

Registered number 935048

BAYER PLC
ANNUAL REPORT FOR YEAR ENDED
31 DECEMBER 1997



BAYER PLC
ANNUAL REPORT FOR THE YEAR
ENDED 31ST DECEMBER 1997

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BAYER PLC

DIRECTORS

Mr H-J Mohr (Chairman)

Mr L T Aberg (Managing)

Mr H Koskimies

BANKERS

Barclays Bank plc

National Westminster Bank plc

Deutsche Bank AG

West Deutsche Landesbank

AUDITORS

Coopers & Lybrand

Chartered Accountants and Registered Auditors

SOLICITORS

Nabarro Nathanson

Simmons & Simmons

SECRETARY

M D Newson F.C.C.A.

ASSISTANT SECRETARY

P K Byrne BSc(Hons) LLM Solicitor

REGISTERED OFFICE

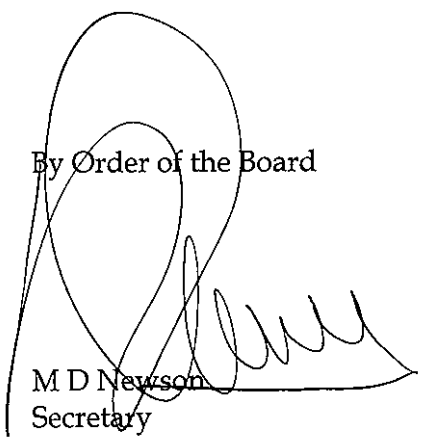
Bayer House
Strawberry Hill
Newbury
Berkshire
RG14 1JA

BAYER PLC

NOTICE is hereby given that the Twenty Ninth Annual General Meeting of the Members of the Company will be held at Stoke Court, Stoke Poges, Buckinghamshire, on 6th March 1998 at 11:30am for the purpose of transacting the following business:

1. To receive the Directors' Report, the Balance Sheet and Accounts and the Auditors' Report for the Year Ended 31st December 1997.
2. To appoint Coopers & Lybrand as Auditors to the Company for the ensuing year and authorise the Directors to fix their remuneration.
3. To transact any other business of an Annual General Meeting.

By Order of the Board



M D Newson
Secretary

23rd February 1998

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

BAYER PLC

REPORT OF THE DIRECTORS

The directors present their Annual Report and the audited Financial Statements for the year ended 31st December 1997.

PRINCIPAL ACTIVITY

The Company's principal activity continues to be the marketing of own manufactured chemicals and those manufactured by Bayer AG, the German parent company, and its subsidiaries.

REVIEW OF BUSINESS

The profit and loss account for the year is set out on page 7.

Both the level of business and the year end position were satisfactory.

FUTURE DEVELOPMENTS

The Company continues to establish the basis for continued business growth in the United Kingdom.

RESEARCH AND DEVELOPMENT

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

CHARITABLE DONATIONS

During the year, the sum of £129,872 (1996: £147,665) was donated to United Kingdom charitable organisations. No payments were made for political purposes.

FIXED ASSETS

In the opinion of the Directors the market value of the Company's freehold properties is in excess of their book value.

BAYER PLC

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.

CREDITORS 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).

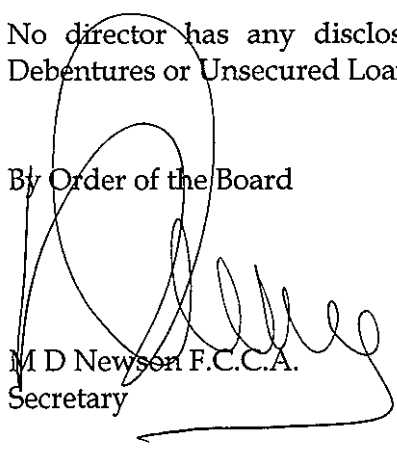
The number of days represented by trade creditors is 31 (1996: 22 days).

DIRECTORS

A list of directors is shown on page one.

