

RE-SCAN

**Bayer Plc**

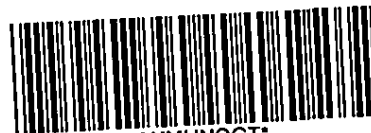
Company No. 00935048

**Financial Statements**

**For the year ended**

**31 December 2006**

SATURDAY



\*ANMHNQGT\*

A51

16/06/2007

309

COMPANIES HOUSE

26.6 05  
258

# **Bayer Plc**

## **Company Information**

### **Directors**

F-J Berners  
M S Dawkins

### **Secretary**

M A Wilkinson

### **Registered Office**

Bayer House  
Strawberry Hill  
Newbury  
Berkshire RG14 1JA

### **Auditors**

PricewaterhouseCoopers LLP  
9 Greyfriars Road  
Reading  
Berkshire  
RG1 1JG

# **Bayer Plc**

## **Contents**

	<b>Page</b>
Directors' report	1 - 4
Independent auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 23

# Bayer Plc

## Directors' Report For the year ended 31 December 2006

The directors present their report and financial statements for the year ended 31 December 2006

### Principal activities and review of the business

The company's principal activity is the marketing of healthcare and polymer products manufactured by Bayer Group companies and the provision of administration services to group companies as well as third parties

The company continued to trade successfully during the year and consolidate its position in its chosen healthcare markets. On 1 April 2006 the business and assets of Bayer UK Limited were transferred to the company at book value

During 2006, the turnover for the company developed on a stable basis in comparison to the previous year, slightly declining by £1,262,000 (-0.05%). Overall Healthcare commission revenues remained on the previous year's level, while polymer product commission revenues were reported for the first time

Consumer and Diabetes Care divisions performed well due to changes in the product portfolio and focussed marketing, resulting in increased market share for Diabetes Care. The consumer market was difficult during 2006 with increased downward price pressure from our customers, mainly pharmacy retailers and national supermarkets. The Pharmaceuticals division performed below the previous year due to customer contract changes during the year.

On 1 April 2006 the company acquired the polymer products business and assets from Bayer UK Ltd. The polymer business faced overall capacity constraints and a steady fall in average selling prices so that the UK commission revenues received for this business fell below the previous year's levels. During 2006 the commission model changed significantly resulting in a lower commission percentage than in the previous year.

### Principal risks and uncertainties

The company has put in place internal controls to deter fraud and regularly reviews these fraud prevention controls as part of its COSO Internal Controls Systems management process. The company also monitors external fraud threats and internal threats via its "KonTraG" risk management system and takes appropriate risk reduction actions.

During 2006 the company has formally compiled and implemented a Fraud Response Plan, which is there to be implemented whenever any suspicion of a possible fraud arises, and a Fraud Investigation Protocol, which strictly controls how fraud investigations are to be conducted and admissible evidence acquired. Fraud investigations are carried out independently, under the terms of the Protocol, by appropriately experienced and qualified persons within the Company, who are not members of the Finance department, and by Internal audit staff of the Ultimate Parent.

The company carries out market research to ensure that its products are sold at competitive prices and, in the case of pharmaceuticals, the price of products is regulated by the Pharmaceutical Price Regulation Scheme (PPRS). The company also maintains good Corporate Governance practice in educating its staff about avoiding anti-competitive or cartel-type practices. Supply chain risks (including price risks) are regularly monitored as part of the company's risk management practices.

The company's operations expose it to limited financial risks that include credit risk, liquidity risk and interest rate risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

#### Price risk

The company is exposed to commodity price risk as a result of its operations. Due consideration is given to forward provisioning of key commodities when market conditions dictate. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

#### Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit insurance is taken out where available.

