

Merck Chemicals Ltd

**Directors' report and financial
statements**

Registered number 00660457

For the year ended 31 December 2011

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Company information

Directors

KR Bischoff (resigned 31 August 2011)
JM Dove (resigned 31 October 2011)
DR Jeans
SE Turner (resigned 31 January 2011)
S Becker (appointed 25 November 2011)
RA Johnson (appointed 31 August 2011)
MA Verrall (appointed 1 July 2011)

Secretary

NG Fraser

Company number

00660457

Auditors

KPMG LLP
St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Bankers

Deutsche Bank AG
London Bank
Winchester House
1 Great Winchester Street
City of London
EC2N 2DB

Registered office

Boulevard Industrial Park
Beeston
Nottingham
United Kingdom
NG9 2JR

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the company during the year were the sale of speciality chemicals and the provision of research and development services

Business performance and development

Generally the economy remained weak in 2011, but increased business from key customers helped the company to achieve sales growth of 7.8% over 2010

The operating profit of £1,250,000 (2010 loss £672,000) was adversely affected by two items: additional payments into the defined benefits pension scheme in order to reduce the scheme deficit, and amortisation of goodwill. Excluding these items operating profit was £2,996,000 (2010 £1,474,000) and return on sales 9.7% (2010 5.1%)

Risks and uncertainties

The management undertake a constant and proactive review of the risks facing the company, and formally report on these at Group level twice a year. The risks considered include contractual risk, risk to property and security, risk to employees and the public, business continuity, security of systems and data. All risks are managed to a minimum level and no significant risks, financial or otherwise, which fall outside the usual risks faced by a business in this industry, have been identified.

Key performance indicators

The key measures of financial performance are turnover, gross profit margin, return on sales and return on capital employed. These are as follows:

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Turnover | 30,878 | 28,631 |
| Gross profit margin (Gross profit expressed as a percentage of turnover) | 30.7% | 30.0% |
| Return on sales (Operating result expressed as a percentage of turnover) | 4.0% | (2.3)% |
| Return on capital employed (Operating result expressed as a percentage of opening net assets employed) | 10.9% | (5.5)% |

In addition to these financial indicators the company monitors other key performance indicators including staff statistics, marketing trends, freight and shipping statistics, and customer service levels.

Results and dividends

The profit for the year after tax amounted to £238,000 (2010 loss £742,000). The directors do not recommend payment of a dividend (2010 £nil).

Fixed assets

The movements in fixed assets are shown in note 11 to the financial statements. In the opinion of the directors the value of the company's properties does not materially differ from that at which they are shown in the balance sheet.

Directors' report *(continued)*

Directors and directors' interests

The directors holding office during the year were as follows

| | |
|----------------|------------------------------|
| Mr KR Bischoff | (resigned 31 August 2011) |
| Mr DR Jeans | |
| Mr S Becker | (appointed 25 November 2011) |
| Mr MA Verrall | (appointed 1 July 2011) |
| Mr RA Johnson | (appointed 31 August 2011) |
| Mr JM Dove | (resigned 31 October 2011) |
| Mrs SE Turner | (resigned 31 January 2011) |

Political or charitable donations

No contributions to political organisations were made during the year (2010 *£nil*)

Charitable donations totalled £1,207 (2010 *£944*)

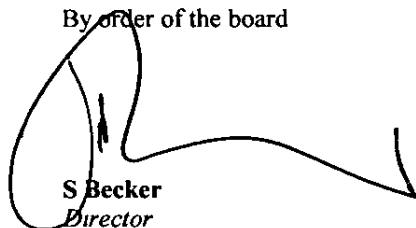
Disclosure of information to auditors

The directors who held office at the date of approval of the Directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



S Becker
Director

Dated 28th March 2012

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and 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, 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Merck Chemicals Ltd

We have audited the financial statements of Merck Chemicals Ltd for the year ended 31 December 2011 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.

