Company Registration No. 0020626

Schering-Plough Limited

Report and Financial Statements

31 December 2006

Schering-Plough Limited

Report and financial statements 2006

Contents

Schering-Plough Limited

Report and financial statements 2006

Officers and professional advisers

Directors

G Coutts
S Koehler
R Kohan
E Moore

Registered office

Scherıng-Plough House
Shıre Park
Welwyn Garden Cıty
Hertfordshıre
AL7 1TW

Bankers

HSBC
Howardsgate
Welwyn Garden Cıty
Hertfordshıre
AL8 6BH

Auditors

Deloıtte & Touche LLP
Chartered Accountants
London

Schering-Plough Limited

Directors' report

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

Business review and principal activities

The company is a wholly owned subsidiary of Schering-Plough Holdings Limited and its ultimate parent company is Schering-Plough Corporation

The company's principal activities are the sale of pharmaceutical products and the research, development, manufacture and sale of animal health and veterinary products There have not been any significant changes in the company's principal activities in the year under review The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year

As shown in the company's profit and loss account on page 8, the company's sales have increased by 16% over the prior year This increase in sales, together with an improved gross margin percentage and with no increase in administrative costs, has resulted in the prior year loss after tax being followed by a significant profit after tax in 2006

The balance sheet on page 10 of the financial statements shows that the company's financial position at the year end, in both net assets and cash terms, has improved over the prior year

Schering-Plough Corporation manages its operations around products within three business segments prescription pharmaceuticals, consumer health care and animal health Schering-Plough Limited combines the prescription pharmaceuticals and consumer health care operations within its pharmaceutical business The company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of key products and of business segments, which includes this company, are discussed in the group's annual report which does not form part of this report

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to competitors and particularly to competitors with greater financial resources

Key products, in particular the cholesterol franchise of Ezetrol and Inegy, and Remicade, a drug for immune-mediated inflammatory disorders, generate a significant amount of the company's profit and cash flows Any events that adversely affect the market for key products could have a material negative impact on future financial results

In the longer term the company's success is dependent on the development and marketing of new products, and uncertainties in the regulatory and approval process may result in the failure of products to reach the market

Pressure on product sales and prices by governmental agencies can include restrictions on profits and/or price cuts under the Pharmaceutical Price Regulation Scheme, prescribing guidance by the National Institute of Health and Clinical Excellence (NICE), and regional or local guidance to doctors to prescribe cost-effectively

Group risks are described in the Schering-Plough Corporation annual report which does not form part of this report

Environment

The company recognises the importance of its environmental responsibilities Initiatives designed to minimise the company's impact on the environment include safe disposal of waste and recycling

Schering-Plough Limited

Directors' report (continued)

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk No financial derivatives are used by the company as the treasury function at the ultimate parent company Schering-Plough Corporation uses these instruments at a group level

Cash flow risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates The ultimate parent company Schering-Plough Corporation manages these risks at a group level

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and investments

The company's credit risk is primarily attributable to its trade receivables The amounts presented in the balance sheet are net of allowances for doubtful receivables

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies

The company has some concentration of credit risk, with significant exposure to a small number of customers This risk is mitigated by tight credit control and by regular monitoring

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company has access to a group cash pooling facility

Research and development

Research and development expenditure is written off to the profit and loss account in the year that it is incurred

Charitable donations

During the year the company made charitable donations of £16,669 (2005 – £4,669) The company made no political donations in the year (2005 - £nil)

Dividends and results

The directors do not recommend the payment of a dividend on the company's ordinary shares (2005 – £nil) The results for the year are shown on page 8

Directors and their interests

The present directors are shown on page 1 The directors who served during the year and the relevant dates of appointment and resignation are shown below

G Coutts
R Kohan
A Iskenderian – resigned 30 June 2006
J Maguire – resigned 30 June 2006
S Koehler – appointed 30 June 2006
E Moore – appointed 30 June 2006

No director had any interests in the shares of any UK group companies at any time during the year

Schering-Plough Limited

Directors' report (continued)

Employees

Details of the number of employees and related costs can be found in note 3 to the financial statements

The company's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests

Information on matters of concern to employees is given through information bulletins and publication of company news by e-mail and on the corporate intranet site

