

Registered number 935048

**BAYER PLC
ANNUAL REPORT FOR YEAR ENDED
31 DECEMBER 1999**



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ANNUAL REPORT FOR THE YEAR
ENDED 31ST DECEMBER 1999

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DIRECTORS

Mr H-J Mohr (Chairman)

Mr L T Aberg (Managing)

M P Huebener

BANKERS

Barclays Bank plc

National Westminster Bank plc

Deutsche Bank AG

West Deutsche Landesbank

AUDITORS

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

SOLICITORS

Nabarro Nathanson
Simmons & Simmons

SECRETARY

M D Newson F.C.C.A.

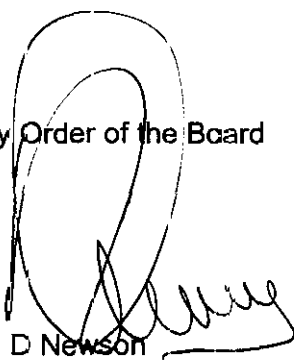
REGISTERED OFFICE

Bayer House
Strawberry Hill
Newbury
Berkshire
RG14 1JA

NOTICE is hereby given that the Thirty First Annual General Meeting of the Members of the Company will be held at Stoke Court, Stoke Poges, Buckinghamshire, on 11th April 2000 at 12:00 midday 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 1999.
2. To re-appoint PricewaterhouseCoopers 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

20 March

2000

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.

REPORT OF THE DIRECTORS

The directors present their Annual Report and the audited Financial Statements for the year ended 31st December 1999.

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 seven. During the course of the year the company acquired the Germolene business within the UK, as well as PBI Home & Garden Limited and Bayer Diagnostics Manufacturing (Sudbury) Ltd (formerly Chiron Diagnostics Ltd). See Notes three and five for further details.

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 £111,630 (1998: £114,020) 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.

YEAR 2000

Since the turn of the year, the Company has not experienced any disruption to any of the company's operations caused by Y2K issues. The directors will continue to monitor the position but do not expect any significant costs to arise.

DIVIDEND

The Directors do not recommend payment of a dividend.

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. A 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 Better Payment Practice Code issued by the Better Payment Practice Group. (Copies are available from the DTI).

The number of days represented by trade creditors is 27 (1998: 20 days).

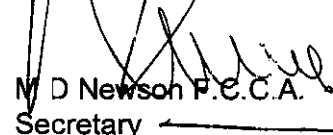
DIRECTORS

A list of directors as at 31st December 1999 is shown on page one.

H Koskies resigned on 11 October 1999 and M P Huebener was appointed on 20th December 1999.

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

20 March 2000

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 1999. The directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

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



M D Newson F.C.C.A
Secretary

20 March 2000

REPORT OF THE AUDITORS TO THE MEMBERS OF BAYER PLC

We have audited the financial statements on pages 7 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.


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 judgments 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 31 December 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Reading

20 March 2000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1999

	Note	1999	1998		
		£'000 Total	£'000 Continuing	£'000 Discontinued	£'000 Total
Turnover	2A	356,257	373,853	13,935	387,788
Change in Stocks of Finished Goods and Work in Progress		8,137	(10,155)	(456)	(10,611)
Other Operating Income		89	121	-	121
Raw Materials and Consumables		(270,667)	(277,920)	19,455	(287,415)
Other External Charges		(8,722)	(7,549)	(902)	(8,451)
		85,094	78,350	3,032	81,432
Staff Costs	2B	(51,253)	(54,819)	12,678	(57,497)
Depreciation		(3,837)	(3,458)	12,075	(5,533)
Other Operating Charges		(15,796)	(3,527)	(654)	(4,181)
Operating Profit/(Loss)		14,208	13,546	12,325	14,221
Income from shares in group undertakings		50			50
Exceptional Items					
Profit on sale of land		1,700			-
Loss on disposal of business - discontinued		-			(32,970)
Profit/(Loss) on Ordinary Activities before Interest		15,958			(18,699)
Interest Receivable	2D	664			771
Interest Payable	2E	(3,413)			(4,954)
Profit/(Loss) on Ordinary Activities before Taxation	2F	13,209			(22,882)
Tax (charge)/credit on Profit/(Loss) on Ordinary Activities	2G	(4,657)			3,788
Retained Profit/(Loss) for the Financial Year		8,552			(19,094)

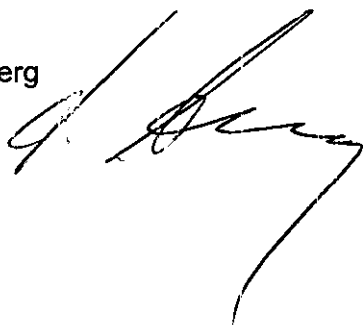
The movements on reserves are set out in note 12. The results for the year ended 31st December 1999 all derive entirely from continuing activities. The Company had no recognised gains or losses other than those included in the results above and therefore no separate statement of total gains and losses has been presented. There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit/(loss) for the years above and their historical cost equivalents.

