

S-P RIL Limited

Directors' report and financial statements
Registered Number 00698405

31 December 2016



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Officers and professional advisors

Directors

L Houson (appointed 6 September 2016)
M Nally (resigned 30 September 2016)
M Leonard (resigned 15 October 2016)
S Nicholson
G Polz (appointed 6 September 2016, resigned 23 June 2017)
E Can Temucin (appointed 23 June 2017)

Registered Office

West Hill
Hertford Road
Hoddesdon
Hertfordshire
England
EN11 9BU

Bankers

Citibank
CGC Centre
Canary Wharf
E14 5LB

Independent Auditors

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

Directors' report for the year ended 31 December 2016

The Members of the Administrative Board ('Directors') present their report and the audited financial statements for the year ended 31 December 2016 (the 'Annual Report').

BUSINESS REVIEW

The company continued to act as a holding company and received interest income on its cash balance.

The company generated a profit for the financial year of £10,000 (2015: £48,000) during the year. During the year the company received a dividend from Merck Sharp & Dohme GmbH of £nil (2015: £52,000) which after withholding tax of £nil (2015: £8,000) resulted in a lower profit before taxation compared to the prior year.

The directors do not recommend payment of a dividend for the year (2015: £nil).

The company is expected to continue to act as a holding company for the foreseeable future.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties relate to the recoverability of the amounts due from group undertakings. 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. Periodic reviews are undertaken of the carrying values of its intercompany receivables to ensure these assets are stated at their respective recoverable amounts. Given the straightforward nature of the company's operations, key performance indicators are not used by the directors to understand the company's operations.

DIRECTORS

The present directors are shown on page 1. The directors, who served during the year and up to the date of signing the financial statements, and the relevant dates of appointment and resignation, are shown below:

L Houson (appointed 6th September 2016)

M Leonard (resigned 15th October 2016)

M Nally (resigned 30th September 2016)

S Nicholson

G Polz (appointed 6 September 2016, resigned 23 June 2017)

K White (resigned 18th March 2016)

E Can Temucin (appointed 23 June 2017)

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

FINANCIAL INSTRUMENTS

The company's assets comprise cash, amounts due from group undertakings and an investment in a subsidiary undertaking 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. The directors also consider that the risk to changes in foreign currency is low on the investment and dividend incomes.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each Director 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.

Directors' report for the year ended 31 December 2016 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

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

STRATEGIC REVIEW

The company has taken advantage of section 414B of the Companies Act 2006 not to include a strategic review in these financial statements.

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

On behalf of the Board


E Can Temucin
Director
11 September 2017

Registered Number: 00698405

Independent auditors' report to the members of S-P RIL Limited

Report on the financial statements

Our opinion

In our opinion, S-P RIL Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Directors' report and financial statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanation 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.

Independent auditors' report to the members of S-P RIL Limited (continued)

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: take advantage of the small companies exemption in preparing the Directors' Report; 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 in respect of financial statements 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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



Robert Girdlestone (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
11 September 2017

**Statement of Comprehensive Income
for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
Administrative expenses		-	(2)
Other operating income		<u>5</u>	<u>-</u>
Operating profit/(loss)	6	5	(2)
Income from participating interests		-	52
Other interest receivable and similar income	7	<u>7</u>	<u>7</u>
Profit before taxation		12	57
Tax on profit	8	<u>(2)</u>	<u>(9)</u>
Profit for the financial year		<u>10</u>	<u>48</u>

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


There are no material differences between the profits before taxation and the profits for the financial years and their historical cost equivalents.

The notes on pages 9 to 13 form part of these financial statements.

**Balance Sheet
as at 31 December 2016**

	Note	2016 £'000	2015 £'000
Fixed Assets			
Investments	9	<u>33</u>	<u>33</u>
Current Assets			
Debtors	10	<u>47,650</u>	<u>47,645</u>
Cash at bank and in hand		<u>1,867</u>	<u>1,864</u>
		<u>49,517</u>	<u>49,509</u>
Creditors: amounts falling due within one year	11	<u>(2)</u>	<u>(4)</u>
Net Current Assets		<u>49,515</u>	<u>49,505</u>
Total Assets less Current Liabilities		<u>49,548</u>	<u>49,538</u>
Capital and Reserves			
Called up share capital	12	-	-
Share premium account		<u>2,939</u>	<u>2,939</u>
Profit and loss account		<u>46,609</u>	<u>46,599</u>
Total Shareholders' Funds		<u>49,548</u>	<u>49,538</u>

The financial statements on pages 6 to 13 were approved by the Board of Directors on 11 September 2017 and were signed on its behalf by:



E Can Temucin

Director

11 September 2017

Registered Number: 00698405

Statement of Changes in Equity
For the year ended 31 December 2016

	Share Premium Account	Profit and Loss Account	Total Shareholders' Funds
	£'000	£'000	£'000
Balance as at 1 January 2015	2,939	46,551	49,490
Profit for the financial year	-	48	48
Total comprehensive income for the year	-	48	48
Balance as at 31 December 2015	2,939	46,599	49,538
Balance as at 1 January 2016	2,939	46,599	49,538
Profit for the financial year	-	10	10
Total comprehensive income for the year	-	10	10
Balance as at 31 December 2016	2,939	46,609	49,548

Notes to the financial statements for the year ended 31 December 2016**1. GENERAL INFORMATION**

The company continued to act as a holding company and received interest income on its cash balance.

The company is a private limited company limited by shares and is incorporated, registered and domiciled in United Kingdom. The address of its registered office is West Hill, Hertford Road, Hoddesdon, Hertfordshire, England, EN11 9BU.

