

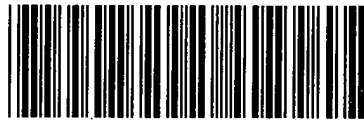
Seven Seas Limited

Directors' report and financial
statements

Registered number 351663

31 December 2014

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Company information

Directors

JD Binnington
S Kratzer
K White
AJ Wines (resigned 30 April 2015)
H Gresle (appointed 12 June 2015)

Secretary

AG Secretarial Ltd

Auditor

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Bankers

Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

Registered office

Bedfont Cross
Stanwell Road
Feltham
Middlesex
TW14 8NX

Strategic Report

The directors present their Strategic Report for the year ended 31st December 2014

Principal activities

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.

Business Review

The profit for the year after tax amounted to £505,000 (2013: Loss of £5,970,000).

As part of the Merck Group project “Fit for 2018” (see Merck Annual Report year ended 31 December 2012), the Group took a decision in 2012 to plan the closure of its production 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) was made in the financial statements of 2012 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 and charged as an exceptional item below operating loss). A further £5,778,000 was charged in respect of these costs in 2014 (2013: £420,000). A £9,430,000 provision remains in place at 31 December 2014.

During the period, the company disposed of the overseas element of its business to a fellow group company for consideration of £12,782,000. This has resulted in a credit to the profit and loss account during the period of £12,782,000 which has been classified as gain on sale of 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:

	2014 £000	2013 £000
Turnover	35,510	41,332
Operating loss excluding exceptional items	(4,219)	(3,205)
Operating loss margin	(11.9%)	(7.8%)

Strategic report *(continued)*

Principal risks and uncertainties

The company's operations expose it to a variety of financial and other operational risks. The company has in place policies, procedures and internal controls to safeguard its activities and assets. The policies set by the board of directors are implemented by the company's finance department, as well as any other departments identified by the Board.

The Directors are satisfied that the closure and relocation plans (see Business Review above) are progressing in accordance with the agreed project timetable and outcomes will be in line with initial expectations.

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

Future Developments

The Company will continue to develop new products whilst enhancing existing products and seeking to expand into new market segments. Investment in advertising and marketing is key to continuing growth and adding value to the business.



Stefan Kratzer
Director

Bedfont Cross
Stanwell Road
Feltham
Middlesex
TW14 8NX

26 June 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

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.

Results and dividends

The profit for the year after tax amounted to £505,000 (2013 loss: £5,970,000). No dividend was paid during the year (2013: £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
S Kratzer
K White
AJ Wines (resigned 30 April 2015)
H Gresle (appointed 12 June 2015)

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.

Directors' report *(continued)*

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.

Political Donations

The company has made no donations for political purposes

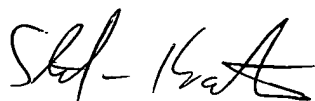
Disclosure of information to auditor

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



Stefan Kratzer
Director

Bedfont Cross
Stanwell Road
Feltham
Middlesex
TW14 8NX

26 June 2015

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

The directors are responsible for preparing the Strategic Report and 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 2014 set out on pages 9 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 6, 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 2014 and of its profit 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 Strategic Report and 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 Harding

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

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

3 July 2015

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	35,510	41,332
Cost of sales	3	(14,915)	(15,833)
Gross profit		20,595	25,499
Other operating expenses	3	(24,814)	(28,704)
Operating loss		(4,219)	(3,205)
Exceptional items	3	(5,778)	(420)
Gain on sale of assets	3	12,910	491
Loss on disposal of investments in subsidiaries	10	-	(188)
Interest payable	5	(930)	(627)
Interest receivable	6	-	-
Profit/(loss) on ordinary activities before taxation		1,983	(3,949)
Taxation	7	(1,478)	(2,021)
Retained Profit/(loss) for the year	18	505	(5,970)

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.

The notes on pages 12 to 23 form an integral part of these financial statements.

Balance sheet
at 31 December 2014

	Note	2014		2013	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		725		3,625
Tangible assets	9		434		1,731
Investments	10		-		473
			<u>1,159</u>		<u>5,829</u>
Current assets					
Stocks	11	6,927		7,838	
Debtors	12	12,201		15,175	
Cash at bank and in hand		6,639		313	
		<u>25,767</u>		<u>23,326</u>	
Creditors: amounts falling due within one year	13	<u>(12,629)</u>		<u>(15,247)</u>	
Net current assets			<u>13,138</u>		<u>8,079</u>
Total assets less current liabilities			<u>14,297</u>		<u>13,908</u>
Creditors: amounts falling due after more than one year	14		<u>(30,000)</u>		<u>(30,000)</u>
Provisions for liabilities and charges	15		<u>(9,430)</u>		<u>(9,546)</u>
Net liabilities			<u>(25,133)</u>		<u>(25,638)</u>
Capital and reserves					
Share capital	17		50		50
Profit and loss account	18		(25,183)		(25,688)
Shareholders' deficit			<u>(25,133)</u>		<u>(25,638)</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

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

U. S. M. E.

and were signed on its

Stefan Kratzer

Stefan Kratzer
Director

Reconciliation of movements in shareholders' deficit
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit/(loss) for the financial year	505	(5,970)
Net decrease/(increase) to shareholders' deficit	505	(5,970)
Opening shareholders' deficit	(25,638)	(19,668)
Closing shareholders' deficit	(25,133)	(25,638)

The notes on pages 12 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.

