

Seven Seas Limited

**Directors' report and financial
statements**

Registered number 351663

31 December 2010



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Company information

Directors

RH Correll
AS Shaw
JD Binnington
CM Wright
RI Turner
JMV Redman
AJ Wines

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 2010

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

In May 2010 a fire destroyed the finished goods warehouse, including all stock held within this building. A net cost of £3.8m has been recognised in respect of the related insurance expenses. Management is still assessing the total business loss and disruption claim with insurers but no amounts have been recognised in respect of any potential receivable due to the uncertainty of the outcome of this assessment.

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:

	2010 £000	2009 £000
Turnover	59,820	63,314
Operating (loss) / profit (excluding exceptional items)	(1,168)	2,979
Operating (loss) / profit margin	(2.0%)	4.7%

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

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risk affecting the company is identified as reductions in consumer spend in the vitamins, minerals and supplements (VMS) market in which the company operates, caused by pressure due to the economic climate.

Risks are formally reviewed by management and appropriate processes are in place to monitor and mitigate them.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in market prices and credit risk. The company has in place policies that require that appropriate credit checks are made on potential customers before sales are made. The policies set by the board of directors are implemented by the company's finance department. The company does not use derivative financial instruments and as such no hedge accounting is applied.

Directors' report *(continued)*

Results and dividends

The loss for the year after tax amounted to £6,987,000 (2009 £7,880,000) No dividend was paid during the year (2009 £nil)

Directors and directors' interests

The directors holding office during the year were as follows

JD Binnington

RH Correll

CM Dymond (resigned 12 March 2010)

TJ Perman (resigned 1 June 2010)

AS Shaw

CM Wright

RI Turner

JMV Redman (appointed 1 June 2010)

AJ Wines (appointed 4 January 2011)

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

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

At no time up to the date this report was approved, nor at any point during the financial year were there any third party indemnity provisions in place for the benefit of any of the directors

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

Directors' report *(continued)*

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.

Political and charitable donations

The company made no political or charitable donations or incurred any political expenditure during the year.

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 489 of the Companies Act 2006, 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



15/4/11

N G Fraser
Secretary

Hedon Road
Marfleet
Hull
HU9 5NJ

2011

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

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 2010 as set out on pages 8 to 22. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**David Morritt (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

15 April 2011

Profit and loss account
for the year ended 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	<i>2</i>	59,820	63,314
Operating costs	<i>3</i>	(67,668)	(71,528)
Operating (loss) / profit prior to exceptional items		(1,168)	2,979
Exceptional pension contributions	<i>19</i>	(2,899)	(11,193)
Exceptional net insurance costs	<i>3</i>	(3,781)	-
Operating loss		(7,848)	(8,214)
Interest payable	<i>5</i>	(593)	(680)
Interest receivable	<i>6</i>	1	88
Loss on ordinary activities before taxation		(8,440)	(8,806)
Tax on loss on ordinary activities	<i>7</i>	1,453	926
Retained loss for the year	<i>17</i>	(6,987)	(7,880)

The above operations all relate to continuing activities

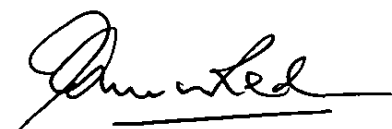
The reported loss on ordinary activities before taxation in both the current and the previous financial year was the historical cost loss

Balance sheet
at 31 December 2010

	<i>Note</i>	2010 £000	2009 £000
Fixed assets			
Intangible assets	8	12,325	15,225
Tangible assets	9	8,818	8,778
Investments	10	3,658	3,658
		24,801	27,661
Current assets			
Stocks	11	7,971	10,727
Debtors	12	15,670	15,524
Cash at bank and in hand		5,746	5,061
		29,387	31,312
Creditors amounts falling due within one year	13	(20,184)	(19,717)
Net current assets		9,203	11,595
Total assets less current liabilities		34,004	39,256
Provisions	15	(566)	(631)
Creditors amounts falling due after more than one year	14	(30,000)	(28,200)
Net assets		3,438	10,425
Capital and reserves			
Share capital	16	50	50
Profit and loss account	17	3,388	10,375
Shareholders' funds		3,438	10,425