BALANCE SHEET
AS AT 31ST DECEMBER 1999

	Note	1999 £'000	£'000	1993 £'000	£'000
FIXED ASSETS					
Intangible Assets	3		17,091		10,627
Tangible Assets	4		17,338		17,359
Investments	5		40,976		22,529
			<u>75,405</u>		<u>50,515</u>
CURRENT ASSETS					
Stocks	6	30,694		22,557	
Debtors	7	74,766		62,220	
Cash at Bank and in Hand		62		109	
		<u>105,522</u>		<u>84,886</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	122,004		82,974	
				<u>82,974</u>	
NET CURRENT LIABILITIES			(16,482)		(88)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>58,923</u>		<u>50,427</u>
PROVISIONS FOR LIABILITIES AND CHARGES	9		447		503
NET ASSETS			<u>58,476</u>		<u>49,924</u>
CAPITAL AND RESERVES					
Called Up Share Capital	10		25,062		25,062
Share Premium Account	11	10,655		10,635	
Reserves	12	22,759		14,237	
			<u>33,314</u>		<u>24,862</u>
EQUITY SHAREHOLDERS' FUNDS	13		<u>58,476</u>		<u>49,924</u>

The financial statements on pages seven to twenty-three were approved by the directors on
20th March 2000.

L T Aberg



Director

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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 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
Motor Vehicles	4 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 if appropriate.

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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

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 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.

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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 turnover arose mainly in the United Kingdom. All sales originated in the UK. The geographical analysis of turnover by destination is given below. Segmental information is given in note 16.

	<u>1999</u> £'000	<u>1998</u> £'000
United Kingdom	338,974	364,546
Continental Europe	15,316	19,099
Other	1,467	4,143
	<u>356,257</u>	<u>387,788</u>

2B Staff Costs

	<u>1999</u> £'000	<u>1998</u> £'000
Wages and Salaries	43,557	50,265
Social Security Costs	3,540	3,820
Pension Costs	4,156	3,412
	<u>51,253</u>	<u>57,497</u>

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

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

<u>Directors' Emoluments</u>	<u>1999</u> £'000	<u>1998</u> £'000
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Aggregate Emoluments	242	265
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Retirement benefits are accruing to two Directors (1998: one Director) under the company's defined benefit scheme.

	<u>1999</u> £'000	<u>1998</u> £'000
Highest paid Director		
Aggregate Emoluments	238	265

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

	<u>91</u>	<u>85</u>
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Average Number of Employees

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

	<u>1999</u> <u>Number</u>	<u>1998</u> <u>Number</u>
Manufacturing, Warehousing & Logistics	80	92
Sales & Marketing	715	772
Research and Development	210	210
General Administration	270	238
	<u>1,275</u>	<u>1,312</u>

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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. 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 Miles 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 1997 using the projected unit method.

The main assumptions used were:

Rate of return on investments	8¾% pa
Salary inflation	7% pa
Pension increases on excess over GMPs	4½% pa
Price inflation	4%

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

The market value of the assets relating to the relevant category of employees of Bayer Plc including employees of other Bayer companies, but excluding Agfa companies as at 1 April 1997 was £156.4m. The actuarial value of these assets represented some 119% of the liabilities. The Company also contributes to other group pension plan arrangements.

The charge for the year, after allowing for the benefit of spreading the scheme surplus over the members' average working lifetimes was £4,156,000 (1998: £3,412,000).

2D Interest Receivable and Similar Income

	1999	1998
	£'000	£'000
Interest Receivable from Banks	76	260
Income Receivable from Finance Leases	134	164
Interest Receivable from Group Companies	454	347
	<u>664</u>	<u>771</u>

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

2E	<u>Interest Payable and Similar Charges</u>	<u>1999</u>	<u>1998</u>	
		£'000	£'000	
	Bank Loans, Overdrafts and other Loans Repayable			
	Group Undertakings	1,666	2,561	
	Bank and other	1,747	2,387	
	Finance Charges Payable under Finance Leases	-	6	
		<u>3,413</u>	<u>4,954</u>	
2F	<u>Profit/(Loss) on Ordinary Activities Before Taxation</u>	<u>1999</u>	<u>1998</u>	
		£'000	£'000	
	Is stated after charging/(crediting):			
	Profit/(Loss) on Sale of Fixed Assets	1,700	(1)	
	Depreciation of owned Fixed Assets	3,837	5,533	
	Amortisation of goodwill	1,193	658	
	Operating Leases			
	- Plant and Machinery	-	16	
	- Other Assets	8,099	6,698	
	Auditors' Remuneration:			
	- As Auditors	121	115	
	- For Other Services	55	666	
	Net Research and Development costs	203	458	
		<u> </u>	<u> </u>	
	Non audit fees in 1998 comprise solely of amounts paid to the previous auditors Coopers & Lybrand prior to the date of appointment of PricewaterhouseCoopers as auditors.			
2G	<u>Tax (credit)/charge on (Loss)/Profit on Ordinary Activities</u>	<u>1999</u>	<u>1998</u>	
		£'000	£'000	
	United Kingdom Corporation Tax at 30 ¼% (1998: 31%)			
	Current	4,796	4,508	
	Deferred	-	(8,184)	
	Under/(Over) Provision in Respect of Prior Years			
	Current	(139)	58	
	Deferred	-	(170)	
		<u>4,657</u>	<u>(3,788)</u>	

