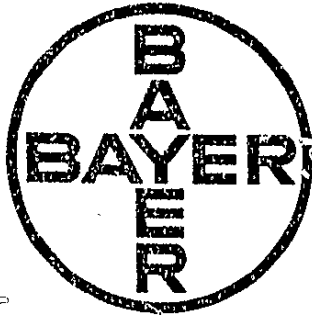


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Report and Accounts 1983

Bayer UK



Bayer House
Strawberry Hill
Newbury Berkshire

Report and Accounts 1983

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The ten years since Bayer UK took its present shape have been a time of profound economic change, accelerated for many sectors of industry by the recession of the last three years. It has been no less of a challenge for the chemical industry to adapt to the rapidly changing needs of its customers and of society.

Over the same decade, a four-fold increase in Bayer UK's business and a near-doubling of the numbers employed are testimony to the energy and enterprise of our people, the quality of our products and services and the constant support of our parent company.

It was this growth which also brought the need to build a new UK headquarters after nearly 20 years in Richmond, Surrey. The move took place in the autumn of 1983 and the new Bayer House, in Newbury, Berkshire, is to be formally opened in the spring of 1984. It is particularly fitting that the ceremony will be performed by Professor Dr. Herbert Gr  newald in one of his last engagements before retiring as Chairman of the Board of Management. We shall also have the pleasure of welcoming his successor, Mr H.-J. Strenger, and co-directors Dr. E.-H. Rohe and Dr. F.-J. Weitkemper, whose support and encouragement of Bayer UK has always been greatly appreciated.

1984 also sees the re-grouping of Bayer operations into six strategic business sectors, embracing all Bayer Divisions and affiliates around the world, including Agfa-Gevaert, Miles Laboratories and Metzeler. In Britain today, the sum of all Bayer's operations would represent total sales of over £400 million, and a combined workforce close to 4,000.



The Duke of Portland, CMG, Chairman.

More significant than mere scale, however, is the range and variety of ways in which the chemical industry, and Bayer, continue to serve the needs of industry and the public.

I trust the short review which accompanies this report on the year 1983 will be a contribution to making the facts which stand behind the figures better known.

PORTLAND





John V. Webb, Managing Director.

BUSINESS REVIEW

Group sales directly invoiced by the company's UK divisions and subsidiaries recorded a healthy rise of nearly 22 per cent over 1982 to reach £206 million.

With the additional indent turnover, however, total turnover amounted to £237 million, compared to the corresponding 1982 figure of £192 million.

Group Trading profits before tax and interest charges also showed substantial recovery from the depressed levels of 1982 to reach £5.0 million (£3.2 million).

With interest charges down from £2.1 million to £1.8 million, net profit before tax but after interest improved sharply to £3.2 million (£1.1 million), against which Extraordinary costs of £1.6 million were to be set. Mainly, these were attributable to the non-recurring expenses connected with the completion of the Group's new headquarters complex in Newbury, the transfer of staff from Richmond and Haywards Heath, and costs of redundancies and new recruitment.

The expansion of both Pharmaceutical and Consumer Products Divisions, in consequence of the takeover of products and personnel from Miles Laboratories, was a major factor in the increase of 14.5 per cent in total staff costs, as was the additional investment of staff and resources in the areas of Data Processing and Distribution, in preparation for the completion of the Newbury complex and construction of the new Central Warehouse at Stoke Works.

Staff numbers inevitably fluctuated considerably over the year, starting with 1,147, peaking at 1,258 and settling by year end at 1,237. Sadly, many of those who had contributed to the very growth which made the company's move necessary were unable to transfer with us, but we were fortunate in being able to recruit all necessary new staff of high quality in the Newbury area. With the aid of special induction and training courses, the new members of the 430 Newbury-based staff have settled in quickly and well.

MANUFACTURING AND OPERATIONS

Enamels & Ceramics — Stoke on Trent

January saw the Bayer name go up over the Fountain Street, Fenton, mill to complete the reorganisation of the Enamels and Ceramics Group as a profit centre within our Inorganics Division.

Old Foley Pottery, Longton, then became a separate subsidiary under the continuing management of James Kent Ltd.

Both works benefited in 1983 from the higher level of consumer demand, although the industry has much to do to recover fully from the slump conditions of recent years and it will be some time before the substantial investment needed in modernising

plant and process technologies will be adequately reflected in earnings. Good progress was made, however, at both units in the first full year of operation.

Central Production — Bromsgrove

Sales of latices from Stoke Works production became the responsibility of Rubber Division during 1983, and also enjoyed higher demand from established prime application areas, notably the carpet industry. Export turnover also rose sharply, but margins suffered from persistently unsatisfactory price levels, a consequence of fierce international competition and overcapacity. For the same reason it became necessary during 1983 to suspend Novodur ABS compounding at Stoke Works.

Elm Farm — Bury St Edmunds

Agrochem Division completed a major programme of development and expansion of its research and trials facilities at Elm Farm Development Station near the Division's headquarters at Bury St Edmunds.

Central Warehouse — Bromsgrove

Approval was gained for the construction of a new 71,000 square feet warehouse on the previously derelict site of an old saltworks adjacent to the polymer plant. Work started on site in March and construction was completed by year end, in time for occupation in early 1984.

PRODUCTS AND MARKETS

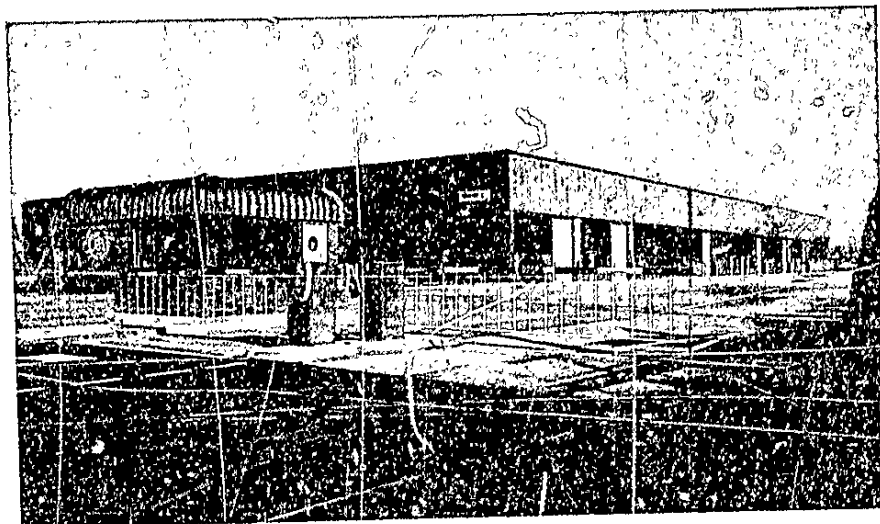
All Divisions benefited from the generally improved economic climate in 1983. Demand was notably higher in product sectors linked to the sharp upturn in High Street spending on household goods, consumer durables and motor cars.