It is the company's policy that people with disabilities should have full and fair consideration for all job vacancies The company's policy is to continue to employ and retrain employees who have become disabled, whenever possible

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees The company makes appropriate modifications to procedures, equipment and job content where it is practicable and safe to do so

Auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

G Coutts
Director
14 December 2007

Schering-Plough Limited

Statement of directors' responsibilities

The dırectors are responsıble for preparıng the annual report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) The financıal statements are requıred by law to gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and estımates that are reasonable and prudent,
- state whether applıcable UK accountıng standards have been followed, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng proper accountıng records that dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 1985 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditors' report to the members of Schering-Plough Limited

We have audited the financial statements of Schering-Plough Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we 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 for the above period 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of Schering-Plough Limited (continued)

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

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
17th December 2007

Schering-Plough Limited

Profit and loss account
Year ended 31 December 2006

	Notes	2006 £'000	2005 £'000 Restated (See note 19)
Turnover	2	231,337	200,152
Cost of sales		(135,930)	(123,603)
Gross profit		95,407	76,549
Distribution costs		(4,172)	(3,590)
Administrative expenses (net)	4	(66,180)	(66,210)
Operating profit	5	25,055	6,749
Interest receivable and similar income	6	410	344
Interest payable and similar charges	7	(1,322)	(1,339)
Profit on ordinary activities before taxation		24,143	5,754
Tax on profit on ordinary activities	8	(8,350)	(5,983)
Retained profit/(loss) for the financial year	17	15,793	(229)

All amounts derive from continuing activities

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis

Schering-Plough Limited

Statement of total recognised gains and losses
Year ended 31 December 2006

	Notes	2006 £'000	2005 £'000 Restated (See note 19)
Profit for the financial year		15,793	(229)
Actuarial loss relating to the pension scheme		(1,545)	(5,524)
Deferred tax attributable to actuarial loss		463	1,657
Total recognised gains and losses relating to the year		14,711	(4,096)

Note on prior period adjustment	
Total recognised gains and losses related to the year as above	14,711
Prior period adjustment (see note 19)	(589)
Total gains and losses recognised since the last annual report	14,122

Schering-Plough Limited

Balance sheet
31 December 2006

	Notes	2006 £'000	2005 £'000 Restated (See note 19)
Fixed assets			
Intangible assets	9	290	-
Tangible assets	10	32,116	32,940
Investments	11	13,190	13,090
		45,596	46,030
Current assets			
Stocks	12	21,927	28,349
Debtors	13	62,645	50,072
Cash at bank and in hand		10,515	9
		95,087	78,430
Creditors: amounts falling due within one year	14	(71,029)	(70,399)
Net current assets		24,058	8,031
Total assets less current liabilities		69,654	54,061
Creditors. amounts falling due after more than one year	15	(20,200)	(20,200)
Provisions for liabilities			
Deferred taxation	8	(796)	(802)
Net assets excluding retirement benefit obligations		48,658	33,059
Retirement benefit obligations	18	(8,872)	(8,640)
Net assets including retirement benefit obligations		39,786	24,419
Capital and reserves			
Called up share capital	16	9,766	9,766
Revaluation reserve	17	577	577
Share option reserve	17	1,244	589
Profit and loss account	17	28,199	13,487
Shareholders' funds	17	39,786	24,419

These financial statements were approved by the Board of Directors on 14 December 2007

Signed on behalf of the Board of Directors

G Coutts

Director

Schering-Plough Limited

Notes to the accounts
Year ended 31 December 2006

1. **Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and law The particular accounting policies adopted are described below and have been applied consistently in current and prior year except that the company has adopted FRS 20 'Share-based Payment' in 2006 The comparatives for 2005 have been restated for the change in accounting policy

Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold properties

Group accounts

Group accounts have not been prepared as the company is a wholly owned subsidiary of another company which prepares group accounts The information presented in these financial statements is for the individual company and not the group

Intangible fixed assets

Licences are included at cost and are amortised over the shorter of the anticipated period of profitable exploitation and the period to the expiry of the right

