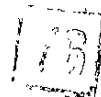


REPORT AND ACCOUNTS
FOR THE YEAR
ENDED 31ST DECEMBER 1978



BAYER UK LIMITED

REPORT AND ACCOUNTS

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BAYER UK LIMITED

DIRECTORS

Lord William Bentinck C.M.G. (Chairman)
Mr. J.V. Webb (Managing)
Mr. H.J. Strenger
Lord Walston
Mr. F.J. Weitkemper

BANKERS

Barclays Bank Limited
Hambros Bank Limited

AUDITORS

Kingston Smith & Co.
Chartered Accountants

SOLICITORS

Kenneth Brown Baker Baker

SECRETARY

Mr. M.J.M. Mills F.C.A.

REGISTERED OFFICE

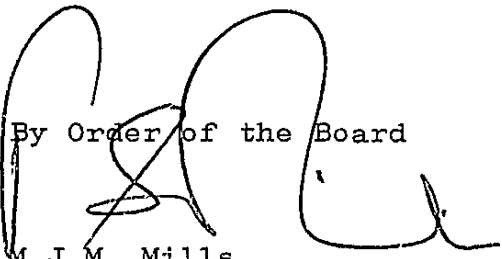
Bayer House,
Richmond,
Surrey, TW9 1SJ.

BAYER UK LIMITED

N O T I C E is hereby given that the Eleventh Annual General Meeting of the Members of the Company as Adjourned will be held at Bayer House, Richmond, Surrey on Wednesday 11 July at 12 noon for the purpose of passing the following Ordinary Resolutions:-

- 1) To receive the Directors' Report, the Balance Sheet and Accounts and the Auditors' Report for the Year Ended the 31st December 1978.
- 2) To Declare a Dividend.
- 3) To elect Directors.
- 4) To re-appoint Kingston Smith & Co. as Auditors to the Company for the ensuing Year and to 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

20 June 1979

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 submit their Report with the Balance Sheet of the Company as at the 31st December, 1978, and the Group Accounts for the Year Ending on that date.

ACTIVITIES

The Company's main activity is the marketing throughout the United Kingdom of the products manufactured by Bayer AG. of the Federal Republic of Germany, and its Subsidiaries.

SUBSIDIARY COMPANY

Haarman & Reimer Limited incorporated in England is the sole subsidiary company of Bayer UK Limited.

SALES

The total sales for the year under review were £106,921,635, a record for the Group. The Export Sales including Sales to Bayer Companies abroad totalled £1,531,886.

RESULTS AND DIVIDEND

The Group maintained its growth in turnover resulting in a net profit of £2,156,800 after providing for taxation of £97,803 and interest charges of £1,602,597. The Directors recommend the payment of a Dividend of 22% - £330,000 (1977 - 20% - £300,000). After crediting a prior year adjustment of £3,169,538 relating to deferred taxation no longer provided and a capitalisation issue in the subsidiary of £85,000, it is proposed that the balance of £6,050,250 on profit and loss account be carried forward.

FIXED ASSETS

The movement of Fixed Assets is set out in Note 3 to the Accounts. During the Year the Company acquired the freehold land and buildings, plant, equipment and intangible assets of a latex production plant at Stoke Works, Bromsgrove, Worcestershire at a cost of £2,532,293.

MARKET VALUE OF LAND AND BUILDINGS

Freehold and Leasehold properties which are included in Fixed Assets in the Consolidated Balance Sheet as at 31st December, 1978, at the Net Book Value of £1,918,630 had, in the opinion of the Directors, at that date a market value of approximately £3,000,000.

CHARITABLE DONATIONS

During the financial year the sum of £3,486 was donated to United Kingdom charitable organisations. No payments were made for political purposes.

DIRECTORS AND EMPLOYEES

Lord William Bentinck, Mr. J.V. Webb, Mr. W. Meyerheim, Lord Walston, Mr. F.J. Weitkemper and Mr. H.J. Strenger served as Directors during the year. Mr. W. Meyerheim retired and Mr. H.J. Strenger was appointed at the Annual General Meeting on 12th June, 1978.

Lord William Bentinck and Lord Walston retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election.

