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BAYER UK LIMITED
REPORT AND ACCOUNTS 1988



BAYER UK LIMITED AND SUBSIDIARY
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

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BAYER UK LIMITED

DIRECTORS

Dr M Schneider (Chairman)
Mr J V Webb (Managing)
Mr R Kern
The Lord Walston

BANKERS

Barclays Bank PLC
Hambros Bank Limited

AUDITORS

Kingston Smith
Chartered Accountants

SOLICITORS

Turner Kenneth Brown

SECRETARY

H 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 Twenty First Annual General Meeting of the Members of the Company will be held at Bayer House, Strawberry Hill, Newbury, Berkshire, on 18th May at 9.45 am 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 1988.
2. To re-elect Directors.
3. To re-appoint Kingston Smith as Auditors to the Company for the ensuing year and authorise the Directors to fix their remuneration.
4. To adopt revised Articles of Association to recognise changes in English Law relating to the Companies Act 1985, by considering, and if thought fit, passing the following Resolution as a Special Resolution:-

That the regulations contained in the printed document submitted to the meeting and for the purpose of identification signed by the Chairman, be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles.

5. To transact any other business of an Annual General Meeting.

By Order of the Board

M D Newson
Secretary

21st February 1989

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 1988.

ACTIVITIES

The Group'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 £37 millions to £420 millions in the year.

Progress was made in all sections of the Company's activities.

Profit on Ordinary Activities was £5,619,047 after a provision for taxation of £4,020,195.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend is recommended by the Directors. It is proposed that all profit be retained in Reserves.

FIXED ASSETS

The Net Book Value of £5,123,800 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 £13,000,000.

RESEARCH AND DEVELOPMENT

The Group 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 £137,637 was donated to United Kingdom charitable organisations. No payments were made for political purposes.

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:

Mr J V Webb
The Lord Walston
Mr R Korn

Following the retirement of Dr F J Weitkemper from the Board at the Twentieth Annual General Meeting held on 25th April 1988 Dr M Schneider was appointed to the Board as Chairman.

No Director has any interest in Shares, Debentures or 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 continue at a healthy rate in excess of current levels of inflation.

By Order of the Board

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

21st February 1989

REPORT OF THE AUDITORS
TO THE MEMBERS OF BAYER UK LIMITED

We have audited the financial statements on pages 7 to 25 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31st December 1988, and of the Profit and Source and Application of Funds of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Kingston Smith', is written over a faint, larger signature that also appears to be 'Kingston Smith'.

Devonshire House
146 Bishopsgate
LONDON
EC2M 4JX

KINGSTON SMITH
Chartered Accountants

21st February 1989

BAYER UK LIMITED AND SUBSIDIARY
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>Note</u>	<u>£</u>	<u>1988</u> <u>£</u>	<u>£</u>	<u>1987</u> <u>£</u>
Turnover	2A		352,808,096		324,271,634
Change in Stocks of Finished Goods and Work in Progress			(131,606)		(6,507,831)
Other Operating Income			5,057,380		1,739,921
			<hr/>		<hr/>
			357,733,870		319,503,724
Raw Materials and Consumables		275,821,236		252,506,236	
Other External Charges		7,970,034		8,434,795	
		<hr/>		<hr/>	
		283,791,270		260,941,031	
Staff Costs	2B	20,428,619		18,633,697	
		<hr/>		<hr/>	
		304,219,889		279,574,728	
Depreciation & Other Amounts written off Tangible Assets		1,371,533		1,236,252	
		<hr/>		<hr/>	
		305,591,422		280,810,980	
Other Operating Charges		41,254,594		31,253,635	
		<hr/>		<hr/>	
			346,846,016		312,064,615
			<hr/>		<hr/>
Interest Receivable and Similar Income	2C		10,887,854		7,439,109
			992,572		2,143,707
			<hr/>		<hr/>
			11,880,426		9,582,816
Interest Payable and Similar Charges	2D		2,241,184		4,454,491
			<hr/>		<hr/>
Profit on Ordinary Activities before Taxation	2E		9,639,242		5,128,325

BAYER UK LIMITED AND SUBSIDIARY
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1988

