

WILKINSON SWORD LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered number 29311



WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1997

DIRECTORS:

W J Cosgrove
A L Vosper (resigned 26 January 1998)
S A Mellino
M J Cummings

SECRETARY:

D M Willis

REGISTERED OFFICE:

Lambert Court
Chestnut Avenue
Eastleigh
Hampshire
SO53 3ZQ

This report accompanies the Financial Statements of the Company for the year ended 31 December 1997

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continued to be the manufacture and distribution of razors, razor blades and swords and the distribution of toiletries and manicure products.

RESULTS AND DIVIDENDS

The profit after taxation for the year to 31 December 1997 was £440,000 (1996: £4,846,000).

No interim dividends were paid during the year (1996: £3,400,000). The Directors do not recommend the payment of a final dividend.

DIRECTORS' INTERESTS

None of the Directors nor their families had any beneficial interest in the shares of the Company or its immediate parent undertaking or its fellow subsidiary undertakings either at the beginning or end of the financial year.

EQUAL OPPORTUNITIES AND EMPLOYEE INVOLVEMENT

It is the policy of the Company to offer equal opportunity to persons applying for vacancies, regardless of their sex, race, ethnic origin or disability and to provide continued employment for persons who become disabled whilst in its employment. In this respect, the Company provides special facilities and aids for disabled persons where required.

The Company recognises the benefits of keeping its employees informed of the progress of the business and information regarding financial and economic factors affecting the performance of the Company is provided.

WILKINSON SWORD LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1997 (Continued)**

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the period to that date.

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 preventing and detecting fraud and other irregularities.

The Directors confirm that:

- suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements;
- applicable accounting standards have been followed; and
- the financial statements have been prepared on the going concern basis.

EURO/YEAR 2000

The directors are aware of the issues relating to the Year 2000 and the proposed introduction of the Euro. They have set up a steering committee who are monitoring both projects. The company is in the process of replacing its major computer system with new systems that are intended to be Year 2000 and Euro compliant.

POST BALANCE SHEET EVENT

On 1 October 1998 a proposal to close the manufacturing operations in Cramlington was announced. The proposal if effected will lead to a phased withdrawal during 1999 for completion by June 2000. The closure is part of a worldwide review of manufacturing operations - the distribution operations in the UK will remain unaffected.

ANNUAL GENERAL MEETING

In accordance with the provisions of s379A of the Companies Act 1985, the Company has elected to dispense with the laying of reports and financial statements before the members in general meeting, the annual appointment of auditors and the holding of general meetings.

AUDITORS

Following the merger on 1 July 1998 of our auditors, Price Waterhouse, with Coopers & Lybrand, the directors appointed the new firm, PricewaterhouseCoopers, as auditors to the company.

By order of the Board



D M Willis
Company Secretary

Date 23 October 1998

PricewaterhouseCoopers
The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG
Telephone +44 (0) 1703 330077
Facsimile +44 (0) 1703 223473
DX 123120

AUDITORS' REPORT TO THE MEMBERS OF WILKINSON SWORD LIMITED

We have audited the financial statements on pages 4 to 18 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 8.

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 financial statements and to report our opinion to you.

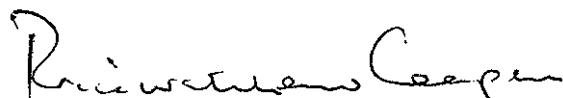
Basis of opinion

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 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 affairs of the company as at 31 December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Southampton

