

Company Registration No. 00020626

Schering-Plough Limited

Report and Financial Statements

31 December 2012

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Schering-Plough Limited

Report and financial statements 2012

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Schering-Plough Limited

Report and financial statements 2012

Officers and professional advisers

Directors

D Khanna
M McDowell
H Ahmad
K Meisloch
A Bolcskei
M Leonard

Registered office

Walton Manor
Walton
Milton Keynes
MK7 7AJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
10 Bricket Road
St Albans
Hertfordshire
AL1 3JX

Schering-Plough Limited

Directors' report

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

Principal activities

The company's activity from 1 January 2012 is that of a holding company

Business review and future developments

On 1 January 2012, the company sold its animal health commercial assets, contracts, relevant transferable licenses and trade to Intervet UK Limited and Intervet UK Production Limited (both affiliated group undertakings). The consideration for the sale was based upon the book value of assets and liabilities sold (see note 15). These transactions completed the reorganisation of the human and animal health legacy operations of the company.

Principal risks and uncertainties

The company's assets comprise cash, amounts due from group undertakings and investments in subsidiary undertakings with liabilities representing an amount due to a group undertaking. The directors seek to ensure that the company maintains sufficient resources to enable it to settle its obligations when required to do so. Credit risk, liquidity risk and cash flow risk are all related to other group undertakings being able to settle the intercompany receivable position when requested. The directors also consider that the risk to changes in foreign currency is low on the investment and dividend incomes.

Results and dividends

The company incurred a loss after tax of £604,000 (2011 profit £1,236,000). The reduction in the profit for the year is the result of the sale of the animal health commercial assets, contracts, relevant transferable licenses and trade on 1 January 2012 and the write-off of the pension surplus.

No dividends were proposed or paid during the year (2011: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below:

D Khanna	
M McDowell	
H Ahmad	
D Hallas	(resigned 25 September 2012)
K Meisloch	(appointed 1 June 2012)
A Bolcskei	(appointed 25 September 2012)
M Leonard	(appointed 11 December 2013)

Charitable and political contributions

The company made no charitable donations or contributions to political parties during the year (2011: £nil).

Schering-Plough Limited

Directors' report (continued)

Disclosure of information to auditors

So far as each director at the date of approval of this report is aware

- (a) There is no relevant audit information of which the company's auditor is unaware, and
- (b) The directors have taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 and loss of the company for the 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board of Directors



M A C McDowell

Director

16 December 2013

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 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Robert Girdlestone (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans, United Kingdom
16 December 2013

Schering-Plough Limited

Profit and loss account Year ended 31 December 2012

	Notes	Discontinued operations 2012 £'000	Discontinued operations 2011 £'000
Turnover	2	-	51,791
Cost of sales		-	(38,138)
Gross profit		-	13,653
Distribution costs		-	(512)
Administrative expenses		(898)	(11,227)
Operating (loss)/profit	4	(898)	1,914
Interest receivable and similar income	5	78	7
Interest payable and similar charges	6	-	(58)
(Loss)/profit on ordinary activities before taxation		(820)	1,863
Tax on profit on ordinary activities	7	216	(627)
(Loss)/profit on ordinary activities after taxation	14	(604)	1,236

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

The notes on pages 8 to 21 form part of these financial statements

Schering-Plough Limited

Statement of total recognised gains and losses Year ended 31 December 2012

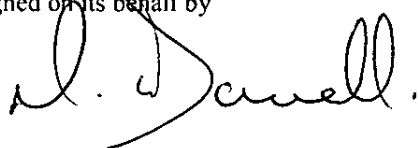
	Notes	2012 £'000	2011 £'000
(Loss)/profit for the financial year		(604)	1,236
Actuarial gain relating to the pension scheme	16	-	2,156
Deferred tax attributable to actuarial gain	7	-	(539)
Impact of tax rate change	7	-	(27)
Total recognised gains and losses relating to the year		(604)	2,826

