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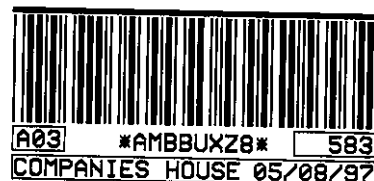
REGISTRAR

Seven Seas Limited

Report and Accounts

31 December 1996

 ERNST & YOUNG



Seven Seas Limited

Registered No. 351663

DIRECTORS

C O Dixon
A G Clements
M Douglas
R Grant
T G Hardman
T Morrison
T M Simpson

SECRETARY

R Grant

AUDITORS

Ernst & Young
PO Box 3
Lowgate House
Lowgate
Hull HU1 1JJ

BANKERS

National Westminster Bank plc
186 Brompton Road
SW3 1XJ

REGISTERED OFFICE

Hedon Road
Marfleet
Hull HU9 5NJ

DIRECTORS' REPORT

The directors present their report and accounts for the 15 months ended 31 December 1996.

OWNERSHIP AND ACCOUNTING REFERENCE DATE

On 2 May 1996 the whole of the share capital of Seven Seas Limited was acquired by Merck Limited, a wholly owned subsidiary of Merck KGaA, a company incorporated in Germany. The accounting reference date has been changed to 31 December to match that of Merck KGaA and these accounts are therefore for the fifteen months ended 31 December 1996.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The directors are satisfied with the results for the period.

It is anticipated that the company will continue to concentrate its activity, for the foreseeable future, on the manufacture and marketing of vitamin supplements and healthcare products for both human and animal consumption.

RESULTS AND DIVIDENDS

The turnover and profits of the company are set out on page 6. Dividends of £21,900,000 have been paid during the period. The deficit for the period of £12,594,000 (1995 - £10,813,000 surplus) has been deducted from reserves.

DIRECTORS

The directors of the company are those stated on page 1.

All directors served throughout the year except for Mr T G Hardman and Mr T M Simpson who were appointed on 1 October 1996. Mr R I Menzies-Gow who was a director on 1 October 1995 resigned on 2 May 1996.

DIRECTORS' INTERESTS

No director had any interests in the shares or debentures of the company or of Merck KGaA or of any subsidiary undertaking of Merck KGaA as at 1 October 1996 and 31 December 1996.

CHANGES IN SHARE CAPITAL

On 26 May 1996 the existing 50,000 £1 ordinary shares were converted to 50,000 £1 deferred shares and 100 new Bearer shares of 1 pfennig each were authorised and issued for cash at par.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

EMPLOYMENT POLICIES

Non discrimination

It is the policy of the company that employees at all levels shall not discriminate against others, or be discriminated against, on the grounds of colour, race, religion, sex or ethnic origin. This policy applies to all conditions of employment, recruitment and other aspects of work.

Disabled people

The company seeks to abide by the Department of Employment's voluntary code of practice on the employment of disabled people. This requires companies to give full and fair consideration to disabled people when applying for jobs, and in offering disabled employees training, career development and promotion opportunities. We believe that if a positive attitude to the employment of disabled people is adopted, then many of the problems commonly considered to be associated with the employment of disabled people can be overcome.

The company continues to operate well established employee consultation arrangements. We remain firmly convinced that progress is most readily achieved by basing employees' involvement on their participation at the workplace - in the office, depot or factory. Management input to existing arrangements continues to be given high priority.

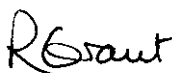
SUPPLIER PAYMENT POLICY

It is the policy of the company to pay according to the terms requested by suppliers wherever possible. Where not possible payment will usually be within 90 days of delivery, subject to any specific contracts agreed or any dispute.

AUDITORS

The auditors of the company, Ernst & Young, have indicated that they will tender their resignation at the next Annual General Meeting. A resolution to appoint KPMG as auditors for the ongoing year will be put to members at the Annual General Meeting.

By order of the board



R Grant
Secretary

27 June 1997

REPORT OF THE AUDITORS
to the members of Seven Seas Limited

We have audited the accounts on pages 6 to 16 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

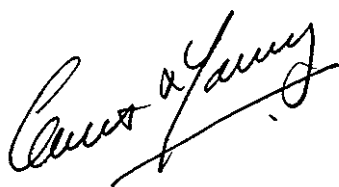
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1996 and of its profit for the 15 months then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Hull

27 June 1997

Seven Seas Limited

PROFIT AND LOSS ACCOUNT

for the 15 months ended 31 December 1996

	Notes	1996 (15 months) £000	1995 (12 months) £000
TURNOVER	2	72,307	53,737
Operating costs	3	59,818	42,859
OPERATING PROFIT		12,489	10,878
Interest receivable		144	14
Interest payable	5	(20)	-
Dividends received		1,000	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,613	10,892
Taxation charge	6	4,307	79
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		9,306	10,813
Dividends paid	7	21,900	-
(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR		(12,594)	10,813
Retained profit at 1 October 1995		16,101	5,288
Retained profit at 31 December 1996		3,507	16,101

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to ordinary shareholders of £9,306,000 in the 15 months ended 31 December 1996 (for the year ended 30 September 1995 - £10,813,000).

