

Seven Seas Limited

**Directors' report and financial
statements**

Registered number 351663

31 December 2015

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Strategic Report

The directors present their Strategic Report of Seven Seas Limited ("the company") for the year ended 31 December 2015.

Principal activities

The principal activities of the company are the marketing and distribution of vitamin supplements and healthcare products for human consumption.

Review of the business and future developments

In December 2014, the company agreed the sale of its export business on a going concern basis. The sale was made to a fellow group company and henceforth, Seven Seas Limited operated on a limited risk marketing and distribution arrangement, serving the UK and Ireland markets only.

In September 2015 the company closed its Hull UK based manufacturing facility and all sales, marketing and administration functions relocated to a group facility based in Feltham, UK.

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.

Results and dividends

The profit and loss account for the year is set out on page 8. In September 2015 the company closed its Hull UK based manufacturing facility and all sales, marketing and administration functions relocated to a group facility based in Feltham, UK.

Key Performance Indicators

	2015	2014
	£'000	£'000
Turnover	30,167	35,510
Profit after tax for the financial year	7,086	1,463

Strategy

The UK and Ireland markets for vitamin and healthcare products remain highly competitive. Accordingly, the company recognises that investment in advertising and marketing remains key to continuing growth and adding value to the business. Additionally, key research is carried out to ensure the company's product range adequately serves to requirements of the UK and Ireland demographic.

Principal risks and uncertainties

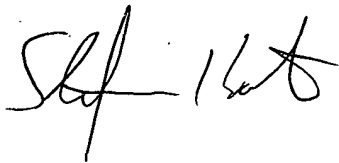
The company's operations expose it to a variety of financial and other operational risks. The company has in place policies, procedures and internal controls to safeguard its activities and assets. The policies set by the board of directors are implemented by the company's finance department, as well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

Strategic Report (continued)

Future outlook

Seven Seas Limited plans to continue promoting and distributing its current diverse line of high quality products in the UK and Ireland markets.

By order of the board

A handwritten signature in black ink, appearing to read 'Stefan Kratzer', with a stylized flourish at the end.

Stefan Kratzer
Director

Date: 29TH APRIL 2016

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Directors

The directors of the company who held office during the year and up to the date of signing these financial statements were:

A J Wines	(resigned 30 April 2015)
H Gresle	(appointed 12 June 2015)
K White	(resigned 31 December 2015)
J D Binnington	
S Kratzer	

Company Secretary

The following held office as Company Secretary during the year and up to the date of signing these financial statements:

AG Secretarial Limited

Dividends

An interim dividend of £nil (2014: £nil) was paid. The directors do not recommend the payment of a final dividend (2014: £nil). The profit for the year of £7,086,000 (2014: 1,463,000 profit) will be transferred to reserves.

Employees

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account where decisions are made that are likely to affect their interests. All employees are aware of the financial and economic performance of their business units and of the company as a whole, and are rewarded according to the results of both through an annual bonus scheme.

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 a credit risk management programme that requires appropriate credit checks on potential customers before sales are made. Given the size of the Company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. 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)

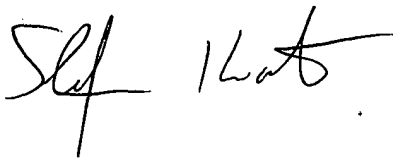
Disclosure of information to auditor

The directors who held office at the date of approval of the Directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all 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 auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



S Kratzer
Director

Date: 29th APRIL 2016

Bedfont Cross
Stanwell Road
Feltham
Middlesex
TW14 8NX

Statement of directors' responsibilities in respect of the Strategic Report and the Director's 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), including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'.

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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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.



Independent auditor's report to members of Seven Seas Limited

We have audited the financial statements of Seven Seas Limited for the year ended 31 December 2015, set out on pages 8 to 40. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'.

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's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 2015 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.

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 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.

A handwritten signature in black ink, appearing to read 'Mark Matthewman'.

