

**Seven Seas Limited**

**Directors' report and financial  
statements**

**Registered number 351663  
31 December 2007**

FRIDAY



\*APG2K4FK\*

A52

31/10/2008

490

COMPANIES HOUSE

## 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**

RH Correll  
A Shaw  
C Chambers  
T Perman  
PW Robinson (appointed 21 January 2008)  
CM Dymond (appointed 25 February 2008)  
J Binnington (appointed 3 March 2008)  
C Wright (appointed 10 March 2008)  
M Douglas (resigned 1 February 2008)  
TM Simpson (resigned 6 January 2008)

### **Secretary**

N G Fraser

### **Auditors**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### **Bankers**

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 2007

### 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 human consumption

### Performance and Development

Sales in 2007 fell by 7.0% 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 continuing additional cost in 2007. 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:

|                                                | 2007<br>£000 | 2006<br>£000 |
|------------------------------------------------|--------------|--------------|
| Turnover                                       | 62,695       | 67,412       |
| Operating profit (excluding exceptional items) | 5,487        | 7,524        |
| Operating profit margin                        | 8.8%         | 11.1%        |

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 continued to be adversely impacted in 2007 by a withdrawal of product from the marketplace in 2006. All associated direct costs have been recognised and a claim against a third party supplier was settled in April 2008.

### Results and dividends

The profit for the year after tax amounted to £6,353,000 (2006: £3,911,000). A dividend of £2,300,000 was paid during the year (2006: £3,000,000).

### Directors and directors' interests

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

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<br>2007<br>Number | 1 January<br>2006<br>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

29<sup>th</sup> October

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 2007 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 2007 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

31st October 2008

**Profit and loss account**  
*for the year ended 31 December 2007*

|                                                      | <i>Note</i> | <b>2007<br/>£000</b> | <b>2006<br/>£000</b> |
|------------------------------------------------------|-------------|----------------------|----------------------|
| <b>Turnover</b>                                      | <i>2</i>    | <b>62,695</b>        | <b>67,412</b>        |
| Operating costs prior to exceptional pension credit  |             | (57,209)             | (59,888)             |
| Exceptional pension credit                           | <i>18</i>   | 6,396                |                      |
| Operating costs                                      | <i>3</i>    | (50,813)             | (59,888)             |
| <b>Operating profit</b>                              |             | <b>11,882</b>        | <b>7,524</b>         |
| Interest receivable                                  | <i>6</i>    | 486                  | 503                  |
| Interest payable                                     | <i>5</i>    | (2,312)              | (1,927)              |
| <b>Profit on ordinary activities before taxation</b> |             | <b>10,056</b>        | <b>6,100</b>         |
| Tax on profit on ordinary activities                 | <i>7</i>    | (3,703)              | (2,189)              |
| <b>Retained profit for the year</b>                  |             | <b>6,353</b>         | <b>3,911</b>         |

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 2007*

|                                                                                                        | <i>Note</i> | 2007<br>£000    | 2006<br>£000    |
|--------------------------------------------------------------------------------------------------------|-------------|-----------------|-----------------|
| <b>Fixed assets</b>                                                                                    |             |                 |                 |
| Intangible assets                                                                                      | 8           | 21,025          | 23,925          |
| Tangible assets                                                                                        | 9           | 6,961           | 6,913           |
| Investments                                                                                            | 10          | 3,659           | 3,659           |
|                                                                                                        |             | <u>31,645</u>   | <u>34,497</u>   |
| <b>Current assets</b>                                                                                  |             |                 |                 |
| Stocks                                                                                                 | 11          | 13,881          | 13,711          |
| Debtors                                                                                                | 12          | 14,681          | 16,846          |
| Cash at bank and in hand                                                                               |             | 5,268           | 7,500           |
|                                                                                                        |             | <u>33,830</u>   | <u>38,057</u>   |
| <b>Creditors: amounts falling due within one year</b>                                                  | 13          | <u>(45,443)</u> | <u>(50,118)</u> |
| <b>Net current (liabilities)</b>                                                                       |             | <u>(11,613)</u> | <u>(12,061)</u> |
| <b>Total assets less current liabilities and net assets excluding provisions and pension liability</b> |             | <u>20,032</u>   | <u>22,436</u>   |
| Provisions                                                                                             | 14          | (542)           | 1,180           |
| Net pension liability                                                                                  | 18          | -               | (4,987)         |
|                                                                                                        |             | <u>19,490</u>   | <u>17,449</u>   |
| <b>Net assets</b>                                                                                      |             | <u>19,490</u>   | <u>17,449</u>   |
| <b>Capital and reserves</b>                                                                            |             |                 |                 |
| Share capital                                                                                          | 15          | 50              | 50              |
| Profit and loss account                                                                                | 16          | 19,440          | 17,399          |
|                                                                                                        |             | <u>19,490</u>   | <u>17,449</u>   |
| <b>Shareholders' funds</b>                                                                             |             | <u>19,490</u>   | <u>17,449</u>   |