CN Parkin (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated 28 March 2012

Profit and loss account
for the year ended 31 December 2011

| | <i>Note</i> | 2011 £000 | 2010 £000 |
|--|-------------|----------------------------|----------------------------|
| Turnover | 2 | 30,878 | 28,631 |
| Cost of sales | | (21,393) | (20,047) |
| Gross profit | | 9,485 | 8,584 |
| Distribution costs | | (6,080) | (6,357) |
| Administration expenses | | (2,913) | (3,507) |
| Other operating income | | 758 | 608 |
| Operating profit before goodwill amortisation and additional pension contributions | | 2,996 | 1,474 |
| Goodwill amortisation | | (780) | (781) |
| Additional pension contributions | | (966) | (1,365) |
| Operating profit/(loss) | 3 | 1,250 | (672) |
| Interest receivable and similar income | 7 | 78 | 13 |
| Interest payable and similar charges | 8 | (533) | (336) |
| Profit/(loss) on ordinary activities before taxation | | 795 | (995) |
| Tax on profit on ordinary activities | 9 | (557) | 253 |
| Profit/(loss) for the financial year | | 238 | (742) |

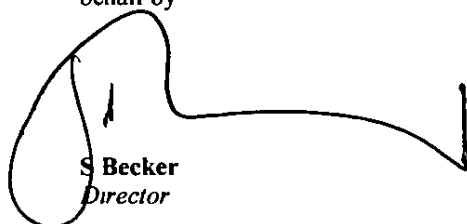
In both the current and preceding year, the company made no material acquisitions and had no discontinued operations

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 31 December 2011

| | Note | 2011 £000 | 2010 £000 |
|--|------|----------------------|----------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 11,708 | 12,488 |
| Tangible assets | 11 | 7,765 | 8,024 |
| | | <u>19,473</u> | <u>20,512</u> |
| Current assets | | | |
| Stocks | 12 | 2,019 | 1,639 |
| Debtors | 13 | 7,516 | 7,239 |
| Cash at bank and in hand | | 3,250 | 1,665 |
| | | <u>12,785</u> | <u>10,543</u> |
| Creditors amounts falling due within one year | 14 | <u>(4,761)</u> | <u>(4,623)</u> |
| Net current assets | | <u>8,024</u> | <u>5,920</u> |
| Total assets less current liabilities | | <u>27,497</u> | <u>26,432</u> |
| Creditors amounts falling due after one year | 15 | (14,014) | (13,814) |
| Provisions for liabilities and charges | 16 | (1,777) | (1,150) |
| Net assets | | <u><u>11,706</u></u> | <u><u>11,468</u></u> |
| Capital and reserves | | | |
| Equity | | | |
| Share capital | 17 | 3,300 | 3,300 |
| Profit and loss account | 18 | (5,706) | (5,944) |
| Share premium account | 19 | 14,112 | 14,112 |
| Shareholders' funds | | <u><u>11,706</u></u> | <u><u>11,468</u></u> |

These financial statements were approved by the board of directors on 28th March 2012 and were signed on its behalf by


S Becker
Director

Company number 00660457

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

After making appropriate enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts

The company is exempt from the requirement of FRS 1 (revised) to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and its ultimate parent undertaking includes the company in its own published consolidated financial statements

Turnover

Turnover represents net invoiced sales of goods excluding value added tax, in accordance with the principal activity. Other operating income represents recharges of costs incurred for people who are wholly or partly paid here but working for another group company.

Tangible fixed assets and depreciation

Fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | |
|---------------------|---------------------------------|
| Leasehold property | - over period of lease |
| Plant and machinery | - between 10% and 20% per annum |

Goodwill

Goodwill arising on the purchase of assets and trade is capitalised and is amortised to nil by equal instalments over its estimated useful life, to a maximum of 20 years.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost, in general, is determined on a weighted average basis. Provision is made for any obsolete or slow moving items.

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transaction. Monetary assets and liabilities at the balance sheet date are translated at year end rates of exchange. Gains and losses on translation are included in the profit and loss account.

Research and development

All revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Pension scheme

The company participates in a funded defined benefit scheme, operated by a subsidiary of Merck KGaA, to which the company and members make contributions. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme is accounted for by the Company as if the scheme was a defined contribution scheme. The charge in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. The contributions are held in separately administered funds from the company's assets

Leased assets

Where the company enters into a lease or hire purchase contract which entails taking substantially all the risks and rewards of ownership of an asset, the asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the contract, whichever is shorter. Future instalments under such contracts, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Notes (continued)

1 Accounting policies (continued)

Related party disclosures

As the company is wholly owned by Merck KGaA, it has taken advantage of the exemption in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the group headed by Merck KGaA. The consolidated financial statements of Merck KGaA, within which this company is included, can be obtained from the address given in note 23.

