Carter-Wallace Limited

Directors' report and financial statements

28 February 1998
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 1998.

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 £2,060,000 *(1997: £2,187,000)* on turnover of £24,143,000 *(1997 £24,915,000).*

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.

Donations

During the year the company made no political donations. Donations to UK charities amounted to £2,093 *(1997: £2,830).*

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.

KPMG
Barham Court
Teston
Maidstone
Kent ME18 5BZ

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 1998 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

7th May, 1998

Profit and loss account

for the year ended 28 February 1998

	Note	1998 £000	1997 £000
Turnover	2	24,143	24,915
Cost of sales		(14,847)	(15,216)
Gross profit		9,296	9,699
Distribution costs		(6,683)	(6,926)
Administrative expenses		(973)	(938)
Trading profit		1,640	1,835
Other operating income		395	527
Operating profit		2,035	2,362
Other interest receivable and similar income	6	96	20
Interest payable and similar charges	7	(71)	(195)
Profit on ordinary activities before taxation	3-5	2,060	2,187
Tax on profit on ordinary activities	8	(642)	(758)
Profit for the financial year		1,418	1,429
Retained profit brought forward		10,572	9,143
Retained profit carried forward		11,990	10,572

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 1998

	Note	1998 £000	1998 £000	1997 £000	1997 £000
Fixed assets					
Intangible assets	9		3,331		2,421
Tangible assets	10		2,449		2,741
			5,780		5,162
Current assets					
Stocks	11	4,974		4,528	
Debtors	12	4,795		5,062	
Cash at bank and in hand		1,546		635	
		11,315		10,225	
Creditors: amounts falling due within one year	13	(3,964)		(3,632)	
Net current assets			7,351		6,593
Total assets less current liabilities			13,131		11,755
Provisions for liabilities and charges	14		(217)		(259)
Net assets			12,914		11,496
Capital and reserves					
Called up share capital	15		716		716
Share premium account			208		208
Profit and loss account			11,990		10,572
Shareholders' funds	18		12,914		11,496

These financial statements were approved by the board of directors on 25 May 1998 and were signed on its behalf by:

H Cocker

HE Cocker
Director

B. H. Barnes

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 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

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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

	1998 £000	1997 £000
By geographical market		
United Kingdom	**13,020**	12,029
Europe	**6,435**	8,067
Middle East	**2,313**	2,331
United States	**1,998**	2,108
Other	**377**	380
	24,143	24,915

3 Profit on ordinary activities before taxation

	1998 £000	1997 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**31**	30
Other	**10**	10
Depreciation and other amounts written off tangible fixed assets	**441**	421
Amortisation of goodwill, know-how and trademarks	**71**	70
Hire of plant and machinery - rentals payable under operating leases	**73**	71
Hire of other assets - rentals payable under operating leases	**293**	256

Notes *(continued)*

4 Remuneration of directors

	1998 £000	1997 £000
Directors emoluments	176	179

	1998 No.	1997 No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2

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:

	1998 No.	1997 No.
Marketing	17	12
Sales	15	20
Administration	19	19
Manufacturing	204	216
	255	267

The aggregate payroll costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	4,166	4,172
Social security costs	319	327
Other pension costs	487	346
	4,972	4,845

6 Other interest receivable and similar income

	1998 £000	1997 £000
Other interest receivable	96	20

Notes *(continued)*

7 Interest payable and similar charges

	1998 £000	1997 £000
On loan from holding company	-	9
Net exchange losses	71	186
	71	195

8 Taxation

	1998 £000	1997 £000
UK corporation tax at 31% *(1997: 33%)* on the profit for the year on ordinary activities	684	738
Underprovision in prior years	-	5
Deferred taxation (note 14)		
Movement due to change in tax rate	(24)	-
(Credit)/charge for year	(18)	15
	642	758

9 Intangible fixed assets

	Non-competitive covenants £000	Goodwill, know-how and trademarks £000	Total £000
Cost			
At beginning of year	75	2,838	2,913
Additions	-	981	981
At the end of year	75	3,819	3,894
Amortisation			
At beginning of year	75	417	492
Charge for year	-	71	71
At end of year	75	488	563
Net book value			
At 28 February 1998	**0**	**3,331**	**3,331**
At 28 February 1997	0	2,421	2,421

Notes *(continued)*

10 Tangible fixed assets

	Freehold land	Freehold buildings	Plant, machinery fixtures and fittings	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
At beginning of year	32	1,216	5,098	12	6,358
Additions	-	-	132	17	149
Transfers	-	-	12	(12)	-
At end of year	32	1,216	5,242	17	6,507
Depreciation					
At beginning of year	-	280	3,337	-	3,617
Charge for year	-	29	412	-	441
At end of year	-	309	3,749	-	4,058
Net book value					
At 28 February 1998	**32**	**907**	**1,493**	**17**	**2,449**
At 28 February 1997	32	936	1,761	12	2,741

11 Stocks

	1998 £000	1997 £000
Raw materials and consumables	**1,727**	1,929
Work in progress	**201**	198
Finished goods and goods for resale	**3,046**	2,401
	4,974	4,528

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

Notes *(continued)*

12 Debtors

	1998 £000	1997 £000
Trade debtors	3,731	3,594
Amounts owed by group undertakings	732	1,100
Other debtors	110	110
Prepayments and accrued income	222	258
	4,795	5,062

13 Creditors: amounts falling due within one year

	1998 £000	1998 £000	1997 £000	1997 £000
Trade creditors		2,001		1,656
Amounts owed to group undertakings		178		138
Other creditors including taxation and social security:				
Corporation tax	684		738	
Other taxes and social security	102		118	
Other creditors	255		253	
		1,041		1,109
Accruals and deferred income		744		729
		3,964		3,632

14 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	259
Credit for the year in the profit & loss account	(42)
At end of year	217

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

	1998 £000	1997 £000
Difference between accumulated depreciation and amortisation and capital allowances	282	325
Short term timing differences	(65)	(66)
	217	259

Notes *(continued)*

15 Called up share capital

	1998 £000	1997 £000
Authorised, allotted, called up and fully paid		
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:

	1998 £000	1997 £000
Contracted	66	-

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

	1998 Land and buildings £000	1998 Other £000	1997 Land and buildings £000	1997 Other £000
Operating leases which expire:				
Within one year	22	24	-	15
In the second to fifth years inclusive	-	171	22	171
Over five years	125	-	119	-
	147	195	141	186

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 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.

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 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 £487,000 (*1997: £346,000*) for the Main and Executive Plans combined.

There was a prepayment of £138,000 *(1997: £157,000)* in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

18 Reconciliation of movements in shareholders' funds

	1998	1997
	£000	£000
Profit for the financial year	**1,418**	1,429
Opening shareholders' funds	**11,496**	10,067
Closing shareholders' funds	**12,914**	11,496

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.