

Seven Seas Limited

**Directors' report and financial
statements**

Registered number 351663

31 December 2006

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Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	4
Independent auditors' report to the members of Seven Seas Limited	5
Profit and loss account	7
Balance sheet	8
Reconciliation of movements in shareholders' funds	9
Statement of total recognised gains and losses	9
Notes	10

Company information

Directors

P Andrews	Resigned 31 July 2007
RH Correll	
M Douglas	Resigned 1 st February 2008
TG Hardman	Resigned 27 February 2007
F Michel	Resigned 11 January 2007
A Shaw	
TM Simpson	Resigned 16 th January 2008
C Chambers	
T Perman	Appointed 2 July 2007
C Zanetti	Appointed 11 January 2007 and Resigned 2 nd July 2007
PW Robinson	Appointed 21 st January 2008

Secretary

N G Fraser

Auditors

KPMG LLP
1 The Embankment
Neville Street
LEEDS
LS1 4DW

Bankers

National Westminster Bank plc
186 Brompton Road
SW3 1XJ

Barclays Bank plc
Howard Centre
Welwyn Garden City
AL8 6ER

Registered office

Hedon Road
Marfleet
Hull
HU9 5NJ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activities and Business review

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

Performance and Development

Sales in 2006 fell by 3.6% compared with the previous year – due largely to impact of a withdrawal of branded product from the market in March 2006. The product withdrawal had a negative impact on both sales and market share in key markets segments – as well as resulting in significant additional cost in 2006. The company is taking action to recover market share in the effected segments

The development of own-label product in competition in key value added segments is continuing to have an impact on margins. Product development activity is being maintained in order to counter this threat

Key Performance Indicators

Turnover, operating profit and operating profit margin (defined as operating profit as a percentage of turnover) are the key measures of financial performance in the company, and are as follows

	2006 £000	2005 £000
Turnover	67,412	69,893
Operating profit	7,524	10,349
Operating profit margin	11.1%	14.8%

In addition to these financial indicators the company monitors other key performance indicators that include staff statistics, health and safety and customer care

The operating results of the company were adversely impacted in 2006 by a withdrawal of product from the marketplace. All associated direct costs have been recognised in 2006, however there remains uncertainty over the outcome of a significant claim for both direct and consequential losses against the supplier of the raw material which led to the withdrawal

Results and dividends

The profit for the year after tax amounted to £3,911,000 (2005: £6,452,000). A dividend of £3,000,000 was been paid during the year (2005: £3,500,000)

Directors and directors' interests

The directors of the company are those stated on page 2

In accordance with the articles of association, the directors are not required to retire by rotation and offer themselves for re-election

The disclosable interests of the directors in the share capital of the ultimate parent undertaking Merck KGaA, according to the register kept by the company for the purposes of the Companies Act 1985 are shown below

Ordinary shares	31 December 2006 Number	1 January 2006 Number
M Douglas	18	18

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year

Directors' report *(continued)*

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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 giving 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 agreed with suppliers wherever possible. Where not possible payment will usually be within 90 days of delivery, subject to any specific contracts agreed or any dispute.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so 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 the 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

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



N G Fraser
Secretary

25 February 2008

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)

The financial statements are required by law to 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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



1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of Seven Seas Limited

We have audited the financial statements of Seven Seas Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses the Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Independent auditors' report to the members of Seven Seas Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

26 FEBRUARY 2008

Profit and loss account
for the year ended 31 December 2006

	<i>Note</i>	2006 £000	2005 £000
Turnover	2	67,412	69 893
Operating costs	3	(59,888)	(59,544)
Operating profit		<u>7,524</u>	<u>10,349</u>
Interest receivable	6	503	407
Interest payable	5	(1,927)	(1,678)
Profit on ordinary activities before taxation		<u>6,100</u>	<u>9,078</u>
Tax on profit on ordinary activities	7	(2,189)	(2 626)
Retained profit for the year		<u><u>3,911</u></u>	<u><u>6,452</u></u>

The above operations all relate to continuing activities

The reported profit on ordinary activities before taxation in both the current and the previous financial year was the historical cost profit

Balance sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Fixed assets			
Intangible assets	8	23,925	26 825
Tangible assets	9	6,913	7,046
Investments	10	3,659	3,659
		<u>34,497</u>	<u>37,530</u>
Current assets			
Stocks	11	13,711	13 854
Debtors	12	16,846	15,073
Cash at bank and in hand		7,500	9,128
		<u>38,057</u>	<u>38,055</u>
Creditors: amounts falling due within one year	13	<u>(50,118)</u>	<u>(51,799)</u>
Net current (liabilities)		<u>(12,061)</u>	<u>(13,744)</u>
Total assets less current liabilities and net assets excluding pension liability		<u>22,436</u>	<u>23 786</u>
Net pension liability		<u>(4,987)</u>	<u>(4 960)</u>
Net assets		<u>17,449</u>	<u>18 826</u>
Capital and reserves			
Share capital	15	50	50
Profit and loss account	16	17,399	18 776
Shareholders' funds		<u>17,449</u>	<u>18 826</u>