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



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

23rd February 1998

BAYER PLC

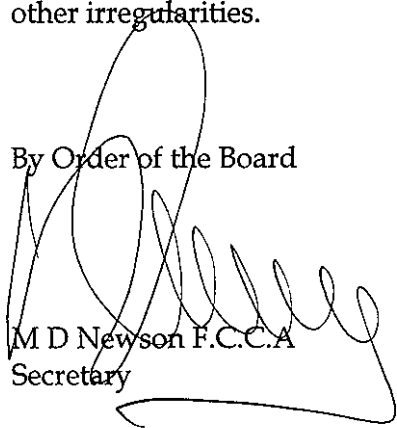
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st December 1997. The directors also confirm that applicable accounting statements have been followed and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, 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



M D Newson F.C.C.A
Secretary

23rd February 1998

BAYER PLC

REPORT OF THE AUDITORS TO THE MEMBERS OF BAYER PLC

We have audited the financial statements on pages seven to twenty-three.

Respective Responsibilities of Directors and Auditors

As described on page five the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of 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 affairs of the Company at 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND
Chartered Accountants and
Registered Auditors
READING

 February 1998

BAYER PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
Turnover	2A	409,562	453,585
Change in Stocks of Finished Goods and Work in Progress		(3,958)	(3,872)
Other Operating Income		51	588
Raw Materials and Consumables		(321,679)	(363,242)
Other External Charges		(5,834)	(9,947)
		<hr/> 78,142	<hr/> 77,112
Staff Costs	2B	(51,825)	(47,520)
Depreciation		(7,314)	(6,993)
Other Operating Charges		(9,595)	(16,941)
		<hr/> 9,408	<hr/> 5,658
Operating Profit			
Income from shares in group undertakings		50	50
Exceptional Items			
Profit on Sale of Land	2D	1,329	-
Profit on Sale of Business	2D	-	5,233
Provision for Permanent Diminution in value of a Fixed Asset	2D	-	(1,747)
		<hr/>	<hr/>
Profit on Ordinary Activities Before Interest		10,787	9,194
Interest Receivable	2E	2,949	4,186
Interest Payable	2F	(5,498)	(5,955)
		<hr/>	<hr/>
Profit on Ordinary Activities Before Taxation	2G	8,238	7,425
Tax on Profit on Ordinary Activities	2H	(2,330)	(1,775)
		<hr/>	<hr/>
Profit for the Financial Year		5,908	5,650
		<hr/>	<hr/>

The movements on reserves are set out in note 12.

The results for the year are all derived from continuing activities.

The Company had no recognised gains or losses other than those included in the results above and therefore no separate statement of total gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years above and their historical cost equivalents.

BAYER PLC
BALANCE SHEET
AS AT 31ST DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	£'000	<u>1996</u> £'000	£'000
FIXED ASSETS					
Tangible Assets	3		58,259		58,642
Investments	4		16,366		16,149
			<hr/>		<hr/>
			74,625		74,791
CURRENT ASSETS					
Stocks	5	33,168		37,135	
Debtors	6	65,363		72,273	
Cash at Bank and in Hand		41		35	
		<hr/>		<hr/>	
		98,572		109,443	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	99,362		112,846	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(790)		(3,403)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			73,835		71,388
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	8		-		207
PROVISIONS FOR LIABILITIES AND CHARGES	9		9,017		12,271
			<hr/>		<hr/>
NET ASSETS			64,818		58,910
CAPITAL AND RESERVES					
Called Up Share Capital	10		25,062		25,062
Share Premium Account	11	10,655		10,655	
Reserves	12	29,101		23,193	
		<hr/>		<hr/>	
			39,756		33,848
			<hr/>		<hr/>
EQUITY SHAREHOLDERS' FUNDS	13		64,818		58,910
			<hr/>		<hr/>

The financial statements on pages seven to twenty-three were approved by the directors on 23rd February 1998.

L T Aberg

Director

BAYER PLC

NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 1997

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 1996) "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 3(c).

1C 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
Motor Vehicles	4 years
Rental Equipment	3 - 5 years

Freehold land is not depreciated.

1D Fixed Asset Investments

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

1E 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.

BAYER PLC

NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 1997

ACCOUNTING POLICIES - continued

1F Deferred Taxation

Provision has been made, using the liability method, for tax liabilities which are expected to become payable in the foreseeable future.

1G 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.

1H 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 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.

1I Research and Development

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

1J 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.

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

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.