	<u>Note</u>	<u>1988</u> £	<u>1987</u> £
Profit on Ordinary Activities before Taxation		9,639,242	5,128,325
Tax on Profit on Ordinary Activities	2F	4,020,195	2,286,685
Profit on Ordinary Activities after Taxation for the year	2G	5,619,047	2,841,640
Final Dividend Proposed		-	600,000
Transfer to Reserves		5,619,047	2,241,640
Retained Profit brought forward	9,572,247	7,428,627	
Prior Year Adjustment resulting from capitalisation of finance leases	(103,674)	(201,694)	
Retained Profit as restated		9,468,573	7,226,933
Capitalisation Issue		(4,000,000)	-
Retained Profit carried forward		£11,087,620 =====	£9,468,573 =====
Retained in Bayer UK Limited		8,760,243	7,608,694
Retained in Subsidiary		2,327,377	1,859,879
		£11,087,620 =====	£9,468,573 =====

BAYER UK LIMITED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 1988

	<u>Note</u>	<u>£</u>	<u>1988</u> <u>£</u>	<u>£</u>	<u>1987</u> <u>£</u>
FIXED ASSETS					
Tangible assets	3		9,873,444		9,858,510
CURRENT ASSETS					
Stocks	5	29,269,466		29,086,616	
Debtors	6	57,791,197		55,114,563	
Cash at Bank and in Hand		588,556		4,938,826	
		<hr/>		<hr/>	
		87,649,219		89,140,005	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	73,350,207		80,088,553	
		<hr/>		<hr/>	
NET CURRENT ASSETS			14,299,012		9,051,452
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			24,172,456		18,909,962
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8	2,191,435		3,018,964	
PROVISIONS FOR LIABILITIES AND CHARGES	9	789,757		318,781	
		<hr/>		<hr/>	
NET ASSETS			£21,191,264		£15,572,217
			=====		=====
CAPITAL AND RESERVES					
Called up Share Capital	10	10,000,000		6,000,000	
Reserves	11	11,191,264		9,572,217	
		<hr/>		<hr/>	
			£21,191,264		£15,572,217
			=====		=====

Dr M Schneider

Directors

John V Webb

Approved by the Directors on 21st February 1989

BAYER UK LIMITED

PARENT COMPANY BALANCE SHEET
AS AT 31ST DECEMBER 1988

	<u>Note</u>	<u>£</u>	<u>1988</u> <u>£</u>	<u>£</u>	<u>1987</u> <u>£</u>
FIXED ASSETS					
Tangible assets	3		9,602,190		9,549,373
Investments	4		16,969		16,969
			<hr/>		<hr/>
CURRENT ASSETS			9,619,159		9,566,342
Stocks	5	28,242,388		28,422,550	
Debtors	6	56,113,832		53,863,333	
Cash at Bank and in Hand		448,379		4,309,639	
		<hr/>		<hr/>	
		84,804,599		86,595,722	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	72,673,784		79,221,927	
		<hr/>		<hr/>	
NET CURRENT ASSETS			12,130,815		7,373,795
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			21,749,974		16,940,137
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		2,181,330		2,994,018
PROVISIONS FOR LIABILITIES AND CHARGES	9		789,757		318,781
			<hr/>		<hr/>
NET ASSETS			£18,778,887		£13,627,338
			<hr/>		<hr/>
CAPITAL AND RESERVES					
Called up Share Capital	10		10,000,000		6,000,000
Reserves	11		8,778,887		7,627,338
			<hr/>		<hr/>
			£18,778,887		£13,627,338
			<hr/>		<hr/>

Dr M Schneider

Directors

John V Webb

Approved by the Directors on 21st February 1989

BAYER UK LIMITED AND SUBSIDIARY

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 1988

	£	<u>1988</u> £	£	<u>1987</u> £
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities				
before Taxation		9,639,242		5,128,325
Depreciation		1,328,368		1,236,252
Special Depreciation		43,165		-
Loss/(Profit) on Sale of Fixed Assets		105,052		(5,412)
		<hr/>		<hr/>
<u>TOTAL GENERATED FROM OPERATIONS</u>		11,115,827		6,359,165
<u>OTHER SOURCES</u>				
Proceeds from Disposal of				
Fixed Assets		43,190		179,336
Decrease in Working Capital		-		152,392
(See below)		<hr/>		<hr/>
		11,159,017		6,690,893
<u>APPLICATION OF FUNDS</u>				
Purchase of Fixed Assets	1,534,709		1,508,453	
Tax Paid	2,190,932		1,514,141	
Dividend Paid	600,000		600,000	
Increase in Working Capital	11,182,900		-	
(See Below)		<hr/>	<hr/>	
		15,508,541		3,622,594
		<hr/>		<hr/>
<u>(DECREASE)/INCREASE IN NET LIQUID RESOURCES</u>		£(4,349,524)		£3,068,299
		=====		=====

