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BAYER UK LIMITED AND SUBSIDIARIES

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1985

Bayer



Registrar of Companies
(endorsed Printed and signed
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BAYER UK LIMITED AND SUBSIDIARIES

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31ST DECEMBER 1985

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REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

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BAYER UK LIMITED

DIRECTORS

Duke of Portland C.M.G (Chairman)
Mr J V Webb (Managing)
Mr R Korn
The Lord Walston
Dr F-J Weitkemper

BANKERS

Barclays Bank PLC
Chemical Bank
Hambros Bank Limited
Lloyds Bank PLC

AUDITORS

Kingston Smith
Chartered Accountants

SOLICITORS

Turner Kenneth Brown

SECRETARY

M D Newson F.C.C.A.

REGISTERED OFFICE

Bayer House
Strawberry Hill
Newbury
Berkshire RG13 1JA

BAYER UK LIMITED

N O T I C E is hereby given that the Eighteenth Annual General Meeting of the Members of the Company will be held at Bayer House, Strawberry Hill, Newbury, Berkshire, on 28th April 1986 at 10.00 a.m. for the purpose of transacting the following business:

1. To receive the Directors' Report, the Balance Sheet and Accounts and the Auditor's Report for the Year Ended 31st December 1985.
2. To Declare a Dividend.
3. To re-elect Directors.
4. To increase the authorised share capital of the company to £6,000,000 by the creation of 1,000,000 additional ordinary shares of £1 each. On the recommendation of the Directors the sum of £1,000,000 standing to the credit of the Company's Profit and Loss Account be capitalised and applied in paying up in full at par 1,000,000 new Ordinary Shares of £1 each to be allotted and distributed pro rata to existing members.
5. To re-appoint Kingston Smith as Auditors to the Company for the ensuing year and authorise the Directors to fix their remuneration.
6. To transact any other business of an Annual General Meeting.

By Order of the Board

M D Newson
Secretary

26th February 1986

A Member entitled to attend and vote may appoint one or more proxies to attend, and on a poll to vote instead of him. A proxy need not be a Member of the Company.

BAYER UK LIMITED

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited Financial Statements for the year ended 31st December 1985.

ACTIVITIES

The Company's principal activity is the marketing of own manufactured chemicals and those manufactured by Bayer AG of the Federal Republic of Germany and its Subsidiaries.

REVIEW OF BUSINESS

Group Results

The United Kingdom continues to be the principal market for the Group's products. Turnover including indent sales has increased by 12% per cent from £290 million to £324 million.

Profit on Ordinary Activities was £1,030,209 after a tax charge of £1,641,988 and before Extraordinary items of £200,200.

Extraordinary Items

Rationalisation has continued to take place following acquisition of stock and plant and machinery from C J Baines & Co Ltd. This has resulted in a further provision of £200,200 for the payment to the shareholders of C J Baines & Co Ltd.

DIVIDENDS AND TRANSFERS TO RESERVES

The dividend recommended by the Directors is £420,000. It is proposed that the remaining profit be transferred to Reserves.

FUTURE DEVELOPMENTS

Contracts were exchanged on 25th February 1986 with Fleshpots (Contracts) Limited to sell the land and buildings, plant and machinery, stock and goodwill of James Kent Limited for the sum of £640,000. Completion of contract will take place on 4th March 1986. All staff and business commitments of James Kent Limited will pass to Fleshpots (Contracts) Limited on the completion date. James Kent Limited will retain responsibility for all debtors and creditors outstanding up to the completion date. It is the intention that on finalising collection of all due receivables and settling all payments due the Company will be put into members voluntary liquidation.

CAPITALISATION ISSUE

The capital of the Company was increased by £1,500,000 on 17th July 1985 by bonus issue and it is proposed that a further capitalisation issue of £1,000,000 be made at the next Annual General Meeting.

FIXED ASSETS

The Net Book Value of £3,272,879, of Freehold and Leasehold properties at the balance sheet date had, in the opinion of the Directors, at that date a market value of approximately £5,500,000.

A review of the assets of the Central Production Plant in Bromsgrove has resulted in a further provision of special depreciation of £304,701 and at the Enamels and Ceramics Plant in Stoke-on-Trent of £298,059 for plant, machinery and buildings.

RESEARCH AND DEVELOPMENT

The Company is committed to product improvement and does so through extensive research and development. Primarily, research in the United Kingdom is carried out by the Pharmaceutical and Agrochemical Divisions. Considerable other research is carried out worldwide.

