

Registered number 935048

**BAYER PLC
ANNUAL REPORT FOR YEAR ENDED
31ST DECEMBER 2004**



BAYER PLC

ANNUAL REPORT FOR THE YEAR
ENDED 31st DECEMBER 2004

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BAYER PLC

DIRECTORS AND ADVISERS

DIRECTORS

Mr L Courth
Dr W Plischke (appointed 19.01.04)

BANKERS

Barclays Bank plc
Allied Irish Bank
HSBC

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

SOLICITORS

Bristows
CMS Cameron McKenna

SECRETARY

M D Newson F.C.C.A. (resigned 26th April 2004)
T J Dickson (appointed 26th April 2004)

REGISTERED OFFICE

Bayer House
Strawberry Hill
Newbury
Berkshire
RG14 1JA

BAYER PLC

ANNUAL GENERAL MEETING – 28th April 2005

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Seventh Annual General Meeting of the Members of the Company will be held at Bayer House, Strawberry Hill, Newbury, Berkshire on 28th April 2004 at 12:30 hrs, when the following resolutions numbered one, two and three will be proposed as ORDINARY RESOLUTIONS:

RESOLUTIONS:

1. "THAT the Balance Sheet and Accounts for the year ended 31 December 2004 together with the Report of the Board of Directors be approved and adopted."
2. "THAT in accordance with Sections 379 and 388(3) of the Companies Act 1985 PricewaterhouseCoopers LLP be re-appointed auditors of the Company for the year ended 31 December 2004 at fees to be agreed by the Directors."
3. "THAT a dividend is proposed".

A Member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

By order of the Board

.....
SECRETARY
4th April 2005

BAYER PLC

REPORT OF THE DIRECTORS

The directors present their Annual Report and the audited Financial Statements for the year ended 31st December 2004.

PRINCIPAL ACTIVITY

The Company's principal activity is the marketing of healthcare products manufactured by Bayer Group companies.

REVIEW OF BUSINESS

The Profit and Loss Account for the year is set out on page seven. The company continued to trade successfully during the year and consolidate its position in its chosen healthcare markets.

RESULTS AND DIVIDEND

The company's profit for the financial year is £16,839,000 (2003: £20,025,000). An interim dividend of 119.7p (2003: 19.95p) per ordinary share, amounting to £30,000,000 (2003: £5,000,000) was paid on 31st December 2004. A final dividend has not been declared (2003: £8,000,000, 31.92p per ordinary share).

FUTURE DEVELOPMENTS

Subsequent to events noted above, the Company intends to consolidate its position by establishing the basis for continued business growth in the United Kingdom in the healthcare business area.

RESEARCH AND DEVELOPMENT

The Company is committed to product improvement and does so through extensive product development. Development in the United Kingdom is carried out primarily by the Pharmaceutical Business Group. Considerable other research and development is carried out world-wide by other group companies.

CHARITABLE DONATIONS

During the year, the sum of £3,371 (2003: £10,454) was donated to United Kingdom charitable organisations. No payments were made for political purposes.

BAYER PLC

REPORT OF THE DIRECTORS (continued)

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, career development and promotion of disabled employees.

Employee Communications

The Company actively 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 in-house magazine containing articles on the Company's performance and plans.

CREDITOR PAYMENT POLICY

It is the Company's policy to pay liabilities to creditors within credit terms agreed with suppliers. The Company follows the CBI's Prompt Payers Code. (Copies are available from the CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DU).

The number of days represented by trade creditors is 28 days (2003: 20 days).

DIRECTORS

A list of directors as at 31st December 2004 is shown on page one.

Dr J Wulff who was a director at the start of the year resigned on 19th January 2004 and Dr W Plischke was appointed on 19th January 2004.

No director has any disclosable interest, as defined by the Companies Act 1985 in Shares, Debentures or Unsecured Loan Stock of any Group Company.