Tangible fixed assets

Depreciation is not provided on freehold land and construction in progress Depreciation of construction in progress commences when the asset is brought into use On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets The estimated useful lives are as follows

Short-term leasehold improvements	5 – 10 years
Freehold buildings	Up to 50 years
Plant and machinery	15 years
Equipment	3 – 12 years
Motor vehicles	40 – 48 months

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal Provision is made for obsolete slow-moving or defective items where appropriate

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the respective balance sheet date

Transactions in foreign currencies are translated at the rates of exchange ruling at the time of the transaction Exchange gains and losses arising on the translation of foreign currencies are dealt with in the profit and loss account

Notes to the accounts (continued)
Year ended 31 December 2006

1. Accounting policies (continued)

Deferred taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

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 a non-discounted basis The change of the corporation tax rate to 28% has not been applied to the deferred tax calculation as the change was substantially enacted in June 2007, after the balance sheet date The change is effective from April 2008

Research and development

Research and development expenditure is written off to the profit and loss account in the year that it is incurred

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term

Pension costs

The company has a defined benefit contributory pension plan covering all eligible employees The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary

The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet

Notes to the accounts (continued)
Year ended 31 December 2006

1. **Accounting policies (continued)**

Share-based payments

As described above the company has adopted FRS 20 'Share-based Payment' in 2006 and the comparatives for 2005 have been restated for the change in accounting policy In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006

The company issues equity-settled share-based payments to certain employees These payments are measured at fair value at the date of grant The fair value is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest

Fair value is measured by use of the Black-Scholes pricing model

2. **Turnover**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of returns, allowances and Value Added Tax The turnover and pre-tax profit are attributable to two activities, the sale of human pharmaceutical products and the manufacturing and sale of animal health products

The additional segmental analysis that would be required by SSAP 25 is not provided in these financial statements as such analysis is available in the financial statements of the company's ultimate parent company, Schering-Plough Corporation and these financial statements are publicly available

	2006 £'000	2005 £'000
Geographical analysis of turnover by destination		
UK	199,298	171,804
Eire	15,095	12,593
Overseas	16,944	15,755
	231,337	200,152
Analysis of turnover by business segment		
Prescription pharmaceuticals and consumer health care	173,697	148,776
Animal health	57,640	51,376
	231,337	200,152

Notes to the accounts (continued)
Year ended 31 December 2006

3. Information regarding directors and employees

	2006 £'000	2005 £'000 Restated
Directors' emoluments		
Directors' remuneration	407	304
Share based payments	156	102
	563	406
Remuneration of highest paid director	525	332

One director accrued benefits under a defined benefit pension scheme (2005 one)

	2006 No	2005 No.
Average number of persons employed including directors		
Production	60	65
General and administration	740	706
	800	771

	£'000	£'000
Wages and salaries	34,618	30,904
Social security costs	3,974	3,318
Pension costs (note 18)	3,606	2,909
Share based payments (note 23)	656	438
	42,854	37,569

4 Exceptional items

	2006 £'000	2005 £'000
Included with administrative expenses are the following exceptional items.		
Income associated with the Mildenhall manufacturing plant closure	-	2,146

In 2003 the company decided to discontinue operations at its manufacturing plant in Mildenhall The majority of production ceased in December 2003 and final closure was completed in April 2004 An exceptional charge of £9,095,000 was recorded in 2003

The exceptional income of £2,146,000 in 2005 represents the release of provisions of £1,146,000 and sale proceeds of £1,000,000 following the sale of the fully impaired manufacturing plant in December 2005

Notes to the accounts (continued)
Year ended 31 December 2006

5. Operating profit

	2006 £'000	2005 £'000
Operating profit is after charging/(crediting):		
Depreciation on owned tangible fixed assets	4,864	4,256
Amortisation on intangible fixed assets	10	-
Research and development	4,502	4,338
Exchange (gain)/loss	(1,500)	1,007
Operating lease rentals		
Hire of plant and machinery	50	26
Other assets	1,451	1,370
Auditors' remuneration		
Audit fees	138	132
Other services	166	177

6. Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	225	259
Net return on pension scheme	185	85
	410	344