These financial statements were approved by the board of directors on 29/10 2008 and were signed on its behalf by



**Chris Chambers**  
*Director*

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2007*

|                                                       | 2007<br>£000  | 2006<br>£000   |
|-------------------------------------------------------|---------------|----------------|
| <b>Profit for the financial year</b>                  | <b>6,353</b>  | <b>3,911</b>   |
| Actuarial loss recognised in pension scheme           | (2,012)       | (2,288)        |
| Dividend paid                                         | (2,300)       | (3,000)        |
|                                                       | <hr/>         | <hr/>          |
| <b>Net increase/(decrease) to shareholder's funds</b> | <b>2,041</b>  | <b>(1,377)</b> |
| Opening shareholders' funds                           | 17,449        | 18,826         |
|                                                       | <hr/>         | <hr/>          |
| <b>Closing shareholder's funds</b>                    | <b>19,490</b> | <b>17,449</b>  |
|                                                       | <hr/>         | <hr/>          |

**Statement of total recognised gains and losses**  
*for the year ended 31 December 2007*

|                                                       | Note | 2007<br>£000 | 2006<br>£000 |
|-------------------------------------------------------|------|--------------|--------------|
| <b>Profit for the financial year</b>                  |      | <b>6,353</b> | <b>3,911</b> |
| Actuarial loss recognised in pension scheme           | 18   | (2,012)      | (2,288)      |
|                                                       |      | <hr/>        | <hr/>        |
| <b>Total recognised gains and losses for the year</b> |      | <b>4,341</b> | <b>1,623</b> |
|                                                       |      | <hr/>        | <hr/>        |

## 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.

#### *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.

## **Notes (continued)**

### ***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 18 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 assets and benefit obligations in respect of this scheme were transferred to the Merck Pension Scheme on 20 November 2007 and this has been reflected in the valuation recorded in accordance with FRS 17.

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 18.

### ***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

|                                                              | <i>Note</i> | 2007<br>£000  | 2006<br>£000  |
|--------------------------------------------------------------|-------------|---------------|---------------|
| (Increase) / decrease in finished goods and work in progress |             | (170)         | 143           |
| Raw materials and consumables                                |             | 22,989        | 24,895        |
| Staff costs (note 4)                                         |             | 15,186        | 13,968        |
| Depreciation                                                 |             | 1,105         | 1,133         |
| Auditors' fees – audit services                              |             | 35            | 27            |
| Loss / (profit) on sale of tangible fixed assets             |             | 2             | (24)          |
| Transfer of pension scheme assets and liabilities            | 18          | (6,396)       | -             |
| Other operating charges                                      |             | 18,062        | 19,746        |
|                                                              |             | <u>50,813</u> | <u>59,888</u> |

### 4 Directors and employees

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

|                     | 2007       | 2006       |
|---------------------|------------|------------|
| Production          | 176        | 186        |
| Sales and marketing | 72         | 75         |
| Distribution        | 32         | 34         |
| Administration      | 98         | 97         |
|                     | <u>378</u> | <u>392</u> |