Schering-Plough Limited

Balance sheet As at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	8	-	7,868
Investments	9	730	730
		<u>730</u>	<u>8,598</u>
Current assets			
Stocks	10	-	5,503
Debtors	11	10,730	34,966
Cash at bank and in hand		18,122	-
		<u>28,852</u>	<u>40,469</u>
Creditors amounts falling due within one year	12	<u>(7,743)</u>	<u>(26,864)</u>
Net current assets		<u>21,109</u>	<u>13,605</u>
Total assets less current liabilities		<u>21,839</u>	<u>22,203</u>
Provision for liabilities and charges	7	-	(419)
Net assets excluding retirement benefit asset		<u>21,839</u>	<u>21,784</u>
Retirement benefit asset	16	-	659
Net assets including retirement benefit asset		<u>21,839</u>	<u>22,443</u>
Capital and reserves			
Called up share capital	13	9,766	9,766
Profit and loss account	14	12,073	12,677
Shareholders' funds	14	<u>21,839</u>	<u>22,443</u>

The financial statements on pages 5 to 21 were approved by the Board of Directors on 16 December 2013 and were signed on its behalf by



M A C McDowell
Director

Registration No 00020626

Schering-Plough Limited

Notes to the accounts Year ended 31 December 2012

1. Accounting policies

Basis of preparation

The financial statements have been prepared on a 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 are set out below and they have been applied consistently in both the current and prior year.

The financial statements contain information about Schering-Plough Limited as an individual company and do not contain consolidated information as the parent group. The company is exempt under section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Merck & Co, Inc, a company incorporated in the USA.

Cash flow statement

Under the provisions of Financial Reporting Standard 1 (Revised 1996) "Cash Flow Statements", the company has not prepared a cash flow statement as its ultimate parent company, Merck & Co, Inc, which is incorporated in the USA, has prepared consolidated financial statements which incorporate the results and cash flows of the company and which are publicly available.

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	50 years
Plant and machinery	15 years
Equipment	3 – 12 years
Motor vehicles	40 – 48 months

In accordance with FRS 11 'Impairment of fixed assets and goodwill', when there is an indication that the carrying value of an asset may no longer be recoverable an impairment review is undertaken. As part of the impairment review the carrying value of the asset is compared to the recoverable amount. The recoverable amount is represented by the higher of its value in use and net realisable value.

Fixed asset 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.

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

1 Accounting policies (continued)

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

Leases

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

Pension costs

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 in other finance income or other finance costs. 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 company, 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

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

2 Turnover

Turnover in the prior year represented 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. Turnover is recognised when the risks and rewards of ownership have been transferred to the customer or when the services have been provided. The turnover and pre-tax profit are attributable to the manufacturing and sale of animal health products.

	2012 £'000	2011 £'000
Geographical analysis of turnover by destination		
UK	-	34,026
Republic of Ireland	-	597
Overseas	-	17,168
	<u>-</u>	<u>51,791</u>
Analysis of turnover by business segment		
Prescription pharmaceuticals and consumer health care	-	-
Animal health	-	51,791
	<u>-</u>	<u>51,791</u>

All the activities during the year have been classified as discontinued.

3. Information regarding directors and employees

	2012 £'000	2011 £'000
Directors' emoluments		
Directors' remuneration	-	324
Remuneration of highest paid director	-	324

The directors did not receive any remuneration for their services during the year.

The emoluments of the directors are paid by their employing company, another group undertaking. The directors' services to this company and to a number of fellow subsidiaries are chiefly of a non-executive nature and their emoluments are deemed to be wholly attributable to their services in their employing company.

	2012 No	2011 No
Average number of persons employed including directors		
Production	-	64
General and administration	-	54
	<u>-</u>	<u>118</u>
	£'000	£'000
Wages and salaries	-	3,675
Social security costs	-	451
Pension costs (note 16)	-	953
	<u>-</u>	<u>5,079</u>

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

4. Operating (loss)/profit

	2012 £'000	2011 £'000
Operating (loss)/profit is after charging:		
Depreciation on owned tangible fixed assets	-	729
Write-off of pension surplus (note 15)	(879)	-
Intercompany receivable balance written-off	(18)	-
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	-	13
Fees payable to the company's auditors for other services	-	-
	<u>-</u>	<u>-</u>

Audit fees are met by another group company, Intervet UK Limited

5 Interest receivable and similar income

	2012 £'000	2011 £'000
Bank interest receivable	78	-
Other finance income (note 16)	-	7
	<u>78</u>	<u>7</u>

6. Interest payable and similar charges

	2012 £'000	2011 £'000
Other interest	-	58
	<u>-</u>	<u>58</u>

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

7 Tax on profit on ordinary activities

(a) Analysis of tax charge for the year

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax	19	576
Adjustment in respect of prior years	(15)	(484)
Total current tax charge	4	92
Deferred tax:		
Origination and reversal of timing differences	(220)	(63)
Origination and reversal of timing differences prior years	-	580
Impact tax rate change	-	18
Total deferred tax (note 7(d))	(220)	535
Tax on (loss)/profit on ordinary activities	(216)	627