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

EMPLOYEES

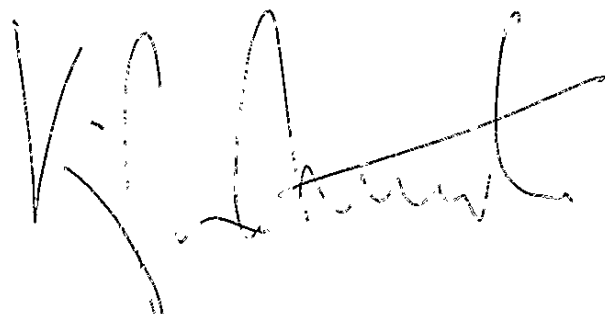
The average number of employees of the Group during the year was 730 (1977 - 705) to whom aggregate remuneration of £3,716,775 (1977 - £3,002,131) was paid.

W. Cavendish Bentinck
LORD WILLIAM BENTINCK
CHAIRMAN

REPORT OF THE AUDITORS

TO THE MEMBERS OF BAYER UK LIMITED

We have examined the Accounts set out on Pages seven to twenty three which have been prepared under the historical cost convention. In our opinion, the said Accounts give so far as concerns the Members of Bayer UK Limited, under the convention stated above a true and fair view of the state of affairs at 31st December 1978, and of the Profit and Source and Application of Funds for the Year Ended on that date of the Company and of the Group and comply with the Companies Acts 1948 and 1967.



King William House
2A Eastcheap
London EC3M 1AA

Kingston Smith & Co.
Chartered Accountants

9th March 1979.

BAYER UK LIMITED AND SUBSIDIARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

31st DECEMBER 1978

		<u>1978</u>	<u>1977</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
Gross Turnover	2B	<u>£106,921,635</u>	<u>£96,827,604</u>
Group Trading Profit before Interest	2C	3,857,200	3,462,909
Interest Charges	2D	<u>1,602,597</u>	<u>1,779,452</u>
Group Profit before Taxation		2,254,603	1,683,477
Taxation	2E	<u>97,803</u>	<u>956,679</u>
Group Profit after Taxation		2,156,800	726,798
Balance, brought forward		1,138,912	1,287,314
Prior Year Adjustment	2F	<u>3,169,538</u>	<u>-</u>
		<u>4,308,450</u>	<u>1,287,314</u>
		6,465,250	2,014,112
Amount capitalised by Bonus Issue of Shares:-			
Holding Company		-	575,200
Subsidiary Company	12	<u>85,000</u>	<u>-</u>
		6,380,250	1,438,912
Proposed Dividend		<u>330,000</u>	<u>300,000</u>
		<u>£ 6,050,250</u>	<u>£ 1,138,912</u>
Retained in Bayer UK Limited		5,710,615	890,879
Retained in Subsidiary		<u>339,635</u>	<u>248,033</u>
		<u>£ 6,050,250</u>	<u>£ 1,138,912</u>

BAYER UK LIMITED AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER 1978

			<u>1978</u>	<u>1977</u>
	<u>Notes</u>	£	£	£
FIXED ASSETS				
Property, Plant etc.	3		4,430,400	1,914,312
Goodwill, Patents and Trade Marks	4		<u>276,407</u>	<u>-</u>
			4,706,807	1,914,312
UNQUOTED INVESTMENT	6		15,150	15,150
CURRENT ASSETS	7	35,576,379		30,807,619
CURRENT LIABILITIES	8	<u>29,288,411</u>		<u>23,711,372</u>
NET CURRENT ASSETS		6,087,968		7,096,247
MEDIUM TERM LIABILITY		<u>3,004,968</u>		<u>3,004,968</u>
		3,083,000		4,091,279
DEFERRED TAXATION	9	<u>178,937</u>	(3,063,185)	
			<u>3,261,937</u>	<u>1,028,094</u>
			7,983,894	2,957,556
PROPOSED DIVIDEND			<u>330,000</u>	<u>300,000</u>
NET ASSETS			<u>£7,653,894</u>	<u>£2,657,556</u>
FINANCED BY:				
SHARE CAPITAL	10		1,500,000	1,500,000
RESERVES	11		<u>6,153,894</u>	<u>1,157,556</u>
			<u>£7,653,894</u>	<u>£2,657,556</u>