By Order of the Board



T J Dickson
Secretary

28th April 2004

BAYER PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31st December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



T J Dickson
Secretary

28th April 2005

BAYER PLC

Independent auditors' report to the members of Bayer Plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

9 Dec 2005

BAYER PLC**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2004**

	<u>Note</u>	2004 £'000	2003 (restated) £'000		
		Total	Continuing Operations	Discontinued Operations	Total
Turnover	2A	177,204	166,525	13,475	180,000
Change in Stocks of Finished Goods and Work in Progress		(815)	(8,498)	(981)	(9,479)
Other Operating Income	2C	-	75	6,775	6,850
		176,389	158,102	19,269	177,371
Raw Materials and Consumables		(98,382)	(81,454)	(5,055)	(86,509)
Other External Charges		(6,659)	(9,004)	(1,130)	(10,134)
Staff Costs	2D	(29,686)	(26,368)	(10,941)	(37,309)
Depreciation		(870)	(1,466)	(648)	(2,114)
Other Operating Charges	2B	(22,509)	(18,586)	(244)	(18,830)
Operating Profit		18,283	21,224	1,251	22,475
Income from shares in group undertakings		-			243
Loss on sale of Investments		-			(1,050)
Profit on sale of fixed assets		2,570			4,701
Interest Receivable and similar income	2G	6,012			3,098
Amount written off investment		-			(243)
Interest Payable and similar charges	2H	(3,479)			(1,932)
Profit on Ordinary Activities before Taxation	2I	23,386			27,292
Tax on Profit on Ordinary Activities	2J	(6,547)			(7,267)
Profit for the Financial Year		16,839			20,025
Dividends	2K	(30,000)			(13,000)
(Loss)/Retained profit for the Financial Year		(13,161)			7,025

The movements on reserves are set out in note 12. The results for the year ended 31st December 2004 are derived from continuing operations of the Healthcare division. The company has no recognised gains and losses other than the results above, and therefore no separate statement of total recognised gains and losses has been presented. There is no difference between the profit on ordinary activities before taxation and the retained (loss)/profit for the years above and their historical cost equivalents.

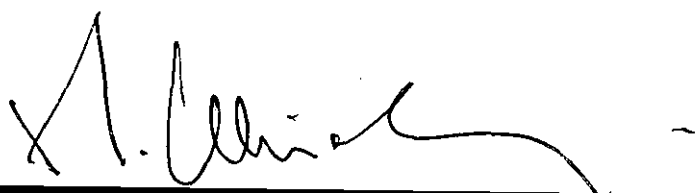
**BAYER PLC
BALANCE SHEET
AS AT 31st DECEMBER 2004**

		2004		2003	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible Assets	3		7,208		8,665
Tangible Assets	4		3,734		4,528
Investments	5		9,706		9,716
			<u>20,648</u>		<u>22,909</u>
CURRENT ASSETS					
Stocks	6	4,622		5,437	
Debtors Debtors (including £6,776,000 (2003: £2,147,000) due after more than one year)	7	202,517		134,343	
Cash at Bank and in Hand		4,949		2	
		<u>212,088</u>		<u>139,782</u>	
CREDITORS: Amounts falling due within one year	8	(163,256)		(81,522)	
NET CURRENT ASSETS			<u>48,832</u>		<u>58,260</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			69,480		81,169
PROVISIONS FOR LIABILITIES AND CHARGES	9		(1,980)		(508)
NET ASSETS			<u>67,500</u>		<u>80,661</u>
CAPITAL AND RESERVES					
Called Up Share Capital	10	25,062		25,062	
Share Premium Account	11	10,655		10,655	
Reserves	12	31,783		44,944	
		<u>42,438</u>		<u>55,599</u>	
EQUITY SHAREHOLDERS' FUNDS	13		<u>67,500</u>		<u>80,661</u>

The financial statements on pages seven to twenty-four were approved by the directors on
28th April 2005

Mr L Courth

Director



BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****1. ACCOUNTING POLICIES****1A Basis of Accounting**

The Financial Statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards in the United Kingdom. They contain information about Bayer Plc as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent Bayer AG, a company incorporated in The Federal Republic of Germany. A summary of the more important accounting policies is set out below.