7. Interest payable and similar charges

	2006 £'000	2005 £'000
On bank overdraft	127	81
Interest payable to affiliated company	960	994
Other	235	264
	1,322	1,339

8. Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	2006 £'000	£'000	2005 £'000	£'000
Current tax:				
UK corporation tax	8,416		2,821	
Adjustment in respect of prior years	(424)		2,342	
Total current tax		7,992		5,163
Deferred tax:				
Origination and reversal of timing differences excluding pension obligations	245		273	
Origination and reversal of timing differences on pension obligations	364		547	
Adjustment in respect of prior years	(251)		-	
Total deferred tax		358		820
Tax on profit on ordinary activities		8,350		5,983

(b) Factors affecting the tax charge for the year

The current tax charge for the current and preceding year is different to the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006 £'000	2005 £'000 Restated (see note 19)
Profit on ordinary activities before tax	24,143	5,754
Multiplied by the standard rate of corporation tax of 30% (2005 30%)	7,243	1,726
Effects of		
Expenses not deductible for tax purposes	1,914	2,165
Depreciation in excess of capital allowances	(186)	3
Movement in short term timing differences	(424)	(546)
Group relief	(131)	(527)
Adjustment in respect of prior years	(424)	2,342
Current tax charge for year	7,992	5,163

(c) Factors that may affect future tax charges

Deferred tax has not been provided on revaluations of fixed assets This tax will only become payable if the assets are sold and rollover relief is not obtained The estimated amount of tax that would become payable in these circumstances is nil due to the existence of capital losses in another group company which could be used to shelter any capital gains arising

Notes to the accounts (continued)
Year ended 31 December 2006

8. Tax on profit on ordinary activities (continued)

(d) Deferred tax

	2006 £'000	2005 £'000
Deferred tax liability at 1 January	(802)	(529)
Charge to profit and loss account	6	(273)
Deferred tax liability at 31 December	(796)	(802)
Capital allowances in excess of depreciation	(1,039)	(959)
Short term timing differences	243	157
Deferred tax liability	(796)	(802)

Deferred tax in respect of the group's defined benefit pension scheme is disclosed in note 18

9. Intangible fixed assets

	Licences £'000
Cost	
At 1 January 2006	-
Additions	300
At 31 December 2006	300
Accumulated amortisation	
At 1 January 2006	-
Charge for the year	10
At 31 December 2006	10
Net book value	
At 31 December 2006	290
At 31 December 2005	-

Notes to the accounts (continued)
Year ended 31 December 2006

10. Tangible fixed assets

	Construction in progress £'000	Short-term leasehold improvements £'000	Freehold land and buildings £'000	Plant and machinery and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 January 2006	593	3,182	23,946	21,457	12,696	61,874
Additions	(98)	43	378	1,095	2,897	4,315
Disposals	-	-	-	(311)	(5,100)	(5,411)
At 31 December 2006	495	3,225	24,324	22,241	10,493	60,778
Accumulated depreciation						
At 1 January 2006	-	2,409	6,426	13,297	6,802	28,934
Charge for the year	-	240	703	1,256	2,665	4,864
Disposals	-	-	-	(267)	(4,869)	(5,136)
At 31 December 2006	-	2,649	7,129	14,286	4,598	28,662
Net book value						
At 31 December 2006	495	576	17,195	7,955	5,895	32,116
At 31 December 2005	593	773	17,520	8,160	5,894	32,940

Schering-Plough Limited

Notes to the accounts (continued)
Year ended 31 December 2006

11. Investments held as fixed assets

Shares in group companies

	£'000
Cost	
At 1 January 2006	40,470
Additions	523
At 31 December 2006	40,993
Provisions for impairment	
At 1 January 2006	(27,380)
Written off	(423)
At 31 December 2006	(27,803)
Net Book Value	
At 31 December 2006	13,190
At 31 December 2005	13,090

The above investments represent the entire share capital of S-P Veterinary Holdings Limited and AVL Holdings Limited

S-P Veterinary Holdings Limited, a company which does not trade, is a 100% owned subsidiary of Schering-Plough Limited and is incorporated in Great Britain S-P Veterinary Holdings Limited is the 100% holding company of S-P Veterinary Limited, a company which does not trade and is incorporated in Great Britain