L. C. Bennett
 Lord William Bentinck)
John V. Webb) Directors
 John V. Webb)

BAYER UK LIMITED

BALANCE SHEET AS AT 31st DECEMBER 1978

			<u>1978</u>	<u>1977</u>
	<u>Notes</u>	£	£	£
FIXED ASSETS				
Property, Plant etc.	3		4,181,166	1,700,160
Goodwill, Patents and Trade Marks	4		276,407	-
			<u>4,457,573</u>	<u>1,700,160</u>
SUBSIDIARY COMPANY				
Shares at Cost	5	16,969		16,969
Due on Current Account		<u>100,191</u>		<u>58,967</u>
			117,160	75,936
UNQUOTED INVESTMENT	6		<u>15 150</u>	<u>15,150</u>
			<u>4,589,883</u>	<u>1,791,246</u>
CURRENT ASSETS	7	34,868,715		30,263,575
CURRENT LIABILITIES	8	<u>29,063,539</u>		<u>23,396,901</u>
NET CURRENT ASSETS		5,805,176		6,866,674
MEDIUM TERM LIABILITY		<u>3,004,968</u>		<u>3,004,968</u>
		2,800,208		3,861,706
DEFERRED TAXATION	9	<u>171,137</u>	(2,941,462)	
			<u>2,971,345</u>	<u>920,244</u>
			7,561,228	2,711,490
PROPOSED DIVIDEND			<u>330,000</u>	<u>300,000</u>
NET ASSETS			<u>£7,231,228</u>	<u>£2,411,490</u>
FINANCED BY:-				
SHARE CAPITAL	10		1,500,000	1,500,000
RESERVES	11		<u>5,731,228</u>	<u>911,490</u>
			<u>£7,231,228</u>	<u>£2,411,490</u>

W. Courtenay Bentinck
Lord William Bentinck)

John V. Webb) Directors

John V. Webb)

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED
31ST DECEMBER 1978

1. Accounting Policies

- A. The Consolidated Accounts incorporate the accounts for the Year Ended 31st December, 1978, of Bayer UK Limited and Haarmann & Reimer Limited.
- B. 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%
Premises Held on Long Lease	2½%
Premises Held on Short Lease - Written Off over the period of the Lease or	2½%
Improvements to Rented and Leasehold Premises	5%
Furniture & Fixtures	10%
Office Equipment	20%
Computer	20%
Warehouse Equipment	20%
Laboratory Equipment	20%
Motor Vehicles	25%
Farm Equipment	25%

Depreciation has not been provided on Fixed Assets and Intangibles of £2,255,886 and £276,407 respectively acquired on 21st December 1978.

- C. Stocks have been valued at Cost or Net Realisable Value, whichever is lower on a basis consistent with previous years. Cost included 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 1978

1. Accounting Policies (Continued)

- D. The treatment for deferred taxation in the accounts is based on the liability method and is calculated at 52% on:

Short Term timing differences (creating a
deferred asset)

As there is a reasonable probability that deferred taxation will not become payable in the foreseeable future no provision has been made in these Accounts in respect of the following:-

- the excess of the book value of assets qualifying for taxation allowances over their written down value for taxation purposes
- Stock Appreciation relief to 31st December 1978 from which would have been deducted:
 - Advance Corporation Tax
 - losses available for set-off against future trading profits

This constitutes a change in accounting policy in order to comply with Statement of Standard Accounting Practice No. 15 and therefore the previously provided deferred taxation has been written back as a prior year adjustment.

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

2. Notes on the Consolidated Profit and Loss Account

- A. Bayer UK Limited is a wholly owned Subsidiary of Bayer Foreign Investments Limited of Canada.

3. Turnover

Group Turnover represents sales to third parties, less Returns.

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

Note C

TRADING PROFIT BEFORE INTEREST

	<u>Bayer UK Limited</u>		<u>The Group</u>	
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
	£	£	£	£
is stated after crediting:-				
Net Profit on Sales of Fixed Assets	<u>42,247</u>	<u>17,720</u>	<u>43,675</u>	<u>18,057</u>
and is stated after charging:-				
Depreciation of Fixed Assets	358,818	280,087	404,028	312,385
Amount written off Fixed Assets	-	15,311	-	15,968
Hire of Plant and Equipment	112,293	122,739	112,422	123,261
Auditors Remuneration	<u>24,920</u>	<u>23,055</u>	<u>28,059</u>	<u>25,159</u>
Remuneration of Directors of Bayer UK Limited				
In respect of duties wholly or mainly discharged in the United Kingdom				
As Directors			7,501	6,501
As Executive			19,015	17,605
Contribution under a Pension Scheme			2,538	2,127
In respect of duties wholly or mainly discharged outside the United Kingdom				
As Directors			<u>3,000</u>	<u>3,000</u>
Paid by Subsidiary Company			32,054	29,233
			<u>1,000</u>	<u>1,000</u>
Paid by Bayer UK Limited			<u>£ 31,054</u>	<u>£ 28,233</u>

