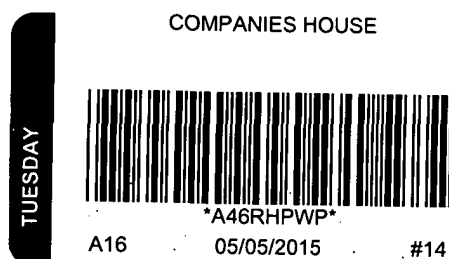


Bayer Public Limited Company

Annual Report

For the year ended 31 December 2014



Bayer Public Limited Company

Company Information

Directors	I Paterson	
	Dr. A Moscho	(Appointed 17 January 2014)
	U Bockstegers	(Appointed 17 December 2014)
Company secretaries	M A Wilkinson	
	C A Barker	(Appointed 21 July 2014)
Company number	00935048	
Registered office	Bayer House Strawberry Hill Newbury Berkshire RG14 1JA	
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors One Reading Central 23 Forbury Road Reading Berkshire RG1 3JH	

Bayer Public Limited Company

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Bayer Public Limited Company

Strategic Report

For the year ended 31 December 2014

The directors present the strategic report and financial statements for the year ended 31 December 2014.

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.

The company continued to trade successfully during the year and consolidate its position in its chosen healthcare markets.

Below is an overview of how the various divisions within the legal entity performed.

Pharmaceutical

The pharmaceutical market in the United Kingdom grew by 2.6% (2013: 5.7%) amid pressures from the government to reduce medicine spend. 2014 saw the implementation of the new Pharmaceutical Price Regulation Scheme where prescribed branded medication would have a 3.74% rebate payable to the NHS.

Sales in the Bayer UK pharmaceutical business increased by 23% from the prior year, resulting in Bayer PH being ranked as the fastest growing PH company in the pharmaceutical market. This excellent growth can be attributed to two growth brands, Xarelto and Eylea, winning market share from the competition. This is despite the market growth restrictions mentioned above.

This growth in the pharmaceutical division was partially offset by parallel trade imports to the UK market, which continue to erode sales.

Bayer's PH portfolio focuses on specialised medicines in the fields of oncology, ophthalmology, women's health and cardiovascular.

Consumer Care

This business unit has a focus on marketing Over the Counter (OTC) medicines, nutritionals and dermatology products in the pharmacy and grocery retail environment.

The consumer care business performance was lower than 2013, driven primarily by the performance of the nutritional portfolio. The lower result was due to a poor cold and flu season and consumers investing in more own label product.

Launches in the latter part of 2014 for the Canesten brand are showing early successes. Bepanthen performed well in the market maintaining its challenger position.

The ex-Merck OTC business brands, Diprobase and Clarityn, were successfully integrated on 1 December 2014.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2014

Animal Health

This business unit has a predominant focus in the Companion Animal Market within Animal Health, which has shown strong growth over the past few years in terms of the general market, but significant growth for Bayer, mainly driven by the Parasiticide market. The food animal side of the business has had its challenges due to an increased number of generic products and a limited Bayer portfolio, however the Companion Animal Market side of the business has made up for this.

The UK had a slower start to the year due to weather conditions but this soon picked up and the long summer allowed for a very strong flea season which drove significant growth for Advocate and also Advantage which compensated for the slower start. Very impactful marketing campaigns throughout the year along with a highly motivated sales team helped to enable Animal Health to achieve record growth across the majority of its companion animal brands.

The growth of the corporate veterinary business and successful key account management is also likely to have helped Bayer to over-achieve its goals. Starting in 2015 a refined business strategy focusing on the organisational structure of the Animal Health business both in the Veterinary Channel and non-veterinary channel has been put in place in order to hold our strong position in a changing market environment.

Diabetes Care

The Diabetes Care business unit focuses on the blood glucose monitoring market among both health care professionals and people with diabetes.

The UK blood glucose monitoring market continues to grow on the basis of strip volume. Low-priced blood glucose monitoring systems are gaining market share rapidly, as increasing numbers of Clinical Commissioning Groups and Health Boards provide guidance to encourage use of lower-priced systems for certain segments of people with Diabetes.

Bayer's Contour NEXT system continues to gain volume market share. Additionally, with Bayer's December 2014 launch of Contour TS, Bayer now offers a wide range of products to meet all customer needs, from the high performance Contour NEXT range of meters to the value-priced Contour TS system.

Radiology and Interventional

Radiology and Interventional is a market-leading diagnostic imaging and therapeutic solutions provider established in January 2012.

The UK Radiology market is continuing to develop strongly, driven by the high demand for diagnostic, contrast-enhanced, CT- and MRI- scans. Given a change of practice at a growing number of NHS trusts to leverage their scanning equipment 24/7, the market is growing very well in the mid-single digits range. Driven by the strong product portfolio and Bayer's commitment to innovation, the business unit was able in 2014 to grow stronger than the overall market.

The decision was taken in 2014 to divest the Interventional part of the business, including the AngioJet™ (thrombectomy) and Fetch™2 Aspiration Catheter used in cardiology, radiology and peripheral vascular procedures.

Material Sciences

The material sciences performed well in all sectors during 2014, year on year sales increased by 5%, however there has been a decline in the sales of NoAH to the United Kingdom due to pricing issues.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2014

Restructuring

During the year the company acquired the 100% shareholding of Silver Birch Trustees Limited. Silverbirch Limited is the corporate trustee for the Bayer Group Pension Fund.