2. STATEMENT OF COMPLIANCE

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"). The principal accounting policies are set out below and they have been applied consistently in both the current and prior year.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements as of 1 January 2014. The policies applied under the previous accounting framework are not materially different to FRS 102 and have not impacted equity or profit or loss.

Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 102 required the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The company does not trade and the principal risks and uncertainties relate to the recoverability of its cash balance. Periodic reviews are undertaken of the credit worthiness of the financial institution which holds the cash balance for any changes to its credit rating. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders. The Company has taken advantage of the following exemptions:

- (i) From preparing a statement of cash flows, under FRS 102 paragraph 1.12(b), on the basis that it is a qualifying entity and its ultimate parent company, Merck & Co. Inc. includes the company's cash flows in its own consolidated financial statements;
- (ii) From disclosing related party transactions with other wholly owned undertakings of the Merck & Co. Inc. group under FRS 102 paragraph 33.7;
- (iii) From disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7, as the equivalent disclosure information is provided in Merck & Co. Inc.'s consolidated financial statements.

Notes to the financial statements for the year ended 31 December 2016 (continued)**3. ACCOUNTING POLICIES (continued)****Consolidated financial statements**

The company is a wholly owned subsidiary of MSD International Finance BV and of its ultimate parent, Merck & Co., Inc. It is included in the consolidated financial statements of Merck & Co. Inc, which are publicly available. Therefore the company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment. Impairment reviews are undertaken when events or circumstances are identified that may indicate that the carrying values may no longer be recoverable.

Cash flow statement

Under the provisions of Financial Reporting Standard Number 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.

Foreign currency

The company's functional and presentational currency is the pound sterling.

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of transactions. Monetary foreign currency assets and liabilities held at the year end are translated at year end exchange rates. The resulting exchange gains or losses are dealt with in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2016 (continued)**3. ACCOUNTING POLICIES (continued)****Dividend income**

Final dividends from fixed asset investments are recognised when there is a right to receive payment that has been established through the approval by the shareholders. Interim dividends are recognised once the cash has been received.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Currently no such judgements or estimations are deemed necessary.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**Directors and employees**

The directors did not receive any remuneration in the year (2015 - £nil) for their services to this company. The company had no employees in both the current year and the preceding year.

6. OPERATING PROFIT/(LOSS)

	2016 £'000	2015 £'000
Operating profit/loss is stated after crediting/(charging):		
Exchange gain/(loss)	5	(2)

The audit fee of £2,575 for the year ended 31 December 2016 (2015: £2,500) has been borne by a fellow group company.

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2016 £'000	2015 £'000
On cash balances	7	7

8. TAX ON PROFIT

	2016 £'000	2015 £'000
a) Analysis of tax charge for the year		
UK corporation tax on profit for the year	2	1
Withholding tax	-	8
Total tax on profit	2	9

Notes to the financial statements for the year ended 31 December 2016 (continued)**8. TAX ON PROFIT (CONTINUED)****b) Factors affecting the tax charge for the year**

The current tax charge for the current tax year is the same (2015: different) as the standard rate of corporation tax in the UK 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit before taxation	11	57
Tax on profit multiplied by standard rate in the UK 20.00% (2015: 20.25%)	2	12
Effects of:		
Income not subject to tax	-	(11)
Withholding tax	-	8
Total tax charge for year	2	9

c) Factors affecting future tax charges

The Finance (No 2) Act 2015 (the Act) was substantially enacted on 26 October 2015. The Act further reduced the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. A further change was announced in the March 2016 Budget to further reduce the Corporation Tax rate to 17% by 1 April 2020, which has now been subsequently enacted.

9. INVESTMENTS

	2016 £'000
Cost and net book value	
At 1 January and 31 December	33

The investments at 31 December 2016 are as follows:

Name of fellow group companies	Country of incorporation	Proportion held %
Manufacture and sale of pharmaceutical products		
Merck Sharp & Dohme GmbH	Austria	4.52

Merck Sharp & Dohme GmbH is trading and its registered office is MSD Sharp & Dohme GmbH, Lindenplatz 1, 85540.

In the opinion of the directors, the aggregate value of the share in the investments is not less than the amounts at which they are stated in the company's balance sheet.

Notes to the financial statements for the year ended 31 December 2016 (continued)**10. DEBTORS**

	2016 £'000	2015 £'000
Amounts owed by group undertakings	47,608	47,608
Other debtors	42	37
	<u>47,650</u>	<u>47,645</u>

Amounts owed by group undertakings are unsecured, interest-free and are repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Amounts owed to group undertakings	-	3
Corporation tax	2	1
	<u>2</u>	<u>4</u>

12. CALLED UP SHARE CAPITAL

	2016 £	2015 £
Allotted and fully paid		
200 (2015: 200) deferred shares of £1 each	200	200
200 (2015: 200) ordinary shares of £1 each	200	200
	<u>400</u>	<u>400</u>

The deferred shares entitle the holder to the right to a return of capital at either a winding up or repayment of capital providing the ordinary shareholders have first received a distribution of £10,000 per share. The deferred shares do not entitle the holder to participate in any profits of the company.

13. IMMEDIATE AND ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's immediate parent company is Schering-Plough Holdings Limited, a company incorporated in United Kingdom and the ultimate parent company and controlling party is Merck & Co., Inc. a company incorporated in the United States of America. Copies of the group financial statements of Merck & Co., Inc. reports and financial statements may be obtained from: 2000 Galloping Hill Road, Kenilworth, NJ 07033, USA. Merck & Co., Inc. is the largest and smallest group for which financial statements are available.