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>1978</u>	<u>1977</u>
	£	£
<u>Note C (Continued)</u>		
Emoluments of Chairman	£ 5,001	£ 5,001
of Highest Paid Director	£ 20,015	£ 18,605
	<u> </u>	<u> </u>
Other Directors whose total remuneration was in the bracket:		
Up to £ 2,500	<u>4</u>	<u>3</u>
Employees whose total emoluments were in the bracket:		
£10,000 to £12,500	10	11
£12,501 to £15,000	9	6
£15,001 to £17,500	<u>7</u>	<u>-</u>

Note D

INTEREST CHARGES payable to

Company's Bankers in respect of:-

Acceptance Credit Facilities	962,911	1,098,176
Overdraft Facilities	115,858	424,947
Other Short Term Borrowings	298,455	11,141
Third Parties - Medium Term Liability	225,373	245,168
	<u> </u>	<u> </u>
	£1,602,597	£1,779,432
	<u> </u>	<u> </u>

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>1978</u>	<u>1977</u>
	£	£
<u>Note E</u>		
<u>TAXATION</u>		
Corporation Tax based on the adjusted Profits for the year at 52%		
Bayer UK Limited	-	856,110
Subsidiary Company	61,924	63,902
Deferred Taxation		
Bayer UK Limited	(64,784)	25,585
Subsidiary Company	(7,800)	11,032
Advance Corporation Tax not considered recoverable in foreseeable future		
	108,463	-
	<hr/>	<hr/>
	£ 97,805	£956,679
	<hr/>	<hr/>

There is no liability to Corporation Tax arising from the result of Bayer UK Limited shown in these Accounts due to the incidence of Capital Allowances, stock appreciation relief and tax losses brought forward.

The charge for Corporation Tax in 1977 includes amounts of £856,110 and £51,136 for Bayer UK Limited and the Subsidiary Company respectively which relate to amounts deferred indefinitely due to stock appreciation relief. These amounts would have been shown as Deferred Taxation if the revised accounting policy to comply with Statement of Standard Accounting Practice No.15 had been adopted in previous years.

The Company has losses for taxation purposes of approximately £567,000 (1977 - £1,158,000) available to set off against future trading profits.

Note F

PRIOR YEAR ADJUSTMENT

Elimination of Deferred Taxation due to
a change in accounting policy
(See Note 1D)

£3,169,538

-

INTEREST ON DEBTED AND ...

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

Note 3

FIXED ASSETS - Summary of Movements

	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>The Group</u>									
<u>Cost</u>									
1st January 1978	-	797,780	339,133	45,000	98,516	443,835	667,461	804,488	3,196,213
Additions	46,563	1,007,266	-	-	18,623	1,272,568	101,509	646,735	3,093,264
Transfers	-	-	-	-	-	1,735	(17,263)	15,528	-
	46,563	1,805,046	339,133	45,000	117,139	1,718,138	751,707	1,466,751	6,289,477
Disposals	-	148	-	-	5,595	18,215	131,147	305,335	460,440
	46,563	1,804,898	339,133	45,000	111,544	1,699,923	620,560	1,161,416	£5,829,037
<u>DEPRECIATION</u>									
1st January 1978	-	175,509	21,559	41,629	51,329	320,748	434,142	236,985	1,281,901
Provision for the Year	-	16,859	11,487	3,371	6,739	58,465	55,218	251,889	404,028
Transfers	-	-	-	-	-	1,835	(9,943)	8,108	-
	-	192,368	33,046	45,000	58,068	381,048	479,417	496,982	1,685,929
Elimination on Disposals	-	13	-	-	2,204	17,012	124,976	143,087	287,292
	-	192,355	33,046	45,000	55,864	364,036	354,441	353,895	£1,398,637
<u>NET BOOK VALUE</u>									
31st December 1978	46,563	1,612,543	306,087	-	55,680	1,335,887	266,119	807,521	£3,450,400
31st December 1977	-	622,271	317,574	3,371	47,187	123,087	233,319	507,503	£1,914,312

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

Note 3 (Continued)