1B Presentation of Financial Information

The Company has taken advantage of the exemption in Financial Reporting Standard 1 (revised) "Cash Flow Statements" from producing a cash flow statement, as it is a 100% subsidiary of Bayer AG whose consolidated accounts are publicly available.

Financial Reporting Standard 8 "Related Party Disclosures" requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has not disclosed transactions with other Group Companies including their associates and joint ventures in accordance with the exemption in FRS 8 paragraph 3(c).

1C Goodwill

Purchased goodwill is capitalised and written off on a straight-line basis over its estimated useful life or 20 years, whichever is the shorter.

1D Tangible Fixed Assets

Fixed Assets, which have been stated at cost, have been depreciated on a straight-line basis in such a way that they are fully depreciated over their estimated useful lives at the following annual rates:

Freehold Buildings	20 - 40 years
Short Leasehold Properties	20 - 40 years, dependent on lease term
Long Leasehold Buildings	40 - 50 years, dependent on lease term
Furniture & Office Equipment	3 - 10 years
Plant & Machinery	2 - 15 years
Rental Equipment	3 - 5 years

Freehold land is not depreciated.

1E Fixed Asset Investments

Fixed asset investments are held at cost less provision for impairment in value.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****ACCOUNTING POLICIES - continued****1F Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value after provisions for obsolescence, on a basis consistent with previous years. In general, cost is determined on a first in first out basis. In the case of manufactured goods, cost includes all direct expenditure and production overheads based on a normal level of activity. Stocks on consignment and their related obligations are recognised when the risk and rewards of ownership pass to the Company.

1G Deferred Taxation

Provision is made for deferred tax liabilities and assets only to the extent that the directors consider it more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted, in accordance with FRS 19.

Deferred tax is measured at the average tax rates that are expected to apply in the periods to which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1H Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities are translated into Sterling at the rates of exchange ruling at the Balance Sheet date, except for those liabilities covered by forward exchange contracts which are translated at contract rates. The resulting exchange differences are dealt with in the profit and loss account.

1I Leases**As Lessees**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Leasing agreements which transfer to the Company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

As Lessors

Income in respect of operating leases is taken on a straight-line basis over the lease term.

Income from finance leasing contracts is taken to profit in accordance with the investment period method of accounting in direct relationship to the reducing capital invested during the primary leasing period. The net investment in finance leases is included in debtors.

1J Research and Development

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

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****ACCOUNTING POLICIES - continued****1K Pension Costs**

The expected cost of pensions in respect of the Group's defined benefit schemes is charged so as to spread the cost of pensions over the average expected service lives of employees in the schemes. Variations from the regular cost arising from periodic actuarial valuations are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of independent qualified actuaries.

2. NOTES ON THE PROFIT AND LOSS ACCOUNT**2A Turnover**

Company turnover, which excludes value added tax, represents goods and services provided and includes commissions receivable from indent sales. The geographical analysis of turnover by destination is given below. Segmental information is given in note 16.

	2004 £'000 Total	2003 £'000		
		Continuing Operations	Discontinued Operations	Total
United Kingdom	160,153	151,762	12,314	164,076
Continental Europe	17,051	14,744	1,160	15,904
Other	-	19	1	20
	<u>177,204</u>	<u>166,525</u>	<u>13,475</u>	<u>180,000</u>

2B Raw Materials and Consumables

Raw Materials and Consumables have been restated to move £1,887,000 of expenditure from Raw Materials and Consumables in discontinued operations to continuing operations for 2003, which more fairly presents the nature of the costs.

2C Other Operating Income

Other Operating Income represents amounts recharged to both Group and third parties in respect of the provision of administrative services by Bayer Business Services, a former division of Bayer Plc, established 1st January 2003. This division was transferred to Bayer UK Limited on 1st October 2003.

2D Staff Costs

	2004 £'000	2003 £'000
Wages and Salaries	26,974	32,866
Social Security Costs	2,424	2,964
Pension Costs	<u>288</u>	<u>1,479</u>
	<u>29,686</u>	<u>37,309</u>

Pension costs include contributions to the Bayer Group Pension Plan, Bayer Diagnostics Pension Plan, and Bayer AG Pension Scheme, in respect of employees of the Company.