MOVEMENT IN WORKING CAPITAL

	<u>Source</u>	<u>Application</u>	<u>Source</u>	<u>Application</u>
Stock	-	182,850	7,070,559	-
Debtors	-	2,676,634	-	8,018,783
Creditors	-	8,323,416	1,100,616	-
	<hr/>	<hr/>	<hr/>	<hr/>
£	-	11,182,900	8,171,175	£8,018,783
	=====			=====
		-	8,018,783	
		<hr/>	<hr/>	
		£11,189,900	£152,392	
		=====	=====	

BAYER UK LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

1. ACCOUNTING POLICIES

NOTE 1A Basis of Accounting and Consolidation

The Consolidated Accounts have been prepared under the historical cost convention, and in accordance with the Companies Act 1985. They incorporate the Accounts for the Year Ended 31st December 1988 of Bayer UK Limited and Haarmann & Reimer Limited.

NOTE 1B Depreciation

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 land is not depreciated	
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	
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

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

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.

BAYER UK LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

ACCOUNTING POLICIES - Continued

NOTE 1E Deferred Taxation

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.

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 Leases

Assets held under finance leases are included within tangible fixed assets and depreciated over the shorter of the lease term and the expected useful life of the asset. In previous years finance lease rentals were charged as incurred. Rentals under operating leases are charged to profit and loss account as incurred.

NOTE 1H Research and Development

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

BAYER UK LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

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 Group:

The geographical analysis of turnover is given below:

	<u>1988</u> £	<u>1987</u> £
United Kingdom	342,989,775	316,781,391
Europe	9,034,257	7,146,913
Other	784,064	343,330
	<hr/>	<hr/>
	£352,808,096	£324,271,634
	=====	=====

NOTE 2B Staff Costs

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u> £	<u>1987</u> £	<u>1988</u> £	<u>1987</u> £
Wages and Salaries	17,481,637	15,868,866	16,813,156	15,246,320
Social Security Costs	1,317,879	1,132,226	1,273,592	1,087,288
Other Pension Costs	1,629,103	1,632,605	1,575,478	1,584,783
	<hr/>	<hr/>	<hr/>	<hr/>
	£20,428,619	£18,633,697	£19,662,226	£17,918,391
	=====	=====	=====	=====

The figure of staff costs includes £137,186 (1987 £125,720) in respect of the Directors of Bayer UK Limited.

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

Directors Emoluments

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BAYER UK LIMITED AND SUBSIDIARY
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 2B Staff Costs - Continued

	<u>1988</u>	<u>1987</u>
Remuneration of senior employees which fall within the following range:		
£30,001 to £35,000	9	8
£35,001 to £40,000	4	6
£40,001 to £45,000	9	7
£45,001 to £50,000	6	1
£50,001 to £55,000	-	4
£55,001 to £60,000	5	-
£60,001 to £65,000	2	2
£65,001 to £70,000	1	-
	<hr/>	<hr/>
The average weekly number of employees during the year was as follows:		
Production	101	106
Technical	117	135
Commercial	867	875
Senior Staff	73	80
	<hr/>	<hr/>
	1,158	1,196
	=====	=====

NOTE 2C Interest Receivable and Similar Income

	<u>1988</u> £	<u>1987</u> £
Discount receivable from Group Companies	655,331	1,995,261
Interest receivable from Banks	337,241	148,446
	<hr/>	<hr/>
	£992,572	£2,143,707
	=====	=====

NOTE 2D Interest Payable and Similar Charges

Bank loans, overdrafts and other loans repayable within five years		
Group Companies	533,220	1,534,951
Banks	1,470,659	2,754,572
Finance charges payable under finance leases	237,305	164,968
	<hr/>	<hr/>
	£2,241,184	£4,454,491
	=====	=====

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 2E Profit on Ordinary Activities before Taxation

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
is stated after charging:				
Loss/(Profit) on Sale of				
Fixed Assets	105,052	(5,412)	103,938	(4,374)
Depreciation of Fixed Assets				
- Owned Assets	507,253	423,801	448,078	367,879
- Held Under				
Finance Leases	821,115	812,451	800,576	791,912
Special Depreciation	43,165	-	43,165	-
Operating Leases				
- Plant and Machinery	48,363	35,688	48,363	35,688
- Other Assets	4,656,193	4,289,389	4,577,146	4,215,188
Auditor's Remuneration	123,010	119,650	115,010	112,050
	=====	=====	=====	=====

NOTE 2F Taxation

	<u>The Group</u>	
	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Corporation Tax based on Current Profit for the year at 35% (1987 35%)	3,775,882	2,238,001
Deferred Taxation:		
Accelerated Capital Allowances	(153)	5,500
Short Term Timing Differences	244,466	43,184
	-----	-----
	£4,020,195	£2,286,685
	=====	=====

The taxation charge has been increased by expenses incurred which are not allowable for taxation purposes.