2 Turnover

Turnover represents the invoiced value of goods and services supplied by the Company, and is exclusive of VAT.

| | 2011 £000 | 2010 £000 |
|--|---------------|---------------|
| <i>Analysis of turnover by destination</i> | | |
| United Kingdom | 14,807 | 12,599 |
| Europe | 16,071 | 16,032 |
| | <u>30,878</u> | <u>28,631</u> |

3 Operating profit

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| <i>The operating profit/(loss) is stated after charging</i> | | |
| Research and development (see below) | 9,171 | 8,188 |
| Hire of plant and machinery under operating leases | 128 | 254 |
| Leasehold property rent | 165 | 162 |
| Depreciation of tangible fixed assets (note 11) | 960 | 1,026 |
| Goodwill amortisation (note 10) | 780 | 781 |
| Auditor's remuneration | | |
| - audit of these financial statements | <u>28</u> | <u>20</u> |

Substantially all the cost of research and development activity is recharged to group companies.

4 Directors and employees

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| <i>Staff costs during the year</i> | | |
| Salaries and wages | 6,225 | 5,630 |
| Social security costs | 679 | 577 |
| Other pension costs (see note 20) | 1,419 | 1,879 |
| | <u>8,323</u> | <u>8,086</u> |

Notes (continued)

5 Number of employees

The average number of persons employed during the year, including directors, was as follows

| | Average number of employees | |
|--------------------------|-----------------------------|----------------|
| | 2011 Number | 2010 Number |
| Research and development | 83 | 66 |
| Distribution | 70 | 67 |
| Administration | 10 | 11 |
| | <hr/> | <hr/> |
| | 163 | 144 |
| | <hr/> | <hr/> |

6 Remuneration of directors

| | 2011 £000 | 2010 £000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | 477 | 509 |
| Pension contributions | 43 | 45 |
| | <hr/> | <hr/> |
| | 520 | 554 |
| | <hr/> | <hr/> |

The emoluments of the highest paid director were £235,000 (2010 £297,000) of which £18,000 relates to pensions (2010 £16,000). He is a member of a defined benefit scheme. The accrued pension as at 31 December 2011 is £26,878 per annum.

| | Average number of directors | |
|---|-----------------------------|-------|
| | 2011 | 2010 |
| Retirement benefits are accruing to the following number of directors under | | |
| Defined benefit schemes | 2 | 1 |
| Defined contribution schemes | 2 | 1 |
| | <hr/> | <hr/> |

7 Other interest receivable and similar income

| | 2011 £000 | 2010 £000 |
|--------------------|--------------|--------------|
| Other | 3 | 13 |
| Net exchange gains | 75 | - |
| | <hr/> | <hr/> |
| | 78 | 13 |
| | <hr/> | <hr/> |

Notes (continued)

8 Interest payable and similar charges

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| On loans from group undertakings, repayable within five years | 396 | 288 |
| Other | 4 | 33 |
| Net exchange losses | 133 | 15 |
| | <u>533</u> | <u>336</u> |

9 Taxation

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| <i>Analysis of charge/(credit) in year</i> | | |
| <i>Current tax</i> | | |
| UK Corporation Tax on income for the year | 136 | - |
| Payment received for group relief surrendered | - | (294) |
| Adjustments in respect of previous periods | (206) | 31 |
| Total current tax | <u>(70)</u> | <u>(263)</u> |
| <i>Deferred tax (note 16)</i> | | |
| Origination/reversal of timing differences | (56) | 10 |
| Adjustment in respect of previous years | 683 | - |
| Tax charge/(credit) on ordinary activities | <u>557</u> | <u>(253)</u> |

The adjustments in respect of prior periods relates to the confirmation of final research and development claims

Factors affecting the tax charge/(credit) for the current year

The current tax credit for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit/ (loss) on ordinary activities before tax | 795 | (995) |
| Current tax at 26.5% (2010 28%) | <u>210</u> | <u>(279)</u> |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 36 | 36 |
| Additional tax deduction on expenditure | (373) | (341) |
| Disallowable goodwill amortisation | 207 | 219 |
| Net differences between depreciation and capital allowances for the year | 56 | 71 |
| Adjustments in respect of previous periods | (206) | 31 |
| Total current tax credit (see above) | <u>(70)</u> | <u>(263)</u> |

Notes (continued)

9 Taxation (continued)

Factors affecting future tax charges

The Emergency Budget on 22 June 2011 announced that the UK corporation tax rate would reduce from 28% to 24% over a period of 4 years from 2011. A reduction in UK corporation tax from 26% to 25% has been substantively enacted and will be effective from 1 April 2012. This will reduce the company's future tax charge accordingly.