Notes (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the year end unless forward rates of exchange have been contracted, in which case the contracted rate is used.

All transactions of a trading nature are translated into sterling at the rates of exchange ruling at the date of the transaction.

Exchange gains or losses are included in profit on ordinary activities before taxation.

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 participates in two defined benefit pension schemes, which provide benefits based on final pensionable pay, one in the UK and one for the Republic of Ireland. Pension costs are accounted for in accordance with FRS17. 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 schemes on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the schemes as if they were defined contribution schemes. 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. In addition the company participates in the Merck 2006 Pension scheme which is a defined contribution scheme.

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

	2014 £000	2013 £000
Raw materials and consumables	14,915	15,833
Staff costs	12,754	15,850
Depreciation	1,237	444
Amortisation	2,900	2,900
Auditors' fees		
- audit services	29	29
- non audit services	4	21
Loss/(profit) on sale of tangible fixed assets	7	-
Other operating charges	7,526	9,105
Operating lease cost	357	355
Total operating expenses	24,814	28,704
Total operating costs	39,729	44,537

Exceptional items

Exceptional site closure costs	5,778	420
Total exceptional items	5,778	420

The exceptional costs in the prior and 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.

Gain on sale of assets

	2014 £000	2013 £000
Gain from disposal of trademarks, brand and investment in New Era Laboratories Ltd	-	491
Gain from Sale of Export business activities	12,782	-
Other capital gains incl sale of Marfleet House	128	-
	12,910	491

Notes (continued)

4 Directors and employees

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

	2014	2013
Production	76	90
Sales and marketing	41	44
Distribution	22	17
Administration	35	65
	<u>174</u>	<u>216</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	8,960	11,770
Social security costs	818	980
Pension costs	2,976	3,100
	<u>12,754</u>	<u>15,850</u>

	£000	£000
Directors' emoluments	426	669
Company contributions to money purchase pension schemes	43	54
	<u>469</u>	<u>723</u>

The aggregate of emoluments of the highest paid director was £258,135 (2013: £189,055), inclusive of company pension contributions of £21,840 (2013: £nil).

	Number of Directors 2014	2013
Retirement benefits are accruing to the following number of directors under :		
Money purchase schemes	2	2
Defined benefit schemes	-	4
	<u>2</u>	<u>6</u>

5 Interest payable

	2014 £000	2013 £000
Interest payable on group finance	781	627
Interest paid re: tax	149	-
	<u>930</u>	<u>627</u>

Notes (continued)

6 Interest receivable

	2014 £000	2013 £000
Other interest income	-	-

7 Taxation

<i>Analysis of charge in the year</i>	2014 £000	2013 £000
<i>UK Corporation tax</i>		
Tax charge/(credit)	1,125	(383)
Adjustment in respect of previous years	292	2,387
Total current tax	1,417	2,004
Deferred tax:		
Origination & reversal of timing differences (note 16)	61	17
Tax on profit/(loss) on ordinary activities	1,478	2,021

Factors affecting tax charge for year

The current tax for the year is higher (2013: higher) than the standard rate of corporation tax as explained below:

<i>Current tax reconciliation</i>	2014 £000	2013 £000
Profit/(loss) on ordinary activities before tax	1,983	(3,949)
Tax at 21.5% on ordinary activities (2013: 23.25%)	426	(918)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	626	683
Capital allowances less than depreciation	99	113
Timing differences in respect of provisions	(26)	(261)
Adjustment in respect of previous years	292	2,387
Current tax charge (see above)	1,417	2,004

Factors affecting future tax charges

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and a further reduction to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred taxation at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes (continued)

8 Intangible assets

	Intellectual Property £000
Cost	
At 1 January 2014 and 31 December 2014	29,000
Amortisation	
At 1 January 2014	25,375
Charge for the year	2,900
At 31 December 2014	28,275
Net book value	
At 31 December 2014	725
At 31 December 2013	3,625

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	2,364	14,991	5,090	22,858
Additions	-	-	206	62	268
Disposals	(236)	-	(1,083)	(117)	(1,436)
At 31 December 2014	177	2,364	14,114	5,035	21,690
Depreciation					
At beginning of year	263	1,008	14,841	5,015	21,127
Charge for the year	150	922	86	79	1,237
Disposals	(236)	-	(813)	(59)	(1,108)
At 31 December 2014	177	1,930	14,114	5,035	21,256
Net book value					
At 31 December 2014	-	434	-	-	434
At 31 December 2013	150	1,356	150	75	1,731

Notes (continued)

10 Investments

	2014 £000
Shares in subsidiary undertakings:	
Cost and carrying value at the beginning of the year	473
Disposal of investments	(473)
Cost and carrying value at 31 December 2014	-

During 2014 the following subsidiaries were in the process of being dissolved.