CHARITABLE DONATIONS

During the financial year, the sum of £17,627 was donated to United Kingdom charitable organisations. No payments were made for political purposes.

CURRENT COST ACCOUNTING

In the opinion of the Directors, the production of Supplemental Current Cost Accounts as required by the Accounting Standards Committee under S.S.A.P. 16 would be of no benefit to the shareholders.

EMPLOYEES

Employment of Disabled Persons

It is the Company's policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

Employee Communications

The Company continues its policy of employee consultation by way of a voluntary staff association elected by all employees on a democratic basis.

Meetings are held regularly at all sites where the views of staff members are sought and management has an opportunity to inform staff of developments within the Company and its financial standing and prospects. All staff are kept informed by way of published minutes of these meetings and also by way of the Company magazine containing articles on the Group's performance and plans.

DIRECTORS.

The following Directors served throughout the year:

The Duke of Portland

Mr J V Webb

The Lord Walston

Dr F-J Weitkemper

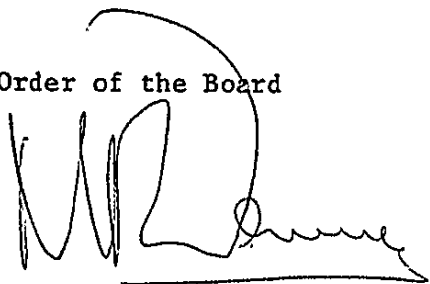
Mr R Korn

No Director has any interest in shares or debentures and unsecured loan stock, as defined by the Companies Act 1985, in any Group Company.

FUTURE PROSPECTS

It is anticipated that the sales growth of the Company will still continue at a healthy rate in excess of current levels of inflation.

By Order of the Board

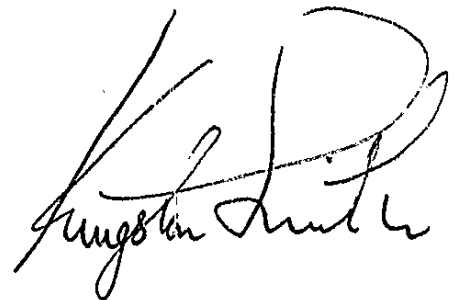
A handwritten signature in dark ink, appearing to be 'M D Newson', written over a horizontal line.

M D Newson F.C.C.A.
Secretary

REPORT OF THE AUDITORS
TO THE MEMBERS OF BAYER UK LIMITED

We have audited the financial statements on pages 9 to 30 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, give a true and fair view of the state of the affairs of the Company and the Group at 31st December 1985, and of the Profit and Source and Application of Funds of the Group for the year ended on that date and comply with the provisions of the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Kingston Smith', is written over a large, stylized capital 'P'.

KINGSTON SMITH
Chartered Accountants

Devonshire House
146 Bishopsgate
LONDON
EC2M 4JX

26th February 1986

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DAIEK UK LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>Note</u>	<u>£</u>	<u>1985</u> <u>£</u>	<u>£</u>	<u>1984</u> <u>£</u>
Turnover	2A		273,533,012		246,791,482
Change in Stocks of Finished Goods and Work in Progress			3,145,707		3,595,433
Other Operating Income			727,714		836,934
			<hr/>		<hr/>
			277,406,433		251,223,849
Raw Materials and Consumables		218,897,433		199,225,670	
Other External Charges		8,184,940		8,255,129	
		<hr/>		<hr/>	
		227,082,373		207,480,799	
Staff Costs	2B	15,930,166		14,718,812	
		<hr/>		<hr/>	
		243,012,539		222,199,611	
Depreciation & Other Amounts written off Tangible Assets		1,182,699		720,771	
		<hr/>		<hr/>	
		244,195,238		222,920,382	
Other Operating Charges		27,438,974		23,868,363	
		<hr/>		<hr/>	
			271,634,212		246,788,745
			<hr/>		<hr/>
Interest Receivable and Similar Income	2C		5,772,221		4,435,104
			1,687,144		1,270,807
			<hr/>		<hr/>
			7,459,365		5,705,911
Interest Payable & Similar Charges	2D		4,787,168		3,430,224
			<hr/>		<hr/>
Profit on Ordinary Activities before Taxation	2E		2,672,197		2,275,687