On 16 April 2002 the company acquired the business and assets of the AVL Holdings Limited group, a fish vaccine producer, which comprises the following companies AVL Holdings Limited, Aquaculture Vaccines Limited, Aquaculture Holdings Limited and Aquaculture Vaccines (Ireland) Limited, all incorporated in Great Britain

The company also holds the entire share capital of Kirby-Warrick Pharmaceuticals Limited, White Laboratories Limited and Plough (UK) Limited (all incorporated in Great Britain) which do not trade and a nominal holding in Rigaux SA, a company incorporated in France The directors consider that no value can be attributed to these companies and the investments therein are included in the accounts at nil value

12. Stocks

	2006 £'000	2005 £'000
Raw materials and consumables	-	3
Work-in-progress	2,526	2,117
Finished goods and goods for resale	19,401	26,229
	21,927	28,349

In the opinion of the directors the replacement cost of stock is not materially different to the amounts at which it is stated in the accounts

Notes to the accounts (continued)
Year ended 31 December 2006

13. Debtors

	2006 £'000	2005 £'000
Trade debtors	21,731	22,512
Amounts owed by group undertakings	34,407	22,442
Other debtors	3,898	2,722
Prepayments and accrued income	1,942	1,694
Corporation tax recoverable	667	702
	62,645	50,072

14. Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank loans and overdrafts	33	2,670
Trade creditors	9,258	7,198
Amounts owed to group undertakings	33,890	35,098
Corporation tax	8,438	5,398
Other taxation and social security	3,271	3,108
Other creditors	1,889	1,337
Accruals and deferred income	14,250	15,590
	71,029	70,399

15. Creditors: amounts falling due after more than one year

	2006 £'000	2005 £'000
Amounts owed to group undertakings	20,200	20,200

These loans have formal repayment terms and are interest bearing

16. Called up share capital

	2006 £'000	2005 £'000
Authorised:		
10,000,000 Ordinary shares of £1 each	10,000	10,000
Called up, allotted and fully paid:		
9,766,000 Ordinary shares of £1 each	9,766	9,766

Notes to the accounts (continued)
Year ended 31 December 2006

17. Movement on reserves and reconciliation of shareholders' funds

	Called up share capital £'000	Revaluation reserve £'000	Share option reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	9,766	577	-	14,076	24,419
Restated for share-based payment accounting under FRS 20	-	-	589	(589)	-
Restated 1 January 2006	9,766	577	589	13,487	24,419
Actuarial losses net of taxation	-	-	-	(1,081)	(1,081)
Share-based payments	-	-	655	-	655
Profit for the financial year	-	-	-	15,793	15,793
At 31 December 2006	9,766	577	1,244	28,199	39,786

18. Financial commitments

	2006 £'000	2005 £'000
Capital commitments		
Contracted for but not provided	976	933

Operating lease commitments

At 31 December 2006, the company was committed to making the following payments during the next year in respect of operating leases

	2006		2005	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire				
Within one year	-	53	19	79
Between two and five years	-	318	-	299
Over five years	344	-	326	-
	344	371	345	378

Pension commitments

The UK group (of which the company is a member) operates a contributory pension scheme providing benefits based on final pensionable earnings The scheme is funded with the assets being held by the Trustees separately from the assets of the group The pension costs are assessed by a qualified actuary, and are charged to the profit and loss account so as to spread those costs over employees' working lives with the group

18. Financial commitments (continued)

The group operates a defined benefit plan in the UK The most recent valuation of the scheme was carried out by a qualified actuary as at 1 January 2005 and the Projected Unit method was used The scheme's assets were taken as the market value of the assets At the valuation date, the market value of the assets of the scheme was £56,297,000 which represented 91% of the value of the benefits that had accrued to members, after allowing for expected future increases in earnings

In 2006 the company contributed £4,634,000 (2005 – £2,145,000) to the scheme, which was 15 1% of pensionable salaries and an additional contribution of £1,000,000 in respect of a past service funding deficit (2005 – 10% of pensionable salaries)

Contributions for 2007 will also be 15 1% of pensionable salaries and an additional contribution of £1,000,000 in respect of a past service funding deficit