# **Bayer Plc**

## **Directors' Report (continued) For the year ended 31 December 2006**

### **Liquidity risk**

The company actively maintains a mixture of short-term inter-company and debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

### **Interest rate cash flow risk**

The company pays interest on its external debt at a variable rate, the debt is not considered significant enough to warrant hedging. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature

### **Position of the company at the year end**

The increase in working capital was mainly affected by changes in accounts receivables and accounts payables due to the acquisition of the Bayer Local Service and the divestment in the subsidiary undertaking

The company takes management of working capital and, in particular, liquidity very seriously. As well as monitoring these risks within the company, liquidity and working capital management is also closely monitored by the ultimate parent, Bayer AG

### **Analysis based on key performance indicators**

Operating profit margins were mainly affected by one-time pension contributions whilst operating profit margins excluding those one-off effects declined by 8% due to investment in a new business system during the year

The increase in profit before tax was mainly due to the income from the divestment in the subsidiary undertaking

### **Results and dividends**

The results for the year are set out on page 7

The directors do not recommend payment of an ordinary dividend

### **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

### **Future developments**

On 1 January 2007 the ultimate parent will divest the Diagnostics business group. As a consequence of this divestment the Diagnostics business group of the Company has also been divested. The company agreed with the third party buyer to provide transitional services for up to twelve months where requested

On 1 July 2007 the company will acquire the business and assets of Schering Health Care Ltd. The Schering business will be integrated into the existing pharmaceuticals business. The division will be known as Bayer Schering Pharma

### **Directors**

The following directors have held office since 1 January 2006

F-J Berners	(Appointed 2 May 2006)
M S Dawkins	(Appointed 3 July 2006)
L Courth	(Resigned 3 July 2006)
Dr W Plischke	(Resigned 2 May 2006)

### **Directors' interests**

There are no directors' interests requiring disclosure under the Companies Act 1985

# **Bayer Plc**

## **Directors' Report (continued) For the year ended 31 December 2006**

### **Charitable donations**

During the year, the sum of £13,439 (2005 £3,354) was donated to United Kingdom charitable organisations. No payments were made for political purposes.

### **Employee involvement**

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.

### **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.

### **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 24 days (2005 21 days).

### **Auditors**

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, PricewaterhouseCoopers LLP, will be deemed to be reappointed for each succeeding financial year.

### **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 that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 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 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.

# Bayer Plc

## Directors' Report (continued) For the year ended 31 December 2006

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



M A Wilkinson

Secretary

4 MAY 2007

# **Bayer Plc**

## **Independent Auditors' Report To the Members of Bayer Plc**

We have audited the financial statements of Bayer Plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of the directors and auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.



# Bayer Plc

## Independent Auditors' Report (continued) To the Members of Bayer Plc

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Reading

Date

31 May 2007

# Bayer Plc

## Profit And Loss Account For the year ended 31 December 2006

	Notes	2006 £ 000's	2005 £ 000's
<b>Turnover</b>	<b>2</b>		
Continuing operations		211,883	213,186
Acquisitions		1,587	-
Discontinued activities		19,085	20,631
		<hr/>	<hr/>
		232,555	233,817
Change in stocks of finished goods and work in progress		(575)	(838)
Other operating income		54	67
		<hr/>	<hr/>
		232,034	233,046
		<hr/>	<hr/>
Raw materials and other consumables		(123,626)	(126,380)
Other external charges		(6,202)	(5,393)
Staff costs	<b>24</b>		
- Normal		(45,562)	(43,535)
- Special	<b>5</b>	(14,400)	-
Depreciation		(802)	(334)
Other operating charges		(47,056)	(51,813)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	<b>4</b>		
Continuing operations		8,471	4,229
Acquisitions		(3,049)	-
Discontinued activities		(11,036)	1,362
		<hr/>	<hr/>
		(5,614)	5,591
Profit on sale of tangible fixed assets	<b>4</b>	-	49
Profit on sale of subsidiary undertaking	<b>5</b>	139,321	-
Restructuring costs	<b>5</b>	(175)	-
		<hr/>	<hr/>
<b>Profit on ordinary activities before interest</b>		133,532	5,640
Interest receivable and similar income	<b>6</b>	7,142	10,308
Interest payable and similar charges	<b>7</b>	(3,039)	(5,377)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		137,635	10,571
Tax on profit on ordinary activities	<b>8</b>	(315)	(4,535)
		<hr/>	<hr/>
<b>Profit for the year</b>	<b>19</b>	137,320	6,036
		<hr/>	<hr/>