British Cod Liver Oils Ltd – dissolved March 2015

Phillips Yeast Products Ltd – dissolved March 2015

Merck Cross Border Trustees Ltd is the only remaining subsidiary and is dormant.

11 Stocks

	2014 £000	2013 £000
Raw materials	1,395	3,386
Work in progress	382	774
Finished goods	5,150	3,678
	6,927	7,838

12 Debtors

	2014 £000	2013 £000
Trade debtors	9,075	9,415
Amounts owed by group companies	72	75
Other debtors	2	7
Prepayments and accrued income	335	300
Corporation tax recoverable from group companies	-	2,600
Deferred tax asset (note 16)	2,717	2,778
	12,201	15,175

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	5,773	4,890
Amounts owed to fellow group undertakings	-	4,171
Other taxation and social security	794	1,085
Accruals and deferred income	5,256	5,099
Bank overdraft	-	2
Corporation tax	806	-
	<u>12,629</u>	<u>15,247</u>

14 Creditors: amounts falling due after more than one year

	2014 £000	2013 £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

	2014 £000	2013 £000
Restructuring provision brought forward	9,546	15,689
Charged to profits in period	5,778	420
Utilised in period	(5,894)	(6,563)
Restructuring provision carried forward	<u>9,430</u>	<u>9,546</u>

The restructuring 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)*

16 Deferred taxation

	2014 £000	2013 £000
Deferred taxation asset	2,717	2,778
The movements in provisions during the year are detailed below:		
Asset at 1 January	2,778	2,795
Deferred tax charge for the year	(61)	(17)
Asset at 31 December 2014	2,717	2,778
Deferred taxation is in respect of timing differences arising from:		
	2014 £000	2013 £000
Excess of capital allowances over depreciation	783	730
Short term timing differences	1,934	2,048
	2,717	2,778

17 Called up share capital

	2014 £000	2013 £000
<i>Authorised, allotted, called up and fully paid</i>		
50,000 deferred shares of £1 each	50	50
100 bearer shares	-	-

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

	2014 £000	2013 £000
As at 1 January	(25,688)	(19,718)
Profit/(loss) for the year	505	(5,970)
As at 31 December	(25,183)	(25,688)

Notes (continued)

19 Capital commitments

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

	2014 £000	2013 £000
Contracted	-	-

20 Pension scheme

The total pension cost for the year ended 31 December 2014 was £2,976,424 (2013: £3,100,000). This included deficit payments to the Merck Pension Scheme and Merck International Pension Schemes totalling £2,070,000 over and above the normal employer contributions (2013: £2,070,000).

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 3.68% and a 2.1% annual increase in pay.

A full valuation of the Merck Pension Scheme was carried out for funding purposes as at 31 March 2013. The assets and liabilities were updated in an approximate way to 31 December 2014, based on the figures carried forward from 2013 and information from the scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2014	2013
Inflation (RPI)	3.1%pa	3.4%pa
Inflation (CPI)	2.1%pa	2.6%pa
Salary increases	2.1%pa	3.9%pa
Pension increases (on benefits earned before 1 July 2006)	3.2%pa	3.5%pa
Pension increases: (on benefits earned after 1 July 2006)	3.1%pa	3.4%pa
Discount rate:	3.68%pa	4.59%pa

Notes (continued)

20 Pension scheme (continued)

The mortality tables used to value the Scheme's liabilities as at 31 December 2014 are SAPS, CMI 2013 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 2013 are as follows:

	2014		2013	
	Male	Female	Male	Female
Member age 65 (current life expectancy)	22.7	24.7	23.1	24.2
Member age 45 (life expectancy at 65)	25.0	27.1	25.3	26.6

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.

The update revealed a market value of assets £268.4 million (2013: £244.4million) and a value of liabilities of £294.0 million (2013: £266.9million). The revealed deficit of £25.6 million (2013: £22.5 million) has no direct impact on the company, but the company contributions being paid reflect the £20.5 million deficit revealed by the funding valuation as at 31 December 2013.

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 credit 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 2.25% and 2.2% 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 22 years if they are male for a further 25 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 24 years if they are male and a further 26 years if they are female (2013: 24 years and 27 years respectively).

The Merck International Pension Scheme has a current ongoing actuarial valuation as at 31 March 2013. The assets and liabilities were based on that source data and updated in an approximate way to 31 December 2014 based on information from the Scheme administrators, as permitted under FRS 17 and the update was based on the following key assumptions:

	2014	2013
Deferred revaluation	1.7%pa	2.0%pa
Salary increases	2.2%pa	3.0%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)	1.8%pa	2.1%pa
Discount rate:	2.25%pa	3.75%pa
Expected rate of return on plan assets	2.25%pa	4.2%pa

The update revealed a market value of assets £5.9 million (2013: £5.8million) and a value of liabilities of £7.8 million (2013: £6.3million). Regular and deficit contributions to the Scheme in 2015 will be determined following the current valuation of the Scheme as at 31 March 2014.

Notes *(continued)*

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 2011. 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.

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 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.