BAYER PLC

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

Directors' Emoluments

<u>2004</u>	<u>2003</u>
£'000	£'000

Aggregate Emoluments

292 | 227

No retirement benefits have been accrued for the Directors (2003: one Director) under the Bayer Group Pension Plan

2004	2003
£'000	£'000

Highest paid Director Aggregate Emoluments

292 | 227

Defined benefit pension schemes:-
Accrued pension at end of year

- 2

Average Number of Employees

The average monthly number of employees during the year was as follows:

<u>2004</u> <i>Number</i>	<u>2003</u> <i>Number</i>
------------------------------	------------------------------

Sales & Marketing
Research and Development
General Administration

328	442
63	56
39	135
<hr/>	<hr/>
430	633

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****NOTES ON THE PROFIT AND LOSS ACCOUNT- continued****2E Pension Costs**

The Company participates in defined benefit pension arrangements. The assets of the schemes are held separately from those of the Company in a separate trustee administered fund.

The majority of employees are members of the Bayer Group Pension Plan, which provides benefits for employees of Bayer Plc, Bayer UK Limited and some employees of Bayer Diagnostics Manufacturing (Sudbury) Limited, Bayer Diagnostics Manufacturing Limited, Bayer Crop Science and Pbi Home and Garden Limited, all UK subsidiaries of the ultimate parent, Bayer AG. The assets and liabilities held in respect of present and former employees of the Bayer and Miles companies are separately identified and a separate contribution rate is calculated in respect of them.

In addition some employees who were previously employed by Chiron Diagnostics UK Limited are members of the Bayer Diagnostics Pension Plan and the details of this scheme are disclosed in the financial statements of Bayer Diagnostic Manufacturing (Sudbury) Limited.

The contribution rate required is assessed by an independent qualified actuary on the basis of triennial valuations. The last valuation was carried out as at 31st March 2003 using the projected unit method.

The main assumptions used were:

Rate of return on investments	6.50% pa
Salary inflation	4.00% pa
Pension increases on excess over GMPs	3.25% pa
Price inflation	2.50% pa

The market value of the assets of the Bayer Group Pension Plan relating to the relevant category of employees of Bayer Plc including employees of other companies as at 31st March 2003 was £170.1m. The actuarial value of these assets represented some 80% of the liabilities.

The Company continues to follow SSAP24 "Accounting for Pension Costs", the charge for the year for the employees, after allowing for the increased company contribution rate of 15.7% and the charge of spreading the scheme deficit over the members' average working lifetimes was £0.3m (2003: £1.5m).

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****NOTES ON THE PROFIT AND LOSS ACCOUNT- continued****2F FRS17 Retirement Benefits**

The Company has not adopted FRS17 'Retirement benefits' and continues to apply SSAP24 'Accounting for pension costs'.

The requirements of FRS17 'Retirement benefits' in terms of disclosures is noted below:

Bayer Group Pension Plan

The Bayer Group Pension Plan is a defined benefit scheme and the membership is spread across the UK subsidiaries as noted in note 2C. As a result of the membership profile no individual company within the Bayer AG group in the United Kingdom has a significant share of the Bayer Group Pension Plan membership.

Therefore the company is unable to identify its share of the underlying assets and liabilities in the scheme and as a result the detailed disclosures of FRS17 have not been presented.

The cash contributions to the group scheme amount to £3.0m (2003: £3.6m), being 21.3% of pensionable salary (15.7% borne by the Company, and an average 5.6% borne by the members, plus the company's share of the deficiency contribution to the plan payable from 1/1/2004 to 31/12/2008) and are based on pension costs across the group as a whole. An actuarial valuation of the Bayer Group Pension Plan was undertaken on 31st March 2003 and a deficit of £41.4m was identified. It was agreed with the trustees that contributions to the scheme would be increased to 15.7% with effect from 1 January 2004 (previously 12.7%) In addition, employees were given the option of making contributions of either 4% or 6% of pensionable salaries with effect from 1 April 2004.