There are no recognised gains and losses other than those passing through the profit and loss account

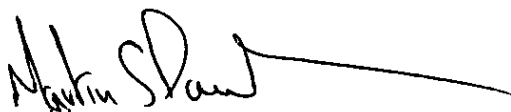
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents

# Bayer Plc

## Balance Sheet As at 31 December 2006

		2006	2005
	Notes	£ 000's	£ 000's
<b>Fixed assets</b>			
Intangible assets	10	31,860	37,113
Tangible assets	11	5,999	4,855
Investments	12	-	9,706
		<u>37,859</u>	<u>51,674</u>
<b>Current assets</b>			
Stocks	13	8,533	7,958
Debtors	14	240,181	201,769
Cash at bank and in hand		5,203	6,069
		<u>253,917</u>	<u>215,796</u>
<b>Creditors amounts falling due within one year</b>	15	<u>(103,402)</u>	<u>(205,782)</u>
<b>Net current assets</b>		<u>150,515</u>	<u>10,014</u>
<b>Total assets less current liabilities</b>		<u>188,374</u>	<u>61,688</u>
<b>Provisions for liabilities and charges</b>	16	<u>(2,963)</u>	<u>(3,597)</u>
		<u>185,411</u>	<u>58,091</u>
<b>Capital and reserves</b>			
Called up share capital	18	25,062	25,062
Share premium account	19	10,655	10,655
Other reserves	19	7,373	7,373
Profit and loss account	19	142,321	15,001
<b>Equity shareholders' funds</b>	20	<u>185,411</u>	<u>58,091</u>

Approved by the Board and authorised for issue on 4 MAY 2007



M S Dawkins  
Director

# Bayer Plc

## Notes To The Financial Statements For the year ended 31 December 2006

### 1 Accounting policies

#### 11 Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

#### 12 Cash flow statement and related party disclosures

The company is a subsidiary of Bayer HealthCare AG which is a wholly-owned subsidiary of Bayer AG and is included in the consolidated financial statements of Bayer AG, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Bayer AG group or investees of the Bayer AG group.

#### 13 Turnover

Turnover represents goods and services provided and is recognised when these have been delivered, and includes commission receivable from indent sales and excludes value added tax.

#### 14 Goodwill

Purchased goodwill is determined by comparing the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is capitalised and written off on a straight line basis over its estimated useful economic life or 20 years, whichever is shorter.

#### 15 Marketing Rights

Marketing rights are capitalised and stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

#### 16 Research and development

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

#### 17 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	20 - 40 years
Land and buildings Leasehold	20 - 50 years dependent on lease term
Plant and machinery	2 - 15 years
Fixtures, fittings & equipment	3 - 10 years
Rental equipment	3-5 years

No depreciation is provided in respect of freehold land or assets in the course of construction.

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

#### 18 Leasing

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

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

#### 19 Investments

Fixed assets investments are stated at cost less any provision for impairment.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 1 Accounting policies

(continued)

#### 1 10 Stock

Stocks are stated at the lower of cost and net realisable value after provisions for obsolescence. In general, cost is determined on a moving average basis. Stocks on consignment and their related obligations are recognised when the risk and rewards of ownership pass to the company.

#### 1 11 Pensions

The company participates in the defined benefit pension arrangements of the Bayer Diagnostics Pension Plan and the Bayer Group Pension Plan. The assets of the schemes are held separately from those of the company in separate trustee administered funds.

