

# Carter-Wallace Limited

Directors' report and financial statements

28 February 1997

Registered number 375793



# Carter-Wallace Limited

## Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes	7-16

# Carter-Wallace Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 1997.

### 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 £2,187,000 (1996: £2,579,000) on turnover of £24,915,000 (1996: £23,786,000).

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 £1,429,000 (1996: £1,679,000).

### 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  
M Fernandez (resigned 30 April 1996)

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 £2,830 (1996: £2,970).

# 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

A handwritten signature in black ink, appearing to read 'PJ Gilham', with a horizontal line underneath.

**PJ Gilham**  
*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 16.

### *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 28 February 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

30 May 1997

# Carter-Wallace Limited

Profit and loss account  
for the year ended 28 February 1997

	<i>Note</i>	1997 £000	1996 £000
<b>Turnover</b>			
Cost of sales	2	24,915 (15,216)	23,786 (13,464)
<b>Gross profit</b>		<hr/>	<hr/>
Distribution costs		9,699	10,322
Administrative expenses		(6,926) (938)	(7,229) (956)
<b>Trading profit</b>		<hr/>	<hr/>
Other operating income		1,835 527	2,137 555
<b>Operating profit</b>		<hr/>	<hr/>
Other interest receivable and similar income	6	2,362	2,692
Interest payable and similar charges	7	20 (195)	131 (244)
<b>Profit on ordinary activities before taxation</b>		<hr/>	<hr/>
Tax on profit on ordinary activities	3-5 8	2,187 (758)	2,579 (900)
<b>Profit for the financial year</b>		<hr/>	<hr/>
Retained profit brought forward		1,429 9,143	1,679 7,464
<b>Retained profit carried forward</b>		<hr/> 10,572	<hr/> 9,143

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 28 February 1997

	Note	1997		1996	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	9		2,421		2,491
Tangible assets	10		2,741		2,665
			<hr/>		<hr/>
			5,162		5,156
<b>Current assets</b>					
Stocks	11	4,528		4,218	
Debtors	12	5,062		4,979	
Cash at bank and in hand		635		2,064	
		<hr/>		<hr/>	
		10,225		11,261	
<b>Creditors: amounts falling due within one year</b>	13	(3,632)		(6,106)	
		<hr/>		<hr/>	
<b>Net current assets</b>			6,593		5,155
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			11,755		10,311
Provisions for liabilities and charges	14		(259)		(244)
			<hr/>		<hr/>
<b>Net assets</b>			11,496		10,067
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		716		716
Share premium account			208		208
Profit and loss account			10,572		9,143
			<hr/>		<hr/>
<b>Shareholders' funds</b>	18		11,496		10,067
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 30 May 1997 and were signed on its behalf by:



HE Cocker  
Director



BH Barnes  
Director

# 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.

The company has adopted the revised FRS1 early. According to the revised FRS1 the company is exempt from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where more than 90 per cent of the voting rights are controlled within the group, and that the consolidated financial statements of the ultimate parent undertaking include the company and are publically available.

#### *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 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.

#### *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 £3,096,000 (1996: £1,945,000) of sales to group companies.

### 2 Analysis of turnover

	1997 £000	1996 £000
<i>By geographical market</i>		
United Kingdom	12,029	12,511
Europe	8,067	7,984
Middle East	2,331	1,910
United States	2,108	1,065
Other	380	316
	<hr/>	<hr/>
	24,915	23,786
	<hr/>	<hr/>

# Carter-Wallace Limited

## Notes (continued)

3	<b>Profit on ordinary activities before taxation</b>	<b>1997</b>	<b>1996</b>
		<b>£000</b>	<b>£000</b>
	<i>Profit on ordinary activities before taxation is stated after charging</i>		
	Auditors' remuneration:		
	Audit	30	29
	Other	4	4
	Depreciation and other amounts written off tangible fixed assets	421	339
	Goodwill amortised	70	70
	Hire of plant and machinery - rentals payable under operating leases	71	65
	Hire of other assets - operating leases	256	279
	Directors' emoluments:		
	As executives	215	300
		—	—
4	<b>Remuneration of directors</b>		

The emoluments, excluding pension contributions, of the chairman were £nil (1996: £nil) and those of the highest paid director were £102,218 (1996: £111,514).

