

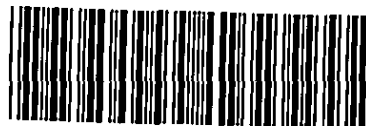
Seven Seas Limited

**Directors' report and financial
statements**

Registered number 351663

31 December 2008

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Company information

Directors

RH Correll
AS Shaw
CJ Chambers
TJ Perman
PW Robinson
CM Dymond
JD Binnington
CM Wright

Secretary

NG 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 2008.

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.

On 31 December 2008 the remaining assets and liabilities of a subsidiary undertaking, Phillips Yeast Products Limited, were transferred into the company at a consideration equal to net book value.

Performance and Development

Turnover in 2008 increased by 1.2% compared with the previous year – due largely to growth of UK market share and also development of international sales markets. However, the development of own-label product in competition in key value added segments continues 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:

	2008 £000	2007 £000
Turnover	63,430	62,695
Operating profit (excluding exceptional items)	1,912	5,487
Operating profit margin	3.0%	8.8%

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 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 loss for the year after tax amounted to £935,000 (2007: £6,353,000 profit). A dividend of £250,000 was paid during the year (2007: £2,300,000).

Directors and directors' interests

The directors holding office during the year were as follows:

JD Binnington (appointed 3 March 2008)

CJ Chambers

RH Correll

CM Dymond (appointed 25 February 2008)

TJ Perman

PW Robinson (appointed 21 January 2008 and resigned 22 January 2009)

AS Shaw

CM Wright (appointed 10 March 2008)

M Douglas (resigned 1 February 2008)

TM Simpson (resigned 16 January 2008)

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

Directors' report *(continued)*

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 2008 Number	1 January 2007 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.

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

Directors' report *(continued)*

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

13 May 2009

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.

ABCD

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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 2008 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 5.

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 2008 and of its loss 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

20 May 2009

Profit and loss account
for the year ended 31 December 2008

	<i>Note</i>	2008 £000	2007 £000
Turnover	2	63,430	62,695
Operating costs prior to exceptional pension credit		(61,518)	(57,209)
Exceptional pension credit	18	-	6,396
Operating costs	3	(61,518)	(50,813)
Operating profit		1,912	11,882
Interest receivable	6	290	486
Interest payable	5	(1,948)	(2,312)
Profit on ordinary activities before taxation		254	10,056
Tax on profit on ordinary activities	7	(1,189)	(3,703)
Retained (loss) / profit for the year		(935)	6,353

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 2008

	<i>Note</i>	2008 £000	2007 £000
Fixed assets			
Intangible assets	8	18,125	21,025
Tangible assets	9	8,642	6,961
Investments	10	3,659	3,659
		<u>30,426</u>	<u>31,645</u>
Current assets			
Stocks	11	11,811	13,881
Debtors	12	15,657	14,681
Cash at bank and in hand		8,474	5,268
		<u>35,942</u>	<u>33,830</u>
Creditors: amounts falling due within one year	13	<u>(47,417)</u>	<u>(45,443)</u>
Net current (liabilities)		<u>(11,475)</u>	<u>(11,613)</u>
Total assets less current liabilities and net assets excluding provisions and pension liability		<u>18,951</u>	<u>20,032</u>
Provisions	14	(646)	(542)
Net pension liability	18	-	-
Net assets		<u>18,305</u>	<u>19,490</u>
Capital and reserves			
Share capital	15	50	50
Profit and loss account	16	18,255	19,440
Shareholders' funds		<u>18,305</u>	<u>19,490</u>

These financial statements were approved by the board of directors on behalf by:

13 May 2009 and were signed on its



Chris Chambers
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2008

	2008 £000	2007 £000
(Loss) / profit for the financial year	(935)	6,353
Actuarial loss recognised in pension scheme	-	(2,012)
Dividend paid	(250)	(2,300)
Net (decrease) / increase to shareholder's funds	(1,185)	2,041
Opening shareholders' funds	19,490	17,449
Closing shareholder's funds	18,305	19,490

Statement of total recognised gains and losses
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
(Loss) / Profit for the financial year		(935)	6,353
Actuarial loss recognised in pension scheme	18	-	(2,012)
Total recognised gains and losses for the year		(935)	4,341

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 a defined benefit pension scheme. Pension costs are accounted for in accordance with FRS17.