BAYER UK LIMITED AND SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
Profit on Ordinary Activities before Taxation		2,672,197	2,275,687
Tax on Profit on Ordinary Activities	2F	1,641,988	(78,828)
Profit on Ordinary Activities after Taxation		1,030,209	2,354,515
Extraordinary Charges	2G	200,200	238,431
Profit for the Financial Year	2H	830,009	2,116,084
Final Dividend Proposed		420,000	420,000
Transfer to Reserves		410,009	1,696,084
Retained Profit brought forward		7,862,514	6,166,430
Capitalisation Issue		(1,500,000)	-
Retained Profit carried forward		£6,772,523 =====	£7,862,514 =====
Retained in Bayer UK Limited		5,434,336	6,911,026
Retained in Subsidiaries		1,338,187	951,488
		£6,772,523 =====	£7,862,514 =====

BAYER UK LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 1985

	<u>Note</u>	£	<u>1985</u> £	£	<u>1984</u> £
FIXED ASSETS					
Tangible assets	3		4,840,861		5,358,854
CURRENT ASSETS					
Stocks	5	27,979,656		24,960,002	
Debtors	6	44,133,830		44,384,876	
Cash at Bank and in Hand		1,800,695		6,881,021	
		<hr/>		<hr/>	
		73,914,181		76,225,899	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	7	66,137,013		69,926,304	
		<hr/>		<hr/>	
NET CURRENT ASSETS			7,777,168		6,299,595
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,618,029		11,658,449
PROVISIONS FOR LIABILITIES AND CHARGES					
	8		645,490		95,919
			<hr/>		<hr/>
NET ASSETS			£11,972,539		£11,562,530
			=====		=====
CAPITAL AND RESERVES					
Called up Share Capital	9	5,000,000		3,500,000	
Reserves	10	6,972,539		8,062,530	
		<hr/>		<hr/>	
			£11,972,539		£11,562,530
			=====		=====

Portland Portland

John V Webb

John V Webb

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Approved by the Directors on 26th February 1986

BAYER UK LIMITED
PARENT COMPANY BALANCE SHEET
AS AT 31ST DECEMBER 1985

	<u>Note</u>	£	1985 £	£	1984 £
FIXED ASSETS					
Tangible assets	3		4,391,052		4,907,562
Investments	4		642,228		984,838
			<u>5,033,280</u>		<u>5,892,400</u>
CURRENT ASSETS					
Stocks	5	27,237,255		24,172,141	
Debtors	6	42,961,546		43,272,049	
Cash at Bank and in Hand		1,381,351		6,358,646	
		<u>71,580,152</u>		<u>73,802,836</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	65,528,402		69,171,061	
		<u>65,528,402</u>		<u>69,171,061</u>	
NET CURRENT ASSETS			6,051,750		4,631,775
			<u>6,051,750</u>		<u>4,631,775</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			11,085,030		10,524,175
			<u>11,085,030</u>		<u>10,524,175</u>
PROVISIONS FOR LIABILITIES AND CHARGES	8		632,050		94,505
			<u>632,050</u>		<u>94,505</u>
NET ASSETS			£10,452,980		£10,429,670
			<u>£10,452,980</u>		<u>£10,429,670</u>
CAPITAL AND RESERVES					
Called up Share Capital	9		5,000,000		3,500,000
Reserves	10		5,452,980		6,929,670
			<u>10,452,980</u>		<u>10,429,670</u>
			<u>£10,452,980</u>		<u>£10,429,670</u>

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John Webb

John V Webb

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Approved by the Directors on 26th February 1986

BAYER UK LIMITED AND SUBSIDIARIES
CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1985

<u>SOURCE OF FUNDS</u>	£	<u>1985</u> £	£	<u>1984</u> £
Profit on ordinary activities before Taxation and after Extraordinary Items				
Depreciation		2,471,997		2,235,687
Special Depreciation		447,190		542,848
Loss/(Profit) on Sale of Fixed Assets		735,509		177,923
		11,861		(40,498)
<u>TOTAL GENERATED FROM OPERATIONS</u>		<u>3,666,557</u>		<u>2,915,960</u>
Proceeds from Disposal of Fixed Assets		20,455		82,310
Decrease in Working Capital (See below)		15,664,608		-
		<u>19,351,620</u>		<u>2,998,270</u>
<u>APPLICATION OF FUNDS</u>				
Purchase of Fixed Assets	697,022		557,482	
Tax Paid	321,378		239,291	
Dividend Paid	420,000		350,000	
Increase in Working Capital (See below)	-		851,650	
	<u>1,438,400</u>		<u>1,998,423</u>	
<u>DECREASE IN NET OVERDRAFTS AND SHORT TERM EXTERNAL BORROWINGS</u>		<u>£17,913,220</u> =====		<u>£999,847</u> =====
<u>MOVEMENT IN WORKING CAPITAL</u>				
	<u>Source</u>	<u>Application</u>	<u>Source</u>	<u>Application</u>
Stock	-	3,019,654	-	3,793,929
Debtors	-	82,803	-	1,827,898
Creditors	18,767,065	-	4,770,177	-
	<u>18,767,065</u>	<u>3,102,457</u> =====	<u>4,770,177</u> =====	<u>5,621,827</u>
	3,102,457			4,770,177
	<u>£15,664,608</u> =====			<u>£851,650</u> =====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