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

	No.	No.
	1997	1996
£0 - £ 5,000	2	2
£65,001 - £70,000	-	1
£70,001 - £75,000	1	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. 1997	No. 1996
Marketing	12	17
Sales	20	16
Administration	19	19
Manufacturing	216	192
	<hr/>	<hr/>
	267	244
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1997 £000	1996 £000
Wages and salaries	4,172	3,894
Social security costs	327	315
Other pension costs	346	306
	<hr/>	<hr/>
	4,845	4,515
	<hr/>	<hr/>

### 6 Other interest receivable and similar income

	1997 £000	1996 £000
Interest receivable	20	131
	<hr/>	<hr/>

# Carter-Wallace Limited

## Notes (continued)

### 7 Interest payable and similar charges

	1997 £000	1996 £000
On loan from holding company payable within five years	9	179
Exchange loss on foreign currency transactions	186	65
	—	—
	195	244
	—	—

### 8 Taxation

	1997 £000	1996 £000
UK corporation tax at 33% (1996: 33%) on the profit for the year on ordinary activities	738	875
Overprovision in prior years	5	-
Deferred taxation (note 14)	15	25
	758	900
	—	—

### 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	347	422
Charged in year	-	70	70
	—	—	—
At end of year	75	417	492
	—	—	—
<b>Net book value</b>			
At 28 February 1997	0	2,421	2,421
	—	—	—
At 29 February 1996	0	2,491	2,491
	—	—	—

# 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 £000	Leased £000	£000	£000
<b>Cost</b>						
At beginning of year	32	1,202	3,858	279	490	5,861
Additions	-	14	468	3	12	497
Transfers	-	-	490	-	(490)	-
At end of year	<u>32</u>	<u>1,216</u>	<u>4,816</u>	<u>282</u>	<u>12</u>	<u>6,358</u>
<b>Depreciation</b>						
At beginning of year	-	252	2,665	279	-	3,196
Charge for year	-	28	393	-	-	421
At end of year	<u>-</u>	<u>280</u>	<u>3,058</u>	<u>279</u>	<u>-</u>	<u>3,617</u>
<b>Net book value</b>						
At 28 February 1997	<u>32</u>	<u>936</u>	<u>1,758</u>	<u>3</u>	<u>12</u>	<u>2,741</u>
At 29 February 1996	<u>32</u>	<u>950</u>	<u>1,193</u>	<u>-</u>	<u>490</u>	<u>2,665</u>

### 11 Stocks

	1997 £000	1996 £000
Raw materials and consumables	1,929	1,689
Work in progress	198	172
Finished goods and goods for resale	<u>2,401</u>	<u>2,357</u>
	<u>4,528</u>	<u>4,218</u>

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

# Carter-Wallace Limited

## Notes (continued)

### 12 Debtors

	1997 £000	1996 £000
Trade debtors	3,594	4,100
Amounts owed by parent and fellow subsidiary undertakings	1,100	494
Other debtors	110	109
Prepayments and accrued income	258	276
	<u>5,062</u>	<u>4,979</u>

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

	1997		1996	
	£000	£000	£000	£000
Trade creditors		1,656		1,578
Amounts owed to parent and fellow subsidiary undertakings		138		503
Other creditors including taxation and social security:				
Corporation tax	738		875	
Other taxes and social security	118		118	
Other creditors	253		258	
		<u>1,109</u>		<u>1,251</u>
Accruals and deferred income		729		749
Loan from parent and fellow subsidiary undertakings		-		2,025
		<u>3,632</u>		<u>6,106</u>

The loan from a fellow subsidiary was denominated in US dollars and was repaid in full on 15 March 1996.

# Carter-Wallace Limited

## Notes (continued)

### 14 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	244
Provided during year	15
At end of year	<u>259</u>

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

	1997 £000	1996 £000
Difference between accumulated depreciation and amortisation and capital allowances	325	319
Short term timing differences	(66)	(75)
	<u>259</u>	<u>244</u>
	—	—

### 15 Called up share capital

	1997 £000	1996 £000
<i>Authorised, allotted, called up and fully paid</i> Ordinary shares of £1 each	716	716
	<u>716</u>	<u>716</u>

# Carter-Wallace Limited

## Notes (continued)

### 16 Commitments

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

	1997 £000	1996 £000
Contracted	-	45
Authorised but not contracted	15	146
	<u>          </u>	<u>          </u>

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

	1997		1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	15	-	61
In the second to fifth years inclusive	22	171	-	97
Over five years	119	-	127	-
	<u>141</u>	<u>186</u>	<u>127</u>	<u>158</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 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 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 £346,000 (1996: £306,000) for the Main and Executive Plans combined. This includes £5,000 (1996: £nil) in respect of the movement on experience surpluses on the Main Plan, as detailed below. There were no outstanding contributions at the year end.

# Carter-Wallace Limited

## Notes (continued)

### 17 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 earnings. 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.

### 18 Reconciliation of movements in shareholders' funds

	1997	1996
	£000	£000
Profit for the financial year	1,429	1,679
Opening shareholders' funds	10,067	8,388
Closing shareholders' funds	<u>11,496</u>	<u>10,067</u>

### 19 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.