On 12 December 2014 the company, through a subscription right deed, acquired a 99.9% interest in Bayer CropScience Holdings Limited, for a consideration of £2,996, from Bayer CropScience AG. On the same date Bayer CropScience Holdings Limited's directors authorised the issue of 999 ordinary shares of £1 each to the company.

On 12 December 2014 the company, through a subscription right deed, acquired a 99.9% interest in Schering Holdings Limited, for a consideration of £17,178,803, from Bayer GFB MBH. On 4 December 2014 Schering Holdings Limited's directors authorised the issue of 999 ordinary shares of £1 each to the company.

During September 2014 it was announced that Bayer would divest its interest in Bayer Material Science's business (BMS). It is expected that the BMS business should be carved out from Bayer and be floated as a separate Material Sciences entity by the third quarter of 2015.

On 1 October 2014 Bayer Consumer Care Division acquired the Merck Consumer Care business.

Development and performance of the company based on key performance indicators

Working Capital continues to be a focus area for the company. Inventories are well managed. The Payables have increased significantly from the prior year due to the increase in payables with the parent.

Net current liabilities for 2014 were £87.3 million (2013: £7.7 million). This decrease in working capital is mainly due to the increase of loans with other Bayer Group companies (see notes 14 & 15).

Trade debtors increased by £3.8 million to £62.5 million (2013: £58.7 million). This increase was due to a higher volume of sales towards the end of 2014 in comparison to 2013, however, the DSO performance in the year remained constant with previous years.

Local stock levels have increased from £15.8m to £18.8m. The increase came from three areas of the business, Woman's Health, Animal Health and Consumer Care (Merck Acquisition).

The company did not suffer any significant bad debt write offs during the year.

The average number of staff employed by Bayer Public Limited Company during 2014 was 718 (2013: 693) the growth being mainly in sales and sales support functions.(Note 24).

Analysis based on key performance indicators

The turnover in 2014 increased by £37.3million (9%) compared to the previous year

The gross profit of the company increased by 13.7% from 2013.

Operating profit margins for 2014 was 4% compared to 6% in the previous year.

There has been an increase of £3.0 million in ordinary profits before taxation, from £22.4 million to £25.4 million in 2014.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2014

Principal risks and uncertainties

The company has put in place internal controls to deter fraud and regularly revises 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 risk management system and takes appropriate risk reduction actions.

The company put in place a Fraud Response Plan which has been operated consistently since 2006. This consists of a Fraud Investigation Protocol, which strictly controls how fraud investigations are to be conducted and what admissible evidence is required. 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. In the case of pharmaceutical products, the prices are regulated by the Pharmaceutical Price Regulation Scheme (PPRS). Bayer is fully complying with The Department of Health PPRS 2014-2019.

The company also maintains good Corporate Governance practice in educating its staff about avoiding anti-competitive or cartel-type practices. During 2014 the company continued to promote its Compliance WINS' programme and launched a new Bayer HealthCare Compliance Manual.

Supply Chain risks (including price risks) are regularly monitored as part of the company's risk management practices.

The company has obligations to current and former employees related to pensions and other post-employment benefits. A large proportion of these obligations are covered by plan assets including equity, real estate and fixed income investments. Investment risks are monitored in regard of pension obligations and deficit contributions form part of a recovery plan agreed with the trustees of the pension plan as required at each actuarial valuation. The next triennial valuation as required by pensions law is due 31 March 2014. The UK pension liabilities are also secured by a Parent Company Guarantee from Bayer AG.

Financial risk management

The company's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk, interest rate cash flow risk and foreign exchange 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 at a global level by Bayer AG.

Bayer Public Limited Company

Strategic Report (Continued)

For the year ended 31 December 2014

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.

Interest rate cash flow risk

The company pays interest on its internal 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.

Foreign exchange risk

The company uses forward exchange rate contracts to reduce its exposure to the fluctuations on foreign exchange rates by fixing the rate of any material payments in foreign currency.

By order of the board



M A Wilkinson
Company secretary

27 April 2015

Bayer Public Limited Company

Directors' Report

For the year ended 31 December 2014

The directors present their report and audited financial statements for the year ended 31 December 2014.

Results and dividends

The results for the year are set out on page 10.

The company made a profit on ordinary activities before taxation of £25.4 million (2013: £22.4 million) an increase of £3.0 million.

A final dividend has not been proposed by the directors (2013: £nil). An interim dividend of £75.0 million (2013: £nil) was paid during 2014, linked to the restructuring mentioned in the strategic report.

In accordance with section 414C(11) of the Companies Act 2006, the information relating to future developments and financial risk management are included in the Strategic Report.

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.

Directors

The following directors have held office since 1 January 2014:

I Paterson	
Dr. A Moscho	(Appointed 17 January 2014)
U Bockstegers	(Appointed 17 December 2014)
M S Dawkins	(Resigned 28 January 2014)

Corporate Social Responsibilities

During the year the company spent £446,000 (2013: £347,600) on various corporate social responsibility programmes.

Political donations

No payments were made for political purposes (2013: £nil).

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.

Information on current issues and events within the local and global Bayer community is also provided to employees through an extensive range of news articles on the intranet.

