Company Registration No. 375793

Deloitte & Touche

CARTER PRODUCTS LIMITED
(formerly Carter-Wallace Limited)

Report and Financial Statements

9 month period ended 30 November 2001

Deloitte & Touche
Crawley

REPORT AND FINANCIAL STATEMENTS

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CARTER PRODUCTS LIMITED
(formerly Carter-Wallace Limited)

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A J L Huns
H E Cocker
P J Gilham

SECRETARY

P J Gilham

REGISTERED OFFICE

Wear Bay Road
Folkestone
Kent
CT19 6PG

BANKERS

Lloyds TSB Bank plc
43 Sandgate Road
Folkestone
Kent
CT20 1RZ

SOLICITORS

CMS Cameron McKenna
Mitre House
160 Aldersgate Street
London
EC1A 4DD

INDEPENDENT AUDITORS

Deloitte & Touche
Chartered Accountants
Crawley

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the nine month period ended 30 November 2001.

ACTIVITIES

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

CHANGE OF NAME

With effect from 17 January 2002 the company changed its name to Carter Products Limited.

REVIEW OF DEVELOPMENTS

The company made a profit before tax of £1,587,000 (year ended 28 February 2001 - £1,765,000) on turnover of £21,269,000 (year ended 28 February 2001 - £28,856,000). The position of the company at the year end is shown in the balance sheet on page 7.

CHANGE OF OWNERSHIP

On 28 September 2001 the entire share capital of the company was sold to Armkel Company (UK) Limited.

DIVIDENDS

The directors do not recommend the payment of a dividend (year ended 28 February 2001 – nil).

FUTURE PROSPECTS

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.

DIRECTORS AND THEIR INTERESTS

The directors who held office throughout the period were as follows:

A J L Huns
H E Cocker
P J Gilham

None of the directors who held office at the end of the financial period 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.

Employees of the company are regularly consulted by the directors and managers and kept informed of matters affecting them and the overall development of the company.

DONATIONS

During the period the company made no political donations (2001 – nil). Donations to UK charities amounted to £2,119 (year ended 28 February 2001 - £2,769).

DIRECTORS' REPORT (continued)

AUDITORS

Deloitte & Touche were appointed during the period as auditors of the company to replace KPMG and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

P J Gilham
Secretary

25/SEPT/ 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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;
- 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 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

CARTER PRODUCTS LIMITED
(formerly Carter-Wallace Limited)

We have audited the financial statements of Carter Products Limited (formerly Carter-Wallace Limited) for the nine month period ended 30 November 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 30 November 2001 and of its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Crawley
30 September 2002

PROFIT AND LOSS ACCOUNT
9 month period ended 30 November 2001

	Note	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
TURNOVER	2	21,269	28,856
Cost of sales		(13,722)	(18,635)
Gross profit		7,547	10,221
Distribution costs		(5,321)	(7,559)
Administrative expenses		(883)	(1,163)
TRADING PROFIT		1,343	1,499
Other operating income		212	241
OPERATING PROFIT		1,555	1,740
Other interest receivable and similar income	5	32	26
Interest payable and similar charges	6	-	(1)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,587	1,765
Tax on profit on ordinary activities	7	(525)	(619)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD/YEAR		1,062	1,146
Retained profit brought forward		16,725	15,579
Retained profit carried forward		17,787	16,725

All activities derive from continuing operations.

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current financial period and preceding financial year and accordingly no statement of total recognised gains and losses is shown.

BALANCE SHEET
30 November 2001

	Note	30 November 2001 £'000	28 February 2001 £'000
FIXED ASSETS			
Intangible assets	8	3,025	3,134
Tangible assets	9	2,904	2,984
		5,929	6,118
CURRENT ASSETS			
Stocks	10	6,608	6,508
Debtors	11	7,623	7,506
Cash at bank and in hand		2,527	1,229
		16,758	15,243
CREDITORS: amounts falling due within one year	12	(3,571)	(3,365)
NET CURRENT ASSETS		13,187	11,878
TOTAL ASSETS LESS CURRENT LIABILITIES		19,116	17,996
PROVISIONS FOR LIABILITIES AND CHARGES	13	(405)	(347)
		18,711	17,649
CAPITAL AND RESERVES			
Called up share capital	14	716	716
Share premium account		208	208
Profit and loss account		17,787	16,725
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	18,711	17,649

These financial statements were approved by the Board of Directors on 25th SEPT 2002.

Signed on behalf of the Board of Directors

H E Cocker
Director

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

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.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Building improvements	2% - 20%
Fixtures and fittings	10% - 14%
Plant and machinery	10% – 14%

No depreciation is provided on freehold land.

Intangible fixed assets

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.

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.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

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 TO THE ACCOUNTS
9 month period ended 30 November 2001

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.