In a year when the output of manufacturing industry, nevertheless, is unlikely to have risen more than 1 or 2 per cent, the appreciably higher growth rate for the company's products was again a testimony to the continued development of new products and applications.

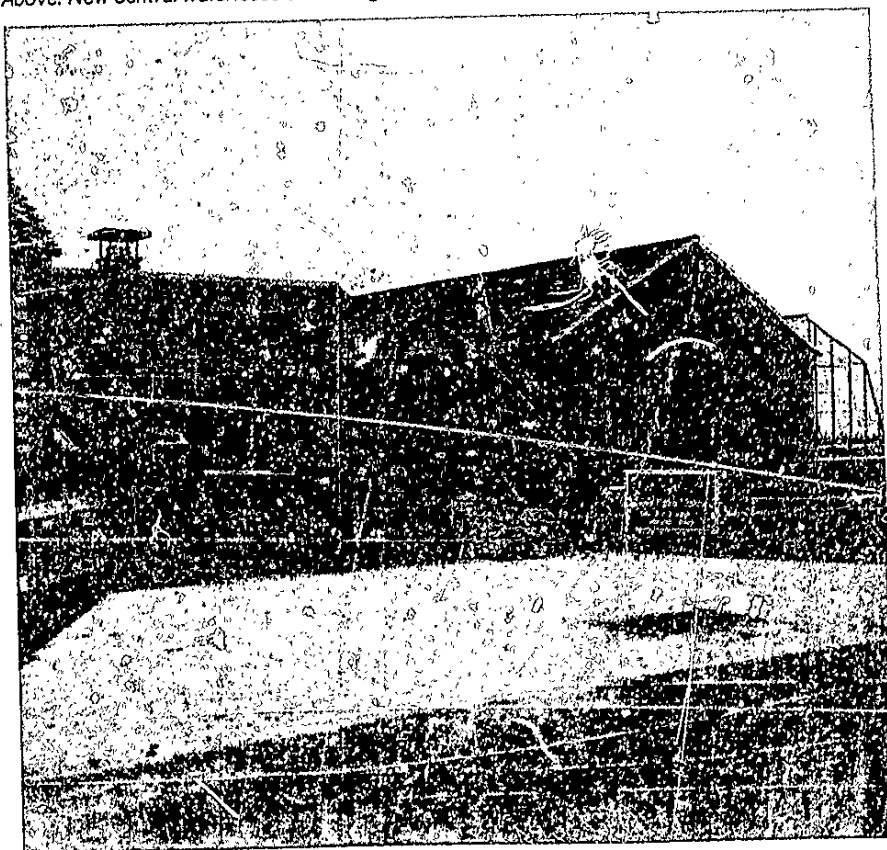
In most sectors there was also little appreciable easing of continued pressure on price levels — in the agrochemical and pharmaceuticals sectors, indeed, the well-publicised effects of 'parallel imports' were still felt, although by year end the temporary distortions between UK and continental price levels were again diminishing.

Overall, the company's business growth in 1983 again owed more to real volume than inflation and is expected to continue into 1984.

JOHN V WEBB



Above: New central warehouse at Bromsgrove. Below: Elm Farm Development Station.



HEALTH CARE & CONSUMER PRODUCTS

Pharmaceutical Division continued to build on the strength of its product range in the cardio-vascular and anti-infective sectors.

Adalat, first introduced in 1977 for the treatment of angina, continued to be the leading growth product, and Adalat Retard, the slow release version used in the treatment of hypertension, also had a successful first year following its introduction in 1982.

Reflecting the Division's broadening product range, Caresten continued to hold its established place as market leader for the treatment of vaginal thrush and fungal infections of the skin, notably Athletes Foot. Baypen and Securopen, two of the newer injectable penicillins from Bayer's own antibiotic research programme, continued to make good progress, as did Bayer Dental with its leading products for the dental impression market, Optosil, Xantopren and Xantalgin.

1983 also saw the integration into the Bayer programme of certain products from the Miles Laboratories range of allergens and dermatological products, as a first stage in the plan for rationalisation of the combined Health Care Sector.

Consumer Products Division continued successfully to develop its established range of Natrena sweeteners and Sionon diabetic foods and further strengthened its presence in the dietetic market with the introduction of a brand new high-fibre supplement, Vita Fiber. A sole distribution agreement was also completed for the leading meal replacement brand Limmits which will add to the Division's range for 1984.

As well as marketing its own health care products, Bayer is an important supplier to other companies in the field, including toothpaste manufacturers.

In the self-medication field it was agreed that Consumer Products Division would take over from Pharmaceutical Division the marketing of Lasonil, a well established product for the treatment of sport injuries, and Aspirin.

1983 was also the first full year for the Division's marketing responsibility for the famous Alka-Seltzer brand.



AUTOMOTIVE & ENGINEERING

Increasing appreciation by the motor industry of the value of modern engineering plastics and polyurethanes in terms of performance, weight reduction and design was manifest in 1983. One landmark was the launch of the Austin Maestro, with integral front and rear bumpers moulded in Bayer's Pocan (PBT) — the first engineering thermoplastic capable of being painted and baked "on line". BL's new 1984 model, the Montego, will also feature Pocan bumpers, together with many other parts in Bayer engineering thermoplastics.

The prototype of a completely new London taxi was also unveiled. Planned to be introduced into service in 1985, the new taxi makes extensive use of our Bayflex integral skin flexible polyurethane foam for body panels, bumpers and other sections.

