.K., Middle East.
Dr. Best	Toothbrushes. Continental Europe, Nigeria.
Duschdas	Shower product. Germany, Austria, France, Switzerland, Holland.
Eau du Lundi	Deodorant. South Africa.
Falcon	Men's hairspray and antiperspirant deodorant. U.K.
Fissan	Baby products. Continental Europe, South Africa, Japan.
Free and Lovely	Hair shampoos. Australasia, South Africa.
Frei & Schön	Hair shampoos. Germany, Holland.
Fynnon	Bath additives. U.K.
Hiltone	Hair shaders and toners. U.K.
Libera e Bella (Free and Lovely)	Hair shampoos. Italy, Greece.
Libera e Bella	Hairsprays and deodorants. Italy, Greece.
Macleans	Toothpaste. Worldwide.
Massengill	Feminine hygiene products. U.S.A., Canada, Mexico, Venezuela.
Midas	Foam bath. U.K., Ireland, Germany, Switzerland.
Mistral	Deodorants, talcum powder, cologne. Mexico, Central and South America.
Nature's Riches	Hair conditioner. U.K.
Odol	Mouthwash. Continental Europe, Australasia, Singapore, Indonesia.
Pento	Men's hair products. France, North Africa.
Perform	Hair setting lotion. U.S.A., Canada, Continental Europe, South Africa, Australia.
Pitralon and Pitrell	Men's toiletries. Continental Europe.
Pure Silvikrin	Hair treatment. U.K., Ireland, France, India, Far East, Australasia.
Sauzé	Eau de Colognes. France, North Africa.
Scherk	Skin care products. France, North Africa.
Share	Antiperspirant deodorants. Australia, Venezuela.
Silvikrin	Hair shampoos. U.K., Ireland, Canada, Spain, Middle East, Far East, Africa, South America, Australasia.
Silvikrin Gentle Riches	Hair shampoos. Australasia.

TOILETRIES (cont.)

Silvikrin Rainsoft	Hair shampoos. South Africa.
Silvikrin	Hairsprays. U.K., Ireland, Spain, Nigeria, South Africa, Australasia, Middle East.
Silvikrin	Hairdressings. U.K., Ireland, Nigeria, South Africa, India, Australasia.
Softly Blonde	Hair lightener. U.K.
Tally-Ho	Deodorants, talcum powder, cologne. Brazil.
Vosene	Hair shampoos. U.K., Ireland, Far East.

COSMETICS

Lancaster Cosmetics	Continental Europe, Scandinavia, North Africa, South Africa, Middle East, U.S.A., Canada, Mexico, Venezuela, Hong Kong.
Margaret Astor Cosmetics	Continental Europe, Scandinavia, North Africa, Middle East, Nigeria, Turkey, Canada, Bolivia, Panama, Dominican Republic, Hong Kong.
2nd Début Cosmetics	U.S.A., Canada, Mexico, South America, South Africa, Australasia, Scandinavia, Middle East, Holland, Portugal, U.K.

PROPRIETARY MEDICINES

Beecham's Powders	For colds and influenza. U.K., Ireland.
Dinneford's	Infants' gripe mixture. U.K., Ireland, New Zealand, Nigeria.
Diocalm	Antidiarrhoeal product. U.K., Ireland.
Elliman's	Embrocation. U.K., Nigeria, Malaysia, Singapore.
Eno	Sparkling antacid. Worldwide.
Extravite	Liquid iron/vitamin product. Nigeria.
Fissan Pharma range	Includes oral hygiene products, antiseptics, skin care and multi-vitamin products. Germany, Austria, Greece, Italy, Switzerland, Japan.
Germolene	Antiseptic ointment. U.K., Ireland, South Africa.
Grand-pa	Analgesic. South Africa.
Lemon Eno	Sparkling lemon-flavoured antacid. Far East, Australia.
Mac	Antiseptic throat lozenges. U.K.
Maclean	Indigestion tablets and powder. U.K., India, Nigeria.
Minard's Liniment	For muscular pain. Canada.
Night Nurse	For colds and influenza. U.K., Ireland.
Phensic	Analgesic. U.K., Ireland, Nigeria, Kenya, South Africa, Caribbean.
Plus-Forma	Dietary supplement. Central and South America.
Resolve	Flash-dispersal analgesic. South Africa, Kenya.
Scott's Emulsion	Cod liver oil product. U.S.A., Canada, Mexico, South America, Caribbean, Philippines.
Setlers	Indigestion tablets. U.K., South Africa.
Sirop des Vosges Cazé	Cough syrups. France, Switzerland, North Africa.
Veno's	Cough mixture. U.K., Ireland, Malaysia, Singapore, Hong Kong, Nigeria.
Venyl	For the treatment of varicose disorders. Germany, Austria, Switzerland, South Africa.