The Bayer Diagnostics Pension Plan and the Bayer Group Pension Plan are defined benefit schemes where the membership is spread across the United Kingdom subsidiaries of the ultimate parent undertaking, Bayer AG. As a result of the membership profile, no individual company within the Bayer AG group in the United Kingdom has a significant share of either the Bayer Diagnostics Pension Plan or the Bayer Group Pension Plan membership.

The schemes are multi-employer schemes in which it is not possible to separately identify the underlying scheme assets and liabilities that relate to each employer. In accordance with FRS 17, the schemes are accounted for as defined contribution schemes.

#### 1 12 Deferred taxation

Deferred tax arises on differences between the timing of the allowances/income tax and the profit and loss account. Provision is made for deferred tax 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 in 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.

#### 1 13 Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction or at an average rate for the relevant month where that provides a close approximation.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year except for those liabilities covered by forward exchange contracts which are translated at contract rates.

All exchange differences are dealt with in the profit and loss account.

#### 1 14 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Bayer AG, a company incorporated in Germany, and is included in the consolidated accounts of that company.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 2 Turnover and profit on ordinary activities before taxation

	2006 £ 000's	2005 £ 000's
<b>Class of business</b>		
Third parties	206,996	209,919
Group companies	25,559	23,898
	<u>232,555</u>	<u>233,817</u>

### Geographical market

	2006 £ 000's	2005 £ 000's
United Kingdom	188,287	189,452
Rest of Europe	44,268	44,365
	<u>232,555</u>	<u>233,817</u>

The company's turnover and profit on ordinary activities before taxation originate entirely in the UK and are wholly attributable to its principal trading activities as discussed in the Director's report. The company's net assets are entirely based in the UK.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 3 Expenditure analysis

	2006			2005		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Raw materials and consumables	123,716	(90)	123,626	126,611	(231)	126,380
Change in stocks of finished goods and raw materials	575	-	575	838	-	838
Other external charges	3,638	2,564	6,202	729	4,664	5,393
Staff costs	36,635	8,927	45,562	33,654	9,881	43,535
Depreciation	733	69	802	209	125	334
Other operating charges	42,805	4,251	47,056	46,916	4,897	51,813
Other operating income	(54)	-	(54)	-	(67)	(67)
Special pension contributions	-	14,400	14,400	-	-	-
	<u>208,048</u>	<u>30,121</u>	<u>238,169</u>	<u>208,957</u>	<u>19,269</u>	<u>228,226</u>

The total figures for continuing operations in 2006 include the following amounts relating to acquisitions: raw materials and other consumables £nil, other external charges £nil, staff costs £5,326,000, depreciation £587,000, other operating charges (£1,303,000), other operating income £26,000, and special pension contributions £nil.

On 1 January 2007, the Diagnostics business group was sold to Siemens Medical Solutions Diagnostics Limited. The business previously undertaken by the Diagnostics business group has been shown as a discontinued operation in these financial statements.

### 4 Operating (loss)/profit

	2006	2005
	£ 000's	£ 000's
Operating (loss)/profit is stated after charging:		
Amortisation of intangible assets	4,916	4,913
Depreciation of tangible assets	921	954
Loss on foreign exchange transactions	302	-
Research and development	870	812
Operating lease rentals	2,778	3,042
Services provided by company's auditors		
- Fees payable for the audit	154	148
- Other services supplied pursuant to legislation	22	2
and after crediting:		
Profit on disposal of tangible assets	(17)	-
Profit on foreign exchange transactions	-	(72)
Depreciation recharged to group company	<u>(119)</u>	<u>(620)</u>

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 5 Exceptional items

#### (i) Special pension contributions

The sale of trade and assets during the period is a cessation event under the Pensions Act 1995. Following an application for clearance on the transaction made to the Pensions Regulator, the company paid £10,000,000 into the Bayer Group Pension Plan and £4,400,000 into the Bayer Diagnostics Pension Plan as a special contribution. Any future liabilities have been transferred to the vendors.

