

Seven Seas Limited

Directors' report and financial
statements

Registered number 351663

31 December 2012

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Company information

Directors

JD Binnington
S Kratzer
K White
AJ Wines

Secretary

NG Fraser

Auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Bankers

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

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 2012

Principal activities and Business review

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

Performance and Development

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

As part of the Merck Group project "Fit for 2018" (see Merck Annual Report year ended 31 December 2012), the Group took a decision to close the facility in Hull and to relocate sales, marketing and administration functions to other group facilities and to outsource the production and distribution of the company's products. A provision of £22,121,000 (see note 3 to the financial statements) has been made in the financial statements in respect of this project (£15,689,000 in respect of site closure costs and £6,432,000 in respect of the impairment of the associated fixed assets).

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

	2012 £000	2011 £000
Turnover	49,835	60,816
Operating (loss)/profit excluding exceptional items	(6,123)	680
Operating (loss)/profit margin	(12.3%)	1.1%

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 £23,521,000 (2011 profit £415,000) No dividend was paid during the year (2011 £nil)

Directors and directors' interests

The directors holding office during the year and at the date of signing this report were as follows

JD Binnington	
RH Correll	(resigned 30 August 2012)
S Kratzer	(appointed 13 February 2013)
JMV Redman	(resigned 9 August 2013)
AS Shaw	(resigned 30 August 2012)
RI Turner	(resigned 13 February 2013)
K White	(appointed 9 August 2013)
AJ Wines	
CM Wright	(resigned 24 August 2013)

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

The company has net liabilities and the parent undertaking has indicated that it will support the company for the 12 month period from the date of signing this report For this reason, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore 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 (2011 £nil)

Disclosure of information to auditor

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.

Auditor

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



N G Fraser
Secretary
25 September 2013

Hedon Road
Marfleet
Hull
HU9 5NJ

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 auditor's report to the members of Seven Seas Limited

We have audited the financial statements of Seven Seas Limited for the year ended 31 December 2012 set out on pages 8 to 23. 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 auditor 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 auditor

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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 auditor's 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

Malcolm C Hardy

Malcolm Harding (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

26 September 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>2</i>	49,835	60,816
Cost of sales	<i>3</i>	(18,849)	(24,344)
Gross profit		30,986	36,472
Other operating expenses	<i>3</i>	(37,109)	(35,792)
Operating (loss)/profit prior to exceptional items		(6,123)	680
Exceptional items	<i>3</i>	-	1,800
Operating (loss)/profit		(6,123)	2,480
Exceptional items	<i>3</i>	(22,121)	-
Interest payable	<i>5</i>	(818)	(758)
Interest receivable	<i>6</i>	4	20
(Loss)/profit on ordinary activities before taxation		(29,058)	1,742
Taxation	<i>7</i>	5,537	(1,327)
Retained (loss)/profit for the year	<i>18</i>	(23,521)	415

The above operations all relate to continuing activities

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

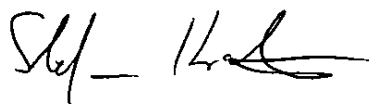
The notes on pages 11 to 23 form an integral part of these financial statements

Balance sheet
at 31 December 2012

	<i>Note</i>	2012	2011
		£000	£000
Fixed assets			
Intangible assets	8	6,525	9,425
Tangible assets	9	2,020	9,047
Investments	10	3,658	3,658
		12,203	22,130
Current assets			
Stocks	11	6,529	9,328
Debtors	12	17,359	16,324
Cash at bank and in hand		4,649	4,706
		28,537	30,358
Creditors amounts falling due within one year	13	(14,719)	(18,004)
Net current assets		13,818	12,354
Total assets less current liabilities		26,021	34,484
Creditors: amounts falling due after more than one year	14	(30,000)	(30,000)
Provisions for liabilities and charges	15	(15,689)	(631)
Net (liabilities)/assets		(19,668)	3,853
Capital and reserves			
Share capital	17	50	50
Profit and loss account	18	(19,718)	3,803
Shareholders' (deficit)/funds		(19,668)	3,853

The notes on pages 11 to 23 form an integral part of these financial statements

These financial statements were approved by the board of directors on ~~25th SEPTEMBER~~ 2013 and were signed on its behalf by



Stefan Kratzer
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2012

	2012 £000	2011 £000
(Loss)/profit for the financial year	(23,521)	415
Net (decrease)/increase to shareholders' funds	(23,521)	415
Opening shareholders' funds	3,853	3,438
Closing shareholders' (deficit)/funds	(19,668)	3,853

The notes on pages 11 to 23 form an integral part of these financial statements

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.

Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds guaranteed by other group Companies. The Company's ultimate parent Merck kGaA, has provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the Company. In particular Merck kGaA has confirmed that the inter-Company loan of £30m included within amounts due to group undertakings will not be called for payment within 12 months from the date of approval of these financial statements. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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	-	12.5% - 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

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 under other operating charges

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

	2012 £000	2011 £000
Raw materials and consumables	18,849	24,344
Staff costs	13,507	14,833
Depreciation	1,456	1,355
Amortisation	2,900	2,900
Auditors' fees		
- audit services	28	34
- non audit services	-	87
Loss/(profit) on sale of tangible fixed assets	9	(48)
Other operating charges	18,751	16,099
Operating lease cost	458	532
Total operating expenses	37,109	35,792
Exceptional insurance receipts	-	(1,800)
Total exceptional items	-	(1,800)
Total operating costs	55,958	58,336

Exceptional items

Exceptional site closure costs	15,689	-
Exceptional fixed asset impairment expense	6,432	-
Total exceptional items	22,121	-

In the prior year, the exceptional insurance credit relates to an insurance amount recovered in respect of a fire in 2010

The exceptional costs in the current year are in relation to the Merck Group project "Fit for 2018" (see Merck Annual Report year ended 31 December 2012), where the Group took a decision to close the facility in Hull and to relocate sales, marketing and administration functions to other group facilities and to outsource the production and distribution of the company's products

Notes (continued)

4 Directors and employees

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

	2012	2011
Production	113	107
Sales and marketing	45	55
Distribution	26	27
Administration	70	84
	<u>254</u>	<u>273</u>

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	9,475	10,408
Social security costs	818	854
Pension costs	3,214	3,571
	<u>13,507</u>	<u>14,833</u>

	£000	£000
Directors' emoluments	1,452	1,246
Company contributions to money purchase pension schemes	40	39
	<u>1,492</u>	<u>1,285</u>

The aggregate of emoluments of the highest paid director was £322,775 (2011 £320,399), inclusive of company pension contributions of £31,832 (2011 £38,975). The highest paid director was a member of a defined benefit scheme.

	Number of Directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2
Defined benefit schemes	4	4

5 Interest payable

	2012	2011
	£000	£000
Interest payable on group finance	<u>818</u>	<u>758</u>

Notes (continued)

6 Interest receivable

	2012 £000	2011 £000
Other interest income	4	20

7 Taxation

<i>Analysis of (credit)/charge in the year</i>	2012 £000	2011 £000
<i>UK Corporation tax</i>		
Tax (credit)/charge	(2,727)	1,262
Adjustment in respect of previous years	616	-
Total current tax	(2,111)	1,262
Deferred tax		
Origination & reversal of timing differences (note 16)	(3,426)	65
Tax on (loss)/profit on ordinary activities	(5,537)	1,327

Factors affecting tax credit for year

The current tax for the year is lower (2011 higher) than the standard rate of corporation tax as explained below

<i>Current tax reconciliation</i>	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	(29,058)	1,742
Tax at 24.5% on ordinary activities (2011 26.5%)	(7,119)	462
<i>Effects of</i>		
Expenses not deductible for tax purposes	4,308	788
Capital allowances in excess of depreciation	84	12
Adjustment in respect of previous years	616	-
Current tax (credit)/charge (see above)	(2,111)	1,262

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective 1 April 2012) and 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred taxation at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

8 Intangible assets

	Intellectual Property £000
<i>Cost</i>	
At 1 January 2012 and 31 December 2012	29,000
<i>Amortisation</i>	
At 1 January 2012	19,575
Charge for the year	2,900
At 31 December 2012	22,475
<i>Net book value</i>	
At 31 December 2012	6,525
At 31 December 2011	9,425