23 October 1998

WILKINSON SWORD LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	<u>Note</u>	<u>1997</u>	<u>1996</u>
		£000	£000
TURNOVER - continuing operations	2	56,841	63,686
Cost of Sales		(38,519)	(44,303)
GROSS PROFIT		<hr/> 18,322	<hr/> 19,383
Distribution Costs		(13,206)	(11,809)
Administrative Expenses		(4,713)	(2,916)
Exceptional Release of Provision	6	900	1,417
OPERATING PROFIT - continuing operations	3	<hr/> 1,303	<hr/> 6,075
Interest Receivable	7	232	151
Interest Payable and Similar charges	8	(6)	(15)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<hr/> 1,529	<hr/> 6,211
Taxation on Profit on Ordinary Activities	9	(1,089)	(1,365)
PROFIT FOR THE FINANCIAL YEAR	19	<hr/> 440	<hr/> 4,846
Equity Dividends Paid	19	-	(3,400)
AMOUNT TRANSFERRED TO RESERVES	18, 19	<hr/> 440	<hr/> 1,446


The Company had no recognised gains or losses other than those disclosed in the Profit & Loss Account.

WILKINSON SWORD LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u>	<u>1996</u>
		£000	£000
FIXED ASSETS			
Intangible Assets	10	15,235	15,668
Tangible Assets	11	7,532	6,953
Investments	12	29	22
		22,796	22,643
CURRENT ASSETS			
Stocks	13	4,798	5,821
Debtors	14	8,002	8,567
Cash at Bank and In Hand		2,317	3,709
		15,117	18,097
CREDITORS (amounts falling due within one year)	15	(7,877)	(11,058)
NET CURRENT ASSETS		7,240	7,039
TOTAL ASSETS LESS CURRENT LIABILITIES		30,036	29,682
PROVISION FOR LIABILITIES AND CHARGES	16	(343)	(429)
		29,693	29,253
CAPITAL AND RESERVES			
Called up equity share capital	17	5,246	5,246
Share premium account	18	360	360
Revaluation reserve	18	15,543	15,978
Profit and Loss account	18	8,544	7,669
Equity Shareholders' funds	19	29,693	29,253

Approved by the Board of Directors on


S A Mellino
Director

Date 23 October 1998

WILKINSON SWORD LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>1997</u>	<u>1996</u>
	£000	£000
Reported profit on ordinary activities before taxation	1,529	6,211
Difference between the historical cost depreciation charge and the actual charge for the year calculated on the revalued amount	435	435
Historical cost profit on ordinary activities before taxation	<u>1,964</u>	<u>6,646</u>
Historical cost profit for the year retained after taxation & dividends	<u>875</u>	<u>1,881</u>

WILKINSON SWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

1) Basis of accounting

The accounts have been prepared under historical cost convention as modified to include the revaluation of certain assets and in accordance with applicable accounting standards.

2) Turnover

Turnover comprises amounts invoiced to customers and fellow subsidiary undertakings less returns, excluding value added tax and after deducting trade discounts.

3) Foreign currencies

Assets and liabilities denominated in foreign currencies are converted into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising in the course of trading are converted at the rate of exchange ruling at that date and are included in the operating results.

4) Intangible assets

Consequent upon the acquisition on 22 March 1993 of Wilkinson Sword Limited by Warner Lambert (UK) Limited, a wholly owned subsidiary of Warner Lambert Company, a US corporation, a valuation of £17.3 million (Note 10) was placed on the trademarks and patents. The amortisation is calculated to write off the valuation of these intangible assets over forty years.

5) Depreciation

Depreciation is provided on a straight line basis on all tangible assets except freehold land. The charge in the profit and loss account is calculated to write off the cost or valuation of tangible assets over the expected useful economic lives of the assets.

The lives assumed for the principal categories are :

Freehold Buildings	20-50 Years
Leasehold Buildings	Life of Lease
Plant and Machinery	3-20 Years

6) Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that there is a reasonable probability that a liability or asset will arise in the foreseeable future.

7) Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and, in respect of work in progress and finished stocks, includes an appropriate proportion of overhead costs.

8) Research and development

Research and development expenditure is written off in the year in which it is incurred.

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

1 ACCOUNTING POLICIES (Continued)

9) Pension costs

The expected cost of pensions in respect of the Company's defined benefit pension scheme is charged to the profit and loss account so as to spread the cost of pensions over the average expected service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

10) Investments

Investments are valued at cost. The directors do not consider there to be a permanent diminution in the value of the investments at 31 December 1997.

