

FC 18207

Gillette Stationery Benelux B.V.

**Annual report and accounts
31 December 1997**

20/15/221231



Accountants

Identified as being a statement
to which our letter dated

- 5 OCT 1998

refers.

KPMG Accountants N.V.

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Director's report

The management herewith presents the Company's accounts for the 13 month period ended 31 December 1997.

Overview of activities

The Company's activities involve the marketing, sales and distribution of Gillette Stationery products in the Netherlands. The other activities of the Company consist of holding of investments in Parker Pen subsidiaries.

Finance

Gross margin for the year amounted to NLG 14,063,000 compared to NLG 10,612,000 for 1995/96. Management expects further improvement of the margin during 1998. Profit before tax amounted to NLG (2,206,000) compared to NLG (4,012,000) for 1995/96.

Personnel

The number of employees increased from 56 in 1995/96 to 58 in 1996/97.

Investments

Details of the Company's subsidiaries are provided in note 5 to the accounts.

Dividends paid

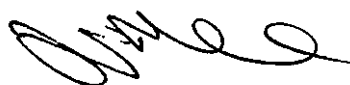
The Company did not pay any dividend in the financial year.

Auditors

A resolution to re-appoint KPMG Accountants N.V. as the Company's auditors will be proposed at a forthcoming general meeting.


Future outlook

The Directors expect for the financial year 1998 that sales and profit before taxes will remain stable and all endeavours will be taken to maximise sales and profit potential.
Signed for the Board of Directors,



P.G.V. Mee

29 July 1998

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Balance sheet 31 December 1997

(before proposed appropriation of result with comparative figures for 1996)

	Notes	1997	1996
(in NLG '000)			
Fixed assets			
Tangible fixed assets	4	4,249	4,536
Financial fixed assets	5	15,408	15,408
		<u>19,657</u>	<u>19,944</u>
Current assets			
Inventories	6	10,775	9,219
Debtors	7	27,749	29,949
Prepayments and other current assets	8	3,744	3,194
Cash	9	268	678
		<u>42,536</u>	<u>43,040</u>
Current liabilities	10	8,658	10,026
Current assets less current liabilities		33,878	33,014
Total assets less current liabilities		<u>53,535</u>	<u>52,958</u>
Capital and reserves			
	11		
Issues and paid-up capital		9,397	9,397
Share-premium		10,060	10,060
Retained profits		33,501	36,705
Dividends paid		-	-
Profit/(Loss) for the year		577	(3,204)
		<u>53,535</u>	<u>52,958</u>

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The attached notes form part of these annual accounts

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Profit and loss account for the year ended 31 December 1997
(with comparative figures for 1996)

	Notes	1996/97	1995/96
(in NLG '000)			
Gross margin	12	14,063	10,612
Selling expenses		11,263	10,076
General and administrative expenses		5,317	5,137
Total expenses		16,580	15,213
Net operating (loss)		(2,517)	(4,601)
Interest income	14	657	980
Interest expense		(5)	(2)
Exchange losses		(341)	(389)
Net operating (loss) before taxation		(2,206)	(4,012)
Taxation on net operating profit	15	585	92
Result on investments in subsidiaries		2,198	716
Profit/(loss) for the financial year after taxation 11		577	(3,204)

The attached notes form part of these annual accounts




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Notes to the annual accounts 31 December 1997

1 Relationship with parent company and principal activity

The Company is a limited liability company incorporated in The Netherlands whose shares are held by Parker Pen International Limited (99.5%) and Gillette Industries Plc (0.5%).

The activities of the Company are the marketing, sales and distribution of Parker, Waterman, Papermate and Liquid Paper stationery products within the Netherlands. The other activities involve the holding of investments in other Parker companies.

2 Basis of presentation

The annual accounts have been prepared under the historical cost convention in accordance with accounting policies generally accepted in The Netherlands. All results are accounted for on an accrual basis.

The accounts of the Company and its subsidiaries have been included in the consolidated annual accounts of the Gillette Company, Boston, Massachusetts, U.S.A. In accordance with the provisions of Article 408 of the Netherlands Civil Code Book 2, Title 9, no consolidated accounts have been prepared. The consolidated annual accounts of The Gillette Company are filed with the Trade Register of the Chamber of Commerce in Breda.

