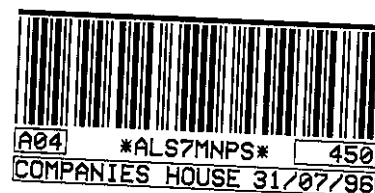


# Alcon Laboratories (U.K.) Limited

## Directors' report and financial statements

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# Alcon Laboratories (U.K.) Limited

**Directors** TRG Sear (Chairman)  
MA Cowton  
WL Kitt  
G Vescovo  
DF Harris

**Secretary** MA Cowton

**Registered office** Pentagon Park  
Boundary Way  
Hemel Hempstead  
Hertfordshire  
HP2 7UD

**Auditors** KPMG  
Aquis Court  
31 Fishpool Street  
St Albans  
Hertfordshire  
AL3 4RF

**Principal Bankers** Barclays Bank plc  
32 Clarendon Road  
Watford  
Hertfordshire  
WD1 1LD

# Alcon Laboratories (U.K.) Limited

## Director's Report

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

### Principal activities

The principal activities of the company are those of ophthalmic healthcare including surgical and contact lens care products.

### Business review

During 1995, the company relocated to purpose built headquarters in Hemel Hempstead.

In addition, the company launched a new product in the United Kingdom in the field of ocular surgery, and the directors are pleased with the contribution this made to the turnover of the business. Work is continuing to register new products in various therapeutic areas for the company.

The company continues to monitor its organisation to meet the needs of its customers and is confident it can successfully meet these ever-increasing demands.

### Proposed dividend and transfer from reserves

The directors do not recommend the payment of a dividend (1994 : £nil). The transfer from reserves is shown on the face of the profit and loss account.

### Significant changes in fixed assets

The company completed the building contract for warehousing and office accommodation, resulting in capitalised expenditure of £2.4m.

Other movements in fixed assets are also disclosed in notes 9 & 10 to the accounts.

### Directors and directors' interests

The directors who held office during the year were as follows:

T.R.G. Sear	(Chairman)
P.H. Blackburn	(resigned 6 May 1996)
M.A. Cowton	
W.L. Kitt	
G. Vescovo	

None of the directors who held office at any time during the financial year had any disclosable interest in the shares of the company. Mr D F Harris was appointed director of the company on 6 May 1996.

# Alcon Laboratories (U.K.) Limited

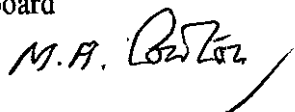
## Directors' report

### Auditors

Pursuant to a shareholders' resolution the company is not obliged to reappoint its auditors annually and KPMG will therefore continue in office.

By order of the board

M.A. Cowton  
Secretary



Pentagon Park  
Boundary Way  
Hemel Hempstead  
Herts  
HP2 7UD

# Alcon Laboratories (U.K.) Limited

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Aquis Court  
31 Fishpool Street  
St Albans  
Herts AL3 4RF

## Auditors' report to the members of Alcon Laboratories (U.K.) Limited

We have audited the financial statements on pages 5 to 16.

### *Respective responsibilities of directors and auditors*

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### *Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG  
Chartered Accountants  
Registered Auditors

25 July 1996



# Alcon Laboratories (U.K.) Limited

## Profit and loss account for the year ended 31 December 1995

	Note	Continuing operations	
		1995	1994
		£'000	£'000
Turnover	2	20,542	17,782
Change in stocks of finished goods		956	377
Other operating income		4	3
Raw materials		(13,919)	(10,590)
Other external charges		(1,686)	(1,608)
Staff costs	5	(2,732)	(2,495)
Depreciation and other amounts written off tangible fixed assets		(246)	(313)
Other operating charges	6	(3,387)	(4,142)
<b>Operating loss</b>		<b>(468)</b>	<b>(986)</b>
Profit on disposal of fixed assets		201	454
Interest receivable and similar income		39	23
Interest payable and similar charges	7	(101)	(91)
<b>Loss on ordinary activities before taxation</b>		<b>(329)</b>	<b>(600)</b>
Tax on loss on ordinary activities	8	114	(175)
<b>Loss retained for the financial year</b>		<b>(215)</b>	<b>(775)</b>
Accumulated losses brought forward		(3,066)	(2,291)
<b>Accumulated losses carried forward</b>		<b>(3,281)</b>	<b>(3,066)</b>

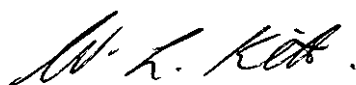
The company has no recognised gains or losses other than the loss for the year.