11) Government Grants

Assets acquired with the provision of a Government Grant are recorded at their full cost and depreciated over their economic lives. The grant which has financed the acquisition is recorded as a liability and taken to profit over the same period, and on the same basis, as the cost of the asset is depreciated.

12) Cashflow Statement

The Company is exempt under the provisions of Financial Reporting Standard No. 1 (Revised) from producing a cashflow statement as it is a wholly owned subsidiary.

WILKINSON SWORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)****2 TURNOVER**

	<u>1997</u>	<u>1996</u>
	£000	£000
Geographical markets :		
United Kingdom	31,237	30,031
Rest of Europe	21,326	26,149
Americas	1,700	2,168
Africa & Middle East	1,883	1,445
Other	695	3,893
	<hr/> 56,841	<hr/> 63,686

Comparatives have been changed to reflect Eire not being part of the United Kingdom.
In the opinion of the directors the company has only one class of business.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation
is stated after charging :

	<u>1997</u>	<u>1996</u>
	£000	£000
Amortisation of intangible assets (Note 10)	433	432
Depreciation of tangible assets (Note 11)	1,945	1,696
Auditors' remuneration:		
Audit fees	41	37
Non audit work	51	12
Hire of plant and machinery	184	118
Operating Leases		
Land and buildings	521	521
Other	357	475
Research & Development Costs	196	187
	<hr/>	<hr/>
and after crediting:		
Government Grants	255	331
Pension	86	86
	<hr/>	<hr/>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

4 EMPLOYEES AND PENSION COSTS

The average number of employees during the year was :-

	<u>1997</u>	<u>1996</u>
Hourly paid	282	368
Salaried	182	176
	<u>464</u>	<u>544</u>

Employee costs during the year were :

	<u>1997</u>	<u>1996</u>
	£000	£000
Wages and salaries	8,900	9,795
Social security costs	714	774
Other pension costs	368	331
	<u>9,982</u>	<u>10,900</u>

Pension costs

The company has been operating a funded single defined benefit pension scheme since 1 September 1990. Prior to this date two defined benefit schemes were in operation. The current scheme is open to all of the Company's permanent employees and is financed through separate trustee administered funds.

The pension cost relating to the scheme is assessed in accordance with the advice of an independent qualified actuary using the Projected Unit Method. The latest actuarial statement on the scheme was prepared on 6 April 1996. The market value of the assets in the scheme at that date was approximately £73 million. The opinion expressed in the statement was that the pension fund assets at 6 April 1996 were sufficient to cover 105% of the accrued liabilities.

The next full actuarial valuation is scheduled for April 1999.

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

5 DIRECTORS' REMUNERATION

Directors	<u>1997</u>	<u>1996</u>
	£000	£000
Aggregate emoluments	287	210
Payments under long term incentive schemes	39	25
Number of directors to whom retirement benefits accrue under a defined benefit scheme	2	2

Highest paid director	<u>1997</u>	<u>1996</u>
	£	£
Aggregate emoluments	181,396	157,065
Amount of accrued pension at the end of the year	7,467	6,067

6 EXCEPTIONAL RELEASE OF PROVISION

	<u>1997</u>	<u>1996</u>
	£000	£000
Release of provision in respect of previous group company	-	1,417
Release of provision in respect of lease renegotiation	900	-

The 1996 release represents an exceptional credit arising from the release of a provision originally set up in respect of previous Group companies. The provision was established at the time of the acquisition in 1993 by Warner Lambert (UK) limited. The provision has been released following successful outcome of negotiations in connection with these previous Group undertakings.

The 1997 exceptional credit relates to the release of a lease renegotiation provision that was established at the time of the acquisition in 1993 by Warner Lambert (UK) Limited. The provision was released following the decision of the directors not to renegotiate the lease.