The aggregate payroll costs of these persons were as follows

|                                                         | 2007<br>£000  | 2006<br>£000  |
|---------------------------------------------------------|---------------|---------------|
| Wages and salaries                                      | 9,642         | 10,367        |
| Social security costs                                   | 705           | 727           |
| Other pension costs                                     | 4,839         | 2,874         |
|                                                         | <u>15,186</u> | <u>13,968</u> |
|                                                         | 2007<br>£000  | 2006<br>£000  |
| Directors' emoluments                                   | 1,207         | 1,420         |
| Company contributions to money purchase pension schemes | 6             | -             |
|                                                         | <u>1,213</u>  | <u>1,420</u>  |

**Notes (continued)**

**4 Directors and employees (continued)**

The aggregate of emoluments of the highest paid director was £237,828 (2006 £183,107), inclusive of company pension contributions of £4,344 (2006 £32,962). 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 £5,000 and his accrued lump sum was £34,500.

|                                                                             | <b>Number of Directors</b> |             |
|-----------------------------------------------------------------------------|----------------------------|-------------|
|                                                                             | <b>2007</b>                | <b>2006</b> |
| Retirement benefits are accruing to the following number of directors under |                            |             |
| Money purchase schemes                                                      | 1                          | 3           |
| Defined benefit schemes                                                     | 8                          | 10          |
|                                                                             | <hr/>                      | <hr/>       |
| The number of directors who exercised share options was                     | -                          | -           |
|                                                                             | <hr/>                      | <hr/>       |

**5 Interest payable**

|                                   | <b>2007</b>  | <b>2006</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£000</b>  | <b>£000</b>  |
| Interest payable on group finance | 2,230        | 1,927        |
| Other interest payable            | 82           | -            |
|                                   | <hr/>        | <hr/>        |
|                                   | <b>2,312</b> | <b>1,927</b> |
|                                   | <hr/>        | <hr/>        |

**6 Interest receivable**

|                                            | <b>2007</b> | <b>2006</b> |
|--------------------------------------------|-------------|-------------|
|                                            | <b>£000</b> | <b>£000</b> |
| Interest on pension assets and liabilities | 200         | 349         |
| Other interest income                      | 286         | 154         |
|                                            | <hr/>       | <hr/>       |
|                                            | <b>486</b>  | <b>503</b>  |
|                                            | <hr/>       | <hr/>       |

**7 Taxation**

| <i>Analysis of charge in year</i>                      | <b>2007</b>  | <b>2006</b>  |
|--------------------------------------------------------|--------------|--------------|
|                                                        | <b>£000</b>  | <b>£000</b>  |
| <i>UK Corporation tax</i>                              |              |              |
| Tax on profit for the year                             | 1,981        | 1,925        |
| Adjustment in respect of previous years                | -            | 580          |
|                                                        | <hr/>        | <hr/>        |
| <b>Total current tax</b>                               | <b>1,981</b> | <b>2,505</b> |
| Deferred tax                                           |              |              |
| Origination & reversal of timing differences (note 14) | 1,722        | (316)        |
|                                                        | <hr/>        | <hr/>        |
| <b>Tax on profit on ordinary activities</b>            | <b>3,703</b> | <b>2,189</b> |
|                                                        | <hr/>        | <hr/>        |

## 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

|                                                   | 2007<br>£000 | 2006<br>£000 |
|---------------------------------------------------|--------------|--------------|
| <i>Current tax reconciliation</i>                 |              |              |
| Profit on ordinary activities before tax          | 10,056       | 6,100        |
| Tax at 30% on ordinary activities (2006 30%)      | 3,017        | 1,830        |
| <i>Effects of</i>                                 |              |              |
| Expenses not deductible for tax purposes          | 912          | 34           |
| Transfer of pension scheme assets and liabilities | (1,919)      | -            |
| Capital allowances in excess of depreciation      | (29)         | 35           |
| Other short term timing differences               | -            | 9            |
| Other timing differences                          | -            | 17           |
| Adjustments in respect of previous year           | 1,981        | 1,925        |
|                                                   | -            | 580          |
| <b>Current tax charge (see above)</b>             | <b>1,981</b> | <b>2,505</b> |