The group has capital losses estimated at £996,580 available for offset against future capital gains.

NOTE 2G 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. £5,151,549 (1987 - £1,963,947) of the group profit for the financial year is dealt with in the accounts of the parent company.

NOTE 3

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1988

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 1988	703,573	4,507,277	273,739	179,600	330,141	4,144,806	1,646,641	96,309	11,882,086
Prior Year Adjustment-Leases	0	1,359,062	0	0	0	1,774,723	3,839,191	127,992	7,100,968
Additions	835,577	40,660	0	0	0	273,380	341,108	43,984	1,534,709
Transfers	(1,436,280)	793,288	0	0	(8,284)	550,544	71,574	29,158	0
	102,870	6,700,287	273,739	179,600	321,857	6,743,453	5,898,514	297,443	20,517,763
	(27,494)	(92,798)	0	0	(28,207)	(774,716)	(342,300)	(26,251)	(1,291,766)
Disposals	75,376	6,607,489	273,739	179,600	293,650	5,968,737	5,556,214	271,192	19,225,997
DEPRECIATION									
1st January 1988	0	(1,600,052)	(146,242)	(38,384)	(293,622)	(3,277,932)	(816,006)	(65,025)	(6,237,263)
Prior Year Adjustment-Leases	0	(113,240)	0	0	0	(782,908)	(1,892,749)	(98,384)	(2,087,281)
Provision for the Year	0	(104,346)	(11,659)	(9,509)	(3,844)	(518,844)	(649,604)	(30,562)	(1,328,368)
Special Depreciation	0	0	0	0	0	(43,165)	0	0	(43,165)
Transfers	0	55,774	0	0	21,335	(71,084)	3,904	(9,929)	0
	0	(1,761,864)	(157,901)	(47,893)	(276,131)	(4,693,933)	(3,354,455)	(203,900)	(10,496,077)
	0	30,630	0	0	14,126	738,506	337,757	22,505	1,143,524
Elimination on Disposals	0	(1,731,234)	(157,901)	(47,893)	(262,005)	(3,955,427)	(3,016,698)	(181,395)	(9,352,593)
Net Book Value 31.12.88	75,376	4,876,255	115,838	131,707	31,645	2,013,310	2,539,516	89,797	9,873,444
Net Book Value 31.12.87	703,573	4,153,047	127,497	141,216	36,519	1,858,689	2,777,077	60,892	9,858,510

The net book value of fixed assets of £9,873,444 (1987 - £9,858,510) includes an amount of £3,413,118 (1987 - £4,213,694) in respect of assets held under finance leases.

The cost of land which is not depreciated amounts to £1,155,422 and is included in the cost of freehold properties.

SAVER UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1988

FIXED ASSETS - Summary of Movements for the 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	TO
	£	£	£	£	£	£	£	£	£
COSTS									
1st January 1988	703,573	4,507,277	7,156	179,600	330,141	3,867,748	1,439,428	91,314	11,1
Prior Year Adjustment-Leases	0	1,359,062	0	0	0	1,759,518	3,753,448	127,992	7,0
Additions	823,659	40,660	0	0	0	269,389	322,822	41,234	1,4
Transfers	(1,436,280)	793,288	0	0	(8,284)	550,544	71,574	29,158	
Disposals	90,952	6,709,287	7,156	179,600	321,857	6,438,199	5,587,272	289,698	19,61
	(27,494)	(52,798)	0	0	(28,207)	(773,934)	(341,690)	(21,256)	(1,2)
	63,458	6,607,489	7,156	179,600	293,650	5,664,265	5,245,582	268,442	18,92
DEPRECIATION									
1st January 1988	0	(1,600,052)	(1,959)	(38,364)	(293,622)	(3,092,703)	(658,645)	(63,776)	(5,74)
Prior Year Adjustment-Leases	0	(113,240)	0	0	0	(777,840)	(1,838,279)	(98,384)	(2,82)
Provision for the Year	0	(104,346)	51	(9,509)	(3,844)	(485,868)	(615,264)	(29,874)	(1,2)
Specific Depreciation	0	0	0	0	0	(43,165)	0	0	(4)
Transfers	0	55,774	0	0	21,335	(71,084)	3,904	(9,929)	
Elimination on Disposals	0	(1,761,864)	(1,908)	(47,893)	(276,131)	(4,470,660)	(3,108,284)	(201,963)	(9,86)
	0	30,630	0	0	14,126	737,726	337,513	21,256	1,14
	0	(1,731,234)	(1,908)	(47,893)	(262,005)	(3,732,934)	(2,770,771)	(180,707)	(8,72)
Net Book Value 31.12.88	63,458	4,876,255	5,248	131,707	31,645	1,931,331	2,474,811	87,735	9,60
Net Book Value 31.12.87	703,573	4,153,047	5,197	141,216	36,519	1,756,723	2,695,952	57,146	9,54