**Mark Matthewman (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

58 Clarendon Road
Watford
WD17 1DE

Date: 4/5/16

Profit and Loss Account

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	2	30,167	35,510
Cost of sales		(10,387)	(11,278)
Gross profit		19,780	24,232
Distribution costs		(1,224)	(1,432)
Administrative expenses	3	(14,942)	(31,374)
Other operating income	4	2,445	12,910
Operating profit		6,059	4,336
Interest payable	8	(1,115)	(1,395)
Interest receivable	7	13	-
Profit on ordinary activities before taxation		4,957	2,941
Tax on profit on ordinary activities	9	2,129	(1,478)
Profit for the financial year		7,086	1,463

The above operations all relate to continuing activities.

The notes on pages 13 to 40 form part of these financial statements.

Other Comprehensive Income
for year ended 31 December 2015

	Notes	2015 £000	2014 £000
Profit for the financial year		7,086	1,463
Other comprehensive income			
Remeasurement of the net defined benefit (liability) / asset	19	2,210	(3,353)
Deferred tax thereon		(398)	671
Change in tax rate		(765)	-
Other comprehensive income / (loss) for the year (net)		1,047	(2,682)
Total comprehensive income / (loss) for the year		8,133	(1,219)

The notes on pages 13 to 40 form an integral part of these financial statements

Balance Sheet at 31 December 2015

	Notes	2015 £000	2014 £000
Fixed assets			
Intangible assets	10	-	725
Tangible assets	11	-	434
			1,159
Current assets			
Stocks	12	4,018	6,927
Debtors (including £14,190,000 [2014: £13,960,000] due within one year)	13	14,190	13,960
Cash at bank and in hand		18	6,639
		18,226	27,526
Creditors: amounts falling due within one year	14	(6,657)	(12,629)
Net current assets		11,569	14,897
Total assets less current liabilities		11,569	16,056
Creditors: amounts falling due after more than one year	15	(30,000)	(30,000)
Provisions for liabilities			
Pensions and similar obligations	19	(5,229)	(8,797)
Other provisions	16	(378)	(9,430)
		(35,607)	(48,227)
Net liabilities		(24,038)	(32,171)
Capital and reserves			
Share capital	18	50	50
Profit and loss account		(24,088)	(32,221)
Shareholders' deficit		(24,038)	(32,171)

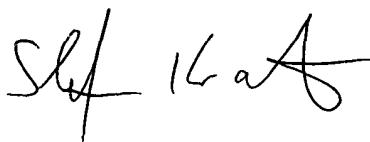
The notes on pages 13 to 40 form part of these financial statements.

These financial statements were approved by the board of directors on 29 April 2016.

S Kratzer

Director

Registered number 351663



Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 January 2014	50	(31,002)	(30,952)
Total comprehensive income for the period			
Profit or loss	-	1,463	1,463
Other comprehensive come	-	(2,682)	(2,682)
<i>Total comprehensive income for the period</i>	-	(1,219)	(1,219)
Balance at 31 December 2014	50	(32,221)	(32,171)

The notes on pages 13 to 40 form an integral part of these financial statements.

Statement of Changes in Equity (continued)

	Called up Share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 January 2015	50	(32,221)	(32,171)
Total comprehensive income for the period			
Profit or loss	-	7,086	7,086
Other comprehensive come	-	1,047	1,047
<i>Total comprehensive income for the period</i>	-	8,133	8,133
Balance at 31 December 2015	50	(24,088)	(24,038)

The notes on pages 13 to 40 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 financial statements.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the company has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the company is provided in note 23.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease arrangements – in order to determine whether an arrangement contains a lease, the company has analysed facts and circumstances existing at transition date rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1 January 2014 the company continued to account for lease incentives under previous UK GAAP.

The company's ultimate parent undertaking, Merck KGaA includes the company in its consolidated financial statements. The consolidated financial statements of Merck KGaA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Frankfurter Strasse 250, 64271 Darmstadt, Germany. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Merck KGaA include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Notes (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the company has not retrospectively changed its accounting under old UK GAAP for; derecognition of financial assets and liabilities before the date of transition, accounting estimates or discontinued operations.

In order to ensure reporting consistency in respect of current and prior year, certain balances have been re-classified in the profit and loss statement in relation to 2014. This change relates to the treatment of an inter-company income amount and does not change the overall results reported for 2014.

