

Schering-Plough Limited

**Directors' report and financial
statements**

Registered number 00020626

31 December 2013



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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2013.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Principal activities

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

Business review

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 13). 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 undertaking's 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's profit for the financial year was £42,000 (2012: £604,000 loss). The Directors do not recommend the payment of a dividend (2012: nil).

Directors

The directors who held office throughout the year and to the date of signing this report were:

D Khanna (resigned 1 March 2014)
M McDowell (resigned 31 December 2013)
H Ahmad (resigned 1 March 2014)
K Meisloch
A Bolcskei
M Leonard (resigned 1 March 2014)

The directors, as at 1 January 2013 and 31 December 2013, do not have any interests in the share capital of any group Company.

Disclosure of information to auditors

So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM.

On behalf of the Board


A. Bolcskei
Director

Date: 28 November 2014

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as the directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board



A. Bolcskei
Director

Date: 28 November 2014

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

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Schering-Plough Limited, comprise:

- the Balance sheet as at 31 December 2013;
- the Profit and loss account for the year then ended; and
- 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 their preparation 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.

What an audit of financial statements involves

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

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 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.

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.

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

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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

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 2, 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 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.



Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

28 November 2014

Profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	2013 £'000	2012 £'000
Administrative expenses		(3)	(898)
Operating loss	2	(3)	(898)
Interest receivable and similar income		57	78
Profit / (loss) on ordinary activities before taxation		54	(820)
Tax on profit / (loss) on ordinary activities	6	(12)	216
Profit / (loss) on ordinary activities after taxation	11	42	(604)

The Company has no gains or losses other than those reported above and, accordingly, no separate statement of total gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

All results derive from discontinued operations.

The notes on pages 7 to 12 form part of these financial statements.

Balance sheet
at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	7	730	730
		<hr/>	<hr/>
		730	730
Current assets			
Debtors	8	6,901	10,730
Cash at bank and in hand		17,939	18,122
		<hr/>	<hr/>
		24,840	28,852
Creditors: amounts falling due within one year	9	(3,689)	(7,743)
		<hr/>	<hr/>
Net current assets		21,151	21,109
		<hr/>	<hr/>
Total assets less current liabilities		21,881	21,839
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	9,766	9,766
Profit and loss account	11	12,115	12,073
		<hr/>	<hr/>
Total shareholders' funds	12	21,881	21,839
		<hr/>	<hr/>

The financial statements on pages 5 to 12 were approved by the board of directors on **28** November 2014, and were signed on its behalf by:


A. Bolcskei
Director

Date: 28 November 2014

Notes to the financial statements (forming part of the financial statements)

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules. The particular accounting policies adopted are described below:

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 Financial Reporting Standard 1 (revised 1996) 'Cash flow statements' the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Related Party Transactions

Related party transactions with members of the group controlled by Merck & Co, Inc. are not disclosed in accordance with the exemption allowed under FRS 8 'Related Party disclosures', as the Company is a wholly owned subsidiary of the group. The consolidated financial statements of the Merck group, within which this Company is included, can be obtained from the address given in note 14.

Fixed asset investments

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

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.

Notes to the financial statements *(continued)*

2 Operating loss

	2013 £'000	2012 £'000
Operating loss is after charging:		
Write-off of pension surplus (note 13)	-	(879)
Intercompany receivable balance written-off	-	(18)
Auditors' remuneration		
	<u> </u>	<u> </u>

Audit fees of £2,500 (2012: £2500) were met by another group company, Intervet UK Limited.

3 Remuneration of directors

The directors were not remunerated in respect of their services as directors of the Company during the current or the preceding year.

4 Employees

The Company had no employees during the current or preceding year.

5 Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest	57	78
	<u> </u>	<u> </u>

6 Tax on profit / (loss) on ordinary activities (a) Analysis of tax charge for the year

	2013 £000	2012 £000
<i>UK corporation tax</i>		
Current tax on income for the year	12	19
Adjustments in respect of previous years	-	(15)
	<u> </u>	<u> </u>
Total current tax charge	12	4
	<u> </u>	<u> </u>
<i>Deferred tax</i>		
Origination/reversal of timing differences – current year	-	(220)
	<u> </u>	<u> </u>
Deferred tax credit	-	(220)
	<u> </u>	<u> </u>
Tax charge / (credit) on ordinary activities	<u> 12 </u>	<u> (216) </u>

Notes to the financial statements *(continued)*

6 Tax on profit / (loss) on ordinary activities *(continued)*

(b) Factors affecting the tax charge for the year

The tax assessed for the year is equal to (2012: lower than) the standard rate of corporation tax rate for the year ended 31 December 2013 of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £'000	2012 £'000
Profit / (loss) on ordinary activities before tax	54	(820)
	<hr/>	<hr/>
Multiplied by the standard rate of corporation tax of 23.25% (2012: 24.5%)	12	(201)
Expenses not deductible for tax purposes	-	220
Adjustment in respect of prior years	-	(15)
	<hr/>	<hr/>
Current tax charge for year	12	4
	<hr/>	<hr/>

(c) Factors that may affect future tax charges

A reduction in the main rate of corporation tax was substantially enacted on 2 July 2013 lowering the rate of corporation tax to 21% with effect from 1 April 2014.

(d) Deferred tax

There was no deferred tax asset or liability held at the balance sheet date. (2012: nil).

Notes to the financial statements *(continued)*

7 Investments

Shares in group companies

	£'000
Cost	
At 1 January 2013 and 31 December 2013	40,986
Provisions for impairment	
At 1 January 2013 and 31 December 2013	(40,256)
Net Book Value	
At 31 December 2013	<u>730</u>
At 31 December 2012	<u>730</u>

The principal subsidiary undertakings and investments at 31 December 2013 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				

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

Notes to the financial statements *(continued)*

8 Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	6,025	9,854
Other debtors	876	876
	<u>6,901</u>	<u>10,730</u>

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

9 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Amounts owed to group undertakings	3,630	7,684
Accruals and deferred income	59	59
	<u>3,689</u>	<u>7,743</u>

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

10 Called up share capital

	2013 £'000	2012 £'000
Authorised		
9,766,000 ordinary shares of £1 each (2012: 9,766,000)	9,766	9,766
Allotted and fully paid		
9,766,000 ordinary shares of £1 each (2012: 9,766,000)	9,766	9,766

11 Reserves

	Profit and loss account £'000
Balance at 1 January 2013	12,073
Profit for the financial year	42
	<u>12,115</u>
Balance at 31 December 2013	<u>12,115</u>

Notes to the financial statements *(continued)*

12 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Profit / (loss) for the financial year	42	(604)
Opening shareholders' deficit	<u>21,839</u>	<u>22,443</u>
Closing shareholders' deficit	<u><u>21,881</u></u>	<u><u>21,839</u></u>

13 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	<u>(419)</u>
Net assets disposed	<u>12,092</u>
Consideration – cash	<u>(12,092)</u>
Profit on disposal	<u><u>-</u></u>

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.

14 Ultimate Parent Company

The Company's immediate parent Company is Intervet Holding B.V, a Company registered in The Netherlands.

The Company's ultimate parent Company and controlling party is Merck & Co. Inc., which is a public Company incorporated in the USA. This is the parent Company undertaking of the largest and smallest group for which group financial statements are prepared.

Copies of the group financial statements are available from the office address of Merck & Co. Inc., One Merck Drive, Whitehouse Station, New Jersey 08889-0100.