

BAYER CROPSCIENCE HOLDINGS LIMITED



Directors' Report and Financial Statements

For the year ended 31 December 2012

BAYER CROPSCIENCE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M S Dawkins B Naaf S Waite (resigned 8 October 2012, alternate for B Naaf) U Bockstegers (appointed 8 October 2012, alternate for B Naaf)
Company secretary	M A Wilkinson
Company number	04421656
Registered office	230 Cambridge Science Park Milton Road Cambridge CB4 0WB
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 9 Greyfriars Road Reading Berkshire RG1 1JG
Bankers	HSBC Bank PLC Global Banking and Markets Level 19 8 Canada Square London E14 5HQ

BAYER CROPSCIENCE HOLDINGS LIMITED

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BAYER CROPSCIENCE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and audited financial statements of the company for the year ended 31 December 2012

Principal activities and review of the business

The principal activity of the company throughout the year is the holding of investments in subsidiary companies

The results for the year show a loss on ordinary activities before taxation of £49.3 million (2011 £66.4 million)

On 23 October 2013 the company acquired 142.8 million shares in Bayer Agriculture Limited at £1 each for £186.8 million from its direct subsidiary Bayer AGCO Limited. During the year an impairment review was performed on the subsidiaries of the company, resulting in a £49.1 million write down in the investment in Bayer Agriculture Limited.

During the year, Bayer AGCO Limited and Bayer CropScience Norwich Limited (an indirect investment of Bayer CropScience Holdings Limited) conducted a capital reduction reducing the share capital of these companies to £1. The resulting distributable reserves of £167.2 million and £17.9 million were paid to Bayer CropScience Holdings Limited and Bayer Agriculture Limited respectively via a dividend.

On 4 April 2012 an Asset Purchase Agreement was signed between Bayer CropScience Limited, being an indirect investment of the company, and Aurelius AG for sale of the Norwich manufacturing site. The Norwich manufacturing site officially transferred ownership to Aurelius AG on the 31 August 2012.

Analysis based on key performance indicators

Given that the principal activities of the Company is to act as an intermediate holding company, the Company's directors are of the opinion that an analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

Risks are formally reviewed by Senior Local Management and the Board. Where appropriate, guidelines and regulations and appropriate processes are put in place to monitor and mitigate them. Business continuity plans are designed and in place to ensure that if extraordinary events occur the company would continue to operate. The principle risk is that the company will not be able to realise the value of its investments in its subsidiary companies. This risk is mitigated by the controls which the management of the subsidiary have in place over their performance.

Financial risk management

The company's operations expose it to limited financial risks that include liquidity risk. Financial guidelines are in place and responsibilities aligned to ensure these are adhered to. Reviews with Senior Management also take place to assess the above risk. Where necessary steps are taken and changes implemented to reduce the level of risk in these areas. 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.

BAYER CROPSCIENCE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

Liquidity risk

The company actively maintains short-term inter-company finance that is designed to ensure the company has sufficient available funds to pay its debts

The company maintains good Corporate Governance practices

Going Concern

The company has received confirmation from the ultimate parent undertaking, Bayer AG, that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements

Results and dividends

The results for the year are set out on page 6

The directors do not recommend the payment of an ordinary dividend (2011 £nil)

Directors

The directors of the company who were in office during the year and up to the end date of signing the financial statements unless otherwise stated were

M S Dawkins

B Naaf

S Waite (resigned 8 October 2012, alternate for B Naaf)

U Bockstegers (appointed 8 October 2012, alternate for B Naaf)

Market value of land and buildings

The company owns no land or buildings

Donations to charities and political parties

The company has made no donations to any charities or political parties during the year

Employee involvement

The company had no employees during the year with exception of the directors

BAYER CROPSCIENCE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

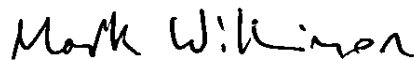
Statement of disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that

(a) so far as each director is 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 a director 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

Company secretary

18th March 2013

BAYER CROPSCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAYER CROPSCIENCE HOLDINGS LIMITED

We have audited the financial statements of Bayer CropScience Holdings Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BAYER CROPSCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF BAYER CROPSCIENCE HOLDINGS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Senior statutory auditor