The company also encourages the involvement of employees in its performance through the operation of a share scheme. Each year training and development needs analysis is undertaken across all sites. In addition to training and development, the UK undertakes an assessment of individuals to identify candidates with potential for senior management. This information is forwarded via various parts of the UK organisation into the Bayer Personnel and Organizational Conferences (POCs) which take place on a regional and functional basis.

Bayer Public Limited Company

Directors' Report (Continued)

For the year ended 31 December 2014

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 promotions of disabled employees.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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:

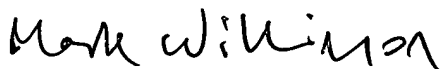
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all 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

27 April 2015

Bayer Public Limited Company

Independent Auditors' Report

To the Members of Bayer Public Limited Company

Report on the financial statements

Our opinion

In our opinion, Bayer Public Limited Company's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit 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.

What we have audited

Bayer Public Limited Company's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account and statement of total recognised gains and losses for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Bayer Public Limited Company

Independent Auditors' Report

To the Members of Bayer Public Limited Company (Continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 7, 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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Boreham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

Bayer Public Limited Company

Profit and Loss Account

For the year ended 31 December 2014

	Notes	2014 £ 000s	2013 £ 000s
Turnover	2	447,308	410,044
Cost of sales		(298,652)	(279,311)
Gross profit		148,656	130,733
Administrative expenses		(130,144)	(108,020)
Other operating income	3	2	154
Operating profit	4	18,514	22,867
Interest receivable and similar income	5	5,031	802
Other finance income	6	2,478	540
Interest payable and similar charges	7	(583)	(1,760)
Profit on ordinary activities before taxation		25,440	22,449
Tax on profit on ordinary activities	8	(4,148)	(5,820)
Profit for the financial year	19	21,292	16,629

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

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

Bayer Public Limited Company

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2014

	Notes	2014 £ 000s	2013 £ 000s
Profit for the financial year		21,292	16,629
Actuarial (loss)/gain on pension scheme	17	(11,479)	9,709
Movement on deferred tax relating to pension scheme	16	2,365	(2,612)
Total recognised gains and losses relating to the year		<u>12,178</u>	<u>23,726</u>

Bayer Public Limited Company

Balance Sheet

As at 31 December 2014

		2014	2013
	Notes	£ 000s	£ 000s
Fixed assets			
Intangible fixed assets	10	9,709	3,747
Tangible fixed assets	11	3,578	2,803
Investments	12	154,996	137,814
		<u>168,283</u>	<u>144,364</u>
Current assets			
Stocks	13	18,818	15,772
Debtors	14	71,372	67,174
Cash at bank and in hand		99	469
		<u>90,289</u>	<u>83,415</u>
Creditors: amounts falling due within one year	15	(177,543)	(91,066)
Net current liabilities		<u>(87,254)</u>	<u>(7,651)</u>
Total assets less current liabilities		81,029	136,713
Provisions for liabilities	16	<u>(7,564)</u>	<u>(5,916)</u>
Net assets excluding pension scheme deficit		73,465	130,797
Pension scheme deficit	17	<u>(15,853)</u>	<u>(10,363)</u>
Net assets including pension scheme deficit		<u>57,612</u>	<u>120,434</u>
Capital and reserves			
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	14,522	77,344
Total shareholders' funds	20	<u>57,612</u>	<u>120,434</u>

The financial statements on pages 10 to 38 were approved by the Board and authorised for issue on 27 April 2015



Dr. A Moscho
Director

Company Registration No. 00935048

Bayer Public Limited Company

Notes to the Financial Statements

For the year ended 31 December 2014

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 applied consistently, have been set out below.

1.2 Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of Bayer Global Investments B.V. and is included in the financial statements of Bayer AG, which are publicly available. The company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) "Cash Flow Statements". The company is also exempt under the terms of paragraph 3(c) of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are part of the Bayer AG group or investees of the Bayer AG group.

1.3 Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied, and includes commission receivable from indent sales and excludes value added tax.

Turnover is recognised once the goods have been dispatched. Other operating income represents other sundry income.

1.4 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 in equal annual instalments over its estimated useful economic life or 20 years, whichever is shorter.

1.5 Marketing Rights

Marketing rights are capitalised and stated at cost less accumulated amortisation and impairments. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives, which are estimated to be between 4 to 10 years.

1.6 Research and development

Expenditure on research and development and clinical trials is written off to the profit and loss account in the year in which it is incurred.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

1 Accounting policies

(Continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less accumulated depreciation and impairments. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Long leasehold land and buildings	20 - 50 years dependent on lease term
Plant and machinery	2 - 15 years
Fixtures, fittings & equipment	3 - 10 years

Interest costs on major fixed asset additions are capitalised during the year and are depreciated as part of the total cost of the asset.

No depreciation is provided in respect of freehold land or assets in the course of construction until they have been completed and transferred to the relevant asset class.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

1.8 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.

1.9 Fixed Asset Investments

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

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 weighted average basis and includes appropriate overhead expenses. Stocks on consignment and their related obligations are recognised when the risk and rewards of ownership pass to the company. Provision is made for slow moving and defective stock.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

1 Accounting policies

(Continued)

1.11 Pensions

The company operates a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time are included in other finance income/(expense). Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 17 represents contributions payable to the Defined Contribution Section of the pension scheme.

1.12 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.

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.

