

# **Carter-Wallace Limited**

**Directors' report and financial statements**

**29 February 1996**

**Registered number 375793**



# Carter-Wallace Limited

## Directors' report and financial statements

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# Carter-Wallace Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 1996.

### 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 £2,579,000 (1995: £2,399,000) on turnover of £23,786,000 (1995: £21,044,000).

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 and transfer to reserves

The directors do not recommend payment of a dividend. The amount transferred to reserves is £1,679,000 (1995: £1,624,000).

### Fixed assets

Movements in fixed assets are given in notes 9 and 10 to the financial statements. In the opinion of the directors, the market value of freehold land and buildings is in excess of cost.

### Directors and directors' interests

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

AJL Huns	
BH Barnes	
HE Cocker	
CO Hoyt	(resigned 1 November 1995)
M Fernandez	(Canada)

No director was beneficially interested in the share capital of the company. None of the directors had a material interest, at any time during the year, in a contract with the company.

### Donations

During the year the company made no political donations. Donations to UK charities amounted to £2,970 (1995: £1,907).

# Carter-Wallace Limited

## Directors' report

### Auditors

In accordance with Section 385 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



**HE Cocker**  
*Secretary*

Wear Bay Road  
FOLKESTONE  
Kent CT19 6PG

# Carter-Wallace Limited

## 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.



Barham Court  
Teston  
Maidstone  
Kent ME18 5BZ

## Auditors' report to the members of Carter-Wallace Limited

We have audited the financial statements on pages 5 to 18.

### *Respective responsibilities of directors and auditors*

As described on page 3 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 29 February 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG*

Chartered Accountants  
Registered Auditors

1<sup>st</sup> May 1996

# Carter-Wallace Limited

## Profit and loss account

for the year ended 29 February 1996

	Note	1996 £000	1995 £000
Turnover	2	23,786	21,044
Cost of sales		(13,464)	(11,160)
Gross profit		10,322	9,884
Distribution costs		(7,229)	(6,985)
Administrative expenses		(956)	(981)
Trading profit		2,137	1,918
Other operating income		555	459
Operating profit		2,692	2,377
Other interest receivable and similar income	6	131	68
Interest payable and similar charges	7	(244)	(46)
Profit on ordinary activities before taxation	3-5	2,579	2,399
Tax on profit on ordinary activities	8	(900)	(775)
Profit for the financial year		1,679	1,624
Retained profit brought forward		7,464	5,840
Retained profit carried forward		9,143	7,464

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.

# Carter-Wallace Limited

## Balance sheet

at 29 February 1996

	Note	1996		1995	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	9		2,491		2,561
Tangible assets	10		2,665		2,300
			<u>5,156</u>		<u>4,861</u>
<b>Current assets</b>					
Stocks	11	4,218		3,879	
Debtors	12	4,979		3,973	
Cash at bank and in hand		<u>2,064</u>		<u>1,444</u>	
		11,261		9,296	
<b>Creditors: amounts falling due within one year</b>	13	<u>(6,106)</u>		<u>(3,588)</u>	
<b>Net current assets</b>			<u>5,155</u>		<u>5,708</u>
<b>Total assets less current liabilities</b>			10,311		10,569
<b>Creditors: amounts falling due after more than one year</b>	14		-		(1,962)
<b>Provisions for liabilities and charges</b>	15		<u>(244)</u>		<u>(219)</u>
<b>Net assets</b>			<u>10,067</u>		<u>8,388</u>
<b>Capital and reserves</b>					
Called up share capital	16		716		716
Share premium account			208		208
Profit and loss account			<u>9,143</u>		<u>7,464</u>
<b>Shareholders' funds</b>	22		<u>10,067</u>		<u>8,388</u>

These financial statements were approved by the board of directors on 1 May 1996 and were signed on its behalf by:



**HE Cocker**  
Director



**BH Barnes**  
Director



# Carter-Wallace Limited

## Cash flow statement

for the year ended 29 February 1996

	Note	1996		1995	
		£000	£000	£000	£000
Net cash inflow from operating activities	19		2,184		2,403
Return on investments and servicing of finance					
Interest received		131		33	
Interest paid		(201)		(140)	
Net cash outflow from returns on investment and servicing of finance			(70)		(107)
Taxation					
UK corporation tax paid			(725)		(432)
Investing activities					
Purchase of tangible fixed assets		(704)		(538)	
Net cash outflow from investing activities			(704)		(538)
Net cash inflow before financing			685		1,326
Financing					
Repayment of amounts borrowed		(65)		(2,053)	
Receipt from issuing loans		-		1,988	
Net cash outflow from financing			(65)		(65)
Increase in cash and cash equivalents	20		620		1,261

# Carter-Wallace Limited

## 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.

#### *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 are amortised over a period of forty years.

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*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account as rentals fall due over the life of the lease.