These financial statements were approved by the board of directors on 25 February 2008 and were signed on its behalf by



Chris Chambers
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2006

	2006 £000	2005 £000
Profit for the financial year	3,911	6,452
Actuarial loss recognised in pension scheme	(2,288)	(170)
Dividend paid	(3,000)	(3,500)
Net increase/(decrease) to shareholder's funds	(1,377)	2 782
Opening shareholders' funds	18,826	16,044
Closing shareholder's funds	17,449	18,826

Statement of total recognised gains and losses
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Profit for the financial year		3,911	6,452
Actuarial loss recognised in pension scheme	16	(2,288)	(170)
Dividend paid	16	(3,000)	(3 500)
Total recognised gains and losses for the year		(1,377)	2,782
Prior year adjustment	16		(1,788)
Total recognised gains since last annual report			994

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 company's financial statements

Basis of accounting

The accounts of the company are prepared under the historical cost convention and in accordance with applicable Accounting Standards

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 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.

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, the cost less residual value of all other tangible assets is depreciated on a straight-line basis as follows:

Freehold and leasehold buildings	-	2% - 4%
Fixtures, fittings, tools and equipment	-	16.66% - 33%
Plant and machinery	-	10%-15%

Deferred taxation

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)

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

Pension costs

The company operates defined benefit pension schemes Pension costs are accounted for in accordance with FRS17

The company operates two defined benefit pension schemes, the Merck Pension Scheme and the Seven Seas Pension Scheme Both schemes are accounted for in accordance with FRS 17 The Merck Scheme is a multi-employer scheme, and in this case the contributions are accounted for as if the scheme was a defined contribution scheme Full details are disclosed in note 19 to these accounts

The Seven Seas Scheme assets and liabilities have been measured at their fair value at the balance sheet date The full details of the valuation and the assumptions made to obtain that valuation are in note 19 to these accounts

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods which benefit from the employees' services

The disclosures in accordance with FRS 17 have been given in note 19

Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred

Investments

Investments are stated at cost, less provisions in respect of any impairment

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

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

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

Notes (continued)

3 Operating costs

	2006 £000	2005 £000
Decrease in finished goods and work in progress	143	853
Raw materials and consumables	24,895	23,757
Staff costs (note 4)	13,968	12,874
Depreciation	1,133	1,198
Auditors' fees		
- audit services	27	27
- non audit services	31	52
Profit on sale of tangible fixed assets	(24)	(42)
Other operating charges	19,715	20,828
	<u>59,888</u>	<u>59,547</u>

4 Directors and employees

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

	2006	2005
Production	186	195
Sales and marketing	75	74
Distribution	34	39
Administration	97	84
	<u>392</u>	<u>392</u>

The aggregate payroll costs of these persons were as follows

	2006 £000	2005 £000
Wages and salaries	10,367	10,139
Social security costs	727	772
Other pension costs	2,874	1,963
	<u>13,968</u>	<u>12,874</u>
	<u>2006 £000</u>	<u>2005 £000</u>
Directors' emoluments	1,420	1,160
Company contributions to money purchase pension schemes	-	81
	<u>1,420</u>	<u>1,241</u>

Notes (continued)

4 Directors and employees (continued)

The aggregate of emoluments of the highest paid director was £183,107 (2005 £235,347), inclusive of company pension contributions of £32,962 (2005 £27,787). The highest paid director was a member of a defined benefit scheme under which the accrued pension to which he would be entitled from normal retirement date, if he were to retire at the year end, was £38,000 and his accrued lump sum was £260,000.

	Number of Directors	
	2006	2005
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	3	3
Defined benefit schemes	10	9
The number of directors who exercised share options was	-	4

5 Interest payable

	2006 £000	2005 £000
Interest payable on group finance	1,927	1,671
Other interest payable	-	7
	1,927	1,678

6 Interest receivable

	2006 £000	2005 £000
Interest on pension assets and liabilities	349	190
Other interest income	154	217
	503	407

7 Taxation

	2006 £000	2005 £000
<i>Analysis of charge in year</i>		
<i>UK Corporation tax</i>		
Tax on profit for the year	1,925	2,877
Adjustment in respect of previous years	580	(216)
Total current tax	2,505	2,661
Deferred tax		
Origination & reversal of timing differences (note 14)	(316)	(35)
Tax on profit on ordinary activities	2,189	2,626

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting tax charge for year

The current tax for the year is lower than the standard rate of corporation tax as explained below