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

2011 and were signed on its behalf


JMV Redman
Director

15/4/11

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2010

	2010 £000	2009 £000
Loss for the financial year	(6,987)	(7,880)
Net decrease to shareholders' funds	(6,987)	(7,880)
Opening shareholders' funds	10,425	18,305
Closing shareholders' funds	3,438	10,425

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 s248 of the Companies Act 2006 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	-	16.7% - 33.3%
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)

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost

Concessions, patents, licences and trademarks purchased by the company are amortised to nil by equal annual instalments over their useful economic lives

Pension costs

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

The company participates in a UK wide pension scheme, the Merck Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

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>	2010 £000	2009 £000
Raw materials and consumables		22,342	23,712
Staff costs	<i>4</i>	12,905	12,823
Depreciation		1,482	1,324
Amortisation		2,900	2,900
Auditors' fees			
- audit services		31	29
- non audit services		6	32
(Profit) / loss on sale of tangible fixed assets		(2)	2
Exceptional pension contributions	<i>19</i>	2,899	11,193
Exceptional insurance costs		3,781	-
Other operating charges		20,730	18,888
Operating lease cost		594	625
		67,668	71,528

The exceptional insurance costs relate to the net insurance costs in respect of the fire which occurred in May 2010

Notes (continued)

4 Directors and employees

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

	2010	2009
Production	136	143
Sales and marketing	59	59
Distribution	28	28
Administration	92	100
	<u>315</u>	<u>330</u>

The aggregate payroll costs of these persons were as follows

	2010 £000	2009 £000
Wages and salaries	10,676	10,706
Social security costs	847	812
Other pension costs	1,382	1,305
	<u>12,905</u>	<u>12,823</u>

	2010 £000	2009 £000
Directors' emoluments	1,422	1,346
Company contributions to money purchase pension schemes	54	74
	<u>1,476</u>	<u>1,420</u>

The aggregate of emoluments of the highest paid director was £253,150 (2009 £323,361), inclusive of company pension contributions of £30,893 (2009 £32,644). The highest paid director was a member of a defined benefit scheme.

	Number of Directors 2010	2009
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	5
Defined benefit schemes	4	4
	<u>-</u>	<u>-</u>
The number of directors who exercised share options was	-	-

Notes (continued)

5 Interest payable

	2010 £000	2009 £000
Interest payable on group finance	593	680

6 Interest receivable

	2010 £000	2009 £000
Other interest income	1	88

7 Taxation

<i>Analysis of credit in year</i>	2010 £000	2009 £000
<i>UK Corporation tax</i>		
Tax on loss for the year	(1,463)	(1,645)
Adjustment in respect of previous years	75	734
Total current tax	(1,388)	(911)
Deferred tax		
Origination & reversal of timing differences (note 15)	(65)	(15)
Tax on loss on ordinary activities	(1,453)	(926)

Factors affecting tax credit for year

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

<i>Current tax reconciliation</i>	2010 £000	2009 £000
Loss on ordinary activities before tax	(8,440)	(8,806)
Tax at 28% on ordinary activities (2009 28%)	(2,363)	(2,466)
<i>Effects of</i>		
Expenses not deductible for tax purposes	835	833
Capital allowances in excess of depreciation	65	(12)
Adjustment in respect of previous years	75	734
Current tax credit (see above)	(1,388)	(911)

Notes (continued)

8 Intangible assets

	Intellectual Property £000
<i>Cost</i>	
At 1 January 2010 and 31 December 2010	29,000
<i>Amortisation</i>	
At 1 January 2010	13,775
Charge for the year	2,900
At 31 December 2010	16,675
<i>Net book value</i>	
At 31 December 2010	12,325
At 31 December 2009	15,225