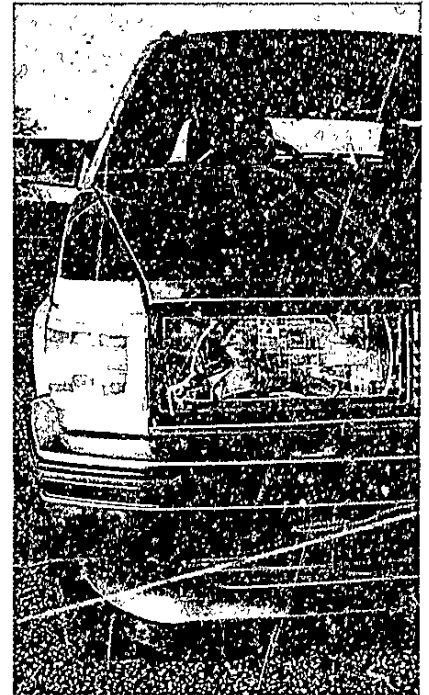
Progress in the technology of moulding car seats in polyurethane foam pointed the way in 1983 to future growth for the Polyurethane Division.

while Rubber Division also brought new products and development effort to bear on the technology of fire-retardancy in latex foams and conveyor belting.

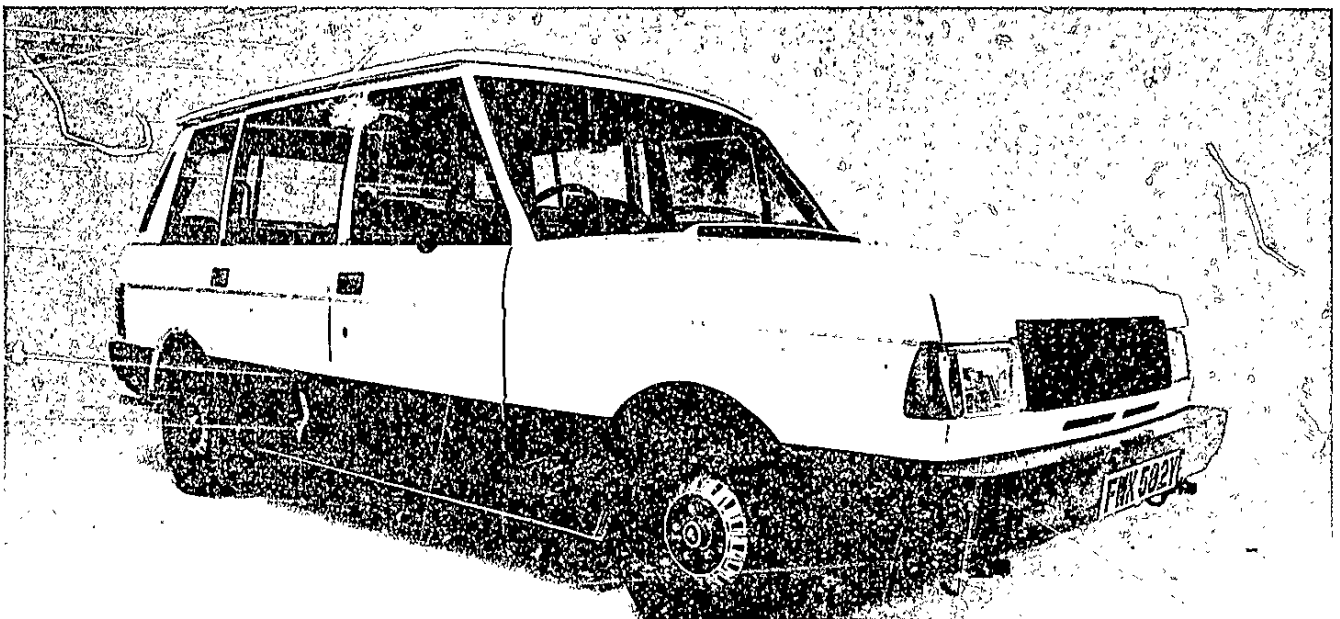
The year saw an important breakthrough in the motor industry for our Dyestuffs Division, with the acceptance by three manufacturers, Ford, General Motors and BL, of red pigments after three years of tests.

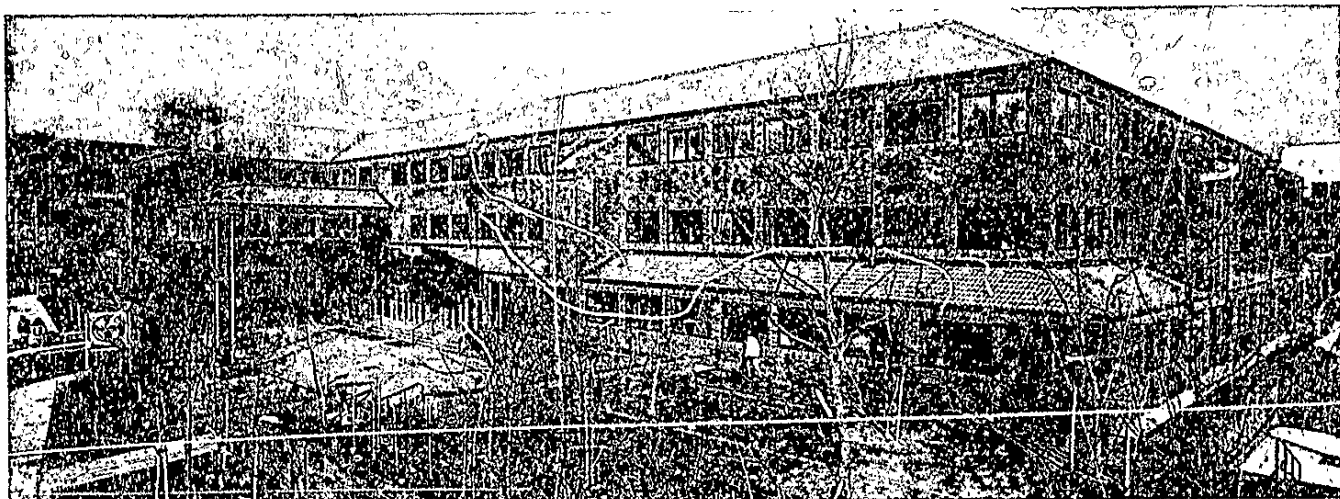
Glass fibres and materials technology from inorganics Division contributed to the development of a new leaf spring made entirely of GRP instead of steel. Initially to be used on trucks, the system is seen as having great potential for passenger car construction in the future.