The pension cost for the company for the financial year ended 31 December 2006 was £3,606,000 (2005 - £2,909,000)

A full actuarial valuation was carried out at 1 January 2005 and updated to 31 December 2006 by a qualified independent actuary

The major assumptions used by the actuary were (in nominal terms)

	2006	**2005**	**2004**
Rate of increase in salaries	4 0% p a	3 6% p a	3 6% p a
Rate of increase in deferred pensions	3 0% p a	2 6% p a	2 6% p a
Rate of increase for pensions in payment	3 0% p a	2 6% p a	2 6% p a
Discount rate	5 1% p a	4 8% p a	5 3% p a
Inflation assumption	3 0% p a	2 6% p a	2 6% p a

Notes to the accounts (continued)
Year ended 31 December 2006

18. Financial commitments (continued)

The assets in the scheme and the expected rate of return were

	Expected rate of return	2006 £'000	Expected rate of return	2005 £'000	Expected rate of return	2004 £'000
Equities & Property	7 5% p a	40,356	7 5% p a	35,224	7 5% p a	28,272
Bonds	4 5% p a	33,763	4 1% p a	30,977	4 6% p a	27,092
Cash	5 0% p a	1,752	4 5% p a	536	4 5% p a	738
Total market value of assets		75,871		66,737		56,102
Actuarial value of liability		(88,545)		(79,079)		(62,241)
Deficit		(12,674)		(12,342)		(6,139)
Related deferred tax asset		3,802		3,702		2,592
Net pension (liability)/asset		(8,872)		(8,640)		(3,547)

Analysis of the amount charged to operating profit

	2006 £'000	2005 £'000
Service cost	3,606	2,909

Analysis of net return on pension scheme

	2006 £'000	2005 £'000
Expected return on pension scheme assets	4,043	3,436
Interest on pension liabilities	(3,858)	(3,351)
Net return	185	85

Notes to the accounts (continued)
Year ended 31 December 2006

18. Financial commitments (continued)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2006 £'000	2005 £'000
Actual return less expected return on assets	1,465	5,999
Experience gains and losses on liabilities	(622)	4,552
Changes in assumptions	(2,388)	(16,075)
Actuarial loss recognised in STRGL	(1,545)	(5,524)

Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(12,342)	(6,139)
Current service cost	(3,606)	(2,909)
Contributions	4,634	2,145
Net finance income	185	85
Actuarial loss	(1,545)	(5,524)
Deficit in scheme at end of year	(12,674)	(12,342)

The actuarial valuation at 31 December 2006 showed an increase in the deficit from £12 3 million to £12 7 million No benefit improvements were made in 2006 and employer contributions paid were £4 6 million (15 1% of pensionable pay and additional £1 0 million contribution)

History of experience gains and losses

	2006	2005	2004	2003
Difference between expected and actual return on scheme assets				
Amount (£'000)	1,465	5,999	2,072	2,132
Percentage of scheme assets	2%	9%	4%	4%
Experience gains and losses on scheme liabilities				
Amount (£'000)	(622)	4,552	(1,848)	828
Percentage of scheme liabilities	(1%)	6%	(3%)	2%
Total amount recognised in STRGL				
Amount (£'000)	(1,545)	(5,524)	(5,106)	6,389
Percentage of scheme liabilities	(2%)	(7%)	(8%)	13%

Notes to the accounts (continued)
Year ended 31 December 2006

19. Prior period adjustments

As set out in note 1 the company has adopted FRS 20 "Share-based Payment" in these financial statements This has had the following impact on the prior year accounts

	2005 £'000
Increase in administrative expenses	438
Decrease in retained profit for the financial year	(438)
Increase in share option reserve	589
Reduction in profit and loss account	(589)
Change in net assets	-

The impact in 2006 was a cost of £656,000 included in administrative expenses and a corresponding increase in the share option reserve

20. Related party transactions

In the ordinary course of business, the company has entered into transactions with its immediate parent company Schering-Plough Holdings Limited, a company incorporated in Great Britain, together with its fellow group subsidiaries and its ultimate parent company Schering-Plough Corporation The company has taken advantage of the exemption granted under paragraph 3(c) of FRS 8 and is exempt from disclosing details of the transactions because copies of Schering-Plough Corporation's group financial statements are available