Seven Seas Limited

BALANCE SHEET

at 31 December 1996

	Notes	31 December 1996 £000	30 September 1995 £000
FIXED ASSETS			
Tangible assets	8	5,842	6,218
Investments	9	5,753	5,726
		<u>11,595</u>	<u>11,944</u>
CURRENT ASSETS			
Stocks	10	11,987	9,493
Debtors	11	15,342	58,487
Cash at bank and in hand		3,874	1,103
		<u>31,203</u>	<u>69,083</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	38,877	64,589
		<u>(7,674)</u>	<u>4,494</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>3,921</u>	<u>16,438</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>3,921</u>	<u>16,438</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
	13	365	287
		<u>3,556</u>	<u>16,151</u>
CAPITAL AND RESERVES			
Equity share capital	14	-	50
Profit and loss account		3,506	16,101
		<u>3,506</u>	<u>16,151</u>
Equity shareholders' funds	15	3,506	16,151
Non equity share capital	14	50	-
		<u>3,556</u>	<u>16,151</u>
EQUITY AND NON EQUITY SHAREHOLDERS' FUNDS			
	15	<u>3,556</u>	<u>16,151</u>

Approved by the Board of Directors on 27 June 1997.

C O Dixon)

R Grant)

R Grant)

Directors

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Consolidated accounts

As the company is a wholly owned undertaking of a company which is itself incorporated in the United Kingdom, consolidated financial statements have not been prepared.

Turnover

Turnover comprises the value of goods and services invoiced, excluding value added tax.

It is the opinion of the directors that the company operates in only one class of business.

Valuation of stock

Stocks have been valued at cost or at estimated net realisable value if lower. Cost includes an appropriate proportion of attributable overheads based on normal levels of activity.

Depreciation

No depreciation is provided on freehold land; all other tangible assets are depreciated on a straight line basis.

The rates used are calculated to write off the cost of each asset over its estimated total life as follows:

Freehold and leasehold buildings	2% - 4%
Plant and equipment	10% - 15%
Computers	25% - 33%
Goods vehicles	16.66% - 25%
Motor cars	25%

Deferred taxation

Provision is made on the liability method for taxation which is deferred as a result of timing differences between profits as computed for tax purposes and profits as stated in the accounts, only when it is considered that there is a reasonable certainty that the timing differences will reverse in the foreseeable future.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the year end unless forward rates of exchange have been contracted, in which case the contracted rate is used.

All transactions of a trading nature are translated into sterling at the rates of exchange ruling at the date of the transaction.

Exchange gains or losses are included in profit on ordinary activities before taxation.

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES (continued)

Investments

Investments are stated at cost, less provisions in respect of any permanent diminution in value.

2. TURNOVER

Analysis of turnover by geographical market supplied is not disclosed in these accounts because the directors consider that disclosure would be prejudicial to the business. Turnover is attributable to the principal continuing activity of the company.

3. OPERATING COSTS

	1996 (15 months) £000	1995 (12 months) £000
Increase in finished goods and work in progress	(1,431)	(712)
Raw materials and consumables	27,118	19,973
Staff costs (note 4)	7,169	6,370
Depreciation	1,252	903
Auditors' fees - audit services	30	29
- non audit services	38	7
Profit on sale of tangible fixed assets	(46)	(10)
Other operating charges	25,688	16,299
	<u>59,818</u>	<u>42,859</u>

4. DIRECTORS AND EMPLOYEES

The average number of persons (including directors where appropriate) employed by the company was:

	1996 (15 months)	1995 (12 months)
Production	236	224
Sales and marketing	100	96
Distribution	26	25
Administration	38	37
	<u>400</u>	<u>382</u>

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

4. DIRECTORS AND EMPLOYEES (continued)

The costs incurred in respect of employees were:

	1996 (15 months) £000	1995 (12 months) £000
Wages and salaries	6,357	5,761
Social security costs	776	548
Other pension costs	36	61
	<u>7,169</u>	<u>6,370</u>