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2011 lower) than the standard rate of effective rate of corporation tax rate for the year ended 31 December 2012 of 24.5% (2011 26.5%). The differences are explained below

	2012 £'000	2011 £'000
(Loss)/profit on ordinary activities before tax	(820)	1,863
Multiplied by the standard rate of corporation tax of 24.5% (2011 26.5%)	(201)	494
Effects of		
Expenses not deductible for tax purposes	220	16
Depreciation in excess of capital allowances	-	85
Movement in short term timing differences	-	(19)
Adjustment in respect of prior years	(15)	(484)
Current tax charge for year	4	92

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

7. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

Reductions to the main rate of UK corporation tax were announced in the March 2012 Budget, such that the UK corporation tax rate would reduce from 26% to 24% with effect from 1 April 2012. A further reduction in the main rate of corporation tax was substantially enacted on 3 July 2012 to reduce the rate of corporation tax to 23% with effect from 1 April 2013. As this reduction was substantially enacted before 31 December 2012, the deferred tax balances at this date have been measured at 23%.

Subsequent to 31 December 2012, a further reduction in the UK corporation tax rate to 21% was substantially enacted on 2 July 2013 effective from 1 April 2014. A further reduction in the UK corporation tax rate is proposed to reduce the rate by 1% to 20% from 1 April 2015. The reductions in the UK corporation tax rate to 21% and 20% had not been substantially enacted at the balance sheet date and, therefore, are not relevant for measuring the deferred tax balances at 31 December 2012.

(d) Deferred tax

	2012 £'000	2011 £'000
Deferred tax (asset)/liability at 1 January	(419)	762
Disposal (note 15)	419	(664)
Charge to profit and loss account (note 7a)	-	(517)
Deferred tax asset at 31 December	-	(419)
Capital allowances in excess of depreciation	-	(419)
Deferred tax asset	-	(419)

Deferred tax in respect of the group's defined benefit pension scheme is disclosed in note 16.

Deferred tax (liability)/asset relating to pension asset/(deficit)

	2012 £'000	2011 £'000
Deferred tax (liability)/asset at 1 January	(220)	914
Disposal (note 15)	-	(550)
Deferred tax charge in profit and loss account	220	(18)
Deferred tax charged to the STRGL	-	(539)
Rate change impact	-	(27)
Deferred tax (liability) at 31 December	-	(220)

The deferred tax liability of £nil (2011: £220,000) has been deducted in arriving at the net pension asset on the balance sheet.

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

8. Tangible fixed assets

	Construction in progress £'000	Freehold land and buildings £'000	Plant and machinery and equipment £'000	Total £'000
Cost				
At 1 January 2012	76	10,448	11,041	21,565
Disposals (note 15)	(76)	(10,448)	(11,041)	(21,565)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated Depreciation				
At 1 January 2012	-	5,848	7,849	13,697
Disposals (note 15)	-	(5,848)	(7,849)	(13,697)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 December 2012	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	76	4,600	3,192	7,868
	<hr/>	<hr/>	<hr/>	<hr/>

On 1 January 2012, the company sold its remaining assets at book value to Intervet UK Limited and Intervet UK Production Limited (see note 15)

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

9 Investments held as fixed assets

Shares in group companies

	£'000
Cost	
At 1 January 2012 and 31 December 2012	40,986
Provisions for impairment	
At 1 January 2012 and 31 December 2012	(40,256)
Net Book Value	
At 31 December 2012	<u>730</u>
At 31 December 2011	<u>730</u>

The principal subsidiary undertakings and investments at 31 December 2012 were

	Country of incorporation	Class of capital	Percentage voting rights held	Principal activities
S-P Veterinary Holdings Limited	England	Ordinary	100%	Holding company
AVL Holdings Limited	England	Ordinary	100%	Holding company
Ark Products Limited	England	Ordinary	100%	Dormant
Coopers Animal Health Limited*	England	Ordinary	100%	Dormant
Merck Sharp & Dohme Pharmaceutical and Commercial S A *	Greece	Ordinary	6 5%	Pharmaceuticals
Taman Vaccine Laboratory (U K) Limited*	England	Ordinary	100%	Dormant
S-P Veterinary Pensions Limited*	England	Ordinary	100%	Dormant
S-P Veterinary Limited*	England	Ordinary	100%	Dormant
Schering-Plough Animal Health Operations SDN BHD*	Singapore	Ordinary	100%	Dormant
S-P Veterinary (UK) Limited*	England	Ordinary	100%	Dormant
Acquaculture Vaccine Limited*	England	Ordinary	100%	Dormant
Acquaculture Holdings Limited*	England	Ordinary	100%	Dormant
Acquaculture Vaccine Limited*	Ireland	Ordinary	100%	Dormant