21. Immediate and ultimate parent company

In the opinion of the directors, the company's ultimate parent company and ultimate controlling party is Schering-Plough Corporation, a company incorporated in the United States of America This is the parent undertaking of the largest group for which group accounts are prepared The parent undertaking of the company is Schering-Plough Holdings Limited, a company incorporated in Great Britain Copies of the group financial statements of Schering-Plough Corporation are available from Schering-Plough Corporation, 2000 Galloping Hill Road, Kenilworth, New Jersey 07033–0530

22. Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement under FRS 1, since the cashflows of the company are included in the consolidated cash flow statement in the accounts of its ultimate parent company which are publicly available

23. Share based payments

The company participates in Schering-Plough Corporation's Stock Incentive Plan under which certain employees are provided with equity-settled share-based payment in the form of either share options or share awards

Share options

Share options are granted to employees at exercise prices equal to the fair market value of Schering-Plough Corporation's shares at the dates of grant Share options under the 2006 Plan generally vest over three years and have a term of seven years Certain options granted under previous plans vest over longer periods ranging from three to nine years and have a term of 10 years Compensation costs for all share options net of estimated forfeitures are recognised over the requisite service period for each separately vesting portion of the share option award

Details of the share options outstanding during the year on which a charge has been recognised are as follows

	2006 Number of share options	2006 Weighted average exercise price (£)	2005 Number of share options	2005 Weighted average exercise price (£)
Outstanding at 1 January 2006	139,963	£10 38	67,163	£9 88
Granted	74,000	£10 20	72,800	£10 83
Forfeited	(12,966)	£10 47	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at 31 December 2006	200,997	£10 31	139,963	£10 38
Exercisable at 31 December 2006	62,068	£10 37	-	-

The options outstanding at 31 December 2006 had exercise prices in a range from £9 19 to £11 33 and a weighted average remaining contractual life of 7 3 years In 2006 options were granted on 19 May The aggregate of the estimated fair values of the options granted on this date is £204,000 In 2005 options were granted on 25 April, 16 May and 1 November The aggregate of the estimated fair values of the options granted on these dates is £271,000

The inputs into the Black-Scholes option pricing model are as follows

	2006	2005
Weighted average share price	£12 21	£10 83
Weighted average exercise price	£12 21	£10 83
Expected volatility	25 7%	31 0%-32 2%
Expected life (in years)	4 5	7 0
Risk-free rate	5 0%	4 0%-4 6%
Expected dividends	1 14%	1 68%

Expected volatilities are based upon Schering-Plough Corporation's historical volatilities The risk-free rate is based upon the US Treasury yield curve in effect at the time of grant

The company recognised total expenses of £215,000 (2005- £177,000) in regards to share option transactions during the year

23. Share based payments (continued)

Share awards

Share awards are granted to certain employees for nil consideration These awards generally vest at the end of three years provided the awardee remains an employee of Schering-Plough The fair value of share awards is based on the number of shares granted and Schering-Plough Corporation's quoted share price at the date of grant Share awards are payable in an equivalent number of shares The expense is recognised, net of estimated forfeitures, over the vesting period of the awards on a straight-line basis The expense taken to the profit and loss account for 2006 was £441,000 (2005- £261,000)

Details of the share awards outstanding during the year are as follows

	2006 Number of share options	2006 Weighted average fair value (£)	2005 Number of share options	2005 Weighted average fair value (£)
Outstanding at 1 January 2006	113,080	10 61	30,080	9 84
Granted	74,000	10 20	83,000	10 89
Forfeited	(15,100)	10 52	-	-
Exercised	(9,940)	10 17	-	-
Expired	-	-	-	-
Outstanding at 31 December 2006	162,040	10 45	113,080	10 61
Exercisable at 31 December 2006	7,400	9 79	-	-

The awards outstanding at 31 December 2006 had a weighted average remaining life of 19 3 months (2005 – 24 6 months) In 2006 awards were granted on 19 May with a total fair value of £688,500 In 2005 awards were granted on 25 April, 16 May, 1 August and 1 November with an aggregate fair value of £903,000