# Alcon Laboratories (U.K.) Limited

## Balance sheet at 31 December 1995

	Note	1995		1994	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	9		5		5
Tangible assets	10		6,815		3,718
			<u>6,820</u>		<u>3,723</u>
<b>Current assets</b>					
Stocks	11	2,753		1,797	
Debtors	12	5,962		4,849	
		<u>8,715</u>		<u>6,646</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(15,179)</u>		<u>(9,607)</u>	
<b>Net current liabilities:</b>					
Due within one year		(6,648)		(3,547)	
Debtors due after one year	12	184		586	
		<u></u>		<u></u>	
<b>Total net current liabilities</b>			<u>(6,464)</u>		<u>(2,961)</u>
<b>Total assets less current liabilities</b>			356		762
Provisions for liabilities and charges	14		<u>(537)</u>		<u>(728)</u>
<b>Net (liabilities)/assets</b>			<u>(181)</u>		<u>34</u>
<b>Capital and reserves</b>					
Called up share capital	15		3,100		3,100
Profit and loss account			<u>(3,281)</u>		<u>(3,066)</u>
<b>Shareholders' funds</b>			<u>(181)</u>		<u>34</u>

These financial statements were approved by the board of directors on 24 July 1996 and were signed on its behalf by:



W.L. Kitt  
Director



# Alcon Laboratories (U.K.) Limited

## Cash flow statement

for the year ended 31 December 1995

	Note	1995 £'000	1994 £'000
Net cash outflow from operating activities	17	(110)	(622)
Return on investments and servicing of finance			
Interest received	24	-	-
Interest paid	(101)	(91)	(91)
Net cash outflow from returns on investments and servicing of finance		(77)	(91)
Taxation			
UK corporation tax paid		(108)	(125)
Investing activities			
Amount paid for purchase of tangible fixed assets	(2,999)	(884)	(884)
Receipts from sale of tangible fixed assets	1	333	333
Net cash outflow from investing activities		(2,998)	(551)
Net cash outflow before financing		(3,293)	(1,389)
Financing			
Group loans	19	(4,250)	-
Net cash inflow from financing		(4,250)	-
Increase/(decrease) in cash and cash equivalents	18	957	(1,389)
		(3,293)	(1,389)

# Alcon Laboratories (U.K.) Limited

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules and on a going concern basis due to the continuing financial support provided by the parent undertaking.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	40 years
Plant and machinery	-	3 to 12 years
Office equipment	-	10 years
Computers and laboratory test equipment	-	3 years

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Pension costs*

The company participates in the Nestlé UK Limited Pension Fund under a defined benefit scheme. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

#### *Health registration costs*

Expenditure on health registration is written off as and when incurred.

#### *Stocks*

Stocks are stated at the lower of cost (including duty and handling costs where appropriate) and net realisable value.

#### *Leases*

Rental charges incurred under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

# Alcon Laboratories (U.K.) Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation under the liability method where in the opinion of the directors there is a reasonable probability that a liability will arise in the foreseeable future.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

### 2 Analysis of turnover

	1995 £'000	1994 £'000
<i>By geographical market</i>		
Home	19,427	16,868
Export	1,115	914
	<u>20,542</u>	<u>17,782</u>

### 3 Loss on ordinary activities before taxation

	1995 £'000	1994 £'000
<i>The loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - audit	23	22
- other services	22	37
Depreciation and other amounts written off tangible fixed assets:	246	313
Operating lease rentals - hire of plant and machinery	384	353
- other	-	189
Exchange (gain)/loss on trade purchases	(154)	42

# Alcon Laboratories (U.K.) Limited

## Notes (continued)

### 4 Remuneration of directors

	1995 £'000	1994 £'000
Directors' emoluments:	<u>212</u>	<u>206</u>

The emoluments, excluding pension contributions, of the chairman were £Nil (1994: £Nil) and those of the highest paid director were £129,526 (1994: £127,829).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £5,000	3	3
£70,001 - £75,000	1	1
£125,001 - £130,000	1	1

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Sales	47	48
Warehouse	12	13
General management	20	17
Support	10	10
	<u>89</u>	<u>88</u>

The aggregate payroll costs of these persons were as follows:

	1995 £'000	1994 £'000
Wages and salaries	2,445	2,251
Social security costs	208	185
Pension costs (see note 21)	79	59
	<u>2,732</u>	<u>2,495</u>

# Alcon Laboratories (U.K.) Limited

Notes (continued)

## 6 Other operating charges

Included in other operating charges in 1994 was an exceptional provision of £736,000 relating to the relocation of the company. £728,000 of this charge was included within provisions for liabilities and charges on the balance sheet. The movement of this provision in 1995 is analysed in note 14.

## 7 Interest payable and similar charges

The interest payable is all in respect of bank overdrafts and other short term loans which were in place during the year.

## 8 Taxation

	1995 £'000	1994 £'000
UK corporation tax charge at 33% (1994: 33%)	-	275
Adjustment relating to an earlier year	(114)	(100)
	<u>(114)</u>	<u>175</u>

At 31 December 1995 there were tax losses of approximately £422,000 available to be offset against future profits.

A net deferred tax asset of £329,000 (1994: £341,000) resulting from differences between taxation and accounting treatments, has not been recognised in the financial statements.