### 8 Intangible assets

|                       | Intellectual<br>Property<br>£000 |
|-----------------------|----------------------------------|
| <i>Cost</i>           |                                  |
| At beginning of year  | 29,000                           |
| Additions             | -                                |
| Disposals             | -                                |
| At 31 December 2007   | 29,000                           |
| <i>Amortisation</i>   |                                  |
| At beginning of year  | 5,075                            |
| Charge for the year   | 2,900                            |
| Disposals             | -                                |
| At 31 December 2007   | 7,975                            |
| <i>Net book value</i> |                                  |
| At 31 December 2007   | 21,025                           |
| At 31 December 2006   | 23,925                           |

**Notes (continued)**

**9 Tangible fixed assets**

|                              | <b>Land and buildings</b> |                 | <b>Plant and machinery</b> | <b>Fixtures, fittings tools and equipment</b> | <b>Total</b> |
|------------------------------|---------------------------|-----------------|----------------------------|-----------------------------------------------|--------------|
|                              | <b>Short leasehold</b>    | <b>Freehold</b> | <b>£000</b>                | <b>£000</b>                                   | <b>£000</b>  |
|                              | <b>£000</b>               | <b>£000</b>     |                            |                                               |              |
| <i><b>Cost</b></i>           |                           |                 |                            |                                               |              |
| At beginning of year         | 413                       | 2,906           | 15,211                     | 4,056                                         | 22,586       |
| Additions                    | -                         | 46              | 502                        | 627                                           | 1,175        |
| Transfers                    | -                         | -               | -                          | (4)                                           | (4)          |
| Disposals                    | -                         | -               | (2,646)                    | (617)                                         | (3,263)      |
| At 31 December 2007          | 413                       | 2,952           | 13,067                     | 4,062                                         | 20,494       |
| <i><b>Depreciation</b></i>   |                           |                 |                            |                                               |              |
| At beginning of year         | 170                       | 1,320           | 11,105                     | 3,078                                         | 15,673       |
| Charge for the year          | 14                        | 100             | 784                        | 207                                           | 1,105        |
| Transfers                    | -                         | -               | -                          | (3)                                           | (3)          |
| Disposals                    | -                         | -               | (2,626)                    | (616)                                         | (3,242)      |
| At 31 December 2007          | 184                       | 1,420           | 9,263                      | 2,666                                         | 13,533       |
| <i><b>Net book value</b></i> |                           |                 |                            |                                               |              |
| At 31 December 2007          | 229                       | 1,532           | 3,804                      | 1,396                                         | 6,961        |
| At 31 December 2006          | 243                       | 1,586           | 4,106                      | 978                                           | 6,913        |

**10 Investments**

|                                                      | <b>2007</b> | <b>2006</b> |
|------------------------------------------------------|-------------|-------------|
|                                                      | <b>£000</b> | <b>£000</b> |
| 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.

**Notes** *(continued)*

**11 Stocks**

|                  | 2007<br>£000  | 2006<br>£000  |
|------------------|---------------|---------------|
| Raw materials    | 2,843         | 2,854         |
| Work in progress | 4,420         | 5,265         |
| Finished goods   | 6,618         | 5,592         |
|                  | <u>13,881</u> | <u>13,711</u> |

**12 Debtors**

|                                       | 2007<br>£000  | 2006<br>£000  |
|---------------------------------------|---------------|---------------|
| Trade debtors                         | 13,681        | 15,047        |
| Amounts owed by group companies       | 320           | 197           |
| Other debtors                         | 470           | 208           |
| Prepayments and accrued income        | 210           | 214           |
| Deferred taxation asset (see note 14) | -             | 1,180         |
|                                       | <u>14,681</u> | <u>16,846</u> |