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

NOTES ON THE PROFIT AND LOSS ACCOUNT- continued

3. Intangible Fixed Assets

Cost	£'000
At 1 January 1999	11,285
Additions	7,657
	<hr/>
At 31 December 1999	18,942
	<hr/>
Aggregate Amortisation	
At 1 January 1999	658
Charge for Year	1,193
	<hr/>
At 31 December 1999	1,851
	<hr/>
Net book value	
At 31 December 1999	<u>17,091</u>
At 31 December 1998	<u>10,627</u>

Goodwill arose on the purchase of unincorporated businesses and is being written off over its estimated useful life of 10 years.

NOTES TO THE ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 1999

4. 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
At 1.1.99										
Additions	1,195	8,092	2,959	180	313	4,471	17,059	301	2,986	37,556
Transfers	205	680	0	0	0	422	1,473	48	1,869	4,697
	(1,168)	0	0	0	0	441	727	0	0	0
	232	8,772	2,959	180	313	5,334	19,259	349	4,855	42,253
Disposals	(27)	(1)	(2,950)	0	0	(32)	(283)	(4)	0	(3,297)
At 31.12.99	205	8,771	9	180	313	5,302	18,976	345	4,855	38,956

COST

DEPRECIATION

At 1.1.99	0	(2,033)	(2,078)	(138)	(258)	(2,965)	(10,865)	(254)	(1,606)	(20,197)
Provision for the year	0	(228)	(31)	(9)	(5)	(444)	(2,398)	(20)	(702)	(3,837)
Elimination on Disposals	0	(2,261)	(2,109)	(147)	(263)	(3,409)	(13,263)	(274)	(2,308)	(24,034)
At 31.12.99	0	(2,261)	2,103	0	0	31	278	4	0	2,416
	0	(2,261)	(6)	(147)	(263)	(3,378)	(12,985)	(270)	(2,308)	(21,618)
Net Book Value 31.12.99	205	6,510	3	33	50	1,924	5,991	75	2,547	17,338
Net Book Value 31.12.98	1,995	6,059	881	42	55	1,508	6,194	47	1,980	17,359

The cost of land which is not depreciated amounts to £1,178,000 included in the cost of Freehold Properties.

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

5. INVESTMENTS

	Subsidiaries £'000
Net book value	
As at 1st January 1999	22,529
Additions	18,447
	<hr/>
As at 31st December 1999	40,976
	<hr/>

All investments are stated at 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%
W. Hawley & Sons Limited	Ordinary £1 shares	100%
TwinAgro Limited	Ordinary B £1 shares	50%
PBI Home & Garden Limited	Ordinary £1 shares	100%
Bayer Diagnostics Manufacturing (Sudbury) Ltd (formerly Chiron Diagnostics Ltd)	Ordinary & Preference £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.

W. Hawley & Sons Ltd manufactures specialty powder and liquid pigments and associated handling systems.

TwinAgro Ltd is a joint venture with Monsanto Plc. Following development the company will manufacture and market agrochem products.

PBI Home & Garden Limited markets plant protection products and fertilizers for home use

Bayer Diagnostics Manufacturing (Sudbury) Ltd manufactures automated immunoassay systems and reagents, blood-gas & blood electrolyte instrumentation, quality control reagents and diagnostic reagents and kits. As a result of the acquisition of this subsidiary on 30th September 1999, certain assets, liabilities and the trade of the UK sales division were transferred into Bayer plc on 1st October 1999. No adjustment was required following the fair value review of the assets and liabilities relating to this transfer. The associated turnover and profit is not considered material to the financial statements of Bayer plc. Consequently, there is no separate disclosure of these amounts.