The electrical and electronics sector also continued to be a prime business area for many Divisions, with the same accent on specialised product and applications development in close collaboration with customers and end-users.



Above: The Maestro bumper.
Below: The new London taxi.





Bayer House, Newbury, completed in 1983, features many Bayer products for the building industry.

BUILDING AND CONSTRUCTION

The extent to which the building industry determines demand for many of our Divisions' products was well illustrated in 1983.

The sharp upturn in private sector house-building, in particular, generated higher demand for the many constructional elements which depend on Inorganics' Bayferrox pigments for their colour — bricks, roof tiles, mortar and paving.

New colours and finishes also featured in the range of Enamels and Ceramics supplied to the makers of bathroom and kitchen equipment to meet the growing demand for new styling in baths, decorative tiles, cookers and washing machines, all of which benefited from the boom in spending on consumer durables.

Few houses are without a refrigerator or freezer and almost all these appliances now depend for their efficiency on rigid polyurethane foam insulation, as supplied by our Polyurethane Division. On a still larger scale, however, 1983 saw new emphasis on the importance of

efficient insulation of both private and commercial buildings as a major contribution to the conservation of energy. Energy conservation, dubbed "The Fifth Fuel", will continue to be a high national priority.

In the field of energy extraction and supply, our Oilfield Chemicals group again made good progress in 1983; for Surface Coatings and Rubber Divisions, too, it was a year when highly specialised technical and applications development began to bear fruit.

Polyurethane sealant systems for gas pipelines and special DD anti-corrosion coating materials were increasingly used to help protect equipment against the harsh environment of the North Sea.

Rubber Division have also set a high priority on helping to achieve still higher standards of safety and performance in materials for the manufacture of electrical cables and conveyor belts, with the accent on fire proofing.

Higher spending on new home-making and refurbishment brought a very

welcome uplift to the furniture trade and a significant boost to the sales of Dralon, Fibres Division's leading brand in the quality upholstery and home furnishing field.

Higher output of carpets from British mills fed through into increased demand for the special backing latices made in the Polymer Production Plant at Bromsgrove and marketed by Rubber Division.

Across the whole field of textiles the higher level of activity was in turn reflected in considerably improved demand for the intermediate products of Organics Division and for those of our Dyestuffs Division.

Many of Bayer's products for the building industry were used in the construction and fitting-out of the new Bayer House in Newbury, which was completed during the year. By chance the opening of the new headquarters in the spring of 1984 will coincide with the beginning of the "Festival of Architecture" which marks the 150th anniversary of the Royal Institute of British Architects. The festival is intended to "increase public awareness of the built environment," an aim which we fully endorse.

AGRICULTURE & VETERINARY

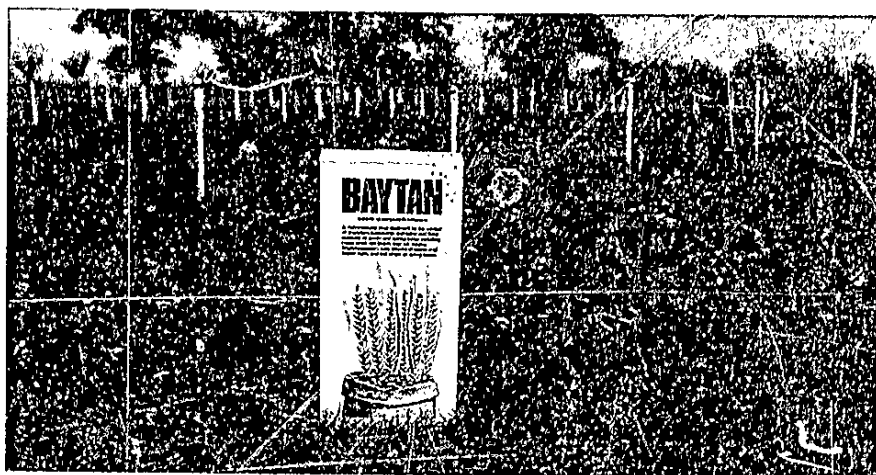
In the crop protection sector 1983 was a successful year, with sales exceeding target and Agrochemicals Division consolidating its position as one of the leading suppliers of crop protection products to British agriculture.

The main contribution to the growth of sales was made by the cereal fungicide range. The success of the recommendation for wheat of Baytan, a seed treatment, has helped to increase our overall presence in the cereal fungicide market by approximately 50 per cent over the 1982 level.

Also worthy of mention is the sugar beet herbicide Goltix, which maintained its growth pattern aided by the increased user acceptance of the lower dose programme technique.

Despite severe price pressures in the market, the veterinary division also recorded an above target performance, with Tiguvon, Flukombin and Bayverm all exceeding expectations. The year also saw the launch through veterinary practices of the division's "Vet-care" range of products for domestic pets.

Baytan, now recommended for wheat, and the "Vet-care" range for the treatment of domestic pets.



Group Summary

Financial Summary 1979-83

	1979	1980	1981	1982	1983
Gross Turnover	£146,779,126	£141,638,039	£150,755,066	£169,544,093	£206,431,718
Trading Profit Before Interest and Tax	£ 4,697,529	£ 3,697,816	£ 3,030,967	£ 3,228,958	£ 5,038,412
After Interest and Tax	£ 1,290,251	£ 617,395	£ 1,219,389	£ 933,917	£ 2,936,353
Average number of employees	927	956	1,179	1,156	1,185
Aggregate Remuneration	£ 5,315,516	£ 6,443,443	£ 8,411,998	£ 9,305,734	£ 10,772,940

Annual Accounts 1983

Bayer UK Limited

**Bayer House
Strawberry Hill
Newbury Berkshire**

Notice of Annual General Meeting

Directors

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

Bankers

Barclays Bank PLC
Chemical Bank
Hambros Bank Limited
Lloyds Bank PLC

Auditors

Kingston Smith & Company
Chartered Accountants

Solicitors

Turner Kenneth Brown

Secretary

M J M Mills F.C.A.

Registered Office

Bayer House
Strawberry Hill
Newbury
Berkshire RG13 1JA

NOTICE is hereby given that the Sixteenth Annual General Meeting of the Members of the Company will be held at Bayer House, Strawberry Hill, Newbury, Berkshire, on 30th April 1984 at 11.45 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 1983.
2. To Declare a Dividend.
3. To re-appoint Directors.
4. To re-appoint Kingston Smith & Co as Auditors to the Company for the ensuing year and authorise the Directors to fix their remuneration.
5. To transact any other business of an Annual General Meeting.