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

1.14 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.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

1 Accounting policies

(Continued)

1.15 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 present value using an appropriate discount rate which represents an estimate of the rate that the market would expect on an equally risky investment.

1.16 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2 Turnover

	2014 £ 000s	2013 £ 000s
Class of business		
Third parties	446,820	409,825
Group companies	488	219
	<u>447,308</u>	<u>410,044</u>
	2014 £ 000s	2013 £ 000s
Geographical market by destination		
United Kingdom	437,146	394,411
Rest of Europe	10,149	15,623
Rest of the World	13	10
	<u>447,308</u>	<u>410,044</u>

The company's turnover and profit originates entirely in the UK from its principal trading activities as discussed in the Strategic Report. The company's net assets are entirely based in the UK.

The company is included in the consolidated financial statements of Bayer AG. The Bayer AG consolidated financial statements include segmental information under IFRS 8. The company has taken advantage of the available exemption from preparing segmental information, other than the information required by company law which is disclosed above.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

3 Other operating income	2014	2013
	£ 000s	£ 000s
Sundry operating income	2	154
	<u>2</u>	<u>154</u>

4 Operating profit	2014	2013
	£ 000s	£ 000s
Operating profit is stated after charging/(crediting):		
Amortisation of intangible fixed assets	3,777	3,271
Depreciation of owned tangible fixed assets	802	593
Profit on disposal of tangible fixed assets	(1)	(42)
Loss on foreign exchange transactions	401	243
Research and development	682	609
Operating lease rentals		
- Plant and machinery	2,584	2,955
- Other assets	1,941	2,127
Services provided by the company's auditor		
- Fees payable for the audit	125	110
	<u>125</u>	<u>110</u>

The total research & development costs incurred by the company were £18,468,000 (2013: £39,612,000). Amounts recharged to group companies in respect of these costs were £17,786,000 (2013: £39,003,000). The net research & development costs incurred in the company and not recharged to group companies is shown above.

5 Interest receivable and similar income	2014	2013
	£ 000s	£ 000s
Income from shares in group undertakings	5,000	-
Interest receivable from group companies	31	802
	<u>5,031</u>	<u>802</u>

6 Other finance income	2014	2013
	£ 000s	£ 000s
Net credit on pensions scheme (see note 17)	2,478	540
	<u>2,478</u>	<u>540</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

7	Interest payable and similar charges	2014	2013
		£ 000s	£ 000s
	On amounts payable to group companies	583	1,751
	Other interest	-	9
		<u>583</u>	<u>1,760</u>
		<u><u>583</u></u>	<u><u>1,760</u></u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

8 Tax on profit on ordinary activities

	2014 £ 000s	2013 £ 000s
Current year tax		
UK corporation tax on profit for the year	3,914	4,841
Adjustments for prior years	(400)	-
Total current tax charge	<u>3,514</u>	<u>4,841</u>
Deferred tax		
Deferred tax charge current year	730	677
Effect of change in corporation tax rate	18	97
Deferred tax adjustment for prior year	(114)	205
Total deferred tax charge (see note 16)	<u>634</u>	<u>979</u>
Total tax charge on profit on ordinary activities	<u>4,148</u>	<u>5,820</u>
Deferred tax charge is analysed as:		
Deferred tax charge relating to pensions	993	945
Deferred tax (credit)/charge relating to other timing differences (see note 16)	(359)	34
	<u>634</u>	<u>979</u>
The tax for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.50% (2013: 23.25%).		
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>25,440</u>	<u>22,449</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.50% (2013 - 23.25%)	<u>5,470</u>	<u>5,219</u>
Effects of:		
Non deductible expenses	248	299
Non taxable income	(1,074)	-
Other timing differences	(730)	(677)
Adjustments for prior years	(400)	-
	<u>(1,956)</u>	<u>(378)</u>
Current tax charge	<u>3,514</u>	<u>4,841</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

8 Tax on profit on ordinary activities

(Continued)

Factors that may affect future tax charges:

The standard rate of corporation tax in the UK decreased from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for the year are taxed at an effective rate of 21.50%.

The standard rate of corporation tax will decrease from 21% to 20% with effect from 1 April 2015. Accordingly the company's deferred tax calculations for this accounting year are taxed at an effective rate of 20%.

9 Dividends

2014	2013
£ 000s	£ 000s

Ordinary interim paid: 299.25p (2013: £nil) per ordinary £1 share

75,000	-
<u>75,000</u>	<u>-</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

10 Intangible fixed assets

	Marketing Rights	Goodwill	Total
	£ 000s	£ 000s	£ 000s
Cost			
At 1 January 2014	17,577	29,490	47,067
Additions	-	9,739	9,739
At 31 December 2014	17,577	39,229	56,806
Accumulated amortisation			
At 1 January 2014	16,779	26,541	43,320
Charge for the year	341	3,436	3,777
At 31 December 2014	17,120	29,977	47,097
Net book value			
At 31 December 2014	457	9,252	9,709
At 31 December 2013	798	2,949	3,747

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 marketing rights acquired in 2009 relate to a product which was being written off over its estimated useful economic life of 4 years and is now fully amortised.

Included within marketing rights are trademarks of £13,956,000 (2013: £13,956,000) which were fully amortised in prior years.

Also included within marketing rights is an amount of £492,000 (2013: £492,000) which relates to the purchase of supply and distribution rights for marketing purposes in 2013. The asset is being written off over an estimated useful economic life of 15 years.