7 INTEREST RECEIVABLE

	<u>1997</u>	<u>1996</u>
	£000	£000
Bank interest	215	149
Interest receivable from group undertakings	-	2
Other interest	17	-
	<u>232</u>	<u>151</u>

WILKINSON SWORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)****8 INTEREST PAYABLE**

	<u>1997</u>	<u>1996</u>
	£000	£000
Interest payable on bank overdraft	2	15
Other interest payable	4	-
	<u>6</u>	<u>15</u>

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u>	<u>1996</u>
	£000	£000
Current year:		
Corporation tax at 31.59% (1996: 33%)	676	1,682
Prior year:		
Corporation tax	413	(317)
	<u>1,089</u>	<u>1,365</u>

10 INTANGIBLE FIXED ASSETS

	<u>1997</u>	<u>1996</u>
	£000	£000
Valuation	17,300	17,300
Amortisation		
As at 1 January	1,632	1,200
Charge for the year	433	432
Total	<u>2,065</u>	<u>1,632</u>
Net book amount at 31 December	<u>15,235</u>	<u>15,668</u>

As referred to in note 1(4), Wilkinson Sword Limited was purchased by Warner Lambert (UK) Limited on 22 March 1993 and on that date a valuation of £17.3 million was placed on the trademarks and patents.

WILKINSON SWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)

11 TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Machinery	Payments on account and assets in the course of construction	Total
	£000	£000	£000	£000
a) Cost or valuation				
As at 1 January 1997	1,240	17,547	879	19,666
Additions	17	98	2,541	2,656
Transfer assets now completed	-	2,182	(2,182)	-
Disposals	-	(5,592)	-	(5,592)
At 31 December 1997	1,257	14,235	1,238	16,730
Depreciation				
As at 1 January 1997	345	12,368	-	12,713
Charge for the year	35	1,910	-	1,945
Disposals	-	(5,460)	-	(5,460)
At 31 December 1997	380	8,818	-	9,198
Net book amount :				
At 31 December 1997	877	5,417	1,238	7,532
At 31 December 1996	895	5,179	879	6,953
Analysis of cost or valuation at 31 December 1997				
Cost	138	14,235	1,238	15,611
Valuation	1,119	-	-	1,119
	1,257	14,235	1,238	16,730

The land and buildings were revalued on an existing use basis by Vail Williams, Chartered Surveyors on 22 March 1993.

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

11 TANGIBLE FIXED ASSETS (continued)

	Land and Buildings	Plant and Machinery	Payments on account and assets in the course of construction	Total
	£000	£000	£000	£000
If the assets had not been revalued the balances at 31 December 1997 would have been:				
Cost	936	14,235	1,238	16,409
Accumulated depreciation	366	8,818	-	9,184

Land and buildings at net book amount
comprises:

	<u>1997</u>	<u>1996</u>
	£000	£000
Freehold	864	866
Short leasehold	13	29
	877	895

Obligations under operating leases committed to be paid during the following year analysed between
the years in which the leases expire are as follows:

	<u>Land & Buildings</u>		<u>Plant & Machinery</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£000	£000	£000	£000
Within one year	36	-	45	58
Between one and five years	-	48	310	306
Over five years	473	473	-	-
	509	521	355	364

WILKINSON SWORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)****12 INVESTMENTS**

	<u>1997</u>	<u>1996</u>
	£000	£000
Cost at 1 January	22	22
Additions	7	-
Cost at 31 December	<u>29</u>	<u>22</u>

The Company's investment represents a 1.03% shareholding in Wilkinson Sword SPA Italy, a company incorporated in Italy. The principal activity of that company is the distribution and marketing of shaving products. The addition represents a pro rata contribution to the capital of the company.