By Order of the Board

M J M Mills
Secretary

29th February 1984

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

Report of the Directors

The Directors present their Annual Report and the audited Financial Statements for the year ended 31st December 1983.

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 DEVELOPMENTS Group Results

Due to a perceptible improvement in the economic climate of trading for the year to 31st December 1983, the Directors are pleased to be able to report improved profits before taxation. This was achieved against the background of the slight improvement in the United Kingdom economy which is the principal market for the Company's products. Turnover has increased by 22 per cent in money terms which represents a sustained real growth level of between 15 to 20 per cent for the products of many of the Company's divisions.

As a consequence of increased levels of sales, overall trading profit was £2,936,353, after providing for taxation of £233,288, and before Extraordinary items of £1,567,039.

Extraordinary Items

As stated in the Annual Report and Accounts in 1982, the Company moved the operations of its Richmond, Surrey and Haywards Heath, Sussex offices to a new purpose-built headquarters in Newbury, Berkshire in September 1983.

Costs of removing staff and all aspects of the business relocating to the new Corporate Headquarters have been treated as an Extraordinary item of £1,343,698. This cost is regarded as an investment for the future development of the Company and the new building provides space for future expansion. Disposal of Plant and Machinery not required, having been transferred from the Enamels production unit in Bilston to the Company's Enamels and Ceramics manufacturing site in Stoke-on-Trent has resulted in a loss of £21,862. Following the rationalisation of Enamels and Ceramics Operations after the acquisition of the Goodwill and Plant & Machinery from C J Baines & Co Ltd, previously a supplier of raw materials and converted products, the cost of this Goodwill acquired has also been written off. Following a decision to cease production of Novodur Plastics in the United Kingdom, as from 30th June 1983, the Plant and Machinery associated with this production with a book value of £126,479 was written off.

DIVIDENDS AND TRANSFERS TO RESERVES

The dividend recommended by the Directors is maintained at the level of the previous year, £350,000. It is proposed that the surplus be transferred to Reserves.

FIXED ASSETS

During 1983, a lease was arranged for the new office block in Newbury for a 35 year period. A Contract has been signed during 1983 for the sale of the former offices at Haywards Heath. Disposal has taken place in 1983 of the leases on our warehouses in Burgess Hill and Richmond and in January 1984, disposal of the lease on the office in Richmond was finalised. The Company purchased the Goodwill and Plant & Machinery of C J Baines & Co Ltd, previously a supplier to the Enamels & Ceramics Operation. The Net Book Value of £3,682,698 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 £5,400,000.

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. Other research is carried out worldwide.

CHARITABLE DONATIONS

During the financial year, the sum of £13,243 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 continued policy to make available employment opportunity on an equal basis to all.

Employee Communications

The Company has for a number of years carried out a 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 in addition receive periodically a magazine which contains articles on the Group's performance and plans.

FUTURE PROSPECTS

As a result of the forecast modest growth of the United Kingdom economy, it is anticipated that the sales growth of the Company will continue at a healthy rate well in excess of the current levels of inflation. In re-inforcing its planned growth, the Company has had built a custom made warehouse at Bromsgrove which will serve many of the Divisions. This warehouse, which will be leased, will be fully commissioned in March 1984.

By Order of the Board

M J M Mills F.C.A.
Secretary

DIRECTORS

All Directors served throughout the year. They were:

The Duke of Portland, Mr J V Webb, Dr E-H Rohe, The Lord Walston, Dr F-J W'eilkemper.

No Director has any interest in shares or debentures and unsecured loan stock as defined by the Companies Act 1967 in any Group Company.

29th February 1984

Report of the Auditors

to the Members of
Bayer UK Limited

We have audited the financial statements on pages 15 to 26 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the affairs of the Company and the Group at 31st December 1983, 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 Acts 1948 to 1981.

The financial statements do not contain current cost accounts required by Statement of Standard Accounting Practice Number 16.

KINGSTON SMITH & CO
Chartered Accountants

Devonshire House
146 Bishopsgate
LONDON
EC2M 4JX

29th February 1984

Consolidated Profit and Loss Account
for the year ended 31st December 1983

Bayer UK Limited and Subsidiaries

	Note	£	1983 £	£	1982 £
Turnover	2A		206,431,718		169,544,093
Change in Stocks of Finished Goods and Work in Progress			4,912,877		(156,744)
Other Operating Income			593,810		210,857
			<u>211,938,405</u>		<u>169,598,206</u>
Raw Materials and Consumables		167,797,894		133,271,465	
Other External Charges		<u>7,144,001</u>		<u>5,968,410</u>	
		174,941,895		139,239,875	
Staff Costs	2B	12,769,698		11,169,295	
		<u>187,711,593</u>		<u>150,409,170</u>	
Depreciation & Other Amounts written off Tangible Assets		619,425		765,069	
		<u>188,331,018</u>		<u>151,174,239</u>	
Other Operating Charges		<u>18,568,975</u>		<u>15,195,009</u>	
			206,899,993		166,369,248
Interest Receivable and Similar Income	2C		5,038,412		3,228,958
			<u>704,450</u>		<u>327,169</u>
			5,742,862		3,556,127
Interest Payable & Similar Charges	2D		2,573,221		2,488,705
Profit on Ordinary Activities before Taxation	2E		<u>3,169,641</u>		<u>1,067,422</u>
Tax on Profit on Ordinary Activities	2F		233,288		133,505
Profit on Ordinary Activities			<u>2,936,353</u>		<u>933,917</u>
Extraordinary Income	2G	646,098			
Extraordinary Charges	2G	<u>2,213,137</u>	1,567,039		650,352
Profit for the Financial Year			<u>1,369,314</u>		<u>283,565</u>
Interim Dividend Paid					175,000
Final Dividend Proposed			350,000		175,000
Transfer to/(from) Reserve			1,019,314		(36,435)
Retained Profit brought forward			5,147,116		5,213,551
Retained Profit carried forward			<u>£6,166,430</u>		<u>£5,147,116</u>
Retained in Bayer UK Limited			5,507,761		4,647,086
Retained in Subsidiaries			658,669		500,030
			<u>£6,166,430</u>		<u>£5,147,116</u>