9 Tangible fixed assets

	Land and buildings		Plant and machinery	Fixtures, Fittings tools and equipment	Total
	Short leasehold £000	Freehold £000	£000	£000	£000
<i>Cost</i>					
At beginning of year	413	2,364	15,509	4,785	23,071
Additions	-	-	477	393	870
Disposals	-	-	(13)	(22)	(35)
At 31 December 2012	413	2,364	15,973	5,156	23,906
<i>Depreciation</i>					
At beginning of year	237	1,008	10,083	2,696	14,024
Charge for the year	13	-	891	552	1,456
Disposals	-	-	(4)	(22)	(26)
Impairment	-	-	4,718	1,714	6,432
At 31 December 2012	250	1,008	15,688	4,940	21,886
<i>Net book value</i>					
At 31 December 2012	163	1,356	285	216	2,020
At 31 December 2011	176	1,356	5,426	2,089	9,047

As disclosed in the Directors' report an impairment of £6,432,000 (2011: £nil) has been made in respect of the Merck group project "Fit for 2018"

As a result of the restructuring of operations, the affected fixed assets have been written down after making an assessment of their value in use and recoverable amounts. External valuations have been used where available.

Notes (continued)

10 Investments

	2012	2011
	£000	£000
Shares in subsidiary undertakings		
Cost and carrying value at 1 January 2012	3,658	3 658
Cost and carrying value at 31 December 2012	3,658	3,658

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 Health Care Limited
Seven Seas Pension Trustees Limited

These companies and their subsidiary undertakings did not trade during the year All the companies are registered in England and Wales

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

After the balance sheet date, on 11 September 2013, the company sold its entire share holding in New Era Laboratories Limited for a consideration of €400,000

Notes (continued)

11 Stocks

	2012 £000	2011 £000
Raw materials	2,865	3,322
Work in progress	1,622	2,511
Finished goods	2,042	3,495
	<u>6,529</u>	<u>9,328</u>

12 Debtors

	2012 £000	2011 £000
Trade debtors	10,330	14,175
Amounts owed by group companies	92	2
Other debtors	31	69
Prepayments and accrued income	554	244
Corporation tax recoverable from group companies	3,557	1,834
Deferred tax (note 16)	2,795	-
	<u>17,359</u>	<u>16,324</u>

13 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	5,935	7,815
Amounts owed to fellow group undertakings	3,470	3,470
Other taxation and social security	1,112	1,561
Accruals and deferred income	4,202	5,158
	<u>14,719</u>	<u>18,004</u>

14 Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Amounts owed to fellow group undertakings	<u>30,000</u>	<u>30,000</u>

An agreement has been reached with the fellow group company that the loan would not be recalled for twelve months, and as such the amount is disclosed as falling due after more than one year

15 Provisions for liabilities and charges

	2012 £000	2011 £000
Restructuring costs	15,689	-
Deferred taxation (see note 16)	-	631
	<u>15,689</u>	<u>631</u>

The exceptional costs in the current year are in relation to the Merck Group project "Fit for 2018" (see Merck Annual Report year ended 31 December 2012), where the Group took a decision to close the facility in Hull and to relocate sales, marketing and administration functions to other group facilities and to outsource the production and distribution of the company's products

16 Deferred taxation

	2012 £000	2011 £000
Deferred taxation asset/(liability)	2,795	(631)
	<u>2,795</u>	<u>(631)</u>

The movements in provisions during the year are detailed below

Liability at 1 January	(631)	(566)
Deferred tax credit/(charge) for the year	3,426	(65)
	<u>3,426</u>	<u>(65)</u>
Asset/(liability) at 31 December	<u>2,795</u>	<u>(631)</u>

Deferred taxation is in respect of timing differences arising from

	2012 £000	2011 £000
Excess of capital allowances over depreciation	593	(674)
Short term timing differences	2,202	43
	<u>2,795</u>	<u>(631)</u>

Notes *(continued)*

17 Called up share capital

	2012 £000	2011 £000
<i>Authorised, allotted, called up and fully paid</i>		
50,000 deferred shares of £1 each	50	50
100 bearer shares	-	-
	<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.