#### (ii) Sale of subsidiary undertaking

On 31 December 2006 the company sold the entire share capital in its subsidiary undertaking, Bayer Diagnostics Manufacturing (Sudbury) Limited for consideration of EUR 233,755,000. The resulting profit arising from this sale was £139,321,000. The tax effect of this is £nil.

#### (iii) Restructuring costs

Arising from the sale of the Diagnostics business group were restructuring costs to prepare the business group for divestment totalling £174,559. The tax effect of this is to create a tax credit of £52,000.

### 6 Interest receivable and similar income

	2006 £ 000's	2005 £ 000's
Income from shares in group undertakings	4,000	5,500
Interest receivable from group companies	3,123	4,532
Bank interest	19	276
	<u>7,142</u>	<u>10,308</u>

### 7 Interest payable

	2006 £ 000's	2005 £ 000's
On amounts payable to group companies	2,842	5,372
On bank loans and overdrafts	197	5
	<u>3,039</u>	<u>5,377</u>



# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

8	Taxation	2006 £ 000's	2005 £ 000's
	<b>Domestic current year tax</b>		
	U K corporation tax	1,371	2,524
	Adjustment for prior years	-	5
	<b>Current tax charge</b>	<u>1,371</u>	<u>2,529</u>
	<b>Deferred tax</b>		
	Deferred tax (credit)/charge current year	(1,363)	2,006
	Deferred tax adjustment for previous year	307	-
		<u>(1,056)</u>	<u>2,006</u>
		<u>315</u>	<u>4,535</u>
	<b>Factors affecting the tax charge for the year</b>		
	Profit on ordinary activities before taxation	<u>137,635</u>	<u>10,571</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	<u>41,291</u>	<u>3,171</u>
	Effects of		
	Non deductible expenses	1,714	3,009
	Non taxable UK dividends received	(1,200)	(1,650)
	Non taxable gain on disposal of subsidiary	(41,797)	-
	Accelerated capital allowances	1,363	(2,006)
	Adjustments to previous periods	-	5
		<u>(39,920)</u>	<u>(642)</u>
	<b>Current tax charge</b>	<u>1,371</u>	<u>2,529</u>

### Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

9	Dividends on equity shares	2006 £ 000's	2005 £ 000's
	Ordinary interim paid	<u>10,000</u>	<u>11,000</u>

The directors have not proposed a final dividend for 2006 (2005 £10,000,000). The dividend proposed in the prior year was not accounted for within those financial statements as it had not been approved.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 10 Intangible fixed assets

	Marketing Rights £ 000's	Goodwill £ 000's	Total £ 000's
<b>Cost</b>			
At 1 January 2006	17,390	31,758	49,148
Disposals	-	(405)	(405)
At 31 December 2006	17,390	31,353	48,743
<b>Aggregate amortisation</b>			
At 1 January 2006	8,859	3,176	12,035
Amortisation on disposals	-	(68)	(68)
Charge for the year	1,757	3,159	4,916
At 31 December 2006	10,616	6,267	16,883
<b>Net book value</b>			
At 31 December 2006	6,774	25,086	31,860
At 31 December 2005	8,531	28,582	37,113

Marketing rights and goodwill arose on the purchase of the UK and Irish OTC business of Roche in 2005 and are being written off over 10 years. Other goodwill 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 Financial Statements (continued) For the year ended 31 December 2006