1.1 Measurement convention

The financial statements have been prepared under the historical cost convention (modified to include the revaluation of investments in subsidiaries) and in accordance with applicable accounting standards. They are prepared on a going concern basis, which the directors feel to be appropriate based on the current and expected availability of financing. At the date of approval of the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future; thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Review of business section of the Strategic Report on pages 1 to 2.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's cash pooling arrangement with its parent Company.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Merck KGaA to continue as a going concern or its ability to continue with the current banking arrangements.

1.3 Tangible fixed assets and depreciation

The company assesses at each reporting date whether tangible fixed assets are impaired.

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold property	-	Between 2% and 4% per annum
Plant and machinery	-	Between 10% and 15% per annum
Fixtures, fittings, tools and equipment	-	Between 12.5% and 33.3% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation *(continued)*

1.4 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of manufactured stocks and work in progress, cost includes and appropriate share of overheads based on normal operating capacity.

1.5 Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transaction, except where specific forward contracts exist of these amounts, when the contract rate is used. Monetary assets and liabilities at the balance sheet date are translated at the year-end rates of exchange except where specific forward contracts exist in respect of these amounts, when the contract rate is used. Gains and losses on translation are included in the profit and loss account.

1.6 Research and development

All expenditure on research and development is written off in the profit and loss in the year in which it is incurred.

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation *(continued)*

1.8 Pension costs

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occur.

Due to the adoption of FRS 102, the company can no longer rely on the multi-employer exemption of FRS 17 used in prior years, and therefore a proportion of the total Scheme results relating to the company are now included in the balance sheet and profit and loss account. This proportion is defined in an agreement between the participating employers as a combination of apportionment of total membership between the employers, active membership and actual past and present contributions by the employers.

1.9 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of preparation *(continued)*

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Related party disclosures

As the company is wholly owned by Merck KGaA, it has taken advantage of the exemption contained in FRS 102 and has, therefore, not disclosed transactions or balances with entities which form part of the group headed by Merck KGaA. The consolidated financial statements of Merck KGaA, within which this company is included, can be obtained from the address given in note 22.

1.12 Turnover

Revenue from the sale of goods is recognised in the profit and loss account when the significant risk and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes (continued)

1 Accounting policies (continued)

Basis of preparation (continued)

1.13 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.14 Share based payments

The parent company, Merck KGaA, grants rights to its equity instruments to the company's employees which are accounted for as cash settled in the consolidated accounts of the parent, the company accounted for these share based payments as cash settled. The fair value of options granted is recognised as an employee expense with a corresponding increase in Liability. The fair value is measured at each reporting date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expenses is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes (continued)

2 Turnover

Turnover, all originating in the UK, represent the invoiced value of goods and services supplied by the company, and is exclusive of VAT.

	2015 £000	2014 £000
<i>By turnover</i>		
Sales of goods	30,167	35,510

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 attributed to the principal continuing activity of the company.

3 Expenses and auditor's remuneration

Included in the profit/loss are the following:

	2015 £000	2014 £000
Restructuring costs expensed as incurred	285	5,778
Research and development expensed as incurred	348	671
Depreciation of fixed assets	-	1,237
Amortisation of intangibles	725	2,900
Operating lease costs	185	355
Loss on foreign exchange transactions	173	220

The restructuring 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.

	2015 £000	2014 £000
Auditor's remuneration		
Audit of these financial statements	25	29
Non audit services	-	4
	25	33

Notes (continued)

4 Other operating income

	2015 £000	2014 £000
Net gain on disposal of tangible fixed assets	2,445	12,910
	2015 £000	2014 £000
<i>Gain on disposal of tangible fixed assets:</i>		
Gain from sale of Park Royal House	601	-
Gain from sale of Hedon Road land and buildings	1,844	-
Gain from Sale of Export business activities	-	12,782
Other capital gains incl sale of Marfleet House	-	128
	2,445	12,910

Notes (continued)

5 Staff numbers and costs

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

	Average number of employee	
	2015	2014
Production	26	76
Sales and marketing	34	41
Distribution	11	22
Administration	22	35
	<u>93</u>	<u>174</u>

The aggregate payroll costs of these persons were as follows:

	2015 £000	2014 £000
Wages and salaries	5,843	8,121
Severance pay	5,923	839
Social security costs	792	818
Pension costs	498	2,976
	<u>13,056</u>	<u>12,754</u>

6 Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	636	426
Company contributions to defined benefit pension scheme	35	43
	<u>671</u>	<u>469</u>

The emoluments of the highest paid director were £272,340 (2014: £258,135). The pension contributions paid by the company on behalf of the highest paid director in 2015 were £20,409 (2014: £21,840).