9 Tangible fixed assets

	Land and buildings			Fixtures, Fittings tools and equipment	
	Short leasehold £000	Freehold £000	Plant and machinery £000	£000	Total £000
<i>Cost</i>					
At beginning of year	413	3,613	16,042	4,804	24,872
Additions	-	260	1,581	178	2,019
Disposals	-	(1,356)	(529)	(81)	(1,966)
At 31 December 2010	413	2,517	17,094	4,901	24,925
<i>Depreciation</i>					
At beginning of year	210	1,823	11,218	2,843	16,094
Charge for the year	14	90	991	387	1,482
Disposals	-	(977)	(462)	(30)	(1,469)
At 31 December 2010	224	936	11,747	3,200	16,107
<i>Net book value</i>					
At 31 December 2010	189	1,581	5,347	1,701	8,818
At 31 December 2009	203	1,790	4,824	1,961	8,778

Included within tangible fixed assets disposals, assets with a cost of £1,681,306 and net book value of £497,268 relate to assets which were fully impaired due to the fire that occurred in May 2010

Notes (continued)

10 Investments

	2010 £000	2009 £000
Shares in subsidiary undertakings		
Cost and carrying value at 1 January 2010	3,658	3,659
Strike off of dormant company	-	(1)
	<u>3,658</u>	<u>3,658</u>

Cost and carrying value at 31 December 2010

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

With the exception of Phillips Yeast Products Limited, whose principal activity is the receipt of royalty income from a third party, 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

	2010 £000	2009 £000
Raw materials	3,197	4,117
Work in progress	1,659	1,935
Finished goods	3,115	4,675
	<u>7,971</u>	<u>10,727</u>

12 Debtors

	2010 £000	2009 £000
Trade debtors	12,246	12,887
Amounts owed by group companies	2	1
Other debtors	132	138
Prepayments and accrued income	203	231
Corporation tax	3,087	2,267
	<u>15,670</u>	<u>15,524</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank overdrafts	2	6
Trade creditors	7,794	8,239
Amounts owed to fellow group undertakings	3,395	5,021
Other taxation and social security	2,342	1,977
Accruals and deferred income	6,651	4,474
	<u>20,184</u>	<u>19,717</u>

14 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Amounts owed to fellow group undertakings	<u>30,000</u>	<u>28,200</u>

An agreement has been reached with the fellow group company that the loan would be repayable on agreement by Seven Seas and the lender. The directors do not foresee the settlement of the loan for at least the next 12 months, and as such the amount is disclosed as falling due after more than one year.

15 Provisions

	2010 £000	2009 £000
Deferred taxation liability	<u>(566)</u>	<u>(631)</u>

The movements in provisions during the year are detailed below

	Deferred tax £000
Liability at beginning of year	(631)
Deferred tax charge for the year	65
Liability at 31 December 2010	<u>(566)</u>

Deferred taxation is in respect of timing differences arising from

	2010 £000	2009 £000
Excess of capital allowances over depreciation	(612)	(661)
Short term timing differences	46	30
	<u>(566)</u>	<u>(631)</u>

Notes (continued)

16 Called up share capital

	2010 £000	2009 £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.

17 Profit and loss account

	2010 £000	2009 £000
Loss for the year	(6,987)	(7,880)
Decrease during the year	(6,987)	(7,880)
As at 1 January	10,375	18,255
As at 31 December	<u>3,388</u>	<u>10,375</u>

Dividends paid to the holders of the bearer shares, represent £nil (2009 £nil) per share.

18 Capital commitments

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

	2010 £000	2009 £000
Contracted	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

19 Pension scheme

The total pension costs for the year ended 31 December 2010 were £4,280,960 (2009 £12,498,616). This included deficit payments to the Merck Pension Scheme and Merck International Pension Schemes totalling £2,898,750 over and above the normal employer contributions (2009 £11,193,238).