	<u>1997</u> £'000	<u>1996</u> £'000
United Kingdom	367,414	413,295
Continental Europe	33,125	34,094
Other	9,023	6,196
	<u>409,562</u>	<u>453,585</u>

2B Staff Costs

	<u>1997</u> £'000	<u>1996</u> £'000
Wages and Salaries	45,006	40,797
Social Security Costs	3,581	3,575
Other Pension Costs	3,238	3,148
	<u>51,825</u>	<u>47,520</u>

Other pension costs include contributions to the Bayer Group Pension Scheme, Bayer Diagnostics Manufacturing Limited Pension Plan, Agfa Gevaert Ltd Pension and Life Assurance Scheme 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 1997

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

<u>Directors' Emoluments</u>	<u>1997</u> £'000	<u>1996</u> £'000
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Aggregate Emoluments	254	192
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Retirement benefits are accruing to one Director (1996: one Director) under the company's defined benefit scheme.

	<u>1997</u> £'000	<u>1996</u> £'000
--	----------------------	----------------------

Highest paid Director Aggregate Emoluments	254	192
---	-----	-----

Defined benefit pension schemes:- Accrued pension at end of year	67	N/A
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Average Number of Employees

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

	<u>1997</u> <u>Number</u>	<u>1996</u> <u>Number</u>
Manufacturing, Warehousing & Logistics	135	170
Sales & Marketing	794	827
Research and Development	206	189
General Administration	223	234
	<u>1,358</u>	<u>1,420</u>

BAYER PLC

NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 1997

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

2C Pension Costs

The Company participates in a defined benefit pension arrangement which provides benefits for employees of a number of UK subsidiaries of the ultimate parent, Bayer AG. All members participated in the same benefit structure. The assets of the scheme are held separately from those of the Company in a separate trustee administered fund. The assets and liabilities held in respect of present and former employees of the Bayer and Bayer Diagnostic Manufacturing Companies are separately identified (i.e. excluding assets and liabilities for the Agfa members) and a separate contribution rate is calculated in respect of them.

Employer's contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the average working lives of the Company's employees. 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 1 April 1994 using the projected unit method.

The main assumptions used were:

Rate of return on investments	9% pa
Salary inflation	7% pa
Pension increases on excess over GMPs	4.5% pa
Inflation	4%

Equities were adjusted by assuming a long term dividend value of 4.1%.

The market value of the assets relating to the Company's employees as at 1 April 1994 was £79.6m. The actuarial value of these assets represented some 112% of the liabilities.

The charge for the year, after allowing for the benefit of spreading the scheme surplus over the members' average working lifetimes was £3,238,000 (1996: £3,148,000).

2D Exceptional Items

The profit on sale of business in 1996 represented the sale of the small business group trading in latex rubber. It gave rise to a gain of £5,233,000; of this £3,437,000 represented the realisation of goodwill and £1,796,000 represented the profit on disposal of other assets.

No tax arose on either the sale of this business or on the provision of £1,747,000 for permanent diminution in value of the fixed asset, or on the profit on sale of land in 1997.

2E Interest Receivable and Similar Income

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Discount Receivable from Group Undertakings	1,636	3,208
Interest Receivable from Banks	55	22
Interest Receivable from Other Third Parties	-	14
Income Receivable from Finance Leases	273	226
Interest Receivable from Group Companies	985	716
	<u>2,949</u>	<u>4,186</u>

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

2F Interest Payable and Similar Charges

	<u>1997</u> £'000	<u>1996</u> £'000
Bank Loans, Overdrafts and other Loans Repayable		
Group Undertakings	2,418	2,267
Bank and other	3,080	3,403
Finance Charges Payable under Finance Leases	-	285
	<u>5,498</u>	<u>5,955</u>

2G Profit on Ordinary Activities Before Taxation

	<u>1997</u> £'000	<u>1996</u> £'000
Is stated after charging/ (crediting):		
Profit on Sale of Fixed Assets	(1,376)	(56)
Profit on Sale of Business	-	(5,233)
Depreciation of Fixed Assets		
- Owned Assets	7,278	4,407
- Held under Finance Leases	36	2,586
- Permanent diminution in value	-	1,747
Operating Leases		
- Plant and Machinery	37	43
- Other Assets	7,451	7,994
Auditors' Remuneration:		
- As Auditors	89	84
- For Other Services	11	111
Net Research and Development costs / (income)	469	(230)
	<u> </u>	<u> </u>

2H Tax on Profit on Ordinary Activities

	<u>1997</u> £'000	<u>1996</u> £'000
United Kingdom Corporation Tax at 31.5% (1996: 33%)		
Current	2,910	730
Deferred	(109)	1,484
Under/(Over) Provision in Respect of Prior Years		
Current	1,556	(512)
Deferred	(2,027)	73
	<u>2,330</u>	<u>1,775</u>

NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 1997

3. TANGIBLE FIXED ASSETS

	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	RENTAL EQUIPMENT	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>COST</u>										
At 1st Jan. 1997	2,666	15,473	2,959	180	281	60,175	14,318	358	2,330	98,740
Additions	6,328	-	-	-	-	87	423	-	549	7,387
Transfers	(7,004)	-	-	-	43	4,161	2,775	25	-	-
Disposals	-	(733)	-	-	(2)	(151)	(229)	(38)	(38)	(1,191)
At 31st Dec. 1997	1,990	14,740	2,959	180	322	64,272	17,287	345	2,841	104,936

DEPRECIATION

At 1st Jan. 1997	-	(2,532)	(1,956)	(120)	(257)	(24,419)	(9,997)	(274)	(543)	(40,098)
Provision for the year	-	(365)	(61)	(9)	(3)	(4,144)	(2,179)	(40)	(513)	(7,314)
Elimination on Disposals	-	362	-	-	2	102	220	38	11	735
At 31st Dec. 1997	-	(2,535)	(2,017)	(129)	(258)	(28,461)	(11,956)	(276)	(1,045)	(46,677)

NET BOOK VALUE

At 31.12.97	1,990	12,205	942	51	64	35,811	5,331	69	1,796	58,259
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NET BOOK VALUE

At 31.12.96	2,666	12,941	1,003	60	24	35,756	4,321	84	1,787	58,642
-------------	-------	--------	-------	----	----	--------	-------	----	-------	--------

The net book value of fixed assets of £58,259,000 (1996 - £58,642,000) includes an amount of £911,000 (1996 - £23,586,000) in respect of assets held under finance leases. Depreciation of £36,000 (1996 - £2,586,000) was provided in the year on these assets. The cost of land which is not depreciated amounts to £3,637,000 and is included in the cost of Freehold Properties.

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

4. INVESTMENTS

	Subsidiaries £'000
Net book value	
As at 1st January 1997	16,149
Amounts written back	217
	<hr/>
As at 31st December 1997	16,366
	<hr/>

During the year all amounts previously written off investments were written back.
The Net Book Value now equates to original cost.

Name of Undertaking	Shares Held	Holding
Haarmann & Reimer Limited	Ordinary £1 shares	100%
Microbial Developments Limited	Ordinary £1 shares	100%
Magnampace Limited *	Ordinary £1 shares	100%
Florasynth Limited	Ordinary £1 shares	100%

* Dormant company

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

Haarmann & Reimer Limited manufactures and markets aromatic chemicals, flavours, fragrances and essential oils.

Microbial Developments Limited manufactures natural gut flora and silage additive products.

Florasynth is in a related business to Haarmann & Reimer Limited.

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

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

5. STOCKS

	<u>1997</u> £'000	<u>1996</u> £'000
Raw Materials	3,466	4,185
Work-in-Progress	723	612
Finished Goods	2,559	3,449
Goods for Resale	26,420	28,889
	<hr/> 33,168	<hr/> 37,135

At 31st December 1997, the Company held £15.77 million (1996: £22.78 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.

6. DEBTORS

	<u>1997</u> £'000	<u>1996</u> £'000
Amounts Falling Due Within One Year:		
Net Investment in Finance Leases	1,091	2,262
Trade Debtors	55,200	52,023
Other Debtors	386	9,799
Prepayments	1,154	1,349
Amounts owed by Group Undertakings	7,352	6,451
Bills Receivable	51	121
	<hr/> 65,234	<hr/> 72,005
 Amounts Falling Due After More Than One Year:		
Net Investment in Finance Leases	129	268
	<hr/> 65,363	<hr/> 72,273

Included in other debtors in 1996 is £8,125,000 due from Polymer Latex Verwaltungs-GmbH, a company ultimately owned by Bayer AG, in relation to proceeds from the sale of the latex business group.