Turnover

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

2. TURNOVER

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
By geographical market:		
United Kingdom	12,009	16,323
Europe	4,302	8,101
Middle East	1,180	2,154
United States	-	1,599
Other	3,778	679
	21,269	28,856

All turnover is derived from the company's principal activity.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
Directors' emoluments	190	239
Pension contributions	45	46

Highest paid director:

The aggregate of emoluments of the highest paid director was £130,312 (year ended 28 February 2001 - £163,561). 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 period end was £65,931 per annum (year ended 28 February 2001 - £58,930 per annum).

Company pension contributions to defined benefit schemes on behalf of the highest paid director were £30,172 (year ended 28 February 2001 - £30,829).

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Nine month period ended 30 November 2001	Year ended 28 February 2001
Retirement benefits are accruing to the following number of directors under:	**No.**	**No.**
Defined benefit scheme	2	2
Average number of persons employed (including directors) during the period:	**No.**	**No.**
Marketing	17	18
Sales	15	15
Administration	19	19
Manufacturing	188	200
	239	252
	£'000	**£'000**
Staff costs during the period:		
Wages and salaries	3,541	4,818
Social security costs	258	363
Pension costs	525	752
	4,324	5,933

4. OPERATING PROFIT

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
Operating profit is stated after charging:		
Depreciation	405	561
Amortisation of goodwill, know-how and trademarks	109	145
Exchange losses	93	47
Rentals payable under operating leases:		
hire of plant and machinery	50	99
hire of other assets	250	342
Auditors' remuneration:		
audit fees	39	34
other amounts paid to auditors	-	5

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
Other interest receivable	32	26

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
Bank loans and overdrafts	-	1

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Nine month period ended 30 November 2001 £'000	Year ended 28 February 2001 £'000
United Kingdom corporation tax at 30% (28 February 2001 - 30%) based on the profit for the period	467	504
Deferred taxation (note 13)	58	73
	525	577
Adjustments to prior year's tax provisions		
Corporation tax	-	42
	525	619

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

8. INTANGIBLE FIXED ASSETS

	Non-competitive covenants £'000	Goodwill, know-how and trademarks £'000	Total £'000
Cost			
At 1 March 2001 and 30 November 2001	75	4,035	4,110
Accumulated amortisation			
At 1 March 2001	75	901	976
Charge for the period	-	109	109
At 30 November 2001	75	1,010	1,085
Net book value			
At 30 November 2001	-	3,025	3,025
At 28 February 2001	-	3,134	3,134

9. TANGIBLE FIXED ASSETS

	Freehold land £'000	Freehold buildings £'000	Plant, machinery, fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
Cost					
At 1 March 2001	32	1,253	7,149	100	8,534
Additions	-	-	106	219	325
Transfer	-	-	2	(2)	-
At 30 November 2001	32	1,253	7,257	317	8,859
Accumulated depreciation					
At 1 March 2001	-	402	5,148	-	5,550
Charge for the period	-	24	381	-	405
At 30 November 2001	-	426	5,529	-	5,955
Net book value					
At 30 November 2001	32	827	1,728	317	2,904
At 28 February 2001	32	851	2,001	100	2,984

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

10. STOCKS

	30 November 2001 £'000	28 February 2001 £'000
Raw materials and consumables	2,466	2,425
Work-in-progress	240	231
Finished goods and goods for resale	3,902	3,852
	6,608	6,508

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

11. DEBTORS

	30 November 2001 £'000	28 February 2001 £'000
Trade debtors	4,938	5,753
Amounts owed by group undertakings	1,796	1,147
Other debtors	47	103
Prepayments and accrued income	842	503
	7,623	7,506

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November 2001 £'000	28 February 2001 £'000
Trade creditors	1,733	2,014
Amounts owed to group undertakings	305	182
Current corporation tax	307	224
Other taxes and social security	202	218
Other creditors	-	4
Accruals and deferred income	1,024	723
	3,571	3,365

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

13. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	£'000
Balance at 1 March 2001	347
Charge for the period in the profit and loss account	58
Balance at 30 November 2001	405

The amounts provided in the accounts for deferred taxation are as follows:

	30 November 2001 £'000	28 February 2001 £'000
Difference between accumulated depreciation and amortisation and capital allowances	293	294
Other short term timing differences	112	53
	405	347

14. CALLED UP SHARE CAPITAL

	30 November 2001 £'000	28 February 2001 £'000
Authorised, allotted, called up and fully paid		
716,000 equity ordinary shares of £1 each	716	716

15. FINANCIAL COMMITMENTS

	30 November 2001 £'000	28 February 2001 £'000
Capital commitments:		
Contracted for but not provided	82	40

	30 November 2001		28 February 2001	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Obligations under non-cancellable operating leases:				
within one year	-	61	-	10
in the second to fifth years inclusive	162	137	106	195
over five years	-	-	57	-
	162	198	163	205

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

16. PENSIONS

The company operates two funded pension schemes providing benefits based on final pensionable pay namely the "Main Plan" and the "Senior 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 29 February 2000, 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 6.75% per annum, that salary increases would average 4.75% per annum and that present and future pensions would increase at the rate of 2.75% per annum.