	2006	2005
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	6,100	9,078
Tax at 30% on ordinary activities (2005 30%)	1,830	2,723
<i>Effects of</i>		
Expenses not deductible for tax purposes	34	11
Capital allowances in excess of depreciation	35	(52)
Other short term timing differences	9	219
Other timing differences	17	(24)
	1,925	2,877
Adjustments in respect of previous year	580	(216)
Current tax charge (see above)	2,505	2,661

Notes (continued)

8 Intangible assets

	Intellectual Property £000
Cost	
At beginning of year	29,000
Additions	-
Disposals	-
At 31 December 2006	29,000
Amortisation	
At beginning of year	2,175
Charge for the year	2,900
Disposals	-
At 31 December 2006	5,075
Net book value	
At 31 December 2006	23,925
At 31 December 2005	26,825

9 Tangible fixed assets

	Short leasehold £000	Land and buildings Freehold £000	Plant and machinery £000	Fixtures, fittings tools and equipment £000	Total £000
Cost					
At beginning of year	413	2 888	14,815	3,841	21 957
Additions	-	103	501	419	1,023
Transfers	-	-	(81)	17	(64)
Disposals	-	(85)	(24)	(221)	(330)
At 31 December 2006	413	2,906	15,211	4,056	22 586
Depreciation					
At beginning of year	157	1,309	10 393	3 052	14 911
Charge for the year	13	96	777	249	1 135
Transfers	-	-	(60)	(4)	(64)
Disposals	-	(85)	(5)	(219)	(309)
At 31 December 2006	170	1,320	11,105	3,078	15 673
Net book value					
At 31 December 2006	243	1,586	4,106	978	6,913
At 31 December 2005	256	1,579	4,422	789	7,046

Notes (continued)

10 Investments

	2006 £000	2005 £000
Shares in subsidiary undertakings		
Cost and carrying value at beginning and end of year	3,659	3,659

The company owns the whole of the ordinary 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

With the exception of Phillips Yeast Products Limited, whose principal activity is the manufacture and marketing of healthcare products for animal consumption, these companies and their subsidiary undertakings did not trade during the year. All the companies are registered in England and Wales except Seven Seas (Ireland) Limited, which is incorporated in the Republic of Ireland.

The directors have assessed the carrying value of investments and consider the value appropriate.

11 Stocks

	2006 £000	2005 £000
Raw materials	2,854	4,080
Work in progress	5,265	4,786
Finished goods	5,592	4,988
	<u>13,711</u>	<u>13,854</u>

12 Debtors

	2006 £000	2005 £000
Trade debtors	15,047	13,385
Amounts owed by group companies	197	71
Other debtors	208	524
Prepayments and accrued income	214	229
Deferred taxation asset (see note 14)	1,180	864
	<u>16,846</u>	<u>15,073</u>

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	7,211	8 268
Amounts owed to fellow group undertakings	34,252	39,461
Corporation tax	4,305	2,325
Other taxation and social security	1,944	1,590
Accruals and deferred income	2,406	155
	<u>50,118</u>	<u>51,799</u>

14 Deferred taxation

	2006 £000	2005 £000
Deferred taxation asset	<u>1,180</u>	<u>864</u>

The movements in provisions during the year are detailed below

	Deferred tax £000
Asset at beginning of year	864
Debit in the year	316
Asset at 31 December 2006	<u>1,180</u>

Deferred taxation is in respect of timing differences arising from

	2006 £000	2005 £000
Excess of capital allowances over depreciation	(594)	(559)
Short term timing differences	278	(65)
On pension deficit	1,496	1 488
	<u>1,180</u>	<u>864</u>

Notes (continued)

15 Called up share capital

	2006 £000	2005 £000
<i>Authorised, allotted, called up and fully paid</i>		
50,000 deferred shares of £1 each	50	50
100 bearer shares of 1 pence each	-	-
	<u>50</u>	<u>50</u>

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.

16 Reserves

	Profit and loss account	
	2006 £000	2005 £000
Profit for the year	3,911	6,452
Dividends paid	(3,000)	(3,500)
Actuarial loss recognised in pension scheme	(2,288)	(170)
	<u>(1,377)</u>	<u>2,782</u>
Increase during the year	18,776	15,994
As at 1 January	<u>17,399</u>	<u>18,776</u>
As at 31 December	<u>17,399</u>	<u>18,776</u>

Dividends paid represent £30,000 (2005 £35,000) per share

17 Capital commitments

	2006 £000	2005 £000
Expenditure contracted for	173	130
	<u>173</u>	<u>130</u>

18 Contingent liabilities

The company has given an unconditional unsecured guarantee to National Westminster Bank plc in favour of two fellow subsidiaries companies, Merck Limited and Lipha Pharmaceuticals Limited. There were liabilities to the bank of £nil (Merck Limited) and £nil (Lipha Pharmaceuticals Limited) at 31 December 2006.