From the financial year 1996/97 the year end of the Company's financial year has been changed from November 30 to December 31.

As a result the financial year 1996/97 comprises 13 months. The comparative figures for November 30, 1996 comprise of 12 months. On November 28, 1997 the Company's articles of association were changed to reflect the change of the year end.

The change of the year end was approved in an extraordinary meeting of shareholders on November 21, 1997.

3 Summary of significant accounting policies

Intangible fixed assets

Intellectual property rights are written off on acquisition.

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Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Depreciation is calculated on the basis of the estimated useful lives of the related assets, using the straight-line method, as follows:

Operational freehold land	Nil
Operational freehold buildings	Over 40 years.
Plant and machinery	Between 4 and 10 years.
Technical and office equipment	Between 4 and 10 years.
Other fixed operating assets	Between 4 and 10 years

Financial fixed assets

The Company carries the investments in group companies at historical cost less provision for any diminution in value deemed to be of a permanent nature.

Securities and other investments

Securities and other investments have been valued at the lower of cost and net realisable value/Directors' valuation.

Inventories

Stocks and work in progress are valued on a 'first in, first out' basis at the lower of cost and net realisable value. Cost includes direct materials, labour and an appropriate proportion of manufacturing overheads incurred in bringing each product to its present location and condition.

Adequate provisions are made for obsolete and slow moving inventories.

Other assets and liabilities

Other assets and liabilities are stated at nominal value except where a different basis of valuation has been indicated in the annual accounts.

Gross margin

Gross margin comprises total amounts charged to third parties in respect of goods delivered and services rendered during the financial year net of value added tax and discounts less cost of sales.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Dutch guilders at exchange rates prevailing at the balance sheet rate. Foreign currency transactions are converted at the exchange rates approximating those ruling at the time of the transactions. The resulting exchange gains or losses are recognised in the profit and loss account.

Taxation

Taxation is calculated based upon the commercial results of the Company taking into account permanent and/or timing differences.

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4 Tangible assets

	Operational buildings & land	Machinery & equipment	Total
(in NLG '000)			
Cost			
30 November 1996	5,112	2,223	7,335
Additional	41	296	337
Disposals	0	(93)	(93)
31 December 1997	5,153	2,426	7,579
Accumulated depreciation:			
30 November 1996	(1,647)	(1,152)	(2,799)
Charge for the year	(149)	(475)	(624)
Disposals	0	93	93
31 December 1997	(1,796)	(1,534)	(3,330)
Book value:			
30 November 1996	3,465	1,071	4,536
31 December 1997	3,357	892	4,249

5 Financial fixed assets

	Investments in group companies
(in NLG '000)	
Bookvalue	
30 November 1996	5,408
Additions	
Disposals through sales or liquidation	
31 December 1997	5,408

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At 31 December 1997 the following investments are held by the Company:

Domicile	Company name	share of capital held in %
Argentina	Parker Pen Argentina SAIC	100
Belgium	Parker Pen Belgium SA	100
Canada	Parker Pen Canada Limited	100
Canada	Parker Pen Holdings Ltd	100
Colombia	Industrias Parker de Colombia SA	100
France	Waterman SA	20
Mexico	Parker Pen Mexicana SA de CV	100
Netherlands Antilles	Parker Pen International Finance N.V.	55
South Africa	Parker Pen (Proprietary) Limited	100
Spain	Parker Pen Espagnola SA	100
Uruguay	Urusen SA	100
Uruguay	Telfor SA	100

The equity of the investments and subsidiaries of the Company as at 31 December 1997 amounted to approximately NLG 62,0 mln.

6 Inventories

Inventories comprise of finished goods.

7 Debtors

	1997	1996
(in NLG '000)		
Trade debtors	5,102	6,235
Amount due from subsidiary companies	131	58
Amount due from affiliated companies	22,516	23,656
	27,749	29,949

All amounts are due and receivable within one year.

Adequate provisions have been recognised for doubtful debts.

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8 Prepayments and other current assets

	1997	1996
(in NLG '000)		
Prepayments and miscellaneous current assets	1,261	745
Corporate Tax receivable	2,483	2,449
	<u>3,744</u>	<u>3,194</u>

9 Cash

Cash balances (petty cash, bank and giro balances) are available on demand.