# Carter-Wallace Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pension costs*

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme 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.

#### *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, including £1,945,000 (1995: £668,000) of sales to group companies.

### 2 Analysis of turnover

	1996 £000	1995 £000
<i>By geographical market</i>		
United Kingdom	12,511	11,752
Europe	7,984	7,482
Middle East	1,910	1,615
United States	1,065	-
Other	316	195
	<hr/> 23,786	<hr/> 21,044

# Carter-Wallace Limited

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	29	28
Other	4	16
Depreciation and other amounts written off tangible fixed assets	339	325
Goodwill amortised	70	70
Hire of plant and machinery - rentals payable under operating leases	65	60
Hire of other assets - operating leases	279	283
Directors' emoluments:		
As executives	300	280

### 4 Remuneration of directors

The emoluments, excluding pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £111,514 (1995: £104,019).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	No. 1996	No. 1995
£0 - £ 5,000	2	2
£60,001 - £65,000	-	2
£65,001 - £70,000	1	-
£70,001 - £75,000	1	-
£100,001 - £105,000	-	1
£110,001 - £115,000	1	-

# Carter-Wallace Limited

## Notes (continued)

### 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:

	No. 1996	No. 1995
Marketing	17	17
Sales	16	18
Administration	19	21
Manufacturing	192	175
	<u>244</u>	<u>231</u>

The aggregate payroll costs of these persons were as follows:

	1996 £000	1995 £000
Wages and salaries	3,894	3,527
Social security costs	315	287
Other pension costs	306	233
	<u>4,515</u>	<u>4,047</u>

### 6 Other interest receivable and similar income

	1996 £000	1995 £000
Interest receivable	131	33
Exchange gain	-	35
	<u>131</u>	<u>68</u>

# Carter-Wallace Limited

## Notes (continued)

### 7 Interest payable and similar charges

	1996 £000	1995 £000
On loan from holding company payable within five years	179	176
Exchange loss/(gain) on foreign currency borrowings	65	(130)
	<u>244</u>	<u>46</u>

### 8 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	875	724
Overprovision in prior years	-	(13)
Deferred taxation (note 15)	25	64
	<u>900</u>	<u>775</u>

### 9 Intangible fixed assets

	Non-competitive covenants £000	Goodwill, know-how and trademarks £000	Total £000
<b>Cost</b>			
At beginning and end of year	75	2,838	2,913
<b>Amortisation</b>			
At beginning of year	75	277	352
Charged in year	-	70	70
At end of year	75	347	422
<b>Net book value</b>			
At 29 February 1996	-	2,491	2,491
At 28 February 1995	-	2,561	2,561

# Carter-Wallace Limited

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land	Freehold buildings	Plant, machinery fixtures and fittings		Assets in the the course of construction	Total
	£000	£000	Owned	Leased	£000	£000
<b>Cost</b>						
At beginning of year	32	1,183	3,651	279	12	5,157
Additions	-	17	197	-	490	704
Transfers	-	2	10	-	(12)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	32	1,202	3,858	279	490	5,861
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At beginning of year	-	223	2,355	279	-	2,857
Charge for year	-	29	310	-	-	339
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	252	2,665	279	-	3,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 29 February 1996	32	950	1,193	-	490	2,665
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 1995	32	960	1,296	-	12	2,300
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### 11 Stocks

	1996 £000	1995 £000
Raw materials and consumables	1,689	1,466
Work in progress	172	103
Finished goods and goods for resale	2,357	2,310
	<hr/>	<hr/>
	4,218	3,879
	<hr/>	<hr/>

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

# Carter-Wallace Limited

## Notes (continued)

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	Freehold land	Freehold buildings	Plant, machinery fixtures and fittings		Assets in the the course of construction	Total
	£000	£000	Owned	Leased	£000	£000
<b>Cost</b>						
At beginning of year	32	1,183	3,651	279	12	5,157
Additions	-	17	197	-	490	704
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Finished goods and goods for resale	2,357	2,310
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	<hr/>	<hr/>