Notes (continued)

19 Pension scheme

The company operates two pension schemes providing benefits based on final pensionable pay to employees of Merck Group Companies. The assets of the scheme are held separately from those of the company in an independently administered fund.

The Company is unable to identify its share of the Merck Scheme's assets and liabilities on a consistent and reasonable basis, consequently, as permitted by FRS17 "Retirement Benefits" the Scheme has been accounted for by the Company as if it was a defined contribution scheme.

The Seven Seas scheme is accounted in accordance with FRS 17. A marginal element relates to employees of fellow group companies although this marginal cost is within the accounting records of Seven Seas Limited as the company is unable to identify this share.

Merck pension scheme

Total pension costs for the year relating to the Merck scheme were £1,903,000 (2005 £838,000). There were no outstanding contributions at 31 December 2006 or 31 December 2005.

A full valuation of the Merck Pension Scheme was carried out for funding purposes as at 31 December 2004. It was updated in an approximate way to 31 December 2006 and the update was based on the following key assumptions:

Inflation	3.1%pa
Salary increases	4.1%pa
Pension increases	3.4%pa (on benefits earned before 1 July 2006)
Pension increases	3.1%pa (on benefits earned after 1 July 2006)
Discount rate	4.9%pa

The update revealed a market value of assets of £120.1 million and a value of liabilities of £150.4 million. The revealed deficit of £30.3 million has no direct impact on the Company, but the Company contributions being paid reflect the £30.7 million deficit revealed by the funding valuation as at 31 December 2004.

Seven Seas Scheme

The Seven Seas scheme is a closed scheme. The last full actuarial valuation of the Seven Seas scheme was as at 31 March 2003. An actuarial report has been obtained to roll forward the valuation to 31 December 2006 in accordance with FRS 17, as detailed below.

The major assumptions used in this valuation were:

	2006	2005	2004
Rate of increase in salaries	4.1%	3.9%	3.9%
Rate of increase in pensions in payment	3.1%	2.9%	3.0%
Discount rate applied to scheme liabilities	4.9%	4.8%	5.3%
Inflation assumption	3.1%	2.9%	2.9%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes (continued)

19 Pension scheme (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were

	Value at 2006 £m	Value at 2005 £m	Value at 2004 £m
Property	0.6	0.4	0.5
Equities	23.2	21.2	15.2
Bonds	2.4	2.0	1.0
Other – Cash	0.8	1.5	3.8
	27.0	25.1	20.5
Present value of scheme liabilities	(33.3)	(30.1)	(25.4)
Deficit in the scheme and net pension liability	(6.3)	(5.0)	(4.9)
Deferred tax	1.9	1.5	1.5
	(4.4)	(3.5)	(3.4)
	Long term rate of return 2006	Long term rate of return 2005	Long term rate of return 2004
Property	5.5%	5.0%	5.3%
Equities	8.3%	8.0%	8.5%
Bonds	4.3%	4.0%	4.5%
Other – Cash	4.8%	4.5%	4.8%

Movement in deficit during the year

	2006 £m	2005 £m
Deficit in scheme at beginning of year	(5.0)	(4.9)
Current service cost	(1.1)	(1.1)
Contributions paid	1.2	1.0
Other finance cost	0.4	(0.1)
Actuarial (loss)/gain	(1.8)	0.2
Past service cost	-	(0.1)
Deficit in the scheme at end of year	(6.3)	(5.0)

Notes (continued)

19 Pension scheme (continued)

Analysis of pension costs charged in arriving at operating profit

	2006 £m	2005 £m
Current service cost	(1.1)	(1.1)
Past service cost	-	(0.1)
	<u>(1.1)</u>	<u>(1.2)</u>

Analysis of amounts included in other finance costs

	2006 £m	2005 £m
Expected return on pension scheme assets	1.9	1.6
Interest on pension scheme liabilities	(1.5)	(1.5)
	<u>0.4</u>	<u>0.1</u>

Analysis of accounts recognised in statement of total recognised gains and losses

	2006 £m	2005 £m	2004 £m
Actual return less expected return on assets	(0.2)	2.6	0.8
Percentage of year end scheme assets	(1%)	10%	4%
Experience gains and losses on liabilities	(0.1)	-	-
Percentage of year end scheme liabilities	-	-	-
Changes in assumptions	(1.5)	(0.2)	(0.9)
Percentage of year end scheme liabilities	(4%)	(1%)	(4%)
	<u>(1.8)</u>	<u>2.4</u>	<u>(0.1)</u>

20 Related party disclosures

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

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

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

The immediate parent undertaking is Merck Consumer Healthcare Limited, a company registered in England and Wales