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

Date *18 March 2013*

BAYER CROPSOURCE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £000's	2011 £000's
Income from shares in group undertakings	3	167,165	1
Amounts written off investments	5	(216,440)	(66,351)
Loss on ordinary activities before taxation		<u>(49,275)</u>	<u>(66,350)</u>
Tax on loss on ordinary activities	4	-	-
Loss for the financial year	9	<u>(49,275)</u>	<u>(66,350)</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains or losses other than those passing through the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

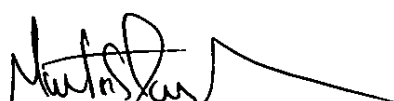
There are no differences between the loss on ordinary activities before taxation and the retained loss for the financial years stated above and their historical cost equivalents

BAYER CROPSCIENCE HOLDINGS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £000's	2011 £000's
Fixed assets			
Investments	5	137,710	167,309
Current assets			
Cash at bank and in hand	6	52	52
Creditors: amounts falling due within one year	7	(210,221)	(190,545)
Net current liabilities		(210,169)	(190,493)
Total assets less current liabilities		(72,459)	(23,184)
Capital and reserves			
Called up share capital	8	-	-
Capital reserves	9	50,000	50,000
Profit and loss account	9	(122,459)	(73,184)
Total shareholders' deficit	10	(72,459)	(23,184)

The financial statements on pages 6 to 13 were approved by the Board of Directors on 18 March 2013 and signed on its behalf by



MS Dawkins
Director

Company Registration No 04421656

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies

1.1 Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been consistently applied are set out below.

1.2 Going concern

The company has received confirmation from the ultimate parent undertaking, Bayer AG, that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements.

1.3 Cash flow statements and related party disclosure

The company is a wholly-owned subsidiary of Bayer CropScience 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 (revised 1996). 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.

1.4 Fixed asset investments

Investments are stated at cost less any provision for impairment.

1.5 Investment income

Income from investments is included in the profit and loss account on an accrual basis.

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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 substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

1 Accounting policies (continued)

1.7 Foreign currency translation

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

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

1.8 Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Bayer AG, a company incorporated in Germany, and is included in the consolidated financial statements of that company

1.9 Impairment

Where events or changes in circumstances indicate that the carrying amount of a fixed asset or goodwill may not be recoverable an impairment review is performed. An impairment write down is recognised to the extent that the carrying amount of the asset exceeds the higher of net realisable value and value-in-use. Estimated future cash flows are discounted to the present value using an appropriate discount rate which represents an estimate of the rate that the market would expect on an equally risky investment

2 Operating result

The services of the auditors have been provided by Bayer CropScience Limited with no specific recharge to Bayer CropScience Holdings Limited for the current or prior year

3 Income from shares in group undertakings

	2012 £000's	2011 £000's
Interest receivable from group companies	-	1
Income from shares in group undertakings	167,165	-
	<u>167,165</u>	<u>1</u>

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

4 Tax on loss on ordinary activities

	2012 £000's	2011 £000's
Current tax		
There is no tax charge in the current and prior year. The tax assessed is higher than (2011 higher than) the standard rate of corporation tax in the UK		
Factors affecting the tax charge for the year		
Loss on ordinary activities before tax	(49,275)	(66,350)
Loss on ordinary activities before tax multiplied by standard rate of UK corporation tax of 24.5% (2011 26.5%)	(12,072)	(17,583)
Effects of		
Non-deductible expenses	53,028	17,583
Non-taxable income	(40,956)	-
Current tax charge for the year	-	-

Factors affecting current and future tax charges

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting year are taxed at an effective rate of 24.5%.

5 Fixed asset investments

	Shares in subsidiary undertakings £000's
Cost	
At 1 January 2012	233,660
Additions ¹	186,841
At 31 December 2012	420,501
Provision for impairment	
At 1 January 2012	66,351
Additions	216,440
At 31 December 2012	282,791
Net book value	
At 31 December 2012	137,710
At 31 December 2011	167,309

¹ On 23 October 2013 the company acquired 142.8 million shares in Bayer Agriculture Limited at £1 each for £186.8 million from its direct subsidiary Bayer AGCO Limited.