18 Profit and loss account

	2012 £000	2011 £000
As at 1 January	3,803	3,388
(Loss)/profit for the year	(23,521)	415
As at 31 December	<u>(19,718)</u>	<u>3,803</u>

Dividends paid to the holders of the bearer shares, represent £nil (2011 £nil) per share

19 Capital commitments

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

	2012 £000	2011 £000
Contracted	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

20 Pension scheme

The total pension cost for the year ended 31 December 2012 was £3,214,333 (2011 £3,570,651). This included deficit payments to the Merck Pension Scheme and Merck International Pension Schemes totalling £2,147,000 over and above the normal employer contributions (2011 £2,309,130).

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 schemes 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 schemes were 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, a discount rate of 4.6% and a 3.3% annual increase in pay.

A full valuation of the Merck Pension Scheme was carried out for funding purposes as at 31 December 2010. The assets and liabilities were updated in an approximate way to 31 December 2012, based on the figures carried forward from 2011 and information from the scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2012	2011
Inflation (RPI)	2.8%pa	3.1%pa
Inflation (CPI)	2.3%pa	2.4%pa
Salary increases	3.3%pa	3.6%pa
Pension increases (on benefits earned before 1 July 2006)	3.2%pa	3.3%pa
Pension increases (on benefits earned after 1 July 2006)	2.8%pa	3.1%pa
Discount rate	4.6%pa	4.7%pa

The mortality tables used to value the Scheme's liabilities as at 31 December 2012 are SAPS, CMI long term improvement rate of 1.25% per annum, with a 90% weighting for males and a 105% weighting for females. The life expectancies from the age of 65 based on these tables, compared with those used at 31 December 2011 are as follows:

	2012		2011	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	23.3	24.4	22.9	23.9
Member age 45 (life expectancy at 65)	25.0	26.4	24.3	25.5

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

Notes (continued)

20 Pension scheme (continued)

The update revealed a market value of assets £231.7 million (2011 £216.2 million) and a value of liabilities of £247.4 million (2011 £242.8 million). The revealed deficit of £15.7 million (2011 £26.6 million) has no direct impact on the company, but the company contributions being paid reflect the £26 million deficit revealed by the funding valuation as at 31 December 2010.

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 the scheme were a defined contribution scheme.

The pension cost is assessed in accordance with the advice of a professional qualified actuary using the projected unit method. The most significant assumptions were the mortality assumptions, which are explained in more detail below, an expected rate of return on plan assets of 4.9% and 3.3% annual pay increase in pay.

The mortality assumptions are based on standard mortality tables, which allow for expected future mortality improvements. The assumptions are that a member currently aged 65 will live on average a further 23 years if they are male for a further 24 years if they are female. For a member who retires in 25 years at age 65, the assumptions are that they will live on average for a further 25 years if they are male and a further 26 years if they are female (2011 25 years and 26 years respectively).

A valuation of the Merck International Pension Scheme was carried out for funding purposes as at 31 March 2012. The assets and liabilities were updated in an approximate way to 31 December 2012, based on the figures carried forward from 2011 and information from the scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2012	2011
Deferred revaluation	2.3%pa	2.3%pa
Salary increases	3.3%pa	3.5%pa
Pension increases	3.2%pa	3.2%pa
(on benefits earned before 1 July 2006)		
Pension increases	2.8%pa	3.0%pa
(on benefits earned after 1 July 2006)		
Discount rate	3.5%pa	4.5%pa
Expected rate of return on plan assets	4.9%pa	5.0%pa

The update revealed a market value of assets £5.7 million (2011 £5.2 million) and a value of liabilities of £6.8 million (2011 £5.4 million). Regular and deficit contributions to the Scheme in 2013 will be determined following the current valuation of the Scheme as at 31 March 2012.

21 Guarantees

The three participating employers of the Merck Pension Scheme, of which Seven Seas Limited is one, entered into a joint and several guarantee to cover the PPF liabilities of the Scheme on 30 March 2012. No value has currently been assigned to this guarantee, and any such amount would only be calculated in the event of a call on the guarantee.

22 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.

Notes *(continued)*

23 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 led 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.

24 Post balance sheet events

As disclosed in note 10 above, on 11th September 2013 the company sold its entire share holding in New Era Laboratories Limited for a consideration of €400,000.