

WILKINSON SWORD LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996

Registered number 29311



WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1996

DIRECTORS: W J Cosgrove
A L Vosper
S A Mellino
M J Cummings (Appointed 6 November 1996)

SECRETARY: K A M Sykes (Resigned 11 March 1996)
D M Willis (Appointed 11 March 1996)

REGISTERED OFFICE: Lambert Court
Chestnut Avenue
Eastleigh
Hampshire
SO5 3ZQ

This report accompanies the Financial Statements of the Company for the year ended 31 December 1996.

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 1996 was £4,846,000 (1995; profit for the thirteen month period to 31 December 1995 was £4,737,000).

Interim dividends totalling £3,400,000 were paid during the period (1995: £3,600,000). 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 1996 (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.

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.

By order of the Board



D M Willis
Company Secretary
23 October 1997

Price Waterhouse



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 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 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Price Waterhouse
Chartered Accountants
and Registered Auditors
Southampton

23 October 1997

WILKINSON SWORD LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996**

	Note	12 months to 31 Dec 1996	13 months to 31 Dec 1995
		£000	£000
TURNOVER - continuing operations	2	63,686	65,589
Cost of Sales		(44,303)	(46,190)
GROSS PROFIT		19,383	19,399
Distribution Costs		(11,809)	(11,275)
Administrative Expenses		(2,916)	(2,851)
Exceptional Release of Provision	6	1,417	-
OPERATING PROFIT - continuing operations	3	6,075	5,273
Interest Receivable	7	151	369
Interest Payable	8	(15)	(15)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	6,211	5,627
Taxation on Profit on Ordinary Activities	9	(1,365)	(890)
PROFIT FOR THE FINANCIAL YEAR/PERIOD	19	4,846	4,737
Equity Dividends Paid	19	(3,400)	(3,600)
AMOUNT TRANSFERRED TO RESERVES	18, 19	1,446	1,137

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 1996

	Note	1996 £000	1995 £000
FIXED ASSETS			
Intangible Assets	10	15,668	16,100
Tangible Assets	11	6,953	6,930
Investments	12	22	22
		22,643	23,052
CURRENT ASSETS			
Stocks	13	5,821	6,985
Debtors	14	8,567	8,596
Cash at Bank and In Hand		3,709	2,461
		18,097	18,042
CREDITORS (amounts falling due within one year)	15	(11,058)	(12,772)
NET CURRENT ASSETS		7,039	5,270
TOTAL ASSETS LESS CURRENT LIABILITIES		29,682	28,322
PROVISION FOR LIABILITIES AND CHARGES	16	(429)	(515)
		29,253	27,807
CAPITAL AND RESERVES			
Called up share capital	17	5,246	5,246
Share premium account	18	360	360
Revaluation reserve	18	15,978	16,413
Profit and Loss account	18	7,669	5,788
Shareholders' funds	19	29,253	27,807

Approved by the Board of Directors on 23 October 1997

A. L. Vosper

A L Vosper
Director

WILKINSON SWORD LIMITED

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR/PERIOD ENDED 31 DECEMBER 1996**

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Reported profit on ordinary activities before taxation	6,211	5,627
Difference between the historical cost depreciation charge and the actual charge of the year/period calculated on the revalued amount	435	472
Historical cost profit on ordinary activities before taxation	6,646	6,099
Historical cost profit for the year/period retained after taxation & dividends	1,881	1,609

WILKINSON SWORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

1 ACCOUNTING POLICIES

1) Basis of accounting

The accounts have been prepared under historical cost convention 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 trade discounts.

3) Foreign currencies

Assets and liabilities denominated in foreign currencies are converted into sterling at 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
Motor Vehicles	3 - 5 years

6) Deferred taxation

Provision is made for deferred taxation where 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 1996 (continued)**

1 ACCOUNTING POLICIES (Continued)

9) Leased assets

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 the shorter of its estimated useful life and the lease term. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rentals are taken to the profit and loss account on a straight line basis over the life of the lease.

10) 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.

11) 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 1996.

12) 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.