The aggregate value of the Companies share of its subsidiary undertakings was £23,567,000. (1998 £14,924,000)

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

6. STOCKS

	<u>1999</u> £'000	<u>1998</u> £'000
Raw Materials	377	96
Goods for Resale	30,317	22,461
	<u>30,694</u>	<u>22,557</u>

At 31st December 1999, the Company held £38.35 million (1998: £21.49 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>1999</u> £'000	<u>1998</u> £'000
Amounts Falling Due Within One Year:		
Net Investment in Finance Leases	1,252	356
Trade Debtors	49,162	48,294
Other Debtors	2,095	2,368
Prepayments	2,438	2,576
Amounts owed by Group Undertakings	18,862	11,408
Bills Receivable	-	45
	<u>73,809</u>	<u>65,047</u>
Amounts Falling Due After More Than One Year:		
Net Investment in Finance Leases	957	1,173
	<u>74,766</u>	<u>66,220</u>

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1999</u> £'000	<u>1998</u> £'000
Bank Loans and Overdrafts	49,917	8,571
Trade Creditors	8,216	7,119
Amounts Owed to Group Undertakings	35,354	48,313
Corporation Tax	3,770	4,618
Other Taxes & Social Security Costs	3,240	4,619
Other Creditors	2,416	543
Accruals and Deferred Income	19,091	15,191
	<u>122,004</u>	<u>88,974</u>

9. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1999</u> £'000		<u>1998</u> £'000	
	Amount Provided	Amount Unprovided	Amount Provided	Amount Unprovided
<u>Deferred Taxation</u>				
Accelerated Capital Allowances	-	(83)	-	(39)
Short Term Timing Differences	-	(914)	-	(961)
Leased Assets	-	496	-	642
	<u>-</u>	<u>(501)</u>	<u>-</u>	<u>(358)</u>
<u>Other Provisions</u>	447		503	
	<u>447</u>		<u>503</u>	

The movements on the Company's provisions are:

	<u>Deferred Taxation</u> £'000	<u>Other</u> £'000
At 1st January 1999	-	503
Charged to the Profit and Loss Account	-	65
Utilised During Year	-	(121)
At 31st December 1999	<u>-</u>	<u>447</u>

The provision relates to liabilities which are expected to be incurred within the next 12 months, the largest amount being a car fleet self insurance provision.

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

10. CALLED UP SHARE CAPITAL

	<u>1999</u> £'000	<u>1998</u> £'000
<u>Authorised</u>		
30,000,000 Ordinary Shares of £1 each	30,000	30,000
	<u> </u>	<u> </u>
<u>Allotted, Called Up and Fully Paid</u>		
25,062,356 Ordinary Shares of £1 each	25,062	25,062
	<u> </u>	<u> </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>1999</u> £'000	<u>1998</u> £'000
Premium on Shares Issued	10,655	10,655
	<u> </u>	<u> </u>

12. RESERVES

	<u>Profit & Loss Account</u> £'000	<u>General Reserve</u> £'000	<u>Total</u> £'000
At 1st January 1999	6,834	7,373	14,207
Profit for the Year	3,552	-	8,552
At 31st December 1999	<u>15,386</u>	<u>7,373</u>	<u>22,759</u>

The directors regard all of the above reserves as distributable.

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u> £'000
Opening Shareholders' Funds	49,924
Profit for the Financial Year	8,552
Closing Shareholders' Funds	<u>58,476</u>

14. FUTURE CAPITAL EXPENDITURE

	<u>1999</u> £'000	<u>1998</u> £'000
Contracted but not Provided for	75	265

15. FINANCIAL COMMITMENTS

At 31st December 1999 annual commitments under non-cancellable operating leases were:

	<u>1999</u>		<u>1998</u>	
	<u>Land & Buildings</u> £'000	<u>Other</u> £'000	<u>Land & Buildings</u> £'000	<u>Other</u> £'000
Operating Leases Which Expire:				
Within One Year	-	191	-	128
In the Second to Fifth Years	138	2,309	47	2,172
Over Five Years	2,185	-	2,148	-
	<u>2,323</u>	<u>2,500</u>	<u>2,195</u>	<u>2,300</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.

**NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999**

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>Consumer Segment</u>		<u>Group</u>	
	<u>Own Manufacture</u> 1999 £'000	<u>1998</u> £'000	<u>Group Manufacture</u> 1999 £'000	<u>1999</u> £'000	<u>1998</u> £'000	<u>1999</u> £'000	<u>1998</u> £'000
TURNOVER							
Total Sales	-	13,935	127,124	229,133	219,261	356,257	387,788
Sales to Third Parties	-	13,935	127,124	229,133	219,261	356,257	387,788
(LOSS)/PROFIT BEFORE TAX	-	(36,223)	2,499	10,710	9,072	13,209	(22,882)
Segment Net Assets	-	-	3,363	14,137	19,697	17,500	27,395
Unallocated Assets						40,976	22,529
Total Net Assets						58,476	49,924

Geographical segment analysis included in Note 2A : Turnover.

NOTES TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1999

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 1999 (1998: £nil).