**13 Creditors: amounts falling due within one year**

|                                           | 2007<br>£000  | 2006<br>£000  |
|-------------------------------------------|---------------|---------------|
| Bank Overdrafts                           | 7             | -             |
| Trade creditors                           | 5,515         | 7,211         |
| Amounts owed to fellow group undertakings | 34,420        | 34,252        |
| Corporation tax                           | 695           | 4,305         |
| Other taxation and social security        | 1,716         | 1,944         |
| Accruals and deferred income              | 3,090         | 2,406         |
|                                           | <u>45,443</u> | <u>50,118</u> |

**14 Deferred taxation**

|                                       | 2007<br>£000 | 2006<br>£000 |
|---------------------------------------|--------------|--------------|
| Deferred taxation (liability) / asset | (542)        | 1,180        |

The movements in provisions during the year are detailed below

|                                      | Deferred tax<br>£000 |
|--------------------------------------|----------------------|
| Asset at beginning of year           | 1,180                |
| Credit in the year                   | (1,722)              |
| <b>Liability at 31 December 2007</b> | <u><b>(542)</b></u>  |

## Notes (continued)

### 14 Deferred taxation (continued)

Deferred taxation is in respect of timing differences arising from

|                                                | 2007<br>£000 | 2006<br>£000 |
|------------------------------------------------|--------------|--------------|
| Excess of capital allowances over depreciation | (578)        | (594)        |
| Short term timing differences                  | 36           | 278          |
| On pension deficit                             | -            | 1,496        |
|                                                | <u>(542)</u> | <u>1,180</u> |

### 15 Called up share capital

|                                                       | 2007<br>£000 | 2006<br>£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 |                |
|---------------------------------------------|-------------------------|----------------|
|                                             | 2007<br>£000            | 2006<br>£000   |
| Profit for the year                         | 6,353                   | 3,911          |
| Dividends paid                              | (2,300)                 | (3,000)        |
| Actuarial loss recognised in pension scheme | (2,012)                 | (2,288)        |
|                                             | <u>2,041</u>            | <u>(1,377)</u> |
| Increase during the year                    | 2,041                   | (1,377)        |
| As at 1 January                             | 17,399                  | 18,776         |
|                                             | <u>19,440</u>           | <u>17,399</u>  |
| As at 31 December                           | 19,440                  | 17,399         |

Dividends paid represent £23,000 (2006 £30,000) per share

### 17 Capital commitments

|                            | 2007<br>£000 | 2006<br>£000 |
|----------------------------|--------------|--------------|
| Expenditure contracted for | 90           | 173          |
|                            | <u>90</u>    | <u>173</u>   |

## Notes (continued)

### 18 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 £3,839,000 (2006 £1,903,000). There were no outstanding contributions at 31 December 2007 or 31 December 2006.

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 2007 and the update was based on the following key assumptions:

|                   |                                                |
|-------------------|------------------------------------------------|
| Inflation         | 3.4%pa                                         |
| Salary increases  | 4.4%pa                                         |
| Pension increases | 3.6%pa (on benefits earned before 1 July 2006) |
| Pension increases | 3.4%pa (on benefits earned after 1 July 2006)  |
| Discount rate     | 5.8%pa                                         |

The update revealed a market value of assets of £164.4 million and a value of liabilities of £182.7 million. The revealed deficit of £18.3 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 2007 in accordance with FRS 17, as detailed below.

The major assumptions used in this valuation were:

|                                             | 2007 | 2006 | 2005 |
|---------------------------------------------|------|------|------|
| Rate of increase in salaries                | 2.7% | 4.1% | 3.9% |
| Rate of increase in pensions in payment     | 3.8% | 3.1% | 2.9% |
| Discount rate applied to scheme liabilities | 5.8% | 4.9% | 4.8% |
| Inflation assumption                        | 3.4% | 3.1% | 2.9% |

## Notes (continued)

### 18 Pension scheme (continued)

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

The assets and benefit obligations in respect of this scheme were transferred to the Merck Pension Scheme on 20 November 2007 and this has been reflected in the valuation recorded in accordance with FRS 17

Accordingly a settlement gain of £6,396,000 has been recorded in the profit and loss account in the year and the resulting net pension benefit obligation at 31 December was £nil. Since the company is unable to identify its share of the Merck scheme's assets and liabilities on a consistent and reasonable basis, the Merck scheme is treated as if it was a defined contribution scheme