The net book value of fixed assets of £9,602,190 (1987 - £9,549,373) includes an amount of £3,371,701 (1987 - £4,172,277) in respect of assets held under finance leases.

The cost of land which is not depreciated amounts to £1,155,422 and is included in the cost of freehold properties.

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 4

The wholly owned Subsidiary Company is Haarmann & Reimer Limited incorporated in England whose principal activity is the marketing of own manufactured or compound chemicals, flavours, fragrances and essential oils.

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

Investments Held as Fixed Assets

	<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>
	£	£
Shares in Group Company - Subsidiary	£16,969	£16,969
	=====	=====

NOTE 5

STOCKS

<u>The Group</u>		<u>Bayer UK Limited</u>	
<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
£	£	£	£

The main categories of stocks are:

Raw Materials	1,659,828	1,522,958	1,093,783	1,132,887
Work-in-Progress	145,506	55,467	145,506	55,467
Finished Goods	1,367,238	1,137,192	906,205	863,197
Goods for Resale	26,096,894	26,370,999	26,096,894	26,370,999
	-----	-----	-----	-----
	£29,269,466	£29,086,616	£28,242,388	£28,422,550
	=====	=====	=====	=====

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 6

DEBTORS

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Trade Debtors	53,085,122	48,486,274	51,445,470	47,264,094
Other Debtors	805,920	599,207	793,536	583,233
Prepayments	1,509,344	1,338,190	1,487,647	1,325,772
Due from Ultimate Holding Company	1,918,127	1,066,518	1,918,127	1,066,518
Due from Other Group Companies	427,429	3,601,732	423,797	3,601,074
Bills Receivable	45,255	22,642	45,255	22,642
	<hr/>	<hr/>	<hr/>	<hr/>
	£57,791,197	£55,114,563	£56,113,832	£53,863,333
	=====	=====	=====	=====

NOTE 7

CREDITORS

Amounts Falling Due Within One Year

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Bank Loans and Overdrafts	-	746	-	746
Trade Creditors	12,137,487	7,000,529	12,030,113	6,926,931
Due to Parent and Ultimate Holding Companies	44,677,908	57,489,713	44,677,908	57,489,713
Due to Other Group Companies	5,917,787	4,228,097	5,859,172	3,842,278
Current Corporation Tax	4,709,402	3,346,370	4,385,337	3,113,518
Other Taxes and Social Security Costs	2,159,451	3,518,742	2,015,536	3,398,259
Other Creditors	1,325,913	1,044,649	1,303,972	1,031,171
Finance Lease Obligations	815,077	835,816	801,534	812,925
Accruals	1,607,182	2,023,891	1,600,212	2,006,386
Proposed Dividend	-	600,000	-	600,000
	<hr/>	<hr/>	<hr/>	<hr/>
	£73,350,207	£80,088,553	£72,673,784	£79,221,927
	=====	=====	=====	=====

Included in the amounts due to Parent and Ultimate Holding Companies at 31st December 1987 are short term loans totalling 115 million Deutsche Marks. The sterling value of these loans was £38,487,173.