* indirect holding

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

10. Stocks

	2012 £'000	2011 £'000
Raw materials	-	1,465
Work-in-progress	-	1,896
Finished goods and goods for resale	-	2,142
	<u>-</u>	<u>5,503</u>

On 1 January 2012, the company sold all of its stock at book value to Intervet UK Production Limited (see note 15). In the opinion of the directors the replacement cost of stock at 31 December 2011 is not materially different to the amounts at which it is stated in the accounts.

11. Debtors, amounts falling due within one year

	2012 £'000	2011 £'000
Amounts owed by group undertakings	9,854	34,964
Other debtors	876	-
Prepayments and accrued income	-	2
	<u>10,730</u>	<u>34,966</u>

Amounts owed by group undertakings are unsecured, interest-free and have no fixed date of repayment.

12. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	-	2
Amounts owed to group undertakings	7,684	22,081
Corporation tax	-	3,861
Other taxation and social security	-	111
Other creditors	-	103
Accruals and deferred income	59	706
	<u>7,743</u>	<u>26,864</u>

All amounts owed to group undertakings are unsecured, interest-free and have no fixed date of repayment.

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

13. Called up share capital

	2012 £'000	2011 £'000
Called up and fully paid.		
9,766,000 Ordinary shares of £1 each	9,766	9,766

14. Movement on reserves and reconciliation of shareholders' funds

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	9,766	12,677	22,443
Loss for the financial year	-	(604)	(604)
At 31 December 2012	9,766	12,073	21,839

15. Disposal

On 1 January 2012, the company sold its animal health commercial assets, contracts, relevant transferable licenses and trade to Intervet UK Limited and Intervet UK Production Limited (both affiliated group undertakings). The consideration for the sale was based upon the book value of the assets and liabilities sold.

The book value of the assets and liabilities sold at 1 January 2012 were

	Book values at 1 January 2012 £'000
Fixed assets	
Tangible assets	7,868
Current assets	
Stock	5,503
Prepayments	2
Creditors' amounts falling due within one year	(862)
Provision for liabilities and charges	(419)
Net assets disposed	12,092
Consideration – cash	(12,092)
Profit on disposal	-

Under the terms of the sale the pension surplus and the associated deferred tax was not included in the net assets sold to Intervet UK Limited as the transaction was undertaken based upon the assets and liabilities that would arise based upon the receiving companies accounting policies. Accordingly, the pension surplus of £879,000 and associated deferred tax liability of £220,000 at 1 January 2012 have been written-off/written-back respectively to the profit and loss account.

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

16 Pension commitments

Schering-Plough Limited Retirement & Benefits Plan

The company previously participated in the Schering Plough Limited Retirement & Benefits Plan (the "Scheme"), a defined benefit pension scheme until 1 January 2012

On 1 January 2012, the restructuring of the scheme was completed when the residual members and associated pension obligations were transferred to the MSD Animal Health Pension Scheme (formerly the SP/OBS Pension Scheme). The MSD Animal Health Pension Scheme has three participating employers Intervet UK Limited, Intervet UK Production Limited and Organon Laboratories Limited. Subsequent to this transaction, the company ceased to have any obligation under the Scheme and the Scheme has been wound up. As a result of the sale of the animal health commercial assets, contracts, relevant transferable licenses and trade to Intervet UK Limited and Intervet UK Production Limited the pension surplus at 1 January 2012 has been written off in the current year, see note 15 for further information

The company employed a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected rate of return for each asset class over the target asset allocation for the pension scheme at 31 December.

The valuation used for FRS 17 'Retirement benefits' disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 December 2010. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, through the Statement of Recognised Gains and Losses ("STRGL").