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



# Carter-Wallace Limited

## Notes (continued)

### 12 Debtors

	1996	1995
	£000	£000
Trade debtors	4,100	3,501
Amounts owed by parent and fellow subsidiary undertakings	494	165
Other debtors	109	72
Prepayments and accrued income	276	235
	<u>4,979</u>	<u>3,973</u>

### 13 Creditors: amounts falling due within one year

	1996	1995
	£000	£000
Trade creditors	1,578	1,173
Amounts owed to parent and fellow subsidiary undertakings	503	383
Other creditors including taxation and social security:		
Corporation tax	875	725
Other taxes and social security	118	198
Other creditors	258	247
	<u>1,251</u>	<u>1,170</u>
Accruals and deferred income	749	799
Loan from parent and fellow subsidiary undertakings	2,025	63
	<u>6,106</u>	<u>3,588</u>

The loan of £63,000 at 28 February 1995 is denominated in US dollars and represents the last of five equal annual instalments on a loan which commenced in May 1991. Interest is payable at 10% per annum.

The loan of £2,025,000 from a fellow subsidiary is denominated in US dollars and is repayable in full on 15 March 1996. Interest is payable at 9% per annum.

# Carter-Wallace Limited

## Notes (continued)

### 14 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Loan from parent and fellow subsidiary undertakings	-	1,962

The loan from a fellow subsidiary is denominated in US dollars and is repayable in full on 15 March 1996. Interest is payable at 9% per annum.

### 15 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	219
Provided during year	25
At end of year	244

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

	1996 £000	1995 £000
Difference between accumulated depreciation and amortisation and capital allowances	319	292
Short term timing differences	(75)	(73)
	244	219

### 16 Called up share capital

	1996 £000	1995 £000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	716	716

# Carter-Wallace Limited

## Notes (continued)

### 17 Commitments

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

	1996 £000	1995 £000
Contracted	45	31
Authorised but not contracted	<u>146</u>	<u>143</u>

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

	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	61	-	12
In the second to fifth years inclusive	-	97	-	161
Over five years	<u>127</u>	<u>-</u>	<u>119</u>	<u>-</u>
	<u>127</u>	<u>158</u>	<u>119</u>	<u>173</u>

### 18 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 1994, 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.

The total pension charge for the period was £306,000 (1995: £297,000) for the Main and Executive Plans combined. This includes £nil (1995: £37,000) in respect of the amortisation of experience surpluses on the Main Plan, as detailed below. There were no outstanding contributions at the year end.

# Carter-Wallace Limited

## Notes (continued)

### 18 Pension scheme (continued)

At the date of the latest valuation the market value of the Main Plan scheme's assets was £4,690,000 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 earning. The actuarial surplus of the Main Plan is being spread forward over fifteen years, the average remaining service lives of employees.

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 1993, used the Attained Age Method. On the basis of this valuation the Plan's actuaries have determined a past service deficit of £296,000, which is being accounted for over twelve years, the average remaining service lives of the Plan's members.

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £000	1995 £000
Operating profit	2,692	2,412
Depreciation charge and amortisation	409	395
Increase in stocks	(339)	(712)
(Increase)/decrease in debtors	(1,006)	462
Increase/(decrease) in creditors	428	(154)
Net cash inflow from operating activities	<u>2,184</u>	<u>2,403</u>

### 20 Analysis of changes in cash and cash equivalents

	1996 £000	1995 £000
Balance of cash at bank and in hand at the beginning of the year	1,444	183
Net cash inflow	<u>620</u>	<u>1,261</u>
Balance of cash at bank and in hand at the end of the year	<u>2,064</u>	<u>1,444</u>

# Carter-Wallace Limited

## Notes (continued)

### 21 Analysis of changes in financing during the year

	Share capital (including premium) £000	Loans £000
Balance at beginning of year	924	2,025
Cash outflow from financing	-	(65)
Effect of foreign exchange rate changes		65
	<hr/>	<hr/>
Balance at end of year	924	2,025
	<hr/>	<hr/>

### 22 Reconciliation of movements in shareholders' funds

	1996 £000	1995 £000
Profit for the financial year	1,679	1,624
Opening shareholders' funds	8,388	6,764
	<hr/>	<hr/>
Closing shareholders' funds	10,067	8,388
	<hr/>	<hr/>

### 23 Ultimate parent company

The ultimate parent undertaking of the only group of which the company is a member and for which group accounts are drawn up, is Carter-Wallace Inc, a company incorporated in the United States of America.

The financial statements of the ultimate parent undertaking, Carter-Wallace Inc, are available from 767 Fifth Avenue, New York, NY 10153, USA.