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 8

CREDITORS

Amounts Falling Due After More Than One Year	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
Finance Lease Obligations				
Amounts Payable - 2 to 5 years	1,605,547	2,281,643	1,595,442	2,256,697
- over 5 years	585,888	737,321	585,888	737,321
	<hr/>	<hr/>	<hr/>	<hr/>
	£2,191,435	£3,018,964	£2,181,330	£2,994,018
	=====	=====	=====	=====

NOTE 9

PROVISIONS FOR LIABILITIES AND CHARGES

	<u>The Group</u>	
	<u>1988</u>	<u>1987</u>
	£	£
<u>DEFERRED TAXATION</u>		
Accelerated Capital Allowances	620,297	620,450
Advance Corporation Tax	-	(221,918)
Short Term Timing Differences	17,715	(226,751)
	<hr/>	<hr/>
	638,012	171,781
<u>OTHER PROVISIONS</u>	151,745	147,000
	<hr/>	<hr/>
	£789,757	£318,781
	=====	=====

	<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>
	£	£
<u>DEFERRED TAXATION</u>		
Accelerated Capital Allowances	583,597	576,101
Advance Corporation Tax	-	(221,918)
Short Term Timing Differences	54,415	(182,402)
	<hr/>	<hr/>
	638,012	171,781
<u>OTHER PROVISIONS</u>	151,745	147,000
	<hr/>	<hr/>
	£789,757	£318,781
	=====	=====

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 10

CALLED UP SHARE CAPITAL OF BAYER UK LIMITED

	<u>1988</u> <u>£</u>	<u>1987</u> <u>£</u>
<u>Authorized</u>		
10,000,000 Ordinary Shares of £1 each	£10,000,000 =====	£6,000,000 =====
<u>Allotted, Issued and Fully Paid</u>		
6,000,000 Ordinary Shares of £1 each	6,000,000	6,000,000
4,000,000 Ordinary Shares of £1 each Capitalised from reserves during the year	4,000,000 -----	- -----
	£10,000,000 =====	£6,000,000 =====

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 SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 11

RESERVES

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
At Commencement of the Year	9,675,891	7,532,271	7,724,592	5,859,109
Prior Year Adjustment resulting from the capitalisation of Finance Leases	(103,674)	(201,694)	(97,254)	(195,718)
Capitalisation Issue	(4,000,000)	-	(4,000,000)	-
Retained Profit for the Year	5,619,047	2,241,640	5,151,549	1,963,947
	<u>£11,191,264</u>	<u>£9,572,217</u>	<u>£8,778,887</u>	<u>£7,627,338</u>
	=====	=====	=====	=====
Represented by:				
Profit and Loss Account	11,087,620	9,468,573	8,760,243	7,608,694
Capital Reserve	87,142	87,172	2,172	2,172
General Reserve	16,472	16,472	16,472	16,472
	<u>£11,191,264</u>	<u>£9,572,217</u>	<u>£8,778,887</u>	<u>£7,627,338</u>
	=====	=====	=====	=====

NOTE 12

FUTURE CAPITAL EXPENDITURE

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
(i) Contracted but not provided	£213,332	£792,482	£213,332	£792,482
	=====	=====	=====	=====
(ii) Authorised but not contracted	£914,488	£9,462	£110,243	£6,000
	=====	=====	=====	=====

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER 1988

NOTE 13

CONTINGENT LIABILITIES

There were no contingent liabilities of the Parent Company or Group.

NOTE 14

COMMITMENTS UNDER OPERATING LEASES

At 31st December 1988 the Group and Bayer UK Limited had annual commitments under operating leases as set out below:

	<u>The Group</u>			
	<u>1988</u>		<u>1987</u>	
	<u>Land and Buildings</u> £	<u>Other</u> £	<u>Land and Buildings</u> £	<u>Other</u> £
Operating Leases which expire:				
Within one year	-	319,632	-	511,270
In the second to fifth years	18,750	1,168,460	28,145	870,614
Over five years	2,216,525	884	1,445,275	1,152
	<u>£2,235,275</u>	<u>£1,488,976</u>	<u>£1,473,420</u>	<u>£1,383,036</u>
	=====	=====	=====	=====

	<u>Bayer UK Limited</u>			
	<u>1988</u>		<u>1987</u>	
	<u>Land and Buildings</u> £	<u>Other</u> £	<u>Land and Buildings</u> £	<u>Other</u> £
Operating Leases which expire:				
Within one year	-	305,938	-	495,097
In the second to fifth years	18,750	1,140,968	28,145	836,453
Over five years	2,100,525	-	1,444,275	1,152
	<u>£2,119,275</u>	<u>£1,446,906</u>	<u>£1,472,420</u>	<u>£1,332,702</u>
	=====	=====	=====	=====

The Group's total future financial commitments under operating leases are £59,644,941 (1987 - £42,175,729)