Bayer Diagnostics Pension Plan

Results of the Bayer Diagnostics Pension Plan can be found in the financial statements of Bayer Diagnostics Manufacturing (Sudbury) Limited.

2G Interest Receivable and Similar Income

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Bank Interest Receivable	512	51
Interest Receivable on Finance Leases	-	106
Group Interest Receivable	5,500	2,941
	<u>6,012</u>	<u>3,098</u>

BAYER PLC

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

2H <u>Interest Payable and Similar Charges</u>	2004 £'000	2003 £'000
Interest payable on Bank loans and overdrafts	2,965	1,677
Interest payable on Group loans	514	255
	<u>3,479</u>	<u>1,932</u>
2I <u>Profit on Ordinary Activities Before Taxation</u>	2004 £'000	2003 £'000
Is stated after charging/(crediting):		
(Profit)/Loss on Sale of Fixed Assets	(2,570)	(4,701)
Depreciation of owned Fixed Assets	870	2,114
Amortisation of goodwill	1,457	1,396
Operating Leases		
- Others	2,675	3,979
Auditors' Remuneration:		
- Audit Services	146	120
- Non Audit Services	7	32
Net Research and Development expense/(income)	130	(227)
Exchange gains	<u>(103)</u>	<u>(39)</u>
2J <u>Tax charge on Profit on Ordinary Activities</u>	2004 £'000	2003 £'000
Current tax:		
UK corporation tax at 30% (2003: 30%)	5,400	6,867
Adjustment in respect of prior periods	(375)	(269)
Total current tax	<u>5,025</u>	<u>6,598</u>
Deferred tax:		
Origination and reversal of timing differences (see note 9)	1,522	669
	<u>6,547</u>	<u>7,267</u>

BAYER PLC

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

The tax charge for the year was lower (2003: lower) than the standard rate for corporation tax in the UK (30%), the differences are explained below:

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Profit on ordinary activities before tax	<u>23,386</u>	<u>27,292</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	7,016	8,188
Effects of:		
Unrecognised Capital Losses	(781)	(1,773)
Permanent differences	681	1,121
Adjustment in respect of prior periods	(375)	(269)
Accelerated capital allowances and other timing differences	(1,516)	(669)
Total current tax charge	<u>5,025</u>	<u>6,598</u>

2K Dividends

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Equity – ordinary shares		
Interim paid : 119.7p (2003: 19.95) per £1 share	30,000	5,000
Final proposed : 0p (2003: 31.92) per £1 share	-	8,000
	<u>30,000</u>	<u>13,000</u>

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2004****3. Intangible Fixed Assets**

Cost	£'000
At 1 st January 2004 and 31st December 2004	<u>14,311</u>

Aggregate Amortisation

At 1 January 2004	5,646
Charge for the year	<u>1,457</u>
At 31 December 2004	<u>7,103</u>
 Net book value:	
At 31 December 2004	<u>7,208</u>
 At 31 December 2003	<u>8,665</u>

Goodwill brought forward arose on the purchase of various customer lists and marketing rights and is being written off over its estimated useful life of 10 years.

BAYER PLC**NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2004****4. TANGIBLE FIXED ASSETS**

	FREEHOLD PROPERTIES	IMPROVEMENTS TO RENTED & LEASEHOLD PREMISES	PLANT & MACHINERY	OFFICE FURNITURE & EQUIPMENT	RENTAL EQUIPMENT	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
At 1.1.2004	5,362	20	758	5,093	150	11,383
Additions	-	3,224	406	316	-	3,946
	5,362	3,244	1,164	5,409	150	15,329
Disposals	(5,332)	(20)	(363)	(705)	-	(6,420)
At 31.12.2004	30	3,224	801	4,704	150	8,909

DEPRECIATION

At 1.1.2004	(1,912)	(2)	(679)	(4,171)	(91)	(6,855)
Provision for the year	(107)	(79)	(26)	(623)	(35)	(870)
	(2,019)	(81)	(705)	(4,794)	(126)	(7,725)
Elimination on Disposals	2,005	7	-	538	-	2,550
At 31.12.2004	(14)	(74)	(705)	(4,256)	(126)	(5,175)
Net Book Value 31.12.04	16	3,150	96	448	24	3,734
Net Book Value 31.12.03	3,450	18	79	922	59	4,528