FIXED ASSETS - Summary of Movements

	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>Bayer UK Limited</u>									
<u>Cost</u>									
1st January 1978	-	797,780	220,264	45,000	59,712	370,977	597,817	777,183	2,868,733
Additions	46,050	1,007,266	-	-	18,398	1,245,551	79,395	611,738	3,008,398
Transfers	-	-	-	-	-	1,735	(17,263)	15,528	-
	46,050	1,805,046	220,264	45,000	78,110	1,618,263	659,949	1,404,449	5,877,131
Disposals	-	148	-	-	5,595	14,450	129,939	291,805	441,937
	46,050	1,804,898	220,264	45,000	72,515	1,603,813	530,010	1,112,644	£5,435,194
<u>DEPRECIATION</u>									
1st January 1978	-	175,509	9,690	41,629	18,334	280,441	418,690	224,280	1,168,573
Provision for the Year	-	16,859	5,537	3,371	6,407	41,613	45,332	239,699	358,818
Transfers	-	-	-	-	-	1,835	(9,943)	8,108	-
	-	192,368	15,227	45,000	24,741	323,889	454,079	472,087	1,527,591
Elimination on Disposals	-	13	-	-	2,204	13,333	123,987	133,826	273,363
	-	192,355	15,227	45,000	22,537	310,556	330,092	338,261	£1,254,228
<u>NET BOOK VALUE</u>									
31st December 1978	46,050	1,612,543	205,037	-	49,978	1,293,257	199,918	774,383	£4,181,166
31st December 1977	-	622,271	210,574	3,371	41,378	90,536	179,127	552,903	£1,700,160

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
	£	£	£	£
<u>Note 4</u>				
<u>GOODWILL, PATENT AND TRADE MARKS</u>				
At Cost	<u>276,407</u>	<u>-</u>	<u>276,407</u>	<u>-</u>

Note 5

The SUBSIDIARY COMPANY: Haarmann & Reimer Limited, incorporated in England, has one class of share wholly owned by Bayer UK Limited.

Note 6

UNQUOTED INVESTMENT represents 15% of the Ordinary Share Capital of Bulstrode Plastics & Chemical Co.Ltd. (Registered in England). In the opinion of the Directors the Market Value of the investment is £15,150 (1977 - £15,150).

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
	£	£	£	£
<u>Note 7</u>				
<u>CURRENT ASSETS</u>				
Stocks on Hand	11,566,912	11,366,793	11,367,707	11,177,256
Stocks in Transit	2,608,576	2,010,231	2,546,960	1,947,155
	<hr/>	<hr/>	<hr/>	<hr/>
Total Stocks (Note 14)	14,175,488	13,377,024	13,914,667	13,124,411
Debtors - Trade	19,880,955	16,469,137	19,641,457	16,187,376
- Miscellaneous	295,375	166,318	293,437	162,522
- Prepayments	310,303	248,129	305,670	242,890
Due from Group Companies not members of the Bayer UK Limited Sub-Group				
Debtors	211,972	132,492	211,972	132,492
Bills Receivable	430,108	355,527	430,108	355,527
Other Bills Receivable	65,554	50,039	65,554	50,039
Balances at Bank and in Hand	6,624	8,953	5,850	8,318
	<hr/>	<hr/>	<hr/>	<hr/>
	£35,376,379	£30,807,619	£34,686,715	£30,263,575
	<hr/>	<hr/>	<hr/>	<hr/>

Note 8

<u>CURRENT LIABILITIES</u>				
Bayer AG.	8,686,684	4,238,094	8,686,684	4,238,094
Due to Group Companies not members of the Bayer UK Limited Sub-Group	733,731	664,843	649,422	563,811
Creditors - Trade	3,496,857	2,443,612	3,479,671	2,428,118
- Miscellaneous	876,739	832,064	824,924	779,646
Current Taxation	22,626	4,453	-	-
Loan Interest Accrued	331,091	213,509	331,091	213,509
Bills Payable	9,000,000	13,000,000	9,000,000	13,000,000
Short Term Bank Borrowings and Overdrafts	6,140,683	2,314,797	6,091,747	2,173,723
	<hr/>	<hr/>	<hr/>	<hr/>
	£29,288,411	£23,711,372	£29,063,539	£23,396,901
	<hr/>	<hr/>	<hr/>	<hr/>

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

Note 9

DEFERRED TAXATION

The treatment in the accounts and the full potential liability are set out below. The accounting policy for deferred taxation is explained in note 1D.

	<u>1978</u>	<u>1977</u>	
	<u>Full Potential Liability</u>	<u>Deferred Asset</u>	<u>Provision Made</u>
Short term timing differences	(178,937)	(178,937)	(106,353)
Stock Appreciation Relief	3,727,695		3,185,810
Capital Allowances	951,673		240,207
Advance Corporation Tax	(364,942)		(256,479)
Losses, carried forward	(294,773)		-
	<u>£3,840,716</u>	<u>£(178,937)</u>	<u>£3,063,185</u>

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>1978</u>	<u>1977</u>
	£	£
<u>Note 10</u>		
<u>SHARE CAPITAL OF BAYER UK LIMITED</u>		
<u>Authorised</u>		
2,000,000 Ordinary Shares of £1 each	<u>£2,000,000</u>	<u>£2,000,000</u>
<u>Issued and Fully Paid</u>		
1,500,000 Ordinary Shares of £1 each	<u>£1,500,000</u>	<u>£1,500,000</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.