### 11 Tangible fixed assets

	Freehold buildings	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Rental equipment	Assets in the course of construction	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
<b>Cost</b>							
At 1 January 2006	30	5,079	121	3,566	150	-	8,946
Transfer between classes	(30)	(481)	(121)	783	(150)	-	-
Additions	-	127	-	127	159	78	491
Transfer of assets under construction	-	7	-	42	(4)	(45)	-
Transfer from group companies	-	143	32	4,470	303	-	4,948
Disposals	-	(119)	-	(1,454)	-	-	(1,573)
At 31 December 2006	-	4,755	32	7,534	458	33	12,812
<b>Accumulated depreciation</b>							
At 1 January 2006	15	719	54	3,157	146	-	4,091
Transfer between classes	(15)	(203)	(54)	417	(146)	-	-
Transfer from group companies	-	21	28	3,059	187	-	3,295
On disposals	-	(81)	-	(1,413)	-	-	(1,494)
Charge for the year	-	341	1	467	112	-	921
At 31 December 2006	-	798	29	5,687	299	-	6,813
<b>Net book value</b>							
At 31 December 2006	-	3,957	3	1,847	159	33	5,999
At 31 December 2005	15	4,360	67	409	4	-	4,855

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 12 Fixed asset investments

	Shares in subsidiary undertakings £ 000's
<b>Cost</b>	
At 1 January 2006	9,706
Disposals	(9,706)
At 31 December 2006	-
<b>Net book value</b>	
At 31 December 2006	-
At 31 December 2005	9,706

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings</b>			
Magnampace Limited	England and Wales	Ordinary	100.00

Magnampace Limited is a dormant company

On 31 December 2006 the company sold its holding of the entire share capital of Bayer Diagnostics Manufacturing (Sudbury) Limited (See note 5)

13 Stocks	2006 £ 000's	2005 £ 000's
Finished goods and goods for resale	8,533	7,958

At 31 December 2006, the company held £29.3 million (2005 £16.4 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.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

14 Debtors	2006 £ 000's	2005 £ 000's
Trade debtors	36,306	35,391
Amounts owed by parent and fellow subsidiary undertakings	195,214	160,252
Corporation tax	2,387	610
Other debtors	6,030	4,779
Prepayments and accrued income	244	737
	<u>240,181</u>	<u>201,769</u>

Included in amounts owed by group undertakings are loans due from Bayer AG, Bayer ACSH Limited and Bayer AGCO Limited of £176,497,026 (2005 £134,000,000) 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.

15 Creditors amounts falling due within one year	2006 £ 000's	2005 £ 000's
Bank loans and overdrafts	27,000	-
Trade creditors	10,993	7,440
Amounts owed to parent and fellow subsidiary undertakings	50,638	184,680
Other taxation and social security	1,420	2,006
Other creditors	1,784	98
Accruals and deferred income	11,567	11,558
	<u>103,402</u>	<u>205,782</u>

Included in amounts due to group undertakings is a loan due to Bayer CropScience Limited of £28,000,000 (2005 £57,000,000) which is 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.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 16 Provisions for liabilities and charges

	Deferred tax liability £ 000's	Other £ 000's	Total £ 000's
Balance at 1 January 2006	1,495	2,102	3,597
Profit and loss account	(1,056)	655	(401)
Utilised	-	(233)	(233)
Balance at 31 December 2006	439	2,524	2,963

The deferred tax liability is made up as follows

	2006 £ 000's	2005 £ 000's
Accelerated capital allowances	2,001	1,592
Other timing differences	(1,562)	(97)
	439	1,495

The other provisions relate to contractual obligations on properties, cars and personnel

### 17 Pension costs

#### Defined benefit

The company is a member of the Bayer Group Pension Plan, a multi employer defined benefit scheme whose assets are held separately from those of the company in a separate trustee administered fund. The Bayer Group Pension Plan provides benefits for a number of UK subsidiary companies 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. 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 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 deficit amounted to £41.4m.

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 by the company to the Bayer Group Pension Plan amount to £13,542,000 (2005 £8,400,000) including £10,000,000 of special contributions, being approximately 21.2% of pensionable salaries (which is paid wholly by the company for members who participate in the salary sacrifice arrangement, and 15.7% is met by the company for the minority of members who do not use the salary sacrifice arrangement where the average member contribution rate is 5.5%, plus the company's share of the deficiency contribution to the plan payable from 1 January 2004 to 31 December 2008) and are based on pension costs across the group as a whole.