Goodwill of £9,739,000 arose in the year on the acquisition of the OTC Consumer Care business of Merck Co., Inc. and is being written off over its estimated useful life of 5 years.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

11 Tangible fixed assets

	Long leasehold land and buildings £ 000s	Plant and machinery £ 000s	Fixtures, fittings & equipment £ 000s	Assets in the course of construction £ 000s	Total £ 000s
Cost or valuation					
At 1 January 2014	4,614	27	5,242	42	9,925
Additions	1,293	-	277	7	1,577
Transfer of assets under construction	-	-	37	(37)	-
Disposals	-	(6)	(6)	-	(12)
At 31 December 2014	5,907	21	5,550	12	11,490
Accumulated depreciation					
At 1 January 2014	2,757	27	4,338	-	7,122
Eliminated on disposals	-	(6)	(6)	-	(12)
Charge for the year	481	-	321	-	802
At 31 December 2014	3,238	21	4,653	-	7,912
Net book value					
At 31 December 2014	2,669	-	897	12	3,578
At 31 December 2013	1,857	-	904	42	2,803

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

12 Fixed asset investments

	Shares in subsidiary undertakings £ 000s
Cost	
At 1 January 2014	137,814
Additions	17,182
At 31 December 2014	154,996
Net book value	
At 31 December 2014	154,996
At 31 December 2013	137,814

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 %
Subsidiary undertakings			
Bayer Agriculture Limited	England and Wales	Ordinary	100.00
Bayer CropScience Limited	England and Wales	Ordinary	100.00
Bayer CropScience Norwich Limited*	England and Wales	Ordinary	100.00
pbi Home and Garden Limited*	England and Wales	Ordinary	100.00
Bayer AEH Limited*	England and Wales	Ordinary	100.00
Bayer CropScience Holdings Limited	England and Wales	Ordinary	99.90
Silver Birch Trustees Limited	England and Wales	Ordinary	100.00
Schering Holdings Limited	England and Wales	Ordinary	99.90
Schering Health Care Limited*	England and Wales	Ordinary	99.90
Schering Agrochemicals Holdings*	England and Wales	Ordinary	99.90
Schering Industrial Products*	England and Wales	Ordinary	99.90

The directors believe that the carrying value of investments is supported by their underlying net assets.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

12 Fixed asset investments

(Continued)

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

		Capital and reserves 2014 £ 000s	Result for the year 2014 £ 000s
	Principal activity		
Bayer Agriculture Limited	Agrochemicals	5,840	6,239
Bayer CropScience Limited	Agrochemicals	47,634	24,331
Bayer CropScience Norwich Limited*	Non-trading	-	-
pbi Home and Garden Limited*	Non-trading	-	-
Bayer AEH Limited*	Non-trading	-	-
Bayer CropScience Holdings Limited	Non trading	-	-
Silver Birch Trustees Limited	Non trading	-	-
Schering Holdings Limited	Non trading	17,200	28
Schering Health Care Limited*	Non trading	-	-
Schering Agrochemicals Holdings*	Non trading	-	-
Schering Industrial Products*	Non trading	-	-

On 12 December 2014 the company acquired the entire issued share capital of Silver Birch Trustees Limited, 99.90% of the issued share capital of Bayer CropScience Holdings Limited, and 99.90% of the issued share capital of Schering Holdings Limited for total considerations of £1, £2,996 and £17,178,803, respectively.

* The investments in these companies are held indirectly.

On 1 April 2015 the company acquired the entire share capital of Medrad UK Limited, a company incorporated in England and Wales, for a total consideration of £2,681,751.

13 Stock

	2014 £ 000s	2013 £ 000s
Finished goods and goods for resale	18,818	15,772

The replacement value of stock is not materially different from the balance sheet value.

At 31 December 2014, the company held £67,872,000 (2013: £49,512,000) of consignment stocks on a sale or return basis from Bayer SRL, Bayer Consumer Care AG and Bayer HealthCare Pharmaceuticals AG. Since these stocks remain the property of those companies until sold to third parties, they are included on the balance sheets of those companies and not included in Bayer Public Limited Company's assets.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

14 Debtors	2014	2013
	£ 000s	£ 000s
Trade debtors	62,468	58,671
Amounts owed by group undertakings	5,323	6,030
Other debtors	12	13
Prepayments and accrued income	2,580	1,830
Deferred tax asset (see note 16)	989	630
	<u>71,372</u>	<u>67,174</u>

All amounts owed by group undertakings are repayable on demand and are non-interest bearing.

15 Creditors: amounts falling due within one year	2014	2013
	£ 000s	£ 000s
Trade creditors	16,683	16,667
Amounts owed to group undertakings	124,169	37,410
Corporation tax	851	2,449
Other taxation and social security	7,856	5,397
Other creditors	556	286
Accruals and deferred income	27,428	28,857
	<u>177,543</u>	<u>91,066</u>

Included within amounts owed to group undertakings is an amount of £90,000,000 (2013: £nil) owed to Bayer Antwerpen NV. This loan accrued interest at a rate of 1.53% and was repayable in full on 16 January 2015. On 16 January 2015 the loan was rolled over for one month, and has continued to be rolled over each following month. The loan is currently repayable on 16 May 2015.