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
	£	£	£	£
<u>Note 11</u>				
<u>RESERVES</u>				
At Commencement of the Year	1,157,556	1,305,958	911,490	1,110,209
Retained Profit of the Year	4,996,338	426,793	4,819,738	376,481
	<u>6,153,894</u>	<u>1,732,756</u>	<u>5,731,228</u>	<u>1,486,690</u>
Amount capitalised by Bonus Issue of Shares	-	575,200	-	575,200
	<u>£6,153,894</u>	<u>£1,157,556</u>	<u>£5,731,228</u>	<u>£ 911,490</u>
Represented by:-				
Profit and Loss Account	6,050,250	1,138,912	5,712,584	892,846
Capital Reserve (see Note 12)	87,172	2,172	2,172	2,172
General Reserve	16,472	16,472	16,472	16,472
	<u>£6,153,894</u>	<u>£1,157,556</u>	<u>£5,731,228</u>	<u>£ 911,490</u>

Note 12

CAPITALISATION ISSUE

During the Year the Subsidiary capitalised by way of Bonus Issue £85,000 from Reserves. This amount represents the increase in Capital Reserve in the Group Accounts.

Note 13

FUTURE CAPITAL EXPENDITURE

(i) Contracted for but not provided for in the Consolidated Accounts	£ 251,653	£ 275,465	£ 233,141	£ 252,497
(ii) Authorised but not Contracted for	£ 14,150	£ NIL	£ 14,150	£ NIL

BAYER UK LIMITED AND SUBSIDIARY

NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1978

Note 14

CONTINGENT LIABILITIES

At the 31st December 1978, the Group had Contingent Liabilities amounting to £5,000 (1977 - £85,000). Bayer UK Limited had Contingent Liabilities of £5,000 (1977 - £85,000).

Note 15

Stocks comprise the following:-

	<u>The Group</u>		<u>Bayer UK Limited</u>	
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>
	£	£	£	£
Raw Materials	1,365,362	935,935	1,225,273	696,905
Finished Goods	1,220,403	1,981,472	1,161,287	1,967,889
Goods for Resale	11,589,723	10,459,617	11,528,107	10,459,617
	<u>£14,175,488</u>	<u>£13,377,024</u>	<u>£13,914,667</u>	<u>£13,124,411</u>

BAYER UK LIMITED

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT
FOR THE YEAR ENDED 31st DECEMBER 1978

	<u>1978</u>	<u>1977</u>
	£	£
<u>SOURCE OF FUNDS</u>		
Profit for the Year before Taxation	2,254,603	1,683,477
Depreciation Adjustment	404,028	312,385
Amount written off Fixed Assets	-	15,968
Profit on Disposal of Fixed Assets	(43,673)	(18,057)
Total Generated from Operations	2,614,958	1,993,773
Proceeds from Disposal of Fixed Assets	216,821	105,572
Decrease in Working Capital	1,014,130	-
	<u>3,845,909</u>	<u>2,099,345</u>

APPLICATION OF FUNDS

Purchase of Fixed Assets	3,093,264	812,698
Purchase of Intangibles	276,407	-
Tax Paid	4,453	134,452
Dividend Paid	300,000	184,960
Increase in Working Capital	-	1,794,825
	<u>3,674,124</u>	<u>2,926,935</u>
DECREASE OR (INCREASE) IN NET OVERDRAFTS AND SHORT TERM BORROWINGS	<u>£ 171,785</u>	<u>£(827,590)</u>

MOVEMENT IN WORKING CAPITAL

	<u>Source</u>	<u>Application</u>	<u>Source</u>	<u>Application</u>
Stock		798,464		2,986,107
Debtors		3,772,625		190,147
Creditors	5,585,219		1,694,187	
Reduction in Medium Term Liability				312,758
	<u>5,585,219</u>	<u>4,571,089</u>	<u>1,694,187</u>	<u>3,489,012</u>
		<u>4,571,089</u>		<u>1,694,187</u>
	<u>£1,014,130</u>		<u>£ 1,794,825</u>	