Analysis of asset not recognised for deferred tax:	1995 £'000	1994 £'000
Accelerated capital allowances	(140)	(96)
Short term timing differences	330	437
Losses available for offset	139	-
	<u>329</u>	<u>341</u>

## 9 Intangible fixed assets

	1995 £'000	1994 £'000
Trade mark at cost	<u>5</u>	<u>5</u>

# Alcon Laboratories (U.K.) Limited

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land	Freehold buildings	Improvements to short term leasehold	Plant and machinery	Office and computer equipment	Total
	£'000	£'000	£000	£'000	£'000	£'000
<i>Cost</i>						
At beginning of year	2,284	1,142	100	405	419	4,350
Additions	-	2,436	-	413	552	3,401
Disposals	-	-	(100)	(307)	(77)	(384)
At end of year	2,284	3,578	-	511	894	7,267
<i>Depreciation and diminution in value</i>						
At beginning of year	-	-	100	269	263	632
Charge for year	-	43	-	94	109	246
Disposals	-	-	(100)	(250)	(76)	(326)
At end of year	-	43	-	113	296	452
<i>Net book value</i>						
At 31 December 1995	2,284	3,535	-	398	598	6,815
At 31 December 1994	2,284	1,142	-	136	156	3,718

# Alcon Laboratories (U.K.) Limited

## Notes (continued)

### 11 Stocks

Stocks comprise finished goods purchased for resale.

### 12 Debtors

	1995		1994	
	Due within one year £'000	Due after one year £'000	Due within one year £'000	Due after one year £'000
Trade debtors	3,387	184	3,022	120
Amounts owed by parent and fellow subsidiary undertakings	1,659	-	307	-
Other debtors	709	-	808	466
Prepayments and accrued income	23	-	126	-
	<u>5,778</u>	<u>184</u>	<u>4,263</u>	<u>586</u>

### 13 Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Bank loans and overdrafts	1,300	2,257
Trade creditors	1,243	717
Unsecured loan	6,800	2,550
Amounts owed to parent and fellow subsidiary undertakings	3,841	2,409
Other creditors:		
Corporation tax payable	53	275
Other taxation and social security	373	359
Accruals and deferred income	1,569	1,040
	<u>15,179</u>	<u>9,607</u>

The unsecured loan was advanced by the ultimate parent undertaking. It is interest-free and payable on demand.

### 14 Provisions for liabilities and charges

	Relocation provision £000
At beginning of year (see note 6)	728
Utilised	(288)
Charged to the profit and loss account	97
At end of year	<u>537</u>

# Alcon Laboratories (U.K.) Limited

Notes (continued)

## 15 Called up share capital

	1995 £'000	1994 £'000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>3,100</u>	<u>3,100</u>

## 16 Commitments

- i) The company has the following capital commitments at the end of the financial year for which no provision has been made:

	1995 £'000	1994 £'000
Contracted	<u>-</u>	<u>2,533</u>

- ii) Annual commitments under non-cancellable operating leases are as follows:

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	67	13	102
In the second to fifth years inclusive	83	137	34	183
After five years	<u>52</u>	<u>-</u>	<u>129</u>	<u>-</u>
	<u>135</u>	<u>204</u>	<u>176</u>	<u>285</u>

- iii) The company has an HM Customs and Excise duty deferment guarantee of £220,000 (1994: £220,000).



# Alcon Laboratories (U.K.) Limited

Notes (continued)

## 17 Reconciliation of operating profit to net cash outflow from operating activities

	1995 £'000	1994 £'000
Operating loss	(468)	(986)
Depreciation charge	246	313
Increase in stocks	(956)	(377)
Increase in debtors	(840)	(742)
Increase in creditors	2,099	1,170
Decrease in provision	(191)	-
Net cash outflow from operating activities	<u>(110)</u>	<u>(622)</u>

## 18 Analysis of changes in cash and cash equivalents

	Bank loans and overdraft £'000
Balance at 1 January 1994	(868)
Net cash outflow	<u>(1,389)</u>
Balance at 31 December 1994	(2,257)
Net cash inflow	<u>957</u>
Balance at 31 December 1995	<u>(1,300)</u>

## 19 Analysis of changes in financing during the year

	Loans £'000
Balance at 1 January 1994	2,550
New group loans raised	<u>-</u>
Balance at 31 December 1994	2,550
New group loans raised	<u>4,250</u>
Balance at 31 December 1995	<u>6,800</u>

# Alcon Laboratories (U.K.) Limited

Notes (continued)

## 20 Reconciliations of movements in shareholders' funds

	1995 £'000	1994 £'000
Loss for the financial year	(215)	(775)
Net movement in shareholders' funds	(215)	(775)
Opening shareholders' funds	34	809
Closing shareholders' funds	(181)	34

## 21 Pension scheme

As referred to in the accounting policies note, the company participates in the Nestlé UK Limited Pension Fund, a defined benefit scheme.

Contributions of £78,971 were payable during the year (1994: £58,818).

The market value of the scheme's assets and the actuarial value of those assets as a percentage of the benefits that had accrued to members, after allowing for expected future increases in earnings, is disclosed in the financial statements of Nestlé UK Limited for the year ended 31 December 1995.

## 22 Ultimate parent undertaking

The ultimate parent undertaking is Nestlé S.A., CH-1800 Vevey, Switzerland, which is incorporated in Switzerland, from which copies of the group accounts can be obtained. This is the smallest and largest group into which the results of the company are consolidated.