ADHESIVES and DO-IT-YOURSELF PRODUCTS

UHU	Household and special purpose adhesives. Worldwide.
UHU	D.I.Y. products. Germany.

SOFT DRINKS

Sparkling soft drinks:

Bittersweet, Jokers	U.K.
Canada Dry*	Ireland.
Coca-Cola*	U.K., Ireland.
Corona	U.K.
Fanta*	U.K., Ireland.
Fresca*	U.K.
Idris	U.K., Canada, Middle East.
Lilt*	U.K.
TAB*	U.K.
7-Up*	Ireland.
Anglia	Shandy. Far East.
Apla*	Sparkling apple drink. Ireland.
Coola, Tango	Sparkling soft drinks and concentrated fruit drinks. U.K.
Hunts	Mixer drinks, sparkling soft drinks and fruit juices. U.K.
Quosh	Concentrated fruit drinks. U.K., Ireland, Middle East.
Sqeez	Concentrated fruit juices. Ireland.
Top Deck	Shandy. U.K.

*Manufactured and marketed under franchise.

HEALTH DRINKS

Boost	Malt chocolate milk drink. India.
Chekwate	Low calorie fruit drinks. U.K.
C-Vit	Blackcurrant health drink. U.K.
Dynamo	Glucose syrup drink with mineral salts. U.K.
'Elaichi' Horlicks	Horlicks blended with cardamom. India.
Horlicks	Milk food drink. U.K., Ireland, U.S.A., Nigeria, South Africa, India, Far East, Australasia, Caribbean.
Lucozade	Sparkling glucose drink. U.K., Ireland, Nigeria, Kenya, Singapore, Hong Kong.
P.L.J.	Lemon juice. U.K., Ireland, Scandinavia, Nigeria.
Ribena	Blackcurrant health drink. U.K., Ireland, Canada, Denmark, Kenya, Nigeria, Far East, Australasia, Caribbean.
Shloer	Apple juice, grape juice drinks. U.K.

WINES and SPIRITS

Campari†	Apéritif. U.K., Ireland.
de Luze clarets†	U.K.
Findlaters Dry Fly and Cream Sherries	Worldwide.
Findlaters Scotch Whisky†	U.K.
Henkell Trocken†	Sparkling wine. U.K.
Irish Velvet†	Liqueur Irish coffee maker. U.K.
Laurent Perrier†	Champagne. U.K.
Stock brandy and vermouths†	U.K.
Thorin†	Burgundies. U.K

†Sold under agency agreement.

General Information

Analysis of ordinary shareholders

Holdings	Shareholders number	%
1 — 200	18,779	25
201 — 500	23,195	31
501 — 1,000	17,117	23
1,001 — 10,000	14,735	20
over 10,000	813	1
	74,639	100

Category	Shareholders number	%	Shares holding	%
Individuals	68,574	92	65,384,425	46
Banks and nominees	4,349	6	44,838,615	31
Insurance companies	200	–	19,161,098	13
Pension funds	165	–	7,272,912	5
Others	1,351	2	7,644,258	5
	74,639	100	144,301,308	100

Dividend and interest payment dates

Subject to the approval of shareholders at the annual general meeting the final dividend for the year to 31st March 1977 will be payable, this year, on 19th August 1977 to ordinary shareholders on the company's register at the close of business on 20th June 1977.

Dividend and interest payments by the company are normally made on the dates shown below:

Ordinary shares: 6th August, 1st February

6% Loan stock: 30th November, 31st May

$6\frac{1}{4}$% Loan stock: 30th November, 31st May

5% Convertible stock: 30th September, 31st March

$8\frac{1}{2}$% Loan stock: 30th September, 31st March

$5\frac{1}{2}$% Swiss franc bonds: 5th September

Capital gains tax

The market values of Beecham Group Limited shares and stock at 6th April 1965 for the purposes of capital gains tax were:

Ordinary shares of 25p	67p*
6% Unsecured loan stock 1978/83	£$91\frac{1}{2}$
6% Unsecured loan stock 1978/83 second series	£$91\frac{1}{2}$
$6\frac{1}{4}$% Unsecured loan stock 1978/83**	

*Adjusted for the capitalisation issue made on 7th March 1968.

**The scheme to substitute £1 of $6\frac{1}{4}$% unsecured loan stock 1978/83 for each $4\frac{1}{2}$% redeemable cumulative preference share of £1 became effective on 1st June 1970. The market value at 6th April 1965 of each preference share was 75p.