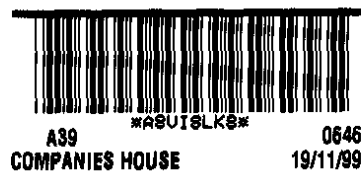


Carter-Wallace Limited

Directors' report and financial statements

28 February 1999

Registered number 375793



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 1999.

Business review

The principal activity of the company is the manufacture and marketing of toiletries, proprietary medicines and pharmaceuticals.

The company made a profit before tax of £2,690,000 (1998: £2,060,000) on turnover of £26,711,000 (1998: £24,143,000).

The company will continue to operate in its market in the UK and overseas, and will seek to take advantage of expansion opportunities wherever it sees fit.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

AJL Huns
BH Barnes
HE Cocker

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Employees

Decisions on recruitment, career development, training, promotion and other employment related issues are made solely on grounds of individual merit and ability. These principles operate regardless of sex, marital status, race, colour, nationality, ethnic origin or disability. The company supports the employment of disabled persons wherever possible.

Year 2000

The company continues to assess any risks associated with the Year 2000 problem. A project has been put in place, which the company believes will address all significant issues and problems. Critical systems have been identified and a programme of testing undertaken. The company aims to achieve internal compliance in the second quarter of 1999. Evaluation of suppliers is in hand. The cost associated with Year 2000 compliance is expected to be incremental and will be picked up in the normal course of the company's trading activities.

Donations


During the year the company made no political donations. Donations to UK charities amounted to £3,255 (1998: £2,093).

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PJ Gilham
Secretary



Wear Bay Road
FOLKESTONE
Kent CT19 6PG

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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West Sussex
RH11 9PT

Auditors' report to the members of Carter-Wallace Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' or a similar stylized mark.

KPMG
Chartered Accountants
Registered Auditors

1st July, 1999

Profit and loss account

for the year ended 28 February 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover	2	26,711	24,143
Cost of sales		(16,401)	(14,847)
		<hr/>	<hr/>
Gross profit		10,310	9,296
Distribution costs		(7,000)	(6,683)
Administrative expenses		(982)	(973)
		<hr/>	<hr/>
Trading profit		2,328	1,640
Other operating income		340	395
		<hr/>	<hr/>
Operating profit		2,668	2,035
Other interest receivable and similar income	<i>6</i>	46	96
Interest payable and similar charges	<i>7</i>	(24)	(71)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3-5	2,690	2,060
Tax on profit on ordinary activities	<i>8</i>	(863)	(642)
		<hr/>	<hr/>
Profit for the financial year		1,827	1,418
Retained profit brought forward		11,990	10,572
		<hr/>	<hr/>
Retained profit carried forward		13,817	11,990
		<hr/>	<hr/>

The company had no recognised gains or losses other than the profit for the years stated above, all of which was derived from continuing operations.

Balance sheet

at 28 February 1999

	Note	1999 £000	1998 £000
Fixed assets			
Intangible assets	9	3,322	3,331
Tangible assets	10	2,411	2,449
		<u>5,733</u>	<u>5,780</u>
Current assets			
Stocks	11	5,594	4,974
Debtors	12	5,206	4,795
Cash at bank and in hand		2,712	1,546
		<u>13,512</u>	<u>11,315</u>
Creditors: amounts falling due within one year	13	<u>(4,304)</u>	<u>(3,964)</u>
Net current assets		<u>9,208</u>	<u>7,351</u>
Total assets less current liabilities		<u>14,941</u>	<u>13,131</u>
Provisions for liabilities and charges	14	<u>(200)</u>	<u>(217)</u>
Net assets		<u>14,741</u>	<u>12,914</u>
Capital and reserves			
Called up share capital	15	716	716
Share premium account		208	208
Profit and loss account		13,817	11,990
Shareholders' funds	18	<u>14,741</u>	<u>12,914</u>

These financial statements were approved by the board of directors on 18th July 1999 and were signed on its behalf by:



HE Cocker
Director



BH Barnes
Director

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 preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

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.

As the company is a wholly owned subsidiary of Carter-Wallace Inc., the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of the ultimate controlling party, Carter-Wallace Inc., can be obtained from the address given in note 19.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Building improvements	-	at rate necessary to depreciate the cost in full by 2016
Fixtures and fittings	-	14%
Plant and machinery	-	10% - 14%

No depreciation is provided on freehold land.

Concessions, licences and trademarks purchased by the company prior to the introduction of Financial Reporting Standard 10 are amortised over 40 years based on the original acquisition plan. These assets have continued to perform in accordance with the original plan and consequently a 40 year useful life is still considered to be appropriate. Concessions, licences and trademarks acquired since 1997 are amortised over 20 years, the presumed maximum life under Financial Reporting Standard 10.

Non-competitive covenants are to be written off by their expiry date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

2 Analysis of turnover

	1999 £000	1998 £000
<i>By geographical market</i>		
United Kingdom	15,351	13,020
Europe	6,828	6,435
Middle East	2,276	2,313
United States	1,626	1,998
Other	630	377
	<hr/> 26,711 <hr/>	<hr/> 24,143 <hr/>

3 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	33	31
Other	17	10
Depreciation and other amounts written off tangible fixed assets	467	441
Amortisation of goodwill, know-how and trademarks	125	71
Hire of plant and machinery - rentals payable under operating leases	88	73
Hire of other assets - rentals payable under operating leases	288	293
	<hr/> 26,711 <hr/>	<hr/> 24,143 <hr/>

Notes (continued)

4 Remuneration of directors

	1999 £000	1998 £000
Directors emoluments	214	203
	<u>214</u>	<u>203</u>

The aggregate of emoluments of the highest paid director was £130,969 (1998: £122,759). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to leave service at the year end was £43,894 per annum (1998: £34,266 per annum).