1. ACCOUNTING POLICIES

NOTE 1A The Consolidated Accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with the Companies Act 1985. They incorporate the Accounts for the Year Ended 31st December 1985 of Bayer UK Limited, Haarmann & Reimer Limited and James Kent Limited.

NOTE 1B Fixed Assets have been depreciated on a straight-line basis in such a way that they are fully depreciated over their estimated useful lives or less at the following annual rates:

Freehold Buildings	20 - 40 years
Premises Held on Long Lease	20 - 40 years
Premises Held on Short Lease -	
Written off over the Period of the Lease	40 years
Improvements to Rented Premises	20 years
Improvements to Leasehold Premises	Term of Lease
Furniture & Fixtures	10 years
Plant & Machinery	2 - 10 years
Office, Warehouse & Laboratory Equipment	5 years
Motor Vehicles & Farm Equipment	4 years

NOTE 1C Intangible Assets have been written off as it is not the Group's policy to attribute value to Goodwill, Patents, Know-how and Trade Marks.

NOTE 1D Stocks are stated on the basis of the lower of cost or net realisable value after provisions for obsolescence, on a basis consistent with previous years. Cost includes appropriate overheads for Work in Progress and Finished Goods.

NOTE 1E Provision has only been made on the liability method for tax liabilities which are expected to become payable in the foreseeable future. Advance corporation tax is only carried forward if covered by deferred taxation or corporation tax provision.

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

ACCOUNTING POLICIES - Continued

NOTE 1F Foreign Currencies: Assets and Liabilities are translated into Sterling at the rates of exchange ruling at the Group Balance Sheet date with the exception of those liabilities covered by a forward exchange contract. Where a forward exchange contract exists the liability is translated at the rate of forward cover.

NOTE 1G Leasing:
 Rentals under operating and finance leases have been charged to profit and loss account on a straight line basis.

NOTE 1H Expenditure on research, development and clinical trials is written off in the year in which it is incurred.

2. NOTES ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

NOTE 2A Turnover

Group Turnover represents sales to third parties, and includes Commissions receivable from indent sales less Returns but excludes Value Added Tax. The turnover and profit before taxation is attributable to the one principal activity of the Company:

The geographical analysis of turnover is given below:

	<u>1985</u> £	<u>1984</u> £
United Kingdom	267,012,562	239,744,536
Europe	5,867,383	5,934,878
Other	653,067	1,112,068
	<hr/>	<hr/>
	£273,533,012	£246,791,482
	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 2B Staff Costs

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Wages and Salaries	13,454,704	12,464,502	12,374,431	11,424,887
Social Security Costs	942,406	929,722	847,719	828,257
Other Pension Costs	1,533,056	1,324,588	1,464,051	1,265,194
	<hr/>	<hr/>	<hr/>	<hr/>
	£15,930,166	£14,718,812	£14,686,201	£13,518,338
	=====	=====	=====	=====

The figure of salaries includes £71,522 (1984 - £62,957) in respect of remuneration of Bayer UK Limited Directors

	<u>1985</u>	<u>1984</u>
	£	£
In respect of duties wholly or mainly discharged in the United Kingdom		
As Directors	13,306	13,225
As Executives	47,696	40,210
Contribution under a Pension Scheme	5,520	4,522
In respect of duties wholly or mainly discharged outside the United Kingdom		
As Directors	5,000	5,000
	<hr/>	<hr/>
	71,522	62,957
Paid by Subsidiary Company	1,000	1,000
	<hr/>	<hr/>
	£70,522	£61,957
	=====	=====
Emoluments of: Chairman	£9,806	£9,725
: Highest Paid Director	£48,696	£41,210
	=====	=====

DAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 2B Staff Costs - Continued

	<u>1985</u>	<u>1984</u>
Other Directors whose total remuneration was in the bracket: up to £5,000	3	4
Remuneration of senior employees which fall within the following range:		
£30,001 to £35,000	11	8
£35,001 to £40,000	4	1
The average weekly number of employees during the year was as follows:		
Production	235	253
Technical	324	315
Commercial	513	512
Senior Staff	189	189
	<u>1,261</u>	<u>1,269</u>
	=====	=====

NOTE 2C Interest Receivable and Similar Income

	<u>1985</u> £	<u>1984</u> £
Discount receivable from Group Companies	1,506,641	1,074,687
Interest receivable from Banks	180,503	196,120
	<u>£1,687,144</u>	<u>£1,270,807</u>
	=====	=====

NOTE 2D Interest Payable and Similar Charges

Bank loans, overdrafts and other loans repayable within five years		
Group Companies	26,299	43,486
Bankers	4,760,869	3,386,738
	<u>£4,787,168</u>	<u>£3,430,224</u>
	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 2E Profit on Ordinary Activities before Taxation

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
is stated after charging:				
Loss/(Profit) on Sale of Fixed Assets	11,861	(43,969)	9,372	(43,329)
Depreciation of Fixed Assets	447,190	542,848	374,527	472,738
Special Depreciation	735,509	177,923	735,509	177,923
Operating Leases				
- Hire of Plant & Machinery	135,639	-	135,639	-
- Other Assets	4,008,849	3,932,384	3,960,592	3,887,714
Finance Leases				
- Other Assets	834,447	651,075	810,828	635,611
Auditors Remuneration	122,768	123,547	102,149	102,938
	=====	=====	=====	=====

NOTE 2F Taxation

	<u>1985</u>	<u>1984</u>
	£	£
Corporation Tax based on Current Profit for the year at 41.25% (1984 46.25%)	1,817,858	277,457
Deferred Taxation:		
Accelerated Capital Allowances	(203,119)	(65,809)
Short Term Timing Differences	27,249	(58,781)
Advance Corporation Tax Recoverable	-	(231,695)
	=====	=====
	£1,641,988	£(78,828)

The taxation charge for 1984 was reduced by £224,420 in respect of stock relief.

The taxation charge for 1985 is increased due to the incidence of disallowable expenditure and special depreciation.

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 2G Extraordinary Items

	<u>1985</u> £	<u>1984</u> £
<p>The Company purchased plant, machinery and goodwill of C J Baines & Co Ltd, previously a major supplier of raw materials and converted products to the Enamels & Ceramics Division. In accordance with the Group's policy, the further cost of goodwill was written off in 1984.</p>		
Goodwill Written Off	-	40,000
Provision for payment to the members of C J Baines & Co Limited	200,200	-
Deferred Taxation		
<p>Due to the provisions of the Finance Act 1984, Accelerated Capital Allowances will now reverse within the foreseeable future, thus giving rise to future tax liabilities against which previously irrecoverable Advance Corporation Tax can be utilised.</p>		
Accelerated Capital Allowances Not Provided in Previous Years	-	1,342,734
Change in Rates of Corporation Tax	-	(424,016)
		<hr/> 918,718
Advance Corporation Tax Recoverable	-	(720,287)
		<hr/> 198,431
	<hr/> £200,200	<hr/> £238,431
	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 2H Profit for the Financial Year

The parent company has taken advantage of Section 228 (7) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. £23,310 (1984 - £1,403,265) of the group profit for the financial year is dealt with in the accounts of the parent company.

NOTE 2I Current Cost Accounting

The financial statements do not contain current cost accounts.