At the date of the latest valuation the market value of the Main Plan scheme's assets was £10,576,000 and the actuarial value of those assets represented 93% of the benefits that had accrued to members of the Main Plan after allowing for expected future increases in earnings.

The Senior 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 Senior Executive Plan, as at 28 February 1999, used the Attained Age Method. 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 6.75% per annum, that salary increases would average 4.5% per annum. Present pensions would increase at the rate of 3% per annum and future pensions would increase at the rate of 3.5% per annum.

At the date of the latest valuation the market value of the Senior Executive Plan scheme's assets was £766,000 and the actuarial value of those assets represented 46% of the benefits that had accrued to members of the Plan after allowing for expected future increases in earnings.

On the basis of this valuation the Plan's actuaries have determined a past service deficit of £884,000, which is being accounted for over fifteen years, the average remaining service lives of the Plan's members.

The total pension charge for the period was £525,367 (year ended 28 February 2001 - £752,000) for the Main and Senior Executive Plans combined.

Additional information on retirement benefits

In order to comply with the disclosure requirements of Financial Reporting Standards Number 17 – "Retirement Benefits"; the following information in respect of Carter-Wallace Limited Defined Benefit Pension Schemes is presented as at 30 November 2001. The amounts disclosed have not been recognised in these financial statements during this transitional period.

DEFINED BENEFIT SCHEME – MAIN PLAN

Disclosure of actuarial assumptions:	**30 November 2001**
Rate of increase in salaries	3.75%
Rate of increase of pensions in payment	2.25%
Discount rate	5.50%
Inflation assumption	2.25%

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

16. PENSIONS (continued)

DEFINED BENEFIT SCHEME – MAIN PLAN (continued)

Disclosure of fair values of assets and expected rates of return:	**30 November 2001**	**30 November 2001 £'000s**
Equities	7.25%	7,601
Bonds (average)	5.00%	1,938
Cash	4.75%	555
Total market value of assets		10,094
Actuarial value of liability		(12,937)
Recoverable (deficit) in the scheme		(2,843)
Related deferred tax asset		853
Net pension (liability)		(1,990)

SENIOR EXECUTIVE PLAN

Disclosure of actuarial assumptions:	**30 November 2001**
Rate of increase in salaries	4.25%
Rate of increase of pension in payment	2.25%
Discount rate	5.50%
Inflation assumption	2.25%

Disclosure of fair value of assets and expected rates of return:	**30 November 2001**	**30 November 2001 £'000s**
Equities	7.25%	899
Bonds	4.75%	372
Property	6.00%	217
Cash	4.75%	62
Total market value of assets		1,550
Actuarial value of liability		(1,934)
Recoverable (deficit) in the schemes		(384)
Related deferred tax asset		115
Net pension (liability)		(269)

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

16. PENSIONS (continued)

MAIN PLAN AND SENIOR EXECUTIVE PLAN

Reconciliation of scheme assets and liabilities to the prospective Balance sheet:	**30 November 2001 £'000s**
Net assets excluding pension liability	18,711
Pension liability Senior Executive Plan	(269)
Pension liability Main Plan	(1,990)
Net assets including pension liability	16,452

Profit and loss reserve note:	**30 November 2001 £'000s**
Profit and loss reserve excluding pension liability	17,787
Pension liability Senior Executive Plan	(269)
Pension liability Main Plan	(1,990)
Profit and loss reserve including pension liability	15,528

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	30 November 2001 £'000	**28 February 2001 £'000**
Profit for the financial period/financial year	1,062	1,146
Opening shareholders' funds	17,649	16,503
Closing shareholders' funds	18,711	17,649

18. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Armkel LLC, incorporated in the United States of America.

Its immediate parent company is Armkel (UK) Limited, which was incorporated in the United Kingdom on 28 September 2001.

The company is a subsidiary of Armkel LLC, a company incorporated in the United States of America. The largest group of which the results of the company are consolidated is that headed by Armkel LLC. The consolidated financial statements of this company are available to the public and may be obtained from 469 North Harrison Street, Princeton, New Jersey 08543-5297.

NOTES TO THE ACCOUNTS
9 month period ended 30 November 2001

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 extended to subsidiary undertakings 90% or more of whose voting rights are controlled within a group, where the consolidated financial statements of the group are publicly available. Accordingly no disclosure has been made of transactions with entities that are part of the group.

The company has a dormant subsidiary Denver Laboratories Limited which has not been consolidated as it is not material.