The company operates one defined benefit pension scheme, the Merck Pension Scheme. The scheme is accounted for in accordance with FRS 17. The Merck Pension 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 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>	2008 £000	2007 £000
Decrease / (increase) in finished goods and work in progress		2,214	(170)
Raw materials and consumables		21,939	22,989
Staff costs	4	14,523	11,851
Additional pension contributions	18	4,708	3,335
Depreciation		1,121	1,105
Auditors' fees			
- audit services		29	35
- non audit services		-	27
(Profit) / loss on sale of tangible fixed assets		(5)	2
Transfer of pension scheme assets and liabilities	18	-	(6,396)
Other operating charges		16,989	18,035
		<u>61,518</u>	<u>50,813</u>

4 Directors and employees

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

	2008	2007
Production	165	176
Sales and marketing	66	72
Distribution	33	32
Administration	105	98
	<u>369</u>	<u>378</u>

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000
Wages and salaries	11,920	9,642
Social security costs	834	705
Other pension costs	1,769	1,504
	<u>14,523</u>	<u>11,851</u>
	2008 £000	2007 £000
Directors' emoluments	1,345	1,207
Company contributions to money purchase pension schemes	-	6
	<u>1,345</u>	<u>1,213</u>

Notes (continued)

4 Directors and employees (continued)

The aggregate of emoluments of the highest paid director was £228,039 (2007: £237,828), inclusive of company pension contributions of £15,599 (2007: £4,344). The highest paid director was a member of a money purchase scheme. In the prior year, 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 and his accrued lump sum were disclosed in the prior year financial statements.

	Number of Directors	
	2008	2007
Retirement benefits are accruing to the following number of directors under :		
Money purchase schemes	5	1
Defined benefit schemes	5	8
The number of directors who exercised share options was	-	-

5 Interest payable

	2008 £000	2007 £000
Interest payable on group finance	1,948	2,230
Other interest payable	-	82
	1,948	2,312

6 Interest receivable

	2008 £000	2007 £000
Interest on pension assets and liabilities	-	200
Other interest income	290	286
	290	486

Notes (continued)

7 Taxation

<i>Analysis of charge in year</i>	2008	2007
	£000	£000
<i>UK Corporation tax</i>		
Tax on profit for the year	883	1,981
Adjustment in respect of previous years	203	-
Total current tax	1,086	1,981
Deferred tax:		
Origination & reversal of timing differences (note 14)	103	1,722
Tax on profit on ordinary activities	1,189	3,703

Factors affecting tax charge for year

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

	2008	2007
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	254	10,056
Tax at 28.5% on ordinary activities (2007: 30%)	72	3,017
<i>Effects of:</i>		
Expenses not deductible for tax purposes	845	912
Transfer of pension scheme assets and liabilities	-	(1,919)
Capital allowances in excess of depreciation	(34)	(29)
	883	1,981
Current tax charge (see above)	883	1,981

Notes (continued)

8 Intangible assets

	Intellectual Property £000
Cost	
At beginning of year	29,000
Additions	-
Disposals	-
At 31 December 2008	29,000
Amortisation	
At beginning of year	7,975
Charge for the year	2,900
Disposals	-
At 31 December 2008	10,875
Net book value	
At 31 December 2008	18,125
At 31 December 2007	21,025

9 Tangible fixed assets

	Land and buildings		Plant and machinery	Fixtures, fittings tools and equipment	Total
	Short leasehold £000	Freehold £000	£000	£000	£000
Cost					
At beginning of year	413	2,952	13,067	4,062	20,494
Additions	-	53	1,510	625	2,188
Transfer from subsidiary undertaking	-	608	710	21	1,339
Disposals	-	-	(3)	(237)	(240)
At 31 December 2008	413	3,613	15,284	4,471	23,781
Depreciation					
At beginning of year	184	1,420	9,263	2,666	13,533
Charge for the year	13	111	802	195	1,121
Transfer from subsidiary undertaking	-	167	545	12	724
Disposals	-	-	(2)	(237)	(239)
At 31 December 2008	197	1,698	10,608	2,636	15,139
Net book value					
At 31 December 2008	216	1,915	4,676	1,835	8,642
At 31 December 2007	229	1,532	3,804	1,396	6,961