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u> £'000	<u>1996</u> £'000
Bank Loans and Overdrafts	13,437	30,792
Trade Creditors	11,482	8,785
Amounts Owed to Group Undertakings	50,668	48,953
Corporation Tax	3,024	841
Other Taxes & Social Security Costs	6,466	9,452
Other Creditors	1,153	1,491
Finance Lease Obligations	134	376
Accruals and Deferred Income	12,998	11,874
Advance Payments Received from Customers	-	282
	<u>99,362</u>	<u>112,846</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1997</u> £'000	<u>1996</u> £'000
Finance Lease Obligations		
Amounts Payable:		
- Within 2 to 5 Years Inclusive	-	207
	<u>-</u>	<u>207</u>

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

9. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1997</u> <u>£'000</u>	<u>1996</u> <u>£'000</u>
<u>Deferred Taxation</u>		
Accelerated Capital Allowances	8,329	2,791
Short Term Timing Differences	(808)	(741)
Leased Assets	833	8,440
	<u>8,354</u>	<u>10,490</u>
<u>Other Provisions</u>	663	1,781
	<u>9,017</u>	<u>12,271</u>

The full potential liability for deferred taxation has been provided for.

The movements on the Company's provisions are:

	<u>Deferred</u> <u>Taxation</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>
At 1st January 1997	10,490	1,781
Charged to the Profit and Loss Account	(2,136)	(158)
Utilised During Year	-	(960)
At 31st December 1997	<u>8,354</u>	<u>663</u>

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

10. CALLED UP SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
<u>Authorised</u>		
30,000,000 Ordinary Shares of £1 each	30,000	30,000
	<hr/>	<hr/>
<u>Allotted, Called Up and Fully Paid</u>		
25,062,356 (1996: 25,062,356) Ordinary Shares of £1 each	25,062	25,062
	<hr/>	<hr/>

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>1997</u> £'000	<u>1996</u> £'000
Premium on Shares Issued	10,655	10,655
	<hr/>	<hr/>

12. RESERVES

	<u>Profit & Loss Account</u> £'000	<u>General Reserve</u> £'000	<u>Total</u> £'000
At 1st January 1997	15,820	7,373	23,193
Profit for the Year	5,908	-	5,908
	<hr/>	<hr/>	<hr/>
At 31st December 1997	21,728	7,373	29,101
	<hr/>	<hr/>	<hr/>

The directors regard all of the above reserves as distributable.

BAYER PLC

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1997

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000
Opening Shareholders' Funds	58,910
Profit for the Financial Year	5,908
Closing Shareholders' Funds	<u>64,818</u>

14. FUTURE CAPITAL EXPENDITURE

	<u>1997</u> £'000	<u>1996</u> £'000
Contracted but not Provided for	189	1,150
	<u> </u>	<u> </u>

15. FINANCIAL COMMITMENTS

At 31st December 1997 annual commitments under non-cancellable operating leases were:

	<u>1997</u>		<u>1996</u>	
	<u>Land & Buildings</u>	<u>Other</u>	<u>Land & Buildings</u>	<u>Other</u>
	£'000	£'000	£'000	£'000
Operating Leases Which Expire:				
Within One Year	-	153	-	162
In the Second to Fifth Years	47	2,054	-	2,170
Over Five Years	2,152	-	2,199	-
	<u>2,199</u>	<u>2,207</u>	<u>2,199</u>	<u>2,332</u>

The Company enters into a number of forward foreign currency contracts. These are to hedge its normal operational cashflows and consequently no commitment is disclosed above.

BAYER PLC

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16. SEGMENT INFORMATION

The analysis of turnover, profit on ordinary activities before taxation and net assets is as follows:

<u>Classes of Business</u>	<u>Industrial Segment</u>		<u>Consumer Segment</u>		<u>Total Company</u>	
	<u>Own Manufactured</u>	<u>Group Manufactured</u>	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
TURNOVER						
Total Sales	28,458	39,741	169,535	212,426	410,419	454,190
Inter-Segment Sales	-	(286)	(857)	-	(857)	(606)
Sales to Third Parties	28,458	39,455	168,678	212,426	409,562	453,584
PROFIT / (LOSS) BEFORE TAX (4,011)						
NET ASSETS						
Segment Net Assets	22,327	19,392	16,624	9,501	48,452	42,083
Unallocated Assets					16,366	16,827
Total Net Assets					64,818	58,910

Geographical segment analysis included in Note 2A : Turnover.

Comparative Figures

The 1996 figures have been adjusted for previously unallocated items, to bring them to a basis consistent with that adopted for 1997.

BAYER PLC

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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 1997 (1996: £nil).