Consolidated Balance Sheet
as at 31st December 1983

Bayer UK Limited and Subsidiaries	Note	£	1983 £	£	1982 £
Fixed Assets					
Tangible assets.....	3		5,563,955		6,191,943
Current Assets					
Stocks.....	5	21,166,073		15,957,720	
Debtors.....	6	42,256,097		33,956,701	
Cash at Bank and in Hand.....		2,911,564		454,676	
		<u>66,333,734</u>		<u>50,369,097</u>	
Creditors: Amounts falling due within one year.....	7	62,031,243		47,713,908	
Net Current Assets.....			4,302,491		2,655,189
Total Assets less Current Liabilities.....			<u>£9,866,446</u>		<u>£8,847,132</u>
Capital and Reserves					
Called up Share Capital.....	9		3,500,000		3,500,000
Reserves.....	10		6,366,446		5,347,132
			<u>£9,866,446</u>		<u>£8,847,132</u>

Portland

Portland

John V Webb

John V Webb

Directors

Approved by the Directors on 29th February 1984

Parent Company Balance Sheet
as at 31st December 1983

Bayer UK Limited	Note	£	1983 £	£	1982 £
Fixed Assets					
Tangible assets.....	3		5,112,391		5,711,018
Investments.....	4		<u>1,184,838</u>		<u>1,184,838</u>
			6,297,229		6,895,856
Current Assets					
Stocks.....	5	20,395,696		15,284,992	
Debtors.....	6	41,260,335		32,972,788	
Cash at Bank and in Hand.....		<u>2,546,067</u>		<u>490,394</u>	
		64,202,098		48,748,174	
Creditors: Amounts falling due within one year.....	7	<u>61,472,922</u>		<u>47,478,300</u>	
Net Current Assets.....			<u>2,729,176</u>		<u>1,269,874</u>
Total Assets less Current Liabilities.....			<u>£9,026,405</u>		<u>£8,165,730</u>
Capital and Reserves					
Called up Share Capital.....	9		3,500,000		3,500,000
Reserves.....	10		<u>5,526,405</u>		<u>4,665,730</u>
			<u>£9,026,405</u>		<u>£8,165,730</u>

On behalf of the Board

Portland,
Portland

John V Webb
John V Webb

Directors

Approved by the Directors on 29th February 1984

Consolidated Source and Application of Funds Statement
for the year ended 31st December 1983

Bayer UK Limited and Subsidiaries

Source of Funds

Profit on ordinary activities before Taxation and after

Extraordinary Items.....

Depreciation.....

Special Depreciation.....

Loss on Sale of Fixed Assets.....

Total Generated from Operations.....

Proceeds from Disposal of Fixed Assets.....

Decrease in Working Capital (See below).....

Application of Funds

Profit on Sale of Fixed Assets.....

Purchase of Fixed Assets.....

Tax Paid.....

Dividend Paid.....

Increase in Working Capital (See below).....

Decrease/(Increase) in net overdrafts and Short Term

Borrowings.....

Movement in Working Capital

Stock.....

Debtors.....

Creditors.....

	1983		1982
£	£	£	£
	1,602,602		417,070
	567,064		718,195
	200,702		212,625
	—		46,530
	2,370,368		1,394,420
	1,247,836		522,283
	—		393,526
	3,618,204		2,310,229
	593,192		—
	794,422	619,510	
	75,000	225,000	
	175,000	525,000	
	5,094,569	—	
	6,732,183		1,369,510
	£(3,113,979)		£940,719
Source	Application	Source	Application
—	5,208,353	297,764	—
—	8,298,523	—	4,379,141
8,412,307	—	4,474,903	—
8,412,307	13,506,876	4,772,667	4,379,141
13,506,876	—	4,379,141	—
£(5,094,569)	—	£393,526	—

Notes to the Consolidated Accounts
for the year ended 31st December 1983
Bayer UK Limited and Subsidiaries

1. Accounting Policies

Note 1A

The Consolidated Accounts have been prepared under the historical cost convention and in accordance with the Companies Acts 1948 to 1981. They incorporate the Accounts for the Year Ended 31st December 1983 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.....	2½ % and 5%
Premises Held on Long Lease.....	2½ % and 5%
Premises Held on Short Lease — Written off over the Period of the Lease.....	2½ %
Improvements to Rented and Leasehold Premises.....	5%
Furniture & Fixtures.....	10%
Plant & Machinery.....	10%, 14%, 20%, 50%
Office, Warehouse & Laboratory Equipment.....	20%
Motor Vehicles & Farm Equipment.....	25%

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.

Note 1F

Foreign Currencies have been converted into Sterling at the rates ruling at the Balance Sheet date.

Note 1G

It is the Company's policy to lease rather than purchase fixed assets. During 1983, a lease was arranged for the new office block in Newbury and for a Central Warehouse in Bromsgrove. Operating lease commitments are provided for in the Balance Sheet at the time the rental payments fall due. Such rental costs are charged to profit and loss as incurred.

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:

	1983	1982
	£	£
United Kingdom.....	198,599,477	162,632,804
Europe.....	6,610,660	6,439,045
Other.....	1,221,581	472,244
	<u>£206,431,718</u>	<u>£169,544,093</u>

2. Notes on the Consolidated Profit and Loss Account — continued

Note 2B Staff Costs

	The Group		Bayer UK Limited	
	1983	1982	1983	1982
	£	£	£	£
Wages and Salaries.....	10,772,940	9,305,734	9,786,352	8,416,064
Social Security Costs.....	803,489	875,656	707,719	775,456
Other Pension Costs.....	1,193,269	987,905	1,143,226	949,332
	<u>£12,769,698</u>	<u>£11,169,295</u>	<u>£11,637,297</u>	<u>£10,140,852</u>

The figure of salaries includes £58,006 (1982 — £55,230) in respect of remuneration of Bayer UK Limited Directors.