Directors' emoluments

	1996 (15 months) £000	1995 (12 months) £000
Directors' emoluments, including pension contributions, amounted to:	694	344
Chairman	-	-
Highest paid director	<u>204</u>	<u>94</u>

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1996 (15 months) No.	1995 (12 months) No.
£0 - £5,000	1	3
£15,001 - £20,000	2	-
£50,001 - £55,000	-	2
£60,001 - £65,000	-	1
£70,001 - £75,000	-	1
£90,001 - £95,000	-	1
£95,001 - £100,000	1	-
£100,001 - £105,000	1	-
£110,001 - £115,000	1	-
£135,001 - £140,000	1	-
£180,001 - £185,000	1	-

5. INTEREST PAYABLE

	1996 (15 months) £000	1995 (12 months) £000
Other interest to group undertakings	<u>20</u>	<u>-</u>

Seven Seas Limited

NOTES TO THE ACCOUNTS at 31 December 1996

6. TAXATION CHARGE

	<i>1996</i> <i>(15 months)</i> £000	<i>1995</i> <i>(12 months)</i> £000
Corporation tax at 33% (1995 - 33%)	4,182	3,588
Group relief not charged	-	(3,588)
Overseas tax	76	7
Double tax relief	(66)	-
Prior year adjustment	35	-
	<u>4,227</u>	<u>7</u>
Deferred tax (note 13)	80	72
	<u>4,307</u>	<u>79</u>

7. DIVIDENDS PAID

	<i>1996</i> <i>(15 months)</i> £000	<i>1995</i> <i>(12 months)</i> £000
Interim paid - £390 per ordinary share	19,500	-
Interim paid - £18 per ordinary share	900	-
Final paid £15,000 per bearer share	1,500	-
	<u>21,900</u>	<u>-</u>

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

8. TANGIBLE FIXED ASSETS

	<i>Land and buildings</i>		<i>Plant and</i>	<i>Fixtures,</i>	
	<i>Short</i>	<i>Freehold</i>	<i>machinery</i>	<i>fittings,</i>	
	<i>leasehold</i>			<i>tools and</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>equipment</i>	<i>£000</i>
Cost:					
At 30 September 1995	157	2,430	7,483	2,554	12,624
Additions	215	50	186	480	931
Disposals	-	-	-	(247)	(247)
Transfer from subsidiary	-	-	-	5	5
At 31 December 1996	372	2,480	7,669	2,792	13,313
Depreciation:					
At 30 September 1995	32	421	4,755	1,198	6,406
Charge for the period	3	100	487	662	1,252
Disposals	-	-	-	(192)	(192)
Transfer from subsidiary	-	-	-	5	5
At 31 December 1996	35	521	5,242	1,673	7,471
Net book amounts:					
At 31 December 1996	337	1,959	2,427	1,119	5,842
At 30 September 1995	125	2,009	2,728	1,356	6,218

Included in the cost of freehold land and buildings is £259,000 in respect of land, which is not depreciated (1995 - £209,000).

9. INVESTMENTS

	<i>£000</i>
Shares in subsidiary undertakings at cost:	
At 30 September 1995	5,726
Additions	27
At 31 December 1996	5,753

The company owns the whole of the share capital of the following:

British Cod Liver Oils Limited
Hofels Pure Foods Limited
Marfleet Refining Company Limited
New Era Laboratories Limited
Phillips Yeast Products Limited
Seven Seas (Ireland) Limited
Seven Seas Health Care Limited
Seven Seas Pension Trustees Limited
Vitrite Health Care Limited

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

9. INVESTMENTS (continued)

With the exception of Phillips Yeast Products Limited, these companies and their subsidiary undertakings did not trade during the period. All the companies are registered in England and Wales except Seven Seas (Ireland) Limited, which is incorporated in the Republic of Ireland.

During the period the company acquired the whole of the share capital of Hofels Pure Foods Limited, a company registered in England and Wales, from Lindustries Limited, a subsidiary of Hanson PLC. Hofels Pure Foods Limited did not trade during the year.

The whole of the share capital of Seven Seas Pension Trustees Limited, a newly formed company, was acquired on 11 October 1996.

10. STOCKS

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Raw materials	2,997	1,934
Work in progress	2,820	3,433
Finished goods	6,170	4,126
	<u>11,987</u>	<u>9,493</u>

There is no significant difference between the balance sheet value of stock and its replacement cost.