BAYER UK LIMITED AND SUBSIDIARIES

NOTE 3

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1985

FIXED ASSETS - Summary of Movements for the Group

	CONSTRUCTION IN PROGRESS	FREEHOLD PROPERTIES	PREMISES HELD ON LONG LEASE	PREMISES HELD ON SHORT LEASE	IMPROVEMENTS TO RENTED & LEASEHOLD PREMISES	PLANT & MACHINERY	OFFICE FURNITURE & EQUIPMENT	MOTOR VEHICLES	TOTAL
	£	£	£	£	£	£	£	£	£
COST									
1st January 1985	159,895	4,381,071	126,025	179,600	232,584	4,026,087	986,124	131,790	10,223,176
Additions	77,491	108,034	-	-	252,518	161,988	96,780	211	697,022
Transfers	(111,102)	36,726	-	-	-	36,399	37,977	-	-
	126,284	4,525,831 (152)	126,025	179,600	485,102 (7,247)	4,224,474 (97,838)	1,120,881 (101,742)	132,001 (38,908)	10,920,198 (245,887)
Disposals	126,284	4,525,679	126,025	179,600	477,855	4,126,636	1,019,139	93,093	10,674,311
	87,242	995,207	53,770	12,079	94,263	2,888,155	635,279	98,327	4,864,322
Provisions for the Year	-	70,208	6,301	8,980	12,197	345,243	93,294	10,967	447,190
Special Depreciation	24,054	411,463	-	-	121,639	167,243	11,110	-	735,509
Transfer	(463)	463	-	-	-	-	-	-	-
	110,833	1,477,341 (46)	60,071	21,059	228,099 (5,577)	3,300,641 (80,585)	739,683 (94,764)	109,294 (32,599)	6,047,021 (213,571)
Elimination on Disposals	110,833	1,477,295	60,071	21,059	222,522	3,220,056	644,919	76,695	5,833,450
	£ 15,451	£ 3,048,384	£ 65,954	£158,541	£ 255,333	£ 906,580	£ 374,220	£ 16,398	£ 4,840,861
Net Book Value 31.12.85	£ 72,653	£ 3,385,864	£ 72,255	£ 167,521	£ 138,321	£ 1,137,932	£ 350,845	£ 33,463	£ 5,358,854

BAYER UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 3

FIXED ASSETS - Summary of Movements for Parent Company

	CONSTRUCTION IN PROGRESS	FREEHOLD PROPERTIES	PREMISES HELD ON LONG LEASE	PREMISES HELD ON SHORT LEASE	IMPROVEMENTS TO RENTED & LEASEHOLD PREMISES	PLANT & MACHINERY	OFFICE FURNITURE & EQUIPMENT	MOTOR VEHICLES	TOTAL
	£	£	£	£	£	£	£	£	£
<u>COST</u>									
1st January 1985	141,356	4,267,553	7,156	179,600	84,870	3,605,682	760,682	119,177	9,166,076
Additions	77,491	73,929	-	-	252,518	129,729	83,125	211	617,003
Transfers	(92,563)	18,187	-	-	-	36,399	37,977	-	-
	126,284	4,359,669 (152)	7,156	179,600	337,388 (7,247)	3,771,810 (97,280)	881,784 (72,269)	119,388 (26,295)	9,783,079 (203,243)
Disposals	126,284	4,359,517	7,156	179,600	330,141	3,674,530	809,515	93,093	9,579,836
<u>DEPRECIATION</u>									
1st January 1985	86,779	981,012	251	12,079	38,625	2,549,617	494,976	95,175	4,258,514
Provisions for the Year	-	66,846	358	8,980	6,431	211,480	72,617	7,815	374,527
Special Depreciation	24,054	411,463	-	-	121,639	167,243	11,110	-	735,509
Transfers	-	-	-	-	-	-	-	-	-
	110,833	1,459,321 (46)	609	21,059	166,695 (5,577)	2,928,340 (80,035)	578,703 (67,813)	102,990 (26,295)	5,368,550 (179,766)
Elimination on Disposals	110,833	1,459,275	609	21,059	161,118	2,848,305	510,890	76,695	5,188,784
Net Book Value 31.12.85	£ 15,451	£ 2,900,242	£ 6,547	£ 158,541	£ 169,023	£ 826,225	£ 298,625	£ 16,398	£ 4,391,052
Net Book Value 31.12.84	£ 54,577	£ 3,286,541	£ 6,905	£ 167,521	£ 46,245	£ 1,056,065	£ 265,705	£ 24,002	£ 4,907,562

BAYER UK LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 4

The wholly owned Subsidiary Companies are Haarmann & Reimer Limited and James Kent Limited, incorporated in England.

Classes of Share

Haarmann & Reimer Limited: 100,000 ordinary shares of £1 each, fully paid.

James Kent Limited: 219,000 1% non-cumulative preference shares of £1 each, fully paid.

219,000 ordinary shares of £1 each, fully paid.