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

5 Fixed asset investments (continued)

Holdings of more than 20% Company	Country of registration or incorporation	Shares Held Class	%
Bayer AGCO Limited	England and Wales	Ordinary	100 00
Bayer Agriculture Limited ¹	England and Wales	Ordinary	100 00
Bayer CropScience Limited ¹	England and Wales	Ordinary	100 00
Bayer CropScience Norwich Limited ¹	England and Wales	Ordinary	100 00
pbi Home and Garden Limited ¹	England and Wales	Ordinary	100 00
Bayer AEH Limited ¹	England and Wales	Ordinary	100 00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

	Principle Activity	Capital and reserves 2012 £000's	Profit/(loss) for the year 2012 £000's
Bayer Agriculture Limited	Agrochemical	121,319	(27,096)
Bayer CropScience Limited ¹	Agrochemical	14,591	4,308
Bayer AGCO Limited	Non trading	-	44,821
pbi Home and Garden Limited ¹	Non trading	-	-
Bayer AEH Limited ¹	Non trading	-	-
Bayer CropScience Norwich Limited ¹	Non trading	-	-

¹ indirectly held

The value of the investment in subsidiaries is shown at cost less provision for impairment. In the opinion of the directors, the value of the subsidiary undertakings is not less than the amount at which they are stated in the financial statements.

During the year, Bayer AGCO Limited and Bayer CropScience Norwich Limited conducted a capital reduction reducing the share capital of these companies to £1. The resulting distributable reserves of £167.2 million and £17.9 million were paid to Bayer CropScience Holdings Limited and Bayer Agriculture Limited respectively via a dividend. This has led to an impairment of £167.3 million of the investment held in the Bayer AGCO Limited shares being recognised in the company for the year.

An impairment test was also performed based upon the estimated future cash flows of the subsidiary investments held, discounted to the present value using an appropriate discount rate. On the basis of these calculations, an impairment of the investment in Bayer Agriculture Limited of £49.1 million has also been recognised in the year.

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

6 Cash at bank and in hand

	2012 £000's	2011 £000's
Cash at bank and in hand	52	52
	<u>52</u>	<u>52</u>

7 Creditors: amounts falling due within one year

	2012 £000's	2011 £000's
Amounts owed to parent and fellow subsidiary undertakings	210,221	190,545
	<u>210,221</u>	<u>190,545</u>

Included within the amounts owed to parent and fellow subsidiary undertakings is an amount of £164.3 million (2011: £144.6 million) and £45.9 million (2011: £45.9 million) owed to Bayer Plc and Bayer CropScience Limited respectively

Amounts owed to group undertakings are secured by the holding company

8 Called up share capital

	2012 £	2011 £
Allotted and fully paid		
1 (2011: 1) Ordinary Shares of £1 each	<u>1</u>	<u>1</u>

9 Statement of movements on reserves

	Capital reserves	Profit and loss account
	£000's	£000's
Balance at 1 January 2012	50,000	(73,184)
Loss for the financial year	-	(49,275)
Balance at 31 December 2012	<u>50,000</u>	<u>(122,459)</u>

BAYER CROPSCIENCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2012

10 Reconciliation of movements in shareholders' deficit

	2012	2011
	£000's	£000's
Opening shareholder's deficit	(23,184)	(6,834)
Loss for the financial year	(49,275)	(66,350)
Additions - Capital contribution	-	50,000
Closing shareholder's deficit	<u>(72,459)</u>	<u>(23,184)</u>

Bayer CropScience Holdings Limited received a capital contribution of £50.0 million from Bayer CropScience AG in 2011

11 Directors' emoluments

The emoluments of the directors during the current and prior year were paid by other group companies for services to the group as a whole

No recharge for any directors' services was made to the company and no apportionment of their remuneration for these services is practicable. Where required by local legislation, their remuneration is disclosed in the financial statements of their employer

12 Employees

Number of employees

There were no employees during the current or prior year apart from the directors

13 Ultimate parent undertaking

At 31 December 2012, the company's immediate parent undertaking is Bayer CropScience AG, which is incorporated in Germany. The ultimate parent undertaking and controlling party 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