11. DEBTORS

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Trade debtors	11,683	11,747
Amounts owed by group companies	5	46,591
Other debtors	1,073	70
Prepayments and accrued income	81	79
Loan to Seven Seas Pension Scheme	2,500	-
	<u>15,342</u>	<u>58,487</u>

The loan to the Seven Seas Pension Scheme was repaid on 27 March 1997.

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

12. CREDITORS: amounts falling due within one year

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Trade creditors	9,355	9,669
Amounts owed to ultimate holding company	82	-
Amounts owed to fellow group undertakings	25,595	52,811
Corporation tax	2,628	7
Other taxation and social security	414	1,058
Accruals and deferred income	803	1,044
	<u>38,877</u>	<u>64,589</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Rationalisation of business	25	27
Deferred taxation	340	260
	<u>365</u>	<u>287</u>

The movements in provisions during the year are detailed below:

	<i>Rationalisation £000</i>	<i>Deferred tax £000</i>
Provision at 1 October 1995	27	260
Utilised	(2)	-
Charged in the year	-	80
Provision at 31 December 1996	<u>25</u>	<u>340</u>

Deferred taxation is in respect of timing differences arising from:

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Excess of capital allowances over depreciation	450	385
Short term timing differences	(110)	(125)
	<u>340</u>	<u>260</u>

There are no further potential liabilities.

Seven Seas Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

14. CALLED UP SHARE CAPITAL

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Authorised, allotted, called up and fully paid		
50,000 ordinary shares of £1 each	-	50
50,000 deferred shares of £1 each	50	-
100 Bearer shares of 1 pfennig each	-	-

On 26 April 1996 the 50,000 Ordinary shares of £1 each were converted to 50,000 Deferred shares of £1 each. 100 Bearer shares of 1 pfennig each were issued for cash at par on the same date.

The 50,000 deferred shares of £1 each do not carry any voting rights. Holders of the deferred shares are not entitled to any participation in the profits or assets of the company save upon winding up when they rank behind all other classes of shares.

The 100 bearer shares carry all the rights attaching to ordinary equity shares for both voting and participation in the profits and assets of the company.

15. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Profit for the period	9,305	10,813
Dividends paid	(21,900)	-
	(12,595)	10,813
Shares converted into non-equity shares	(50)	-
Opening equity shareholders' funds	16,151	5,338
Closing equity shareholders' funds	3,506	16,151
Non equity shareholders' funds	50	-
Equity and non equity shareholders' funds	3,556	16,151

16. CAPITAL COMMITMENTS

	<i>31 December 1996 £000</i>	<i>30 September 1995 £000</i>
Expenditure contracted for	266	190

NOTES TO THE ACCOUNTS

at 31 December 1996

17. PENSION OBLIGATIONS

Prior to the purchase of the Company by Merck Limited, the Company participated in the IT Pension Fund, which is a defined benefit scheme, the assets of which are held in trustee administered funds.

With effect from 1 November 1996 the Company established the Seven Seas Pension Scheme which mirrored the IT scheme in terms of contributions and benefits. The scheme is a closed scheme with membership restricted to former members of the IT Pension Fund only. Actuarial calculations with regard to the transfer of funds from the IT Pension Fund to the Seven Seas Pension Scheme in respect of the accrued benefits of transferring members were finalised during March 1997. On 27 March 1997 a transfer of funds was made by the IT Pension Fund to the Seven Seas Pension Scheme in respect of the benefits accrued by its members. The Seven Seas Pension Scheme is a defined benefit scheme, the assets of which are held in trustee administered funds. A full actuarial valuation of the fund will also be undertaken during 1997.

The company also participates in the Merck Pension Scheme for employees who are not eligible for membership of the Seven Seas Pension Scheme. The Merck Pension Scheme is a defined benefit scheme, the assets of which are held in trustee administered funds.

There are no pension costs to disclose in respect of both the IT Pension Fund and the Seven Seas Pension Scheme for the fifteen months ended 31 December 1996. However, the cost of membership of the Merck Pension Scheme during this period amounted to £10,000 (1995 - Nil).

There are no outstanding prepaid contributions at the Balance Sheet Date.

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Merck KGaA group or with related parties that were part of the Hanson PLC group.

19. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Merck Limited, a company registered in England and Wales. The results of Seven Seas Limited are incorporated in the group accounts published by Merck Limited.

The ultimate parent undertaking is Merck KGaA, a company incorporated in Germany. The accounts of Merck KGaA are available from Frankfurter Strasse 250, D - 64293 Darmstadt, Germany.

Prior to 2 May 1996 the ultimate parent company undertaking was Hanson PLC.