James Kent Limited was acquired in 1981 for a consideration of £1,167,869. Since the Balance Sheet date this company has agreed to sell its assets and business as a going concern and will subsequently be wound up. Provision has therefore been made to further reduce the investment to the expected net proceeds of the winding up.

Investments Held as Fixed Assets

	<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>
	£	£
Shares in Group Companies - Subsidiaries	984,838	1,184,838
Less Amount written off in respect of James Kent Limited	342,610	200,000
	<hr/>	<hr/>
	£642,228	£984,838
	=====	=====

NOTE 5

STOCKS

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
The main categories of stocks are:				
Raw Materials	2,005,163	2,131,216	1,600,239	1,797,163
Work-in-Progress	104,734	299,531	54,790	216,241
Finished Goods	1,442,013	1,354,417	1,263,198	1,099,081
Goods for Resale	24,427,746	21,174,838	24,319,028	21,059,656
	<hr/>	<hr/>	<hr/>	<hr/>
	£27,979,656	£24,960,002	£27,237,255	£24,172,141
	=====	=====	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 6

DEBTORS

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Short Term Loan	500,000	500,000	500,000	500,000
Trade Debtors	38,214,706	36,530,815	37,079,003	35,319,376
Other Debtors	528,027	1,554,311	511,842	1,525,458
Prepayments	1,499,528	1,671,055	1,479,562	1,650,812
Due from Ultimate Holding Company	669,375	956,841	669,375	956,718
Due from Other Group Companies	2,722,194	2,791,593	2,721,764	2,910,161
Deferred Tax (see Note 8)	-	333,849	-	363,112
Bills Receivable	-	46,412	-	46,412
	<u>£44,133,830</u>	<u>£44,384,876</u>	<u>£42,961,546</u>	<u>£43,272,049</u>

NOTE 7

CREDITORS:

Amounts Falling Due Within One Year

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Bank Loans and Overdrafts	6,454	-	-	-
Trade Creditors	7,567,872	6,655,014	7,420,453	6,530,324
Bills Payable	5,000,000	28,000,000	5,000,000	28,000,000
Due to Parent and Ultimate Holding Companies	45,900,317	25,078,944	45,900,317	25,078,944
Due to Other Group Companies	2,481,270	2,815,740	2,500,351	2,523,787
Current Corporation Tax	996,825	319,435	777,473	249,344
Other Taxes and Social Security Costs	2,033,929	4,117,708	1,861,221	3,932,360
Other Creditors	1,262,213	2,073,934	1,239,027	2,030,944
Accruals	468,133	445,529	409,560	405,358
Proposed Dividend	420,000	420,000	420,000	420,000
	<u>£66,137,013</u>	<u>£69,926,304</u>	<u>£65,528,402</u>	<u>£69,171,061</u>

Included in amounts due to Parent and Ultimate Holding Companies is a 70 million Deutsche Mark loan redeemable on 1st April 1986. The sterling value of this loan is £9,557,279.

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 8

PROVISIONS FOR LIABILITIES AND CHARGES

	<u>THE GROUP</u>			
	1985	Deferred	1984	Deferred
<u>DEFERRED TAXATION</u>	<u>Liability</u> £	<u>Asset</u> £	<u>Liability</u> £	<u>Asset</u> £
Accelerated Capital Allowances	649,790	-	852,909	-
Advance Corporation Tax	(180,000)	-	(665,241)	(333,849)
Short Term Timing Differences	(64,500)	-	(91,749)	-
	405,290	-	95,919	(333,849)
<u>OTHER PROVISIONS</u>	240,200	-	-	-
	£645,490	-	£95,919	£(333,849)
	=====	=====	=====	=====

	<u>BAYER UK LIMITED</u>			
	1985	Deferred	1984	Deferred
<u>DEFERRED TAXATION</u>	<u>Liability</u> £	<u>Asset</u> £	<u>Liability</u> £	<u>Asset</u> £
Accelerated Capital Allowances	596,475	-	791,294	-
Advance Corporation Tax	(180,000)	-	(635,978)	(363,112)
Short Term Timing Differences	(24,625)	-	(60,811)	-
	391,850	-	94,505	(363,112)
<u>OTHER PROVISIONS</u>	240,200	-	-	-
	£632,050	-	£94,505	£(363,112)
	=====	=====	=====	=====

Freehold land and buildings were sold during 1983 resulting in a chargeable gain of £549,675 which gives rise to a potential liability of £153,232. It is proposed that the sale proceeds be reinvested and the gain held over. No provision has therefore been made as the liability will not occur in the foreseeable future.