All other amounts owed to parent and fellow subsidiary undertakings are repayable on demand and are non interest bearing.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

16 Provisions for liabilities

	Total £ 000s
Balance at 1 January 2014	5,916
Profit and loss account Utilised	4,331 (2,683)
Balance at 31 December 2014	<u>7,564</u>

Provisions includes building retirement obligations, restructuring and long term service awards. The timing of expected utilisation is uncertain.

	Deferred tax asset £ 000s
Balance at 1 January 2014	630
Profit and loss account	359
Balance at 31 December 2014	<u>989</u>

The deferred tax asset at 31 December 2014 has been disclosed in debtors (see note 14).

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

16 Provisions for liabilities

(Continued)

	2014	2013
	£ 000s	£ 000s
Accelerated capital allowances	(219)	(149)
Other timing differences	1,208	779
	<u> </u>	<u> </u>
Deferred tax asset before pension deficit deferred tax	989	630
Deferred tax asset relating to pension deficit (see note 17)	3,963	2,591
	<u> </u>	<u> </u>
Total deferred tax asset	4,952	3,221
	<u> </u>	<u> </u>
	£ 000s	
Balance at 1 January 2014	3,221	
Deferred tax charge in profit and loss account	(634)	
Deferred tax credit to the statement of total recognised gains and losses	2,365	
	<u> </u>	
Total deferred tax asset at 31 December 2014	4,952	
	<u> </u>	

There is no unprovided deferred tax.

The deferred tax asset relating to the pension scheme of £3,963,000 (2013: £2,591,000) has been included in arriving at the net pension deficit (2013: deficit) on the balance sheet.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

The company participates in the Bayer Group Pension Plan (BGPP), which is a funded occupational pension scheme where the assets of the Plan are held separately from those of the company in separate trustee administered funds. The BGPP is a sectionalised scheme and the company has employees in two sections providing defined benefits and also in the defined contribution section.

Defined Benefit - Bayer Group Pension Plan (Group DB Section and SHCL Section)

These sections are funded defined benefit arrangements where benefits are provided by reference to final salary. Both sections are closed to new members. Contributions to the Plan are charged to the profit and loss account so as to spread the cost of pensions over members' future working lives. The contributions are determined with the advice of an independent qualified actuary on the basis of regular valuations. The most recent valuation of the Plan was carried out as at 31 March 2011. A valuation of the Plan as at 31 March 2014 is underway but has not yet been finalised.

During the year, normal company contributions were 19.4% of members' pensionable salaries for the Group DB Section and 23.5% of members' pensionable salaries for the SHCL Section.

In addition to the normal company contributions, the company has agreed to make annual payments to the Group DB Section under a Recovery Plan dated 26 June 2012. The additional company contribution during 2014 was £1.3m and further additional contributions are set out in the Recovery Plan of £1.3m annually in the years 2015 and 2016.

The actuarial valuations of the BGPP were updated to 31 December 2014 by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

Defined Contribution - Bayer Group Pension Plan (DC Section)

Since 1 April 2004 new employees have been eligible to join the DC Section of BGPP. With effect from 1 May 2007, members of the defined benefit sections of the BGPP who were under age 50 ceased future accrual under the defined benefits sections and joined the DC section in respect of pensionable service from that date.

Members of the DC Section of BGPP can contribute between 2% and 9% of pensionable pay with the company matching the employees' contributions plus 3%. In addition, members who switched from the defined benefit sections to the DC Section with effect from 1 May 2007 have additional employer contributions, based on the members' age as at 1 April 2007.

The cost of the company contributions to the Plan amounted to £2,723,000 (2013: £4,397,000).

There were no prepaid or outstanding contributions to the Plan at the current or prior year end.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

The amounts recognised in the profit and loss account are as follows:

	2014 £ 000s	2013 £ 000s
Defined benefit pension plans		
Current service cost	469	597
Interest cost	20,988	20,276
Expected return on assets	(24,435)	(21,080)
Adjustment to return on assets for limit in paragraph 41 of FRS 17	968	264
	<u> </u>	<u> </u>
Pension (income)/expense before special events	(2,010)	57
Cost of curtailments	115	281
	<u> </u>	<u> </u>
	<u>(1,895)</u>	<u>338</u>

	2014 £ 000s	2013 £ 000s
Split between:		
Charged to operating profit - staff costs	583	878
Credited to other finance income	(2,478)	(540)
	<u> </u>	<u> </u>
	<u>(1,895)</u>	<u>338</u>

	2014 £ 000s	2013 £ 000s
Unfunded unapproved arrangement		
Current service cost	-	-
Interest cost	-	-
	<u> </u>	<u> </u>
	<u>-</u>	<u>-</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

Statement of total recognised gains and losses (STRGL):

	2014 £ 000s	2013 £ 000s
Defined benefit pension plans		
Actuarial gain/(loss) - Effect of the limit in paragraph 41 of FRS 17	6,091	(3,714)
Actuarial (loss)/gain arising during the year	(17,570)	13,423
Total (loss)/gain recognised via STRGL during the year	(11,479)	9,709
Cumulative actuarial loss recognised in the STRGL at the year end	(193,675)	(182,196)
Unfunded unapproved arrangement		
Actuarial gain/(loss) arising during the year	-	-
Total gain/(loss) recognised via STRGL during the year	-	-
Cumulative actuarial gain recognised in the STRGL at the year end	505	505