	1983	1982
	£	£
In respect of duties wholly or mainly discharged in the United Kingdom		
As Directors.....	13,123	13,020
As Executives.....	35,693	33,020
Contribution under a Pension Scheme.....	4,190	4,190
In respect of duties wholly or mainly discharged outside the United Kingdom		
As Directors.....	5,000	5,000
Paid by Subsidiary Company.....	58,006	55,230
	<u>1,000</u>	<u>1,000</u>
	<u>£57,006</u>	<u>£54,230</u>
Emoluments of: Chairman.....	£9,623	£9,520
Highest Paid Director.....	<u>£36,693</u>	<u>£34,020</u>
Other Directors whose total remuneration was in the bracket: up to £5,000.....	3	3
Remuneration of senior employees which fall within the following range: £30,001 to £35,000.....	1	—
The average weekly number of employees during the year was as follows:		
Production.....	255	212
Technical.....	302	280
Commercial.....	440	476
Senior Staff.....	188	188
	<u>1,185</u>	<u>1,156</u>

Note 2C Interest Receivable and Similar Income

	1983	1982
	£	£
Interest receivable from Group Companies.....	569,465	184,930
Other Sources.....	134,985	142,239
	<u>£704,450</u>	<u>£327,169</u>

Note 2D Interest Payable and Similar Charges

Bank loans, overdrafts and other loans repayable within five years:

	1983	1982
	£	£
Group Companies.....	49,000	—
Bankers.....	2,524,221	2,488,705
	<u>£2,573,221</u>	<u>£2,488,705</u>

2. Notes on the Consolidated Profit and Loss Account — continued**Note 2E Profit on Ordinary Activities before Taxation**

	The Group		Bayer UK Limited	
	1983	1982	1983	1982
	£	£	£	£
Is stated after charging:				
Net Loss on Sale of Fixed Assets.....	52,906	46,530	54,958	46,502
Depreciation of Fixed Assets.....	567,064	718,195	502,584	644,904
Special Depreciation.....	52,361	46,874	52,361	46,874
Hire of Plant and Equipment.....	1,471,962	743,181	1,450,726	713,593
Auditors Remuneration.....	105,323	92,625	89,573	78,125

Special Depreciation of £148,341 (1982 — £165,751) for Bayer UK Limited has been treated as an extraordinary item.

Note 2F Taxation

	1983	1982
	£	£
Corporation Tax based on Current Profits of a Subsidiary at 52%	84,161	—
Deferred Taxation:		
Short Term Timing Differences: Parent Company	6,927	(13,895)
Subsidiary Company.....	(7,800)	(2,600)
Advance Corporation Tax not considered recoverable in the foreseeable future	150,000	150,000
	<u>£233,288</u>	<u>£133,505</u>

The taxation charge has been reduced by £466,284 (1982 — £450,471) in respect of stock relief.

Note 2G Extraordinary Items

The new central administration office located at Newbury, Berkshire, was ready for occupation in September, 1983. The operations of the former offices of Richmond, Surrey and Haywards Heath, Sussex were relocated to Newbury at this time.

Costs of Removal.....	1,989,796	218,107
Profit on Sale of Haywards Heath Premises.....	(646,098)	—

The manufacture of Novodur Plastic at the Production Plant at Bromsgrove, Worcestershire ceased on 30th June, 1983. The Plant and Machinery associated with this activity was written down to nil value at this date.....

	126,479	—
--	---------	---

With the transfer of the Enamels Production Unit from Bilston to Stoke-on-Trent in February, 1982, a further rationalisation has taken place in Bayer UK Limited's Enamels & Ceramics strategy within the United Kingdom. The Company has purchased the plant, machinery and goodwill of C J Baines Limited, previously a major supplier of raw materials and converted products to this Division. In accordance with the Group's policy, the cost of goodwill is written off. In consequence, further Fixed Assets acquired from Bilston have been written off.

Bilston Fixed Asset Costs Written Off	21,862	184,942
Other Bilston Closure Costs	—	247,303
Goodwill Written Off	75,000	—
	<u>£1,567,039</u>	<u>£650,352</u>

Note 3 Bayer UK Limited and Subsidiaries**Fixed Assets — Summary of Movements for the Group**

	Construction in Progress	Freehold Properties	Premises held on Long Lease
	£	£	£
Cost			
1st January 1983.....	335,487	3,803,679	602,880
Additions.....	249,325	71,338	4,273
Transfers.....	(404,480)	460,121	—
	180,332	4,335,138	607,153
Disposals.....	(14,541)	(26,737)	(463,796)
	165,791	4,308,401	143,357
Depreciation			
1st January 1983.....	2,948	757,241	95,100
Provisions for the Year.....	—	88,179	17,981
Special Depreciation.....	7,945	49,991	—
Transfers.....	88,639	—	—
	99,532	895,411	113,081
Elimination on Disposals.....	(8,204)	(2,005)	(60,820)
	91,328	893,406	52,261
Net Book Value 31.12.83.....	£74,463	£3,414,995	£91,096
Net Book Value 31.12.82.....	£332,539	£3,046,438	£507,780

Bayer UK Limited**Fixed Assets — Summary of Movements for Parent Company**

	Construction in Progress	Freehold Properties	Premises held on Long Lease
	£	£	£
Cost			
1st January 1983.....	335,487	3,692,370	484,011
Additions.....	238,854	70,498	4,273
Transfers.....	(404,480)	460,121	—
	169,861	4,222,989	488,284
Disposals.....	(14,541)	(26,737)	(463,796)
	155,320	4,196,252	24,488
Depreciation			
1st January 1983.....	2,948	747,104	53,481
Provisions for the Year.....	—	86,175	12,031
Special Depreciation.....	7,945	49,991	—
Transfers.....	88,639	—	—
	99,532	883,270	65,512
Elimination on Disposals.....	(8,204)	(2,005)	(60,820)
	91,328	881,265	4,692
Net Book Value 31.12.83.....	£63,992	£3,314,987	£19,796
Net Book Value 31.12.82.....	£332,539	£2,945,266	£430,530

Premises held on Long Lease	Premises Held on Short Lease	Improvements to Rented & Leasehold Premises	Plant & Machinery	Office Furniture & Equipment	Motor Vehicles	Total
£	£	£	£	£	£	£
202,880	224,600	282,003	3,676,191	1,082,388	535,514	10,542,742
4,273	—	19,470	357,111	82,500	10,405	794,422
—	—	(5,000)	(106,387)	55,746	—	—
607,153	224,600	296,473	3,926,915	1,220,634	545,919	11,337,164
(463,796)	(45,000)	(34,447)	(92,234)	(333,988)	(361,224)	(1,371,967)
143,357	179,600	262,026	3,834,681	886,646	184,695	9,965,197
—	—	—	—	—	—	—
95,100	45,000	118,806	2,342,549	625,540	363,615	4,350,799
17,981	2,993	15,072	282,889	110,633	49,317	567,064
—	—	—	142,766	—	—	200,702
—	—	—	(120,338)	31,790	(91)	—
113,081	47,993	133,878	2,647,866	767,963	412,841	5,118,565
(60,820)	(45,000)	(33,785)	(86,481)	(228,923)	(252,105)	(717,323)
52,261	2,993	100,093	2,561,385	539,040	160,736	4,401,242
£91,096	£176,607	£161,933	£1,273,296	£347,606	£23,959	£5,563,955
£507,780	£179,600	£163,197	£1,333,642	£456,848	£171,899	£6,191,943