The principle assumptions used by the independent qualified actuaries in updating the latest valuation for FRS 17 'Retirement benefits' purposes are

Weighted – average assumptions to determine benefit obligations

	2012	2011
Rate of increase in salaries (including inflation)	n/a	3.90%
Pension increases		
- 5% LPI (RPI based)	n/a	3.10%
- 3% LPI (RPI based)	n/a	2.20%
Discount rate	n/a	5.00%
Inflation assumption – RPI	n/a	3.40%
Inflation assumption – CPI	n/a	2.40%

Weighted - average life expectancy on post-retirement mortality

	2012	2011
Member age 65 (current life expectancy) - Male	n/a	23.2
- Female	n/a	25.0
Member age 45 (life expectancy at age 65) - Male	n/a	25.0
- Female	n/a	27.2

Schering-Plough Limited

Notes to the accounts (continued) Year ended 31 December 2012

16. Pension commitments (continued)

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

	Expected rate of return	2012 £'000	Expected rate of return	2011 £'000	Expected rate of return	2010 £'000
Equities and property	n/a	-	7.16% p a	22,452	7.2% p a	61,582
Bonds	n/a	-	4.40% p a	28,553	4.4% p a	58,920
Cash	n/a	-	4.40% p a	257	4.4% p a	485
Total fair value of assets		-		51,262		120,987
Actuarial value of liability		-		(50,383)		(124,373)
Surplus/(deficit)		-		879		(3,386)
Related deferred tax (liability)/asset		-		(220)		914
Net pension asset/(liability)		-		659		(2,472)

Analysis of profit and loss charge

	2012 £'000	2011 £'000
Service cost (note 3)	-	953

Analysis of net return on pension scheme

	2012 £'000	2011 £'000
Expected return on pension scheme assets	-	2,788
Interest on pension liabilities	-	(2,781)
Net income (note 5)	-	7

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Notes to the accounts (continued) Year ended 31 December 2012

16 Pension commitments (continued)

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

	2012 £'000	2011 £'000
Actuarial gain recognised in STRGL	-	2,156

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £nil (2011 £13,803,000)

Changes to the present value of the defined benefit obligation during the year

	2012 £'000	2011 £'000
1 January	50,383	124,373
Written-off (note 15)	(50,383)	(74,885)
Current service cost (note 3)	-	953
Interest cost	-	2,781
Plan participants' contributions	-	12
Actuarial (loss)/gain recognised in STRGL	-	(1,401)
Benefits paid by plan	-	(1,450)
31 December	-	50,383

Changes to the fair value of scheme assets during the year

	2012 £'000	2011 £'000
1 January	51,262	120,987
Written-back (note 15)	(51,262)	(72,846)
Expected return on plan assets	-	2,788
Employer contributions	-	1,017
Plan participants' contributions	-	12
Actuarial loss recognised in STRGL	-	754
Benefits paid by plan	-	(1,450)
31 December	-	51,262

The actual return on scheme assets in the year was £nil (2011 £3,542,000)

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Notes to the accounts (continued) Year ended 31 December 2012

16. Pension commitments (continued)

History of experienced gains and losses

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	-	(50,383)	(124,373)	(116,147)	(84,797)
Fair value of plan assets	-	51,262	120,987	99,998	77,880
Surplus/(deficit)	-	879	(3,386)	(16,149)	(6,917)

Difference between expected and actual return on scheme assets

Amount	-	(754)	(7,703)	(9,417)	(15,796)
Percentage of scheme assets	-	(1%)	(6%)	(9%)	(20%)

Experience gains and losses on scheme liabilities

Amount	-	(252)	(5,705)	-	-
Percentage of scheme liabilities	-	6%	5%	0%	0%

Total amount recognised in STRGL

Amount	-	2,156	7,403	(14,354)	1,287
Percentage of scheme liabilities	-	4%	6%	(12%)	2%

17. Related party transactions

The company has taken advantage of the exemption granted under paragraph 3(c) of Financial Reporting Standard 8 "Related party disclosures", not to disclose balances and transactions with other group undertakings since its ultimate parent undertaking, Merck & Co, Inc, prepares consolidated financial statements which are publically available

18. Immediate and ultimate parent company

The immediate parent undertaking at 31 December 2012 was Intervet Holding B V

The ultimate parent undertaking and controlling party is Merck & Co, Inc, a company incorporated in the state of New Jersey, United States of America

The largest and smallest group in which the results of the company are consolidated is that headed by Merck & Co, Inc, a company incorporated in the USA, whose principal place of business is P O Box 100, One Merck Drive, Whitehouse Station, NJ 08889-0100, USA. The consolidated financial statements of this company are available at the above address