The principal assumptions for the defined benefit plans and the unfunded plan used by the actuary were:

	2014 %	2013 %
Rate of increase in salaries	2.90	3.30
Rate of increase in pensions payment:		
LPI maximum 5%	3.00	3.35
LPI minimum 3%, maximum 5%	3.65	3.80
LPI maximum 2.5%	2.05	2.20
Rate of increase for deferred pensioners:		
CPI maximum 2.5%	2.15	2.55
CPI minimum 3%	3.00	3.00
Discount rate	3.55	4.55
Inflation assumption	3.15	3.55
Long term rate of return on assets	4.18 to 4.27	5.38 to 5.39

A breakdown of the long term rate of return on assets has not been disclosed, as management deem equity and bonds to be combined in such a manner to make such a disclosure impractical.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

	2014	2013
	%	%
Expected return on assets		
Expected return on equity	6.40	7.60
Expected return on corporate bonds	3.40	4.40
Expected return on property	4.90	6.00
Expected return on other	0.50	0.50
Overall expected return on assets	4.25	5.38

Significant demographic assumptions

The mortality assumption at 31 December 2014 is based on an experience investigation prior to the previous funding valuation. The current assumption uses 95% of mortality rates included in the standard tables known as "S1NXA". Allowance for future longevity improvements is made in line with the CMI 2011 projections with a long term improvement rate of 1.25% for males and 0.75% for females.

Under the current assumption a person aged 65 is assumed to live for a further 25 years (male) and 25 years (female) and a person reaching age 65 in 2032 is assumed to live for a further 25 years (male) and 26 years (female).

The overall expected rate of return on assets is determined as the average of the expected return of each major asset, weighted by the assets allocated to each class.

Development of the net balance sheet position

	2014	2013
	£'000s	£'000s
Defined benefit pension plans		
Actuarial value of plan liabilities	(520,488)	(468,727)
Fair value of plan assets	500,672	460,896
Deficit in the plans	(19,816)	(7,831)
Amount not recognised as an asset -		
Effect of the limit in paragraph 41 of FRS 17	-	(5,123)
Pension deficit recognised in the balance sheet	(19,816)	(12,954)

At 31 December 2014 the SHCL Section showed a surplus of £141,000 (2013: £5,393,000) and the Group DB Section showed a deficit of £19,956,000 (2013: £13,224,000). The effect of the limit in paragraph 41 of FRS 17 arises in respect of the SHCL Section surplus.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

Reconciliation to the balance sheet:

	2014 £ 000s	2013 £ 000s
Defined benefit pension plans		
Net pension deficit at 1 January	(12,954)	(26,722)
Disclosed pension credit/(charge) for year	1,895	(338)
Employer contributions	2,722	4,397
(Loss)/gain recognised via the STRGL	(11,479)	9,709
Net pension deficit at 31 December before deferred tax	(19,816)	(12,954)
Related deferred tax asset	3,963	2,591
Net pension deficit at 31 December after deferred tax	(15,853)	(10,363)

Unfunded unapproved arrangement

Net pension deficit at 1 January & 31 December after deferred tax	-	-
Total net pension deficit at 31 December recognised in the balance sheet	(15,853)	(10,363)

Expected contributions for the year ended 31 December 2015:

Defined benefit pension plans	£ 000s
Employer	2,357

Plan asset information:	2014	2013
Defined benefit pension plans	£ 000s	£ 000s
Equity securities	220,379	214,917
Debt securities	229,346	192,112
Property	22,148	17,543
Other	28,799	36,324
Fair value of plan assets	500,672	460,896

There were no amounts included in the fair value of scheme assets for the company's own financial instruments, nor for property occupied by, or other assets used by, the company.

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

History of assets, liabilities and surplus or deficit in the plans:

	2014 £ 000s	2013 £ 000s	2012 £ 000s	2011 £ 000s	2010 £ 000s
Defined benefit pension plans					
Asset experience					
Asset gain during year	(28,168)	(8,111)	(7,977)	(6,471)	(17,731)
Asset gain expressed as a percentage of plan assets	(5.63%)	(1.76%)	(1.80%)	(1.53%)	(4.48%)
Liability experience					
Liability loss/(gain) during year	45,738	(5,313)	42,352	30,025	11,211
Liability loss/(gain) expressed as a percentage of plan liabilities	8.79%	(1.13%)	9.03%	7.13%	2.78%
(Deficit)/surplus					
Actuarial value of plan liabilities	(520,488)	(468,727)	(469,171)	(421,152)	(402,969)
Fair value of plan assets	500,672	460,896	443,593	422,034	395,504
(Deficit)/surplus in the plan	(19,816)	(7,831)	(25,578)	882	(7,465)
Amount not recognised as an asset- Effect of the limit in paragraph 41 of FRS 17	-	(5,123)	(1,144)	-	(3,564)
Pension (deficit)/surplus recognised in the balance sheet	(19,816)	(12,954)	(26,722)	882	(11,029)