Merck Pension Scheme

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

The company is unable to identify its share of the scheme's assets and liabilities with certainty due to the high percentage of the scheme's membership who are deferred members and whose original employing company is either not known or is no longer a participating employer in the pension scheme.

The pension cost is assessed in accordance with the advice of a professional qualified actuary using the projected unit credit method. The most significant actuarial assumptions were the mortality assumptions, which are explained in more detail below, an expected rate of return on plan assets of 5.8%, and a 4.3% 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 2010, based on the figures carried forward from 2009 and information from the Scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2010	2009
Inflation	3.3% pa	3.6% pa
Salary increases	4.3% pa	4.6% pa
Pension increases (on benefits earned before 1 July 2006)	3.5% pa	3.8% pa
Pension increases (on benefits earned after 1 July 2006)	3.3% pa	3.6% pa
Discount rate	5.3% pa	5.6% pa
Expected rate of return on plan assets	5.8% pa	6.2% pa

The mortality tables used to value the Scheme's liabilities as at 31st December 2010 are PA00 (year of birth) medium cohort, 1.5% per annum minimum improvement for males, 0.75% per annum minimum improvement for females. These have been updated since the 31st December 2009 disclosures and are now in line with the assumption used for the Scheme's actuarial valuation. The life expectancies from the age of 65 based on these tables, compared with those used at 31st December 2009, are as follows:

	2010		2009	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.6	24.5	21.3	24.0
Member age 45 (life expectancy at 65)	25.0	25.9	21.9	24.6

Notes (continued)

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 £204.6 million (2009 £185.2 million) and a value of liabilities of £231.4 million (2009 £214.1 million). The revealed deficit of £26.8 million (2009 £28.9 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

Merck International Pension Scheme

The company is a member of a pension scheme providing benefits based on final pensionable pay to employees based in the Republic of Ireland. As the company relies on the multi-employer provisions allowed by FRS 17 'Retirement Benefits', the scheme is accounted for by the company as if it were a defined contribution scheme.

The pension cost is assessed in accordance with the advice of a professional qualified actuary using the projected unit credit method. The most significant actuarial assumptions were the mortality assumptions, which are explained in more detail below, an expected rate of return on plan assets of 5.2%, and a 4.3% annual increase in pay.

The mortality assumptions are based on standard mortality tables, which allow for future mortality improvements. The assumptions have been updated since the 31st December 2009 disclosures to be more in line with the assumptions used for the Scheme's actuarial valuation. The assumptions are that a member currently aged 65 will live on average a further 22.2 years if they are male and for a further 24.1 years if they are female. For a member who retires in 2030 at age 65, the assumptions are that they will live on average for a further 24.5 years if they are male and for a further 25.5 years if they are female (2009 22 years and 25 years respectively).

A valuation of the Merck International Pension Scheme was carried out for funding purposes as at 31 March 2009. The assets and liabilities were updated in an approximate way to 31 December 2010, based on the figures carried forward from 2009 and information from the Scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2010	2009
Inflation	3.3% pa	3.6% pa
Salary increases	4.3% pa	4.6% pa
Pension increases (on benefits earned before 1 July 2006)	3.5% pa	3.8% pa
Pension increases (on benefits earned after 1 July 2006)	3.3% pa	3.6% pa
Discount rate	4.5% pa	5.25% pa
Expected rate of return on plan assets	5.2% pa	5.0% pa

The update revealed a market value of assets £4.8 million (2009 £4.6 million) and a value of liabilities of £5.9 million (2009 £5.1 million). Regular and deficit contributions to the Scheme in 2011 will be determined following the current valuation of the Scheme as at 31st March 2010.

Notes *(continued)*

20 Related party disclosures

As the company is a wholly owned subsidiary of Merck KGaA, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the 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 largest group in which the results of the company are consolidated is that lead by Merck KGaA. The consolidated financial statements 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.