10 Intangible fixed assets

| | Goodwill |
|--|-----------------|
| | £000 |
| <i>Cost</i> | |
| At 1 January 2011 and 31 December 2011 | 15,610 |
| | <hr/> |
| <i>Amortisation</i> | |
| At 1 January 2011 | 3,122 |
| Charge for the year | 780 |
| | <hr/> |
| At 31 December 2011 | 3,902 |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 2011 | 11,708 |
| | <hr/> |
| At 31 December 2010 | 12,488 |
| | <hr/> |

Notes (continued)

11 Tangible fixed assets

| | Leasehold properties £000 | Plant and machinery £000 | Payments on account and assets in the course of construction £000 | Total £000 |
|-----------------------|---------------------------------|--------------------------------|--|---------------|
| Cost | | | | |
| At 1 January 2011 | 7,587 | 7,571 | 189 | 15,347 |
| Additions | 455 | 229 | 17 | 701 |
| Transfers | - | 96 | (96) | - |
| Disposals | - | - | - | - |
| At 31 December 2011 | 8,042 | 7,896 | 110 | 16,048 |
| Depreciation | | | | |
| At 1 January 2011 | 1,685 | 5,638 | - | 7,323 |
| Charge for year | 293 | 667 | - | 960 |
| Disposals | - | - | - | - |
| At 31 December 2011 | 1,978 | 6,305 | - | 8,283 |
| Net book value | | | | |
| At 31 December 2011 | 6,064 | 1,591 | 110 | 7,765 |
| At 31 December 2010 | 5,902 | 1,933 | 189 | 8,024 |

The net book value of land and buildings is made up as follows

| | 2011 £000 | 2010 £000 |
|--|--------------|--------------|
| Short leaseholds with less than 50 years to run as of the balance sheet date | 124 | 117 |
| Long leaseholds | 5,940 | 5,785 |
| | 6,064 | 5,902 |

12 Stocks

| | 2011 £000 | 2010 £000 |
|----------------|--------------|--------------|
| Finished goods | 2,019 | 1,639 |

The directors do not consider the replacement cost of stocks to be materially different from their carrying value

Notes (continued)

13 Debtors

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| Trade debtors | 4,861 | 4,618 |
| Amounts owed by group undertakings | 2,446 | 2,459 |
| Other debtors | 92 | - |
| Prepayments and accrued income | 117 | 162 |
| | <u>7,516</u> | <u>7,239</u> |

14 Creditors: amounts falling due within one year

| | 2011 £000 | 2010 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 1,274 | 1,199 |
| Amounts owed to group undertakings | 2,360 | 2,429 |
| Taxation and social security | 332 | 195 |
| Other creditors | 10 | 100 |
| Accruals and deferred income | 785 | 700 |
| | <u>4,761</u> | <u>4,623</u> |

15 Creditors: amounts falling due after one year

| | 2011 £000 | 2010 £000 |
|------------------------------------|---------------|---------------|
| Amounts owed to group undertakings | 14,000 | 13,800 |
| Accruals and deferred income | 14 | 14 |
| | <u>14,014</u> | <u>13,814</u> |

16 Provisions for liabilities and charges

| | Deferred tax £000 |
|---|-------------------------|
| At 1 January 2011 | 1,150 |
| Deferred tax charge for the year (see note 9) | 627 |
| | <u>1,777</u> |
| At 31 December 2011 | |

The elements of deferred tax are as follows

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| Differences between depreciation and capital allowances | 1,777 | 1,150 |

Notes (continued)

17 Share capital

| | 2011 £000 | 2010 £000 |
|---|--------------|--------------|
| <i>Authorised, allotted, called up and fully paid</i> | | |
| Equity share capital | | |
| 3,250,000 ordinary shares of £1 each | 3,250 | 3,250 |
| 50,000 non-cumulative 4% preference shares of £1 each | 50 | 50 |
| | <u>3,300</u> | <u>3,300</u> |

The preference shares have no voting rights. On a winding up, the surplus assets of the company, remaining after payment of its other liabilities, will be used to repay the capital of the holders of the preference shares and ordinary shares in that order.