13 STOCKS

	<u>1997</u>	<u>1996</u>
	£000	£000
Raw materials and consumables	1,260	1,528
Work in progress	1,281	1,469
Finished goods and goods for resale	2,257	2,824
	<u>4,798</u>	<u>5,821</u>

14 DEBTORS

	<u>1997</u>	<u>1996</u>
	£000	£000
Trade debtors	6,328	7,670
Corporation tax recoverable	305	-
Amounts owed by parent undertaking and fellow group undertakings	716	530
Prepayments and accrued income	556	289
Other debtors	97	78
	<u>8,002</u>	<u>8,567</u>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

15 CREDITORS: Amounts falling due within one year	<u>1997</u>	<u>1996</u>
	£000	£000
Trade creditors	908	2,344
Corporation tax	-	906
Other taxation and social security	547	263
Advance corporation tax payable	-	850
Accruals & deferred income	6,422	6,695
	<u>7,877</u>	<u>11,058</u>

16 PROVISION FOR LIABILITIES AND CHARGES

a) Deferred tax

Deferred tax, which is calculated under the liability method, is £nil (1996 :£nil)

The full net potential deferred tax asset, none of which has recognised in these financial statements is set out below :

	<u>1997</u>	<u>1996</u>
	£000	£000
Accelerated capital allowances	475	298
Other timing differences	(974)	(871)
	<u>(499)</u>	<u>(573)</u>

b) Pensions

	<u>1997</u>	<u>1996</u>
	£000	£000
Provision for the excess of pension costs charged over amounts funded	343	429
	<u>343</u>	<u>429</u>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

17 CALLED UP EQUITY SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted issued and fully paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	£000	£000	£000	£000
6,350,000 Ordinary shares of 20p each	1,270	1,270	1,270	1,270
19,882,283 Non-voting "A" Ordinary shares of 20p each	3,976	3,976	3,976	3,976
3,767,717 Unclassified shares of 20p each	754	754	-	-
	<u>6,000</u>	<u>6,000</u>	<u>5,246</u>	<u>5,246</u>

The Non-Voting "A" Ordinary Shares rank pari passu in all respects with the Ordinary Shares except that holders of the former shares are not entitled to vote at general meetings and on any issue of shares (not being Preference Shares) by way of capitalisation, are only entitled to receive further Non-Voting "A" Ordinary Shares.

The Unclassified Shares may be issued by the Company in all or part either as Ordinary Shares or as Non-Voting "A" Ordinary Shares as it may so determine.

18 RESERVES

	<u>Share Premium Account</u>	<u>Revaluation reserve</u>	<u>Profit and Loss Account</u>
	£000	£000	£000
1 January 1997	360	15,978	7,669
Profit for the year	-	-	440
Transfers :			
Excess amortisation of trademarks	-	(433)	433
Excess depreciation of revalued land & buildings	-	(2)	2
31 December 1997	<u>360</u>	<u>15,543</u>	<u>8,544</u>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997 (continued)**

19 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS FUNDS

	<u>1997</u>	<u>1996</u>
	£000	£000
Profit for the financial year	440	4,846
Dividend Paid	-	(3,400)
	<hr/>	<hr/>
Net addition to shareholders' funds	440	1,446
Opening shareholders' funds	29,253	27,807
Closing shareholders' funds	<hr/> <u>29,693</u>	<hr/> <u>29,253</u>

20 ULTIMATE PARENT COMPANY

The ultimate parent undertaking, which is also the controlling party, is Warner Lambert Company, the largest company for which group financial statements are prepared. It is incorporated in the United States of America. Copies of the financial statements can be obtained from 201 Tabor Road, Morris Plains, New Jersey, 07950, USA.

The immediate parent undertaking is Warner Lambert (UK) limited, the smallest company for which group financial statements are prepared. It is incorporated in Great Britain. Copies of the financial statements can be obtained from Lambert Court, Chestnut Avenue, Eastleigh, Hampshire, SO53 3ZQ.

The results of the Company are consolidated in the results of Warner-Lambert Company, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirement to disclose transactions which qualify as related parties within the Group.