#### 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<br>2006<br>£m | Value at<br>2005<br>£m |
|-------------------------------------------------|------------------------|------------------------|
| Property                                        | 0.6                    | 0.4                    |
| Equities                                        | 23.2                   | 21.2                   |
| Bonds                                           | 2.4                    | 2.0                    |
| Other – Cash                                    | 0.8                    | 1.5                    |
|                                                 | <hr/>                  | <hr/>                  |
|                                                 | 27.0                   | 25.1                   |
| Present value of scheme liabilities             | (32.0)                 | (30.1)                 |
|                                                 | <hr/>                  | <hr/>                  |
| Deficit in the scheme and net pension liability | (5.0)                  | (5.0)                  |
| Deferred tax                                    | 1.5                    | 1.5                    |
|                                                 | <hr/>                  | <hr/>                  |
|                                                 | (3.5)                  | (3.5)                  |
|                                                 | <hr/>                  | <hr/>                  |

|              | Long term rate<br>of return<br>2007 | Long term rate<br>of return<br>2006 | Long term rate<br>of return<br>2005 |
|--------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Property     | 7.8%                                | 5.5%                                | 5.0%                                |
| Equities     | 8.8%                                | 8.3%                                | 8.0%                                |
| Bonds        | 4.3%                                | 4.3%                                | 4.0%                                |
| Other – Cash | 4.8%                                | 4.8%                                | 4.5%                                |
|              | <hr/>                               | <hr/>                               | <hr/>                               |

**Notes** *(continued)*

**18 Pension scheme (continued)**

Movement in deficit during the year

|                                             | 2007<br>£m  | 2006<br>£m  |
|---------------------------------------------|-------------|-------------|
| Deficit in scheme at beginning of year      | (5.0)       | (5 0)       |
| Current service cost                        | (1 0)       | (1 1)       |
| Contributions paid                          | 1.4         | 1 2         |
| Other finance cost                          | 0.2         | 0 4         |
| Actuarial (loss)/gain                       | (2.0)       | (0 5)       |
| Transfer of scheme's assets and liabilities | 6.4         | -           |
|                                             | <hr/>       | <hr/>       |
| Deficit in the scheme at end of year        | -           | (5 0)       |
|                                             | <hr/> <hr/> | <hr/> <hr/> |

Analysis of pension costs charged in arriving at operating profit

|                      | 2007<br>£m  | 2006<br>£m  |
|----------------------|-------------|-------------|
| Current service cost | (1.0)       | (1 1)       |
| Past service cost    | -           | -           |
|                      | <hr/>       | <hr/>       |
|                      | (1.0)       | (1 1)       |
|                      | <hr/> <hr/> | <hr/> <hr/> |

Analysis of amounts included in other finance costs

|                                          | 2007<br>£m  | 2006<br>£m  |
|------------------------------------------|-------------|-------------|
| Expected return on pension scheme assets | 1.7         | 1 9         |
| Interest on pension scheme liabilities   | (1.5)       | (1 5)       |
|                                          | <hr/>       | <hr/>       |
|                                          | 0.2         | 0 4         |
|                                          | <hr/> <hr/> | <hr/> <hr/> |

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

|                                              | 2007<br>£m  | 2006<br>£m  | 2005<br>£m  |
|----------------------------------------------|-------------|-------------|-------------|
| Actual return less expected return on assets | 0.7         | (0 2)       | 2 6         |
| Percentage of year end scheme assets         | -           | (1%)        | 10%         |
| Experience gains and losses on liabilities   | (2.8)       | (0 1)       | -           |
| Percentage of year end scheme liabilities    | -           | -           | -           |
| Changes in assumptions                       | 1.4         | (1 5)       | (0 2)       |
| Percentage of year end scheme liabilities    | -           | (4%)        | (1%)        |
|                                              | <hr/>       | <hr/>       | <hr/>       |
|                                              | (0 7)       | (1 8)       | 2 4         |
|                                              | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

**19 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

**20 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.