18 Reserves

| | Profit and loss account £000 |
|---------------------|------------------------------------|
| At 1 January 2011 | (5,944) |
| Profit for the year | 238 |
| | <u>(5,706)</u> |
| At 31 December 2011 | <u>(5,706)</u> |

19 Reconciliation of movements in equity shareholders' funds

| | Share capital £000 | Share premium account £000 | Profit and loss account £000 | Total £000 |
|-------------------------------|--------------------------|-------------------------------------|------------------------------------|---------------|
| Opening shareholders' funds | 3,300 | 14,112 | (5,944) | 11,468 |
| Profit for the financial year | - | - | 238 | 238 |
| | <u>3,300</u> | <u>14,112</u> | <u>(5,706)</u> | <u>11,706</u> |
| Closing shareholders' funds | <u>3,300</u> | <u>14,112</u> | <u>(5,706)</u> | <u>11,706</u> |

20 Pension scheme

The total pension cost for the year ended 31 December 2011 was £1,419,000 (2010 £1,879,000)

The Company is a member of a pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the schemes assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme is accounted for by the Company as if the scheme was a defined contribution scheme.

The pension cost is assessed in accordance with the advice of a professional qualified actuary using the projected unit credit method. The most significant actuarial assumptions were a 4.5% (2010 5.8%) annual rate of return on investments and a 3.6% (2010 4.3%) annual increase in pay.

Notes (continued)

20 Pension scheme (continued)

A full valuation of the Merck Pension Scheme was carried out for funding purposes as at 31 December 2010. The assets and liabilities were updated in an approximate way to 31 December 2011, and the update was based on the following key assumptions:

| | 2011 | 2010 |
|--|--------|--------|
| Inflation (RPI) | 3.1%pa | 3.3%pa |
| Salary increases | 3.6%pa | 4.3%pa |
| Pension increases (on benefits earned before 1 July 2006) | 3.3%pa | 3.5%pa |
| Pension increases (on benefits earned after 1 July 2006) | 3.1%pa | 3.3%pa |
| Discount rate | 4.7%pa | 5.3%pa |

The update revealed a market value of assets of £216.2 million and a value of liabilities of £242.8 million. The revealed deficit of £26.6 million has no direct impact on the company, but the company contributions being paid reflect the £26.6 million deficit revealed by the funding valuation as at 31 December 2010.

21 Commitments

(a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

| | 2011 £000 | 2010 £000 |
|-----------------------------------|--------------|--------------|
| Authorised but not contracted for | - | 80 |
| Contracted | 18 | 36 |

(b) Annual commitments under operating leases as follows:

| | Land and buildings | | Plant and equipment | |
|--|--------------------|--------------|---------------------|--------------|
| | 2011 £000 | 2010 £000 | 2011 £000 | 2010 £000 |
| Operating leases which expire | | | | |
| Within one year | - | - | 17 | 12 |
| In the second to fifth years inclusive | 126 | 126 | 96 | 68 |
| Over five years | 38 | 38 | 5 | - |
| | <u>164</u> | <u>164</u> | <u>118</u> | <u>80</u> |

22 Guarantees

The three participating employers of the Merck Pension Scheme, of which Merck Chemicals Ltd is one, entered into a joint and several guarantee to cover the PPF liabilities of the Scheme on 30th March 2011. No value has currently been assigned to this guarantee, and any such amount would only be calculated in the event of a call on the guarantee.

Notes *(continued)*

23 Ultimate parent undertaking

The company's ultimate parent undertaking is Merck KGaA, a company registered in Germany. This company is 73.8% owned by E. Merck, a general partnership formed pursuant to the laws of Germany, with the remaining equity being quoted on the Frankfurt stock exchange. The only group in which the results of the company are consolidated is that headed by Merck KGaA. The consolidated financial statements of this group are available to the public and may be obtained from Frankfurter Strasse 250, D-64293 Darmstadt, Germany.