Included in other provisions is £200,200 payable to the members of C J Baines & Co Ltd.

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 9

CALLED UP SHARE CAPITAL OF BAYER UK LIMITED

	<u>1985</u> £	<u>1984</u> £
<u>Authorised</u>		
5,000,000 Ordinary Shares of £1 each	£5,000,000 =====	£3,500,000 =====
 <u>Allotted, Issued and Fully Paid</u>		
3,500,000 Ordinary Shares of £1 each	3,500,000	3,500,000
1,500,000 Ordinary Shares of £1 each	1,500,000	-
Capitalised from reserves during the year	 ----- £5,000,000 =====	 ----- £3,500,000 =====

The whole of the Issued Share Capital is held by Bayer Foreign Investments Limited (Incorporated in Canada). The Directors are informed that Bayer AG (Incorporated in the Federal Republic of Germany) is the Company's Ultimate Holding Company.

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 10

RESERVES

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
At Commencement of the Year	8,062,530	6,366,446	6,929,670	5,526,405
Capitalisation Issue	(1,500,000)	-	(1,500,000)	-
Retained Profit for the Year	410,009	1,696,084	23,310	1,403,265
	<u>£6,972,539</u>	<u>£8,062,530</u>	<u>£5,452,980</u>	<u>£6,929,670</u>
	=====	=====	=====	=====
Represented by:				
Profit and Loss Account	6,772,523	7,862,514	5,434,336	6,911,026
Capital Reserve	183,544	183,544	2,172	2,172
General Reserve	16,472	16,472	16,472	16,472
	<u>£6,972,539</u>	<u>£8,062,530</u>	<u>£5,452,980</u>	<u>£6,929,670</u>
	=====	=====	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 11

FUTURE CAPITAL EXPENDITURE

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
(i) Contracted but not provided	£32,304 =====	£74,459 =====	£32,304 =====	£45,729 =====
(ii) Authorised but not contracted	£41,500 =====	£48,612 =====	£41,500 =====	£41,211 =====

NOTE 12

CONTINGENT LIABILITIES

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Bank Guarantees	-	550,460	-	550,260
Property & Other Contingencies	-	25,000	-	25,000
	<hr/>	<hr/>	<hr/>	<hr/>
	-	£575,460	-	£575,260
	=====	=====	=====	=====

BAYER UK LIMITED AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 13

COMMITMENTS UNDER OPERATING LEASES

At 31st December 1985 the Group and Bayer UK Limited had annual commitments under operating leases as set out below:

	<u>THE GROUP</u>			
	<u>1985</u>		<u>1984</u>	
	<u>Land and Buildings £</u>	<u>Other £</u>	<u>Land and Buildings £</u>	<u>Other £</u>
Operating Leases which expire:				
Within one year	12,333	612,503	-	513,498
In the second to fifth years	14,600	1,059,395	9,260	1,313,068
Over five years	1,448,225	1,099	1,458,908	5,975
	<u>£1,475,158</u> =====	<u>£1,672,997</u> =====	<u>£1,468,168</u> =====	<u>£1,832,541</u> =====

	<u>BAYER UK LIMITED</u>			
	<u>1985</u>		<u>1984</u>	
	<u>Land and Buildings £</u>	<u>Other £</u>	<u>Land and Buildings £</u>	<u>Other £</u>
Operating Leases which expire:				
Within one year	12,333	603,048	-	504,211
In the second to fifth years	14,600	1,023,232	9,260	1,287,736
Over five years	1,447,225	-	1,457,908	5,975
	<u>£1,474,158</u> =====	<u>£1,626,280</u> =====	<u>£1,467,168</u> =====	<u>£1,797,922</u> =====

The Group's total future financial commitments under operating leases are £46,197,233 (1984 - £47,618,993).

BAYER UK LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1985

NOTE 14

COMMITMENTS UNDER FINANCE LEASES

At 31st December the Group and Bayer UK Limited had obligations under Finance Leases and Hire Purchase Contracts as set out below:

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Net Amount Payable:				
Within one year	648,567	436,006	630,835	422,674
In the second to fifth years	2,121,054	1,423,364	2,074,191	1,374,322
Over five years	1,382,602	1,653,289	1,382,602	1,653,289
	<hr/>	<hr/>	<hr/>	<hr/>
	£4,152,223	£3,512,659	£4,087,628	£3,450,285
	=====	=====	=====	=====