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

	2014 £ 000s	2013 £ 000s	2012 £ 000s	2011 £ 000s	2010 £ 000s
Unfunded unapproved arrangement					
Asset experience					
Asset (gain)/loss during year	-	-	-	-	-
Asset (gain)/loss expressed as a percentage of plan assets	0.00%	0.00%	0.00%	0.00%	0.00%
Liability experience					
Liability (gain)/loss during year	-	-	-	-	(211)
Liability (gain)/loss expressed as a percentage of plan liabilities	0.00%	0.00%	0.00%	0.00%	0.00%
Surplus/(deficit)					
Actuarial value of plan liabilities	-	-	-	-	-
Fair value of plan assets	-	-	-	-	-
Deficit in the plan	-	-	-	-	-
Change in plan liabilities:					
Defined benefit pension plans - wholly or partly funded				2014 £ 000s	2013 £ 000s
Plan liabilities at 1 January				468,727	469,171
Current service cost				469	597
Interest cost				20,988	20,276
Contributions from scheme participants				8	11
Actuarial loss/(gain)				45,738	(5,313)
Benefits paid from plan assets				(15,557)	(16,296)
Curtailments				115	281
Plan liabilities at 31 December				520,488	468,727

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

17 Pension costs

(Continued)

	2014 £ 000s	2013 £ 000s
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Unfunded unapproved arrangement - wholly unfunded

Plan liabilities at 1 January & 31 December	-	-
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Change in plan assets:

	2014 £ 000s	2013 £ 000s
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Defined benefit pension plans - wholly or partly funded

Fair value of plan assets at 1 January	460,896	443,593
Expected return on assets	24,435	21,080
Actuarial gain on assets	28,168	8,111
Employer contributions	2,722	4,397
Employee contributions	8	11
Benefits paid	(15,557)	(16,296)
Fair value of plan assets at 31 December	500,672	460,896

The actual gain on plan assets for the year was £52,603,000 (2013: £29,191,000)

18 Called up share capital

	2014 £ 000s	2013 £ 000s
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Allotted and fully paid

25,062,356 (2013: 25,062,356) Ordinary shares of £1 each	25,062	25,062
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19 Reserves

	Share premium account £ 000s	Other reserves (see below) £ 000s	Profit and loss account £ 000s
Balance at 1 January 2014	10,655	7,373	77,344
Profit for the financial year	-	-	21,292
Dividends paid	-	-	(75,000)
Actuarial loss on pension scheme	-	-	(11,479)
Movement on deferred tax relating to pension scheme	-	-	2,365
Balance at 31 December 2014	10,655	7,373	14,522

General reserves

Balance at 1 January 2014 & at 31 December 2014	7,373
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Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

20 Reconciliation of movements in total shareholders' funds	2014 £ 000s	2013 £ 000s
Profit for the financial year	21,292	16,629
Dividends paid	(75,000)	-
	<u>(53,708)</u>	<u>16,629</u>
Actuarial (loss)/gain on pension scheme	(11,479)	9,709
Movement on deferred tax relating to actuarial (loss)/gain on pension scheme	2,365	(2,612)
	<u>(62,822)</u>	<u>23,726</u>
Net (depletion in)/addition to total shareholders' funds	(62,822)	23,726
Opening total shareholders' funds	120,434	96,708
	<u>57,612</u>	<u>120,434</u>
Closing total shareholders' funds	57,612	120,434

21 Contingent liabilities

Claim for damages

Included within provisions is an amount of £1,140,000 (2013: £512,000) in respect of a claim made against the company. The directors are of the opinion, based on current market data and legal opinion, that the maximum liability to the company is no more than £1,140,000.

Cross-guarantees

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 2014 (2013: £nil).

22 Financial commitments

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	Land and buildings		Other	
	2014 £ 000s	2013 £ 000s	2014 £ 000s	2013 £ 000s
Operating leases which expire:				
Within one year	-	3	285	228
Between two and five years	1,920	1,820	1,402	1,391
	<u>1,920</u>	<u>1,823</u>	<u>1,687</u>	<u>1,619</u>

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

23 Directors' emoluments	2014 £ 000s	2013 £ 000s
Aggregate emoluments for qualifying services	391	528
Amounts receivable under long-term incentive schemes	-	129
Company pension contributions	-	55
	<u>391</u>	<u>712</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 0 (2013 - 1).

Emoluments disclosed above include amounts paid to the highest paid director:

	2014 £ 000s	2013 £ 000s
Aggregate emoluments for qualifying services and amounts receivable under long-term incentive schemes	317	657
Company pension contributions to money purchase schemes	-	55
	<u>317</u>	<u>712</u>

Since 1 January 2014 the highest paid director has been a member of the DC Section of the Bayer Group Pension Plan, UK Occupational Pension Scheme. Contributions for the year amounted to £nil (2013: £54,965).

The emoluments of the other directors during the current and prior year were paid by other group companies for services to the group as a whole, and the directors received no separate emoluments for their services to this company.

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

Bayer Public Limited Company

Notes to the Financial Statements (Continued)

For the year ended 31 December 2014

24 Employees

Number of employees

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

	2014 Number	2013 Number
By activity:		
Sales and Marketing	410	407
Research and Development	130	110
General Administration	178	174
	<u>718</u>	<u>691</u>

Employment costs

	2014 £ 000s	2013 £ 000s
Wages and salaries	47,943	43,894
Social security costs	6,169	5,628
Other pension costs	7,254	6,457
	<u>61,366</u>	<u>55,979</u>

25 Control

At 31 December 2014, the company's immediate parent company is Bayer Global Investments B.V., a company incorporated in the Netherlands. The ultimate parent undertaking and controlling party is Bayer AG, a company incorporated in Germany, which 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