	Number of directors	
Retirement benefits are accruing to the following number of directors under defined benefit schemes	2	2

Notes (continued)

7 Other interest receivable and similar income

	2015 £000	2014 £000
Other interest receivable	13	-
	<u>13</u>	<u>-</u>
	<u>13</u>	<u>-</u>

8 Interest payable and similar charges

	2015 £000	2014 £000
Interest payable on group finance	670	781
Interest paid in relation to tax	-	149
Net interest paid on defined benefit pension schemes (see note 19)	445	465
	<u>1,115</u>	<u>1,395</u>
	<u>1,115</u>	<u>1,395</u>

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2015	2014
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	(1,681)	1,126
Adjustment in respect of prior year	(1,899)	292
Total current tax	(3,580)	1,418
<i>Deferred tax:</i>		
Origination/reversal of timing differences	2,438	(72)
Change in tax rate	176	132
Total deferred tax	2,614	60
Tax expense/(income) relating to changes in accounting policies or material error	-	-
Total tax (credit)/charge	(966)	1,478

	2015			2014		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit & loss account	(3,580)	1,451	(2,129)	1,418	60	1,478
Recognised in other comprehensive income	-	1,163	1,163	-	-	-
Recognised directly in equity	-	-	-	-	-	-
	(3,580)	2,614	(966)	1,418	60	1,478

A reduction of the corporation tax rate to 20%, effective from 1 April 2015, was enacted on 17 July 2013. Subsequently, announcements were made during 2015 by the Chancellor of the Exchequer of proposed changes to corporation tax rates that will have an effect on future tax charges of the Company. A reduction to 19% was enacted on 18 November 2015, and a further reduction to 17% effective from 1 April 2020 was proposed on 16 March 2016.

Notes (continued)

9 Taxation (continued)

	2015 £000	2014 £000
Reconciliation of effective tax rate		
Profit before tax	7,086	1,463
Total tax (credit)/expense	(2,129)	1,478
Profit excluding taxation	<u>4,957</u>	<u>2,941</u>
Tax at the standard corporation tax rate for the year of 20.25% (2014: 21.5%)	1,004	632
Non-deductible expenses	156	626
Reduction in tax rate on deferred tax balances	(813)	(72)
Tax exempt revenues	(577)	-
Under/(over) provided in previous periods	(1,899)	292
Total tax (credit)/expense included in profit and loss	<u>(2,129)</u>	<u>1,478</u>

The current tax on income for the year relates entirely to UK corporation tax, as does the figure for the prior year.

10 Intangible assets and goodwill

	Intellectual Property £000
Cost	
At 1 January and 31 December	29,000
Amortisation	
At 1 January	28,275
Charge for the year	725
At 31 December	<u>29,000</u>
Net book value	
At 1 January 2015	725
At 31 December 2015	<u>-</u>

Notes (continued)

10 Intangible assets and goodwill (continued)

The intellectual property relates to trademarks acquired from Merck Consumer Healthcare Limited to enable the company to market and sell products under the Seven Seas brand.

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	2015 £000
Administrative expenses	725

11 Tangible fixed assets

	Land and buildings		Fixtures & Fittings		
	Short leasehold	Freehold	Plant and machinery	Tools and equipment	Total
	£000	£000	£000	£000	£000
Cost					
Balance at 1 January 2015	177	2,364	14,114	5,035	21,690
Disposals	(177)	(2,364)	(14,114)	(5,035)	(21,690)
At 31 December 2015	-	-	-	-	-
Depreciation					
Balance at 1 January 2015	177	1,930	14,114	5,035	21,256
Disposals	(177)	(1,930)	(14,114)	(5,035)	(21,256)
Balance at 31 December 2015	-	-	-	-	-
Net book value					
At 31 December 2014	-	434	-	-	434
At 31 December 2015	-	-	-	-	-

In December 2014 the company applied a full write-down to all shorthold leases and fixtures and fittings held. This write-down was made in advance of the planned sale of the company's Hull based manufacturing facility. This sale was duly completed in September 2015, by which time all remaining assets previously held had been disposed.