	1999 No.	1998 No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
	<u>2</u>	<u>2</u>

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1999 No.	1998 No.
Marketing	17	17
Sales	15	15
Administration	19	19
Manufacturing	195	204
	<u>246</u>	<u>255</u>

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	4,352	4,166
Social security costs	340	319
Other pension costs	505	487
	<u>5,197</u>	<u>4,972</u>

Notes (continued)

6 Other interest receivable and similar income

	1999 £000	1998 £000
Other interest receivable	24	96
Net exchange gains	22	-
	<u>46</u>	<u>96</u>

7 Interest payable and similar charges

	1999 £000	1998 £000
On bank loans and overdrafts	24	-
Net exchange losses	-	71
	<u>24</u>	<u>71</u>

8 Taxation

	1999 £000	1998 £000
UK corporation tax at 31% (1998: 31%) on the profit for the year on ordinary activities	913	684
Over provision in prior years	(33)	-
Deferred taxation (note 14)		
Movement due to change in tax rate	-	(24)
Credit for year	(17)	(18)
	<u>863</u>	<u>642</u>

9 Intangible fixed assets

	Non-competitive covenants £000	Goodwill, know-how and trademarks £000	Total £000
<i>Cost</i>			
At beginning of year	75	3,819	3,894
Additions	-	2,136	2,136
Disposals	-	(2,020)	(2,020)
	<u>75</u>	<u>3,935</u>	<u>4,010</u>

Notes (continued)

9 Intangible fixed assets (continued)

	Non-competitive covenants £000	Goodwill, know-how and trademarks £000	Total £000
<i>Amortisation</i>			
At beginning of year	75	488	563
Charge for year	-	125	125
At end of year	75	613	688
<i>Net book value</i>			
At 28 February 1999	-	3,322	3,322
At 28 February 1998	-	3,331	3,331

10 Tangible fixed assets

	Freehold land £000	Freehold buildings £000	Plant, machinery fixtures and fittings £000	Assets in the course of construction £000	Total £000
<i>Cost</i>					
At beginning of year	32	1,216	5,242	17	6,507
Additions	-	14	396	19	429
Transfers	-	-	17	(17)	-
At end of year	32	1,230	5,655	19	6,936
<i>Depreciation</i>					
At beginning of year	-	309	3,749	-	4,058
Charge for year	-	30	437	-	467
At end of year	-	339	4,186	-	4,525
<i>Net book value</i>					
At 28 February 1999	32	891	1,469	19	2,411
At 28 February 1998	32	907	1,493	17	2,449

Notes (continued)

11 Stocks

	1999 £000	1998 £000
Raw materials and consumables	1,948	1,727
Work in progress	251	201
Finished goods and goods for resale	3,395	3,046
	<u>5,594</u>	<u>4,974</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

12 Debtors

	1999 £000	1998 £000
Trade debtors	4,076	3,731
Amounts owed by group undertakings	902	732
Other debtors	141	110
Prepayments and accrued income	87	222
	<u>5,206</u>	<u>4,795</u>

13 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Trade creditors	2,083	2,001
Amounts owed to group undertakings	183	178
Other creditors including taxation and social security:		
Corporation tax	913	684
Other taxes and social security	117	102
Other creditors	269	255
	<u>1,299</u>	<u>1,041</u>
Accruals and deferred income	739	744
	<u>4,304</u>	<u>3,964</u>

Notes (continued)

14 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	217
Credit for the year in the profit & loss account	(17)
At end of year	<u>200</u>

The amounts, all provided in full, for deferred taxation are set out below:

	1999 £000	1998 £000
Difference between accumulated depreciation and amortisation and capital allowances	263	282
Short term timing differences	(63)	(65)
	<u>200</u>	<u>217</u>

15 Called up share capital

	1999 £000	1998 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	716	716

16 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made:

	1999 £000	1998 £000
Contracted	62	66

(ii) Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	40	22	24
In the second to fifth years inclusive	-	127	-	171
Over five years	119	-	125	-
	<u>119</u>	<u>167</u>	<u>147</u>	<u>195</u>

Notes (continued)

17 Pension scheme

The company operates two funded pension schemes providing benefits based on final pensionable pay namely the "Main Plan" and the "Executive Plan". Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by the schemes qualified actuaries on the basis of regular valuations.

For the most recent valuation of the Main Plan, as at 1 March 1997, the Projected Unit Method was used. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investment and the rates of increases in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 3% per annum.

At the date of the latest valuation the market value of the Main Plan scheme's assets was £7,176,000 and that the actuarial value of those assets represented 103% of the benefits that had accrued to members of the Main Plan after allowing for expected future increases in earnings.

The Executive Plan was set up with effect from 1 November 1989 to provide additional benefits to senior employees in the Main Plan. The most recent valuation for the Executive Plan, as at 1 March 1996, used the Attained Age Method. On the basis of this valuation the Plan's actuaries have determined a past service deficit of £357,000, which is being accounted for over fourteen years, the average remaining service lives of the Plan's members.

The total pension charge for the period was £505,000 (1998: £487,000) for the Main and Executive Plans combined.

18 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	1,827	1,418
Opening shareholders' funds	12,914	11,496
	<hr/>	<hr/>
Closing shareholders' funds	14,741	12,914
	<hr/>	<hr/>

19 Ultimate parent company

The largest group of which the results of the company are consolidated is that headed by Carter-Wallace Inc., a company incorporated in the United States of America. The consolidated financial statements of this company are available to the public and may be obtained from 767 Fifth Avenue, New York, NY 10153 USA. No other consolidated financial statements include the results of the company.