In addition the company paid £5,411,041 (2005 £897,000) including £4,400,000 of special contributions to the Bayer Diagnostics Pension Plan.

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

### 17 Pension costs (continued)

#### Defined benefit

		2006 £ 000's	2005 £ 000's
Contributions payable by the company for the year		4,553	9,398
Special contributions	5	14,400	-
		<u>18,953</u>	<u>9,398</u>

#### Defined contribution

Contributions payable by the company for the year		<u>615</u>	<u>273</u>
---	--	------------	------------

18 Share capital	2006 £ 000's	2005 £ 000's
<b>Authorised</b>		
30,000,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
<b>Allotted, called up and fully paid</b>		
25,062,356 Ordinary shares of £1 each	<u>25,062</u>	<u>25,062</u>

### 19 Statement of movements on reserves

	Share premium account £ 000's	Other reserves (see below) £ 000's	Profit and loss account £ 000's
Balance at 1 January 2006	10,655	7,373	15,001
Profit for the year	-	-	137,320
Dividends paid	-	-	(10,000)
Balance at 31 December 2006	<u>10,655</u>	<u>7,373</u>	<u>142,321</u>
<b>General reserves</b>			
Balance at 1 January 2006 & at 31 December 2006		<u>7,373</u>	

# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

20 Reconciliation of movements in shareholders' funds	2006 £ 000's	2005 £ 000's
Profit for the financial year	137,320	6,036
Dividends	(10,000)	(11,000)
Net addition to/(depletion in) shareholders' funds	127,320	(4,964)
Opening shareholders' funds	58,091	63,055
Closing shareholders' funds	185,411	58,091

### 21 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 31 December 2006 (2005 £nil).

### 22 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	Land and buildings		Other	
	2006 £ 000's	2005 £ 000's	2006 £ 000's	2005 £ 000's
Operating leases which expire				
Within one year	200	-	16	86
Between two and five years	-	200	290	241
In over five years	2,578	2,578	-	-
	2,778	2,778	306	327



# Bayer Plc

## Notes To The Financial Statements (continued) For the year ended 31 December 2006

<b>23 Directors' emoluments</b>	<b>2006</b>	<b>2005</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Remuneration	456	397
	<u>456</u>	<u>397</u>
Emoluments disclosed above (excluding pension contributions) include amounts paid to The highest paid director	372	397
	<u>372</u>	<u>397</u>

No retirement benefits have been accrued for the directors (2005 Nil) under the Bayer Group Pension Plan

### 24 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Sales and Marketing	399	383
Research and Development	67	68
General Administration	142	2
	<u>608</u>	<u>453</u>

#### Employment costs

	<b>2006</b>	<b>2005</b>
	<b>£ 000's</b>	<b>£ 000's</b>
Wages and salaries	37,206	31,491
Social security costs	3,188	2,646
Other pension costs (see note 5(i))	19,568	9,398
	<u>59,962</u>	<u>43,535</u>

# **Bayer Plc**

## **Notes To The Financial Statements (continued) For the year ended 31 December 2006**

### **25 Ultimate parent undertaking**

At 31 December 2006, the company's immediate parent company is considered by the directors to be Bayer HealthCare AG, which is incorporated in Germany. The ultimate parent undertaking is Bayer AG which is incorporated in Germany and is the parent undertaking of the smallest and largest group to consolidate these financial statements.

Copies of the financial statements of Bayer AG may be obtained from

Investor Relations  
Bayer AG  
Kaiser-Wilhelm Allee  
51368 Leverkusen  
Germany

### **26 Post balance sheet events**

On 1 July 2007 the company will acquire the business and assets of Schering Health Care Ltd. The Schering business will be integrated into the existing pharmaceuticals business. The division will be known as Bayer Schering Pharma.