Notes (continued)

12 Stocks

	2015 £000	2014 £000
Raw materials	-	1,395
Work in progress	-	382
Finished goods	4,018	5,150
	<u>4,018</u>	<u>6,927</u>

The write-down of stocks to net realisable value amounted to £390,000 (2014: £690,000). There were no reversal of write-downs during the year (2014: £nil). The write-down and reversal are included in cost of sales.

13 Debtors

	2015 £000	2014 £000
Trade debtors	7,780	9,075
Amounts owed by group undertakings	4,322	72
Other debtors	2	2
Prepayments and accrued income	223	335
Deferred tax asset (note 17)	1,863	4,476
	<u>14,190</u>	<u>13,960</u>

The company participates in a cash pooling arrangement with its parent company, whereby all cash balances held with third party banks are cleared on a daily basis and transferred to a central parent account. All transferred balances are held by the parent company and made available to the company in order to satisfy its cash flow requirements. Balances held within the cash pool arrangement are subject to interest and charges calculated on an arm's length basis.

14 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	2,536	5,773
Amounts owed to group undertakings	4	-
Other taxation and social security	410	794
Accruals and deferred income	3,448	5,256
Corporation tax	259	806
	<u>6,657</u>	<u>12,629</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to fellow group undertakings	30,000	30,000

Balance comprises of loans held with Merck Capital Limited (£18,000,000 (2014: £30,000,000)) and Sigma Aldrich Financial Services Limited (£12,000,000 (2014: £nil)).

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

16 Other Provisions

	Restructuring £000
Balance at 1 January 2015	9,430
Provisions used during the year	(9,052)
Balance at 31 December 2015	378

The restructuring provision is 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.

17 Deferred taxation

	Assets		Liabilities		Net	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Employee benefits	941	1,759	-	-	941	1,759
Accelerated capital allowances	798	783	-	-	798	783
Other	124	1,934	-	-	124	1,934
	1,863	4,476	-	-	1,863	4,476

A reduction of the corporation tax rate to 20%, effective from 1 April 2015, was enacted on 17 July 2013. Subsequently, announcements were made during 2015 by the Chancellor of the Exchequer of proposed changes to corporation tax rates that will have an effect on future tax charges of the Company. A reduction to 19% was enacted on 18 November 2015, and a further reduction to 17% effective from 1 April 2020 was proposed on 16 March 2016.

Notes (continued)

18 Share capital

	2015 £000	2014 £000
Allotted, called up and fully paid:		
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 attached to ordinary equity shares for both voting and participation in the profits and assets of the company.

Notes (continued)

19 Employee benefits

Defined benefit schemes

The company is a member of the Merck Pension Scheme and the Merck International Pension Scheme which are defined benefit pension schemes providing benefits based on final pensionable pay. The pension cost is assessed in accordance with the advice of professional qualified actuaries using the projected unit credit method.

The information disclosed below is in respect of the whole of the plans for which the company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	2015 £000	2014 £000
Merck Schemes net pension liability:		
Merck Pension Scheme	(4,908)	(7,936)
Merck International Pension Scheme	(321)	(861)
Net liability	(5,229)	(8,797)

Merck Pension Scheme

	2015 £000	2014 £000
Net Pension liability:		
Defined benefit obligation	(116,108)	(120,878)
Fair value of plan assets	111,200	112,942
Net liability	(4,908)	(7,936)

Movements in present value of defined benefit obligation are as follows:

	2015 £000	2014 £000
Defined benefit obligation at 1 January	120,878	108,602
Current service cost	298	540
Interest expense	4,786	5,409
Benefits paid from plan assets	(4,587)	(4,519)
Contributions by members	35	80
Remeasurements:		
Effect of changes in assumptions	(5,302)	12,078
Effect of experience adjustments	-	(1,312)
Defined benefit obligations at 31 December	116,108	120,878

Notes (continued)

19 Employee benefits (continued)

Movements in fair value of plan assets are as follows:

	2015 £000	2014 £000
Fair value of plan assets at 1 January	112,942	102,218
Interest income	4,359	4,956
Contributions by employer	2,210	2,461
Contributions by member	35	80
Benefits paid from plan assets	(4,587)	(4,519)
Administrative expenses paid from plan assets	(403)	(340)
Remeasurements: return on plan assets less interest income	(3,356)	8,086
Fair value of plan assets at 31 December	111,200	112,942