10 Current liabilities

	1997	1996
(in NLG '000)		
Accounts payable third parties	1,490	1,197
Payables to affiliated companies	4,772	6,715
Payroll taxed and social security premiums payable	790	1,333
Accrued liabilities and other current payables	1,606	781
	<u>8,658</u>	<u>10,026</u>

All amounts are due and payable within one year.

11 Capital and reserves

The Company's authorised share capital, comprising 40,000 (1996:40,000) ordinary shares with a nominal value of NLG 1,000 each, amounts to NLG 40,000,000 (1996: 40,000,000). The issued and fully paid-up share capital consists of 9,397 (1996: 9,397) ordinary shares.

The movements in capital and reserves are the following

	Balance 30 Nov. 1996	Dividend paid	Profit for the year	Balance 31 Dec. 1997
(in NLG '000)				
Issued and paid-up capital	9,397			9,397
Share premium	10,060			10,060
Retained profits	33,501			33,501
Profit for the year			577	577
	<u>52,958</u>		<u>577</u>	<u>53,535</u>

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12 Net sales

Net sales show an increase of 12.5% in comparison with the previous financial year.

13 Staff numbers and employment costs

The average number of persons employed by the Company during the financial year was 58 (1996: 57).

The aggregate payroll costs of these persons for the financial year ended were as follows:

	1997	1996
(in NLG '000)		
Gross remuneration	4,648	4,664
Social security costs	216	202
Pension costs	212	458
	<u>5,076</u>	<u>5,324</u>

14 Interest income

	1997	1996
(in NLG '000)		
Interest income from third party deposits	32	7
Interest income from affiliated companies	625	154
Interest income from holding companies	-	819
	<u>657</u>	<u>980</u>

15 Taxation

The tax credit for the year amounted to NLG 1,611,000 (1996: 92,000). The tax credit includes a prior year provision of NLG 1,558,000 relating to UK taxes on dividends from investments. The tax credit for the current year is NLG 2,527,000.

The effective tax rate differs from the statutory tax rate due to income elements which are not subject to taxation such as investments grant and expenses, which are not fully deductible for tax purposes.

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16 Commitments and credit facilities

Lease agreements

The company has lease commitments for company cars. The commitments due within one year amount to NLG 197,000 the amounts due between two and five years amount to NLG 118,000.

Credit facilities

The Company has obtained a credit facility from ABN AMRO Bank N.V., Breda of NLG 150,000 as part of a facility granted to Gilfin B.V. by ABN AMRO Bank N.V., The Hague.

The Company is severally liable due to her part in the zero-balancing agreement, with Gilfin B.V. and (some of her) subsidiaries, at ABN AMRO Bank N.V.

17 Directors

Name	Date of appointment	Date of resignation
D.W. Hoeder	11 March 1996	
P.G.V. Mee	31 August 1994	
G.A.P. Ooms	1 april 1997	
T.J. Pfeffer	9 May 1996	
T.L. Riley	25 July 1995	
J.T.N. Steeghs	13 April 1992	28 February 1997
C.A. Toner	1 November 1997	
W.Ch.A. Woudenberg	23 January 1986	

The following remuneration was paid by the Company in respect of the Directors during the year:

	1997	1996
(in NLG '000)		
Gross remuneration (including benefits)	417	445
Pension contributions	64	78
	KPMG 481	Accountants 223

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Supplementary data

Statutory provisions concerning appropriation of profits

Article 15 of the Company's Articles of Association:

1. The general meeting shall determine the allocation of the accrued profits.
2. Distributions of profits may be made only in so far as the net assets exceed the paid in and called up part of the capital plus the reserves which must be maintained by virtue of the law. Distributions of profits shall be made to the shareholders in proportion to the total nominal amount of their share holdings.
3. The general meeting may subject to due observance of the provision of paragraph 2 resolve to pay an interim dividend and to make distributions at the expense of any reserve.

Proposed appropriation of result

No decision has yet been taken with regards to the appropriation of the result for the year. Consequently the accounts are represented before appropriation.

Auditor's report

Introduction

We have audited the annual accounts of Gillette Stationery Benelux B.V., Breda, for the period ended December 31, 1997. These annual accounts are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual accounts based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall annual accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of the Company as at December 31, 1997 and of the result for the period then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

The Hague, 29th July 1998

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