Premises held on Long Lease	Premises Held on Short Lease	Improvements to Rented & Leasehold Premises	Plant & Machinery	Office Furniture & Equipment	Motor Vehicles	Total
£	£	£	£	£	£	£
484,011	224,600	148,873	3,265,764	904,836	496,984	9,552,925
4,273	—	4,886	351,638	70,952	10,405	751,506
—	—	(5,000)	(106,387)	55,746	—	—
488,284	224,600	148,759	3,511,015	1,031,534	507,389	10,304,431
(463,796)	(45,000)	(34,447)	(89,366)	(333,809)	(333,102)	(1,340,798)
24,488	179,600	114,312	3,421,649	697,725	174,287	8,963,633
—	—	—	—	—	—	—
53,481	45,000	74,697	2,049,202	531,558	337,917	3,841,907
12,031	2,993	9,307	255,971	89,392	46,715	502,584
—	—	—	142,766	—	—	200,702
—	—	—	(120,338)	31,790	(91)	—
65,512	47,993	84,004	2,327,601	652,740	384,541	4,545,193
(60,820)	(45,000)	(33,785)	(83,709)	(228,816)	(231,612)	(693,951)
4,692	2,993	50,219	2,243,892	423,924	152,929	3,851,242
£19,796	£176,607	£64,093	£1,177,757	£273,801	£21,358	£5,112,391
£430,530	£179,600	£74,176	£1,216,562	£373,278	£159,067	£5,711,018

Notes to the Consolidated Accounts

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. The ceramics section of this business was transferred to Bayer UK Limited on 1st January 1982 at net book value. The effect of this transfer was to leave James Kent as a self-contained pottery. Although the Company was not profitable in 1983, it is expected to make a profit in 1984 because of changes in operating methods. Therefore, in the opinion of the Directors, it has a value equivalent to the cost.

Investments Held as Fixed Assets

	Bayer UK Limited	
	1983	1982
	£	£
Shares in Group Companies — Subsidiaries.....	<u>£1,184,838</u>	<u>£1,184,838</u>

Note 5

Stocks

The main categories of stocks are:

	The Group		Bayer UK Limited	
	1983	1982	1983	1982
	£	£	£	£
Raw Materials.....	1,222,101	926,625	953,660	703,225
Work-in-Progress.....	940,744	1,196,382	840,335	1,105,796
Finished Goods.....	1,042,126	3,624,673	861,382	3,465,277
Goods for Resale.....	17,961,102	10,210,040	17,740,319	10,010,694
	<u>£21,166,073</u>	<u>£15,957,720</u>	<u>£20,395,696</u>	<u>£15,284,992</u>

Note 6

Debtors

	The Group		Bayer UK Limited	
	1983	1982	1983	1982
	£	£	£	£
Short Term Loan.....	500,000	500,000	500,000	500,000
Trade Debtors.....	35,385,236	30,036,965	34,361,869	29,093,799
Other Debtors.....	2,427,914	867,751	2,389,380	827,300
Prepayments.....	1,040,114	555,822	1,020,103	543,414
Due from Ultimate Holding Company.....	1,102,721	643,341	1,102,721	643,341
Due from Other Group Companies.....	1,612,521	1,320,727	1,724,671	1,351,039
Deferred Tax (see Note 8).....	32,968	32,095	6,968	13,895
Bills Receivable.....	154,623	—	154,623	—
	<u>£42,256,097</u>	<u>£33,956,701</u>	<u>£41,260,335</u>	<u>£32,972,788</u>

Notes to the Consolidated Accounts

Note 9

Called Up Share Capital of Bayer UK Limited

	1983 £	1982 £
Authorised		
3,500,000 Ordinary Shares of £1 each.....	<u>£3,500,000</u>	<u>£3,500,000</u>
Allotted, Issued and Fully Paid		
3,500,000 Ordinary Shares of £1 each.....	<u>£3,500,000</u>	<u>£3,500,000</u>

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.

Note 10

Reserves

	The Group		Bayer UK Limited	
	1983 £	1982 £	1983 £	1982 £
At Commencement of the Year.....	5,347,132	5,413,567	4,665,730	4,824,578
Retained Profit/(Loss) for the Year	<u>1,019,314</u>	<u>(66,435)</u>	<u>860,675</u>	<u>(158,848)</u>
	<u>£6,366,446</u>	<u>£5,347,132</u>	<u>£5,526,405</u>	<u>£4,665,730</u>
 Represented by:				
Profit and Loss Account	6,166,430	5,147,116	5,507,761	4,647,086
Capital Reserve	183,544	183,544	2,172	2,172
General Reserve	<u>16,472</u>	<u>16,472</u>	<u>16,472</u>	<u>16,472</u>
	<u>£6,366,446</u>	<u>£5,347,132</u>	<u>£5,526,405</u>	<u>£4,665,730</u>

Note 11

Future Capital Expenditure

	The Group		Bayer UK Limited	
	1983	1982	1983	1982
(i) Contracted but not provided.....	<u>£46,244</u>	<u>£441,780</u>	<u>£33,892</u>	<u>£441,780</u>
(ii) Authorised but not contracted.....	<u>£65,795</u>	<u>£82,540</u>	<u>£65,795</u>	<u>£82,540</u>

Note 12

Contingent Liabilities

	The Group		Bayer UK Limited	
	1983 £	1982 £	1983 £	1982 £
Bank Guarantees	30,160	26,000	29,160	25,000
Property & Other Contingencies.....	<u>26,500</u>	<u>20,179</u>	<u>26,500</u>	<u>20,179</u>
	<u>£56,660</u>	<u>£46,179</u>	<u>£55,660</u>	<u>£45,179</u>