Expense recognised in the profit and loss account is as follows:

	2015 £000	2014 £000
Current service cost	298	540
Total cost	298	540
Net interest cost		
Interest expense on defined benefit obligation	4,785	5,409
Interest (income) on plan assets	(4,359)	(4,956)
Total net interest cost	426	453
Plan administrative expenses	403	340
Defined benefit cost included in Profit and loss account	1,127	1,333
Remeasurements recognised in other comprehensive income:		
Effect of changes in assumptions	(5,301)	12,078
Effect of experience adjustments	-	(1,312)
Return on plan assets (excluding interest income)	3,356	(8,086)
Total measurements included in other comprehensive income	(1,945)	2,680
Total cost related to the defined benefit plan recognised in the profit and loss account and other comprehensive income	(818)	4,013

Notes (continued)

19 Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2015 £000	2014 £000
Cash and cash equivalents	1,649	2,045
Equity instruments	17,002	16,440
Debt instruments	84,396	87,275
Real estate	8,153	7,182
Total	111,200	112,942
Actual return on plan assets	1,003	13,042

The plan assets did not include any property occupied by the company or any other Merck group company and did not include any financial instruments of the company or Merck group.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

Weighted average assumptions to determine defined benefit obligations:

	2015	2014
Discount rate:	3.90% pa	3.68% pa
Salary increase rate:	2.1% pa	2.1% pa
Pension-in-payment increase rate:	3.1% pa	3.1% pa

Weighted average assumptions to determine cost relating to defined benefit plans:

	2015	2014
Discount rate:	3.68% pa	4.59% pa
Salary increase rate:	2.1% pa	2.1% pa
Pension-in-payment increase rate:	3.1% pa	3.1% pa

The last full actuarial valuation of the scheme was performed at 31 December 2013. To measure the defined benefit obligation as at 31 December 2015, the liabilities were updated in an approximate way to 31 December 2015, based on the figures carried forward from 2014 and information from the Scheme administrators.

Notes (continued)

19 Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements.

The mortality tables used to value the Scheme's liabilities as at 31 December 2015 are SAPS, CMI 2013 long term improvement rate of 1.25% per annum, with a 95% weighting for males and a 100% weighting for females. The life expectancies from the age of 65 based on these tables, compared with those used at 31 December 2014, are as follows:

	2015		2014	
	Male	Female	Male	Female
Current member aged 65	22.8	24.8	22.7	24.7
Future retiree on reaching 65	25.1	27.2	25	27.1

Merck International Pension Scheme

The company is a member of the Merck International Pension Scheme, a pension scheme providing benefits based on final pensionable pay to member in the Republic or Ireland. The scheme is denominated in Euro and was translated to Sterling based on a closing rate of 0.7259. The pension cost is assessed in accordance with the advice of professional qualified actuaries using the projected unit credit method.

	2015 £000	2014 £000
Net pension liability:		
Defined benefit obligation	(3,393)	(4,126)
Fair value of plan assets	3,072	3,265
Net liability	(321)	(861)

Movements in present value of defined benefit obligation are as follows:

	2015 £000	2014 £000
Defined benefit obligation at 1 January	4,126	3,386
Current service cost	22	29
Curtailments	(29)	-
Interest expense	80	114
Benefits paid from plan assets	(106)	(112)
Contributions by members	3	8
Administrative expenses included in the DBO	34	34
Remeasurements:		
Effect of changes in assumptions	(295)	822
Effect of experience adjustments	(17)	13
Exchange adjustments	(425)	(168)
Defined benefit obligation at 31 December	3,393	4,126

Notes (continued)

19 Employee benefits (continued)

Movements in fair value of plan assets are as follows:

	2015	2014
	£000	£000
Fair value of plan assets at 1 January	3,265	3,230
Interest income	62	106
Contributions by employer	166	35
Contributions by members	3	8
Benefits paid from plan assets	(106)	(112)
Remeasurements: return on plan assets less interest income	(48)	162
Exchange adjustments	(270)	(164)
Fair value of plan assets at 31 December	3,072	3,265

Expense recognised in the profit and loss account is as follows:

	2015	2014
	£000	£000
Current service cost	22	29
Losses/(gains) on curtailment/settlements	(29)	-
Total cost	(7)	29
Net interest cost		
Interest expense on defined benefit obligations	80	114
Interest (income) on plan assets	(62)	(106)
Total net interest cost	18	8
Plan administrative expenses	34	34
Defined benefit cost included in profit and loss account	45	71
Remeasurements recognised in other comprehensive income:		
Effect of changes in assumptions	(295)	822
Effect of experience adjustments	(17)	13
Return on plan assets (excluding interest income)	48	(162)
Total measurements included in other comprehensive income	(264)	673
Total cost related to the defined benefit plan recognised in the profit and loss account and other comprehensive income	(219)	744

Notes (continued)

19 Employee benefits (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2015 £000	2014 £000
Cash and cash equivalents	34	39
Equity instruments	783	810
Debt instruments	2,255	2,416
Total	3,072	3,265
Actual return on plan assets	14	268

The plan assets did not include any property occupied by the company or any other Merck group company and did not include any financial instruments of the company or Merck group.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

Weighted average assumptions to determine defined benefit obligations:

	2015	2014
Discount rate:	2.5% pa	2.25% pa
Salary increase rate:	1.9% pa	2.2% pa
Pension-in-payment increase rate:	1.6% pa	1.8% pa

Weighted average assumptions to determine cost relating to defined benefit plans:

	2015	2014
Discount rate:	2.25% pa	3.75% pa
Salary increase rate:	2.2% pa	3.0% pa
Pension-in-payment increase rate:	1.8% pa	2.1% pa

The scheme has a current ongoing actuarial valuation as at 31 December 2015. The assets and liabilities were based on that source data and updated in an approximate way to 31 December 2015, based on information from the scheme administrators.

Notes (continued)

19 Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 December 2015, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements.

The mortality tables used to value the Scheme's liabilities as at 31 December 2015 are SAPS, CMI 2013 long term improvement rate of 1.25% per annum, with a 95% weighting for males and a 100% weighting for females. The life expectancies from the age of 65 based on these tables, compared with those used at 31 December 2014, are as follows:

	2015		2014	
	Male	Female	Male	Female
Current member aged 65	22	24	22	25
Future retiree on reaching 65	24	26	24	26

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £386,000 (2014: £501,000)

Guarantees

The three participating employers of the Merck Pension Scheme, of which Merck Serono 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.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land & buildings		Plant & machinery	
	2015	2014	2015	2014
	£000	£000	£000	£000
- Within one year	16	21	1	246
- In the second to fifth years inclusive	16	16	103	43
- After five years	-	-	-	-
	32	37	104	288

Notes (continued)

21 Accounting estimates and judgements

The preparation of financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

Recoverability of deferred income tax assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. In recognising deferred tax asset of £1,863,000 (2014: £4,476,000) (note 13), management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

Provisions

The company has recognised provisions for impairment of inventories, impairment of trade receivables, employee bonuses, and income tax in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors.

The company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, based on the expense attributable to those employees of the company for whom an award is granted

Provisions for liabilities and charges

The company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

22 Ultimate parent undertaking

The ultimate parent undertaking is Merck KGaA, a company incorporated in Germany. The only group in which the results of the company are consolidated is that headed by Merck KGaA. The consolidated statements of this group are available to the public and may be obtained from Frankfurter Strasse 250, 64271 Darmstadt, Germany.

23 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the company's financial position and financial performance is set out in the following tables.

Notes (continued)