Notes *(continued)*

10 Investments

	2008 £000	2007 £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

	2008 £000	2007 £000
Raw materials	2,987	2,843
Work in progress	3,203	4,420
Finished goods	5,621	6,618
	<u>11,811</u>	<u>13,881</u>

12 Debtors

	2008 £000	2007 £000
Trade debtors	14,712	13,681
Amounts owed by group companies	149	320
Other debtors	106	470
Prepayments and accrued income	690	210
	<u>15,657</u>	<u>14,681</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank overdrafts	48	7
Trade creditors	7,322	5,515
Amounts owed to fellow group undertakings	32,159	34,420
Corporation tax	73	695
Other taxation and social security	2,111	1,716
Accruals and deferred income	5,704	3,090
	<u>47,417</u>	<u>45,443</u>

14 Deferred taxation

	2008 £000	2007 £000
Deferred taxation liability	(646)	(542)
	<u>(646)</u>	<u>(542)</u>

The movements in provisions during the year are detailed below:

	Deferred tax £000
Liability at beginning of year	(542)
Deferred tax charge for the year	(103)
Transfer from subsidiary undertaking	(1)
	<u>(646)</u>
Liability at 31 December 2008	(646)

Deferred taxation is in respect of timing differences arising from:

	2008 £000	2007 £000
Excess of capital allowances over depreciation	(678)	(578)
Short term timing differences	32	36
	<u>(646)</u>	<u>(542)</u>

Notes (*continued*)

15 Called up share capital

	2008 £000	2007 £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	
	2008 £000	2007 £000
(Loss) / profit for the year	(935)	6,353
Dividends paid	(250)	(2,300)
Actuarial loss recognised in pension scheme	-	(2,012)
	<u>(1,185)</u>	<u>(2,041)</u>
(Decrease) / increase during the year	(1,185)	2,041
As at 1 January	19,440	17,399
	<u>18,255</u>	<u>19,440</u>
As at 31 December	<u>18,255</u>	<u>19,440</u>

Dividends paid represent £2,500 (2007: £23,000) per share.

17 Capital commitments

	2008 £000	2007 £000
Expenditure contracted for	51	90
	<u>51</u>	<u>90</u>

Notes (continued)

18 Pension scheme

The total pension cost for the year ended 31 December 2008 was £6,477,000 (2007: £4,839,000). The 2008 cost includes £4,708,000 (2007: £3,335,000) in respect of additional contributions.

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

The pension cost is assessed in accordance with the advice of a professional qualified actuary using the projected unit credit method. The most significant actuarial assumptions were a 7.5% annual rate of return on investments and a 4.5% annual increase in pay.

A full valuation of the Merck Pension Scheme was carried out for funding purposes as at 31 December 2007. The assets and liabilities were updated in an approximate way to 31 December 2008, and the update was based on the following key assumptions:

	2008	2007
Inflation:	3.5% pa	3.4% pa
Salary increases:	4.5% pa	4.4% pa
Pension increases:	3.7% pa	3.6% pa
(on benefits earned before 1 July 2006)		
Pension increases:	3.5% pa	3.4% pa
(on benefits earned after 1 July 2006)		
Discount rate:	6.6% pa	5.8% pa

Following the transfer of the assets and liabilities of the Seven Seas Pension Scheme into the Merck Pension Scheme on 30th November 2007, pension increases for the members of this scheme who transferred are assumed to be the same as those for benefits earned after 1st July 2006.

The update revealed a market value of assets £138.1 million and a value of liabilities of £168.5 million. The revealed deficit of £30.4 million has no direct impact on the company, but the company contributions being paid reflect the £54 million deficit revealed by the funding valuation as at 31 December 2007.

At the 31st December 2008 the revised deficit of the Merck International Pension Scheme was £1.4 million.

Notes *(continued)*

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.