The cost of land that is not depreciated amounts to £Nil (2003: £186,886) and was included in the cost of Freehold Properties.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2004****5. INVESTMENTS**

	<i>Subsidiaries £'000</i>
Cost	
As at 1st January 2004	9,959
Disposals	<u>(253)</u>
As at 31st December 2004	<u>9,706</u>
Provision for impairment:	
As at 1st January 2004	243
Disposals	<u>(243)</u>
As at 31st December 2004	<u>-</u>
Net book value:	
As at 31st December 2004	<u>9,706</u>
As at 31st December 2003	<u>9,716</u>

All investments are stated at cost.

Name of Undertaking	Shares Held	Holding
Magnampace Limited *	Ordinary £1 shares	100%
Bayer Diagnostics Manufacturing (Sudbury) Limited	Ordinary & Preference	100%
Disposals:		
Sybron Chemicals UK Limited*	Ordinary £1 shares	100%
* Dormant company		

All of the above companies are registered in England and Wales.

Bayer Diagnostics Manufacturing (Sudbury) Limited manufactures automated immunoassay systems and reagents, blood-gas & blood electrolyte instrumentation, quality control reagents and diagnostic reagents and kits.

Sybron Chemicals UK Limited marketed and sold chemicals used in the textile processing industry. The entire share capital of Sybron Chemicals UK Limited was sold on 12th July 2004 to a, then, fellow group company, Lanxess GbmH, for consideration of £9,977; this was equal to the net amount at which the investment was held by Bayer Plc.

The aggregate net assets of the Companies share of its subsidiary undertakings was £23,448,000 (2003: £18,562,780).

In the opinion of the Directors the value of the Company's investment in subsidiaries is not less than the amounts at which those investments are stated in the Balance Sheet.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****6. STOCKS**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Finished goods and goods for resale	4,622	5,437
	<u>4,622</u>	<u>5,437</u>

At 31st December 2004, the Company held £20.46 million (2003: £39.72 million) of consignment stocks on a sale or return basis from the parent company, Bayer AG. Since these stocks remain the property of the parent company until sold to third parties, they are included on the balance sheet of that company and not included in Bayer Plc's assets.

7. DEBTORS

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<i>Amounts Falling Due Within One Year:</i>		
Net Investment in Finance Leases	18	18
Trade Debtors	21,214	19,389
Amounts owed by Group Undertakings	168,464	101,053
Other Debtors	4,898	8,999
Prepayments	7,923	4,884
	<u>202,517</u>	<u>134,343</u>

Included in amounts owed by Group undertakings are loans due from Bayer AG, Bayer UK Limited, Bayer ACSH Limited, Bayer AGCO Limited and HC Starck Limited of £151,071,000 (2003: £64,411,000) which are unsecured, bear interest at a rate linked to bank base rates and have no fixed repayment dates. All other amounts are unsecured, interest free, and are repayable on demand.

Included in Prepayment is £6,776,000 (2003: £2,147,000) which represents the prepayment required in order to spread the expected cost of pensions over the average expected service lives of employees in the scheme, see note 2D. This amount is due after more than one year.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2004</u> £'000	<u>2003</u> £'000
Bank Loans and Overdrafts	-	2,003
Trade Creditors	5,056	4,362
Amounts due to Group Undertakings	143,182	52,582
Corporation Tax	1,203	1,753
Other Taxes & Social Security Costs	1,905	879
Other Creditors	618	1,256
Accruals and Deferred Income	11,292	10,687
Proposed Dividend	-	8,000
	<u>163,256</u>	<u>81,522</u>

Included in amounts due to Group undertakings are loans due to Bayer Diagnostics Manufacturing (Sudbury) Limited, Bayer Diagnostics Manufacturing Limited, Bayer CropScience Limited and HC Starck (West Horndon) Limited of £99,474,000 (2003: £12,605,000) which are unsecured, bear interest at a rate linked to bank base rates and have no fixed repayment dates. All other amounts are unsecured, interest free, and are repayable on demand.

9. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>2004</u>		<u>2003</u>	
	£'000 Amount Provided	£'000 Amount Unprovided	£'000 Amount Provided	£'000 Amount Unprovided
Deferred Taxation				
Depreciation above Capital Allowance	(768)	-	(851)	-
Short Term Timing Differences	1,878	-	358	-
Leased Assets	268	-	493	-
Chargeable gains	144	-	-	-
Deferred tax liability	<u>1,522</u>	-	-	-
Other Provisions	<u>458</u>	-	<u>508</u>	-
	<u>1,980</u>	-	<u>508</u>	-

The movements on the Company's other provisions are:

	<u>Other</u> £'000
At 1st January 2004	508
Utilised During Year	(50)
At 31st December 2004	<u>458</u>

The other provisions relate to contractual obligations on properties, cars and personnel. These are expected to crystallise over the next two years.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****10. CALLED UP SHARE CAPITAL**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
<u>Authorised</u>		
30,000,000 (2003: 30,000,000) Ordinary Shares of £1 each	<u>30,000</u>	<u>30,000</u>
<u>Allotted, Called Up and Fully Paid</u>		
25,062,356 (2003: 25,062,356) Ordinary Shares of £1 each	<u>25,062</u>	<u>25,062</u>

Bayer AG (incorporated in the Federal Republic of Germany) is Bayer plc's major shareholder and ultimate Parent Company and ultimate controlling party. Bayer AG prepares group financial statements and copies can be obtained from: Bayer AG, D-51368 Leverkusen, Bayerwerk, Germany.

11. SHARE PREMIUM ACCOUNT

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Premium on Shares Issued	<u>10,655</u>	<u>10,655</u>

12. RESERVES

	<u>Profit & Loss Account</u> <u>£'000</u>	<u>General Reserve</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
At 1 st January 2004	<u>37,571</u>	<u>7,373</u>	<u>44,944</u>
Profit for the Year	16,839	-	16,839
Dividend	(30,000)		(30,000)
At 31 st December 2004	<u>24,410</u>	<u>7,373</u>	<u>31,783</u>

The directors regard all of the above reserves as distributable.

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Opening Shareholders' Funds	80,661	73,636
Profit for the Financial Year	16,839	20,025
Dividends	(30,000)	(13,000)
Closing Shareholders' Funds	<u>67,500</u>	<u>80,661</u>

14. FUTURE CAPITAL EXPENDITURE

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Contracted but not Provided for	<u>593</u>	<u>335</u>

15. FINANCIAL COMMITMENTS

At 31st December 2004 the company has annual commitments under non-cancellable operating leases expiring as follows:

	<u>2004</u>		<u>2003</u>	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Within one year	58	96	17	87
Within two to five years	200	313	60	517
After five years	2,563	-	2,184	-
	<u>2,821</u>	<u>409</u>	<u>2,261</u>	<u>604</u>

BAYER PLC**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2004****16. SEGMENT INFORMATION**

The analysis of turnover, profit before tax and net assets is as follows:

<u>Classes of Business</u>	<u>Industrial Segment</u>		<u>Healthcare Segment</u>		<u>Total Company</u>	
	<u>Discontinued</u>		<u>Continuing</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Turnover	-	15,415	177,204	164,585	177,204	180,000
Profit Before Tax	-	1,977	23,386	25,315	23,386	27,292
Segment Net Assets	-	-	67,500	71,285	67,500	71,285
Unallocated Assets					-	9,376
Total Net Assets					67,500	80,661

Geographical segment analysis included in Note 2A : Turnover.

On 1st October 2003 the Industrial business was sold to Bayer UK Ltd. The Industrial Segment's Turnover and Profit before tax therefore relate to the 9 months ended 30th September 2003.

17. CONTINGENT LIABILITIES

The Company has, in respect of certain UK bank facilities, entered into a cross-guarantee arrangement with fellow UK subsidiaries of Bayer AG.

There was no contingent liability arising from this arrangement at 31st December 2004 (2003: £nil).