23 Explanation of transition to FRS 102 from old UK GAAP (continued)

	<u>1 January 2014</u>			<u>31 December 2014</u>		
	<u>Adopted UK</u>	<u>Effect of</u>	<u>FRS 102</u>	<u>Adopted UK</u>	<u>Effect of</u>	<u>FRS 102</u>
	<u>GAAP</u>	<u>transition</u>		<u>GAAP</u>	<u>transition to</u>	
	<u>£000</u>	<u>to FRS 102</u>	<u>£000</u>	<u>£000</u>	<u>FRS 102</u>	<u>£000</u>
Fixed assets						
Intangible assets	3,625	-	3,625	725	-	725
Tangible assets	1,731	-	1,731	434	-	434
Investments	473	-	473	-	-	-
	<u>5,829</u>	<u>-</u>	<u>5,829</u>	<u>1,159</u>	<u>-</u>	<u>1,159</u>
Current assets						
Stocks	7,838	-	7,838	6,927	-	6,927
Debtors (see (a) below)	15,175	1,328	16,503	12,201	1,759	13,960
Cash and bank	313	-	313	6,639	-	6,639
	<u>23,326</u>	<u>1,328</u>	<u>24,654</u>	<u>25,767</u>	<u>1,759</u>	<u>27,526</u>
Creditors: amounts due within one year	<u>(15,247)</u>	<u>-</u>	<u>(15,247)</u>	<u>(12,629)</u>	<u>-</u>	<u>(12,629)</u>
Net current assets	<u>8,079</u>	<u>1,328</u>	<u>9,407</u>	<u>13,138</u>	<u>1,759</u>	<u>14,897</u>
Creditors: Amounts due within one year	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Provisions for liabilities						
Other provisions	(9,546)	-	(9,546)	(9,430)	-	(9,430)
Pension liability (see (b) below)	-	(6,643)	(6,643)	-	(8,797)	(8,797)
	<u>(39,546)</u>	<u>(6,643)</u>	<u>(46,189)</u>	<u>(39,430)</u>	<u>(8,797)</u>	<u>(48,227)</u>
Net liabilities	<u>(25,638)</u>	<u>(5,315)</u>	<u>(30,953)</u>	<u>(25,133)</u>	<u>(7,038)</u>	<u>(32,171)</u>
Capital and reserves						
Called up share capital	50	-	50	50	-	50
Profit and loss account (see (c) below)	(25,688)	(5,315)	(31,003)	(25,183)	(7,038)	(32,221)
Shareholders' equity	<u>(25,638)</u>	<u>(5,315)</u>	<u>(30,953)</u>	<u>(25,133)</u>	<u>(7,038)</u>	<u>(32,171)</u>

Notes (continued)

23 Explanation of transition to FRS 102 from old UK GAAP (continued)

Notes to the reconciliation of Equity

(a) There is no multi-employer exemption for group defined benefit schemes under FRS 102; the deficit or surplus is required to be recognised on at least one individual company balance sheet. The deficit is now recognised on the financial statements of the participating employers. Included in Debtors is £671,000 being deferred tax arising from pension being recognised on the entity's financial statements.

(b) Pension liability arises due to the absence of a multi-employer exemption for group defined benefit schemes under FRS 102. As stated above, the deficit or surplus is required to be recognised on at least one individual company balance sheet. The deficit is now recognised on the financial statements of the participating employers and the company's share of the deficit is £7,936,000.

(c) The net effect of the above is recorded in the profit and loss account.

Reconciliation of profit and loss:

For the year ended 31 December 2014

	Adopted UK GAAP £000	Effect of transition to FRS 102 £000	FRS 102 £000
Turnover	35,510	-	35,510
Cost of sales	(11,278)	-	(11,278)
Gross Profit	24,232	-	24,232
Other operating expenses (see (a) below)	(28,451)	1,423	(27,028)
Operating profit	(4,219)	1,423	(2,796)
Exceptional items	(5,778)	-	(5,778)
Gain on sale of assets	12,910	-	12,910
Interest payable and similar charges (see (b) below)	(930)	(465)	(1,395)
Profit on ordinary activities before taxation	1,983	958	2,941
Taxation (see (c) below)	(1,478)	-	(1,478)
Profit for the year	505	958	1,463

Notes *(continued)*

23 Explanation of transition to FRS 102 from old UK GAAP *(continued)*

Notes to the reconciliation of profit and loss account

(a) Under old UK GAAP (FRS 17 – Retirement Benefits) payments to the defined benefit scheme were recorded as an expense in the profit and loss account because of the multi-employer exemption. On adoption of FRS 102, pension deficit payment of £2,070,000 is reclassified and recorded in the balance sheet as a reduction to scheme liability, net of scheme service costs of £647,000.

(b) Total net interest cost of £465,000 arising on defined benefit scheme, as required by FRS 102, is recorded within the profit and loss account.

(c) The resulting deferred tax on recognition of the defined benefit scheme is recorded in Taxation.