13) 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 1996 (continued)**

2 TURNOVER

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Geographical markets :		
United Kingdom	31,662	27,377
Rest of Europe	24,518	29,154
Americas	2,168	3,698
Africa & Middle East	1,445	1,449
Other	3,893	3,911
	<hr/>	<hr/>
	63,686	65,589
	<hr/>	<hr/>

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 :

	Note	12 months to 31 Dec 1996	13 months to 31 Dec 1995
		£000	£000
Amortisation of intangible assets	10	432	469
Depreciation of tangible assets	11	1,696	1,138
Auditors' remuneration:			
Audit fees		37	39
Non audit work		12	5
Hire of plant and machinery		118	77
Operating lease rentals		996	1,020
Research & Development Costs		187	244
		<hr/>	<hr/>
and after crediting:			
Government Grants		331	255
Pension		86	94
		<hr/>	<hr/>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

4 EMPLOYEES AND PENSION COSTS

The average number of employees during the year/period was :-

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
Hourly paid	368	383
Salaried	176	190
	<hr/>	<hr/>
	544	573
	<hr/>	<hr/>

Employee costs during the year/period were :

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Wages and salaries	9,795	10,084
Social security costs	774	847
Other pension costs	331	338
	<hr/>	<hr/>
	10,900	11,269
	<hr/>	<hr/>

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 1996 (continued)**

5 DIRECTORS' EMOLUMENTS

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Salaries, including benefits in kind	235	228
Contributions to pension scheme	17	17
	<hr/> 252	<hr/> 245

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£	£
Highest paid director - excluding pension contributions	157,065	149,500

The company has no chairman.

The emoluments of the directors, excluding pension contributions, fell within the following bands:

	Number	Number
Nil - £ 5,000	2	3
£ 75,001 - £ 80,000	1	1
£ 145,001 - £ 150,000	-	1
£ 155,001 - £ 160,000	1	-

6 EXCEPTIONAL RELEASE OF PROVISION

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Release of provision in respect of previous Group company no longer required.	<hr/> 1,417	<hr/> -

This 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 the successful outcome of negotiations in connection with these previous Group undertakings.

7 INTEREST RECEIVABLE

	12 months to 31 Dec 1996	13 months to 31 Dec 1995
	£000	£000
Bank interest	149	364
Interest receivable from group undertakings	2	5
	<hr/> 151	<hr/> 369

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

8 INTEREST PAYABLE

	<u>12 months to 31 Dec 1996</u>	<u>13 months to 31 Dec 1995</u>
	£000	£000
Interest payable on bank overdraft	15	13
Other interest payable	-	2
	<hr/>	<hr/>
	15	15
	<hr/> <hr/>	<hr/> <hr/>

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>12 months to 31 Dec 1996</u>	<u>13 months to 31 Dec 1995</u>
	£000	£000
Current year:		
Corporation tax at 33% (1995: 33%)	1,682	1,996
Prior year:		
Corporation tax	(317)	(1,106)
	<hr/>	<hr/>
	1,365	890
	<hr/> <hr/>	<hr/> <hr/>

10 INTANGIBLE FIXED ASSETS

	<u>1996</u>	<u>1995</u>
	£000	£000
Valuation	17,300	17,300
Amortisation		
As at 1 January	1,200	731
Charge for the period	432	469
	<hr/>	<hr/>
Total	1,632	1,200
	<hr/> <hr/>	<hr/> <hr/>
Net book amount at 31 December	15,668	16,100
	<hr/> <hr/>	<hr/> <hr/>

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 1996 (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 1996	1,240	14,477	2,439	18,156
Additions	-	1,752	-	1,752
Transfer assets now completed	-	1,560	(1,560)	-
Disposals	-	(242)	-	(242)
At 31 December 1996	1,240	17,547	879	19,666
Depreciation				
As at 1 January 1996	311	10,915	-	11,226
Charge for the year	34	1,662	-	1,696
Disposals	-	(209)	-	(209)
At 31 December 1996	345	12,368	-	12,713
Net book amount : At 31 December 1996	895	5,179	879	6,953
At 31 December 1995	929	3,562	2,439	6,930
b) Analysis of cost or valuation at 31 December 1996				
Cost	121	17,547	879	18,547
Valuation	1,119	-	-	1,119
	1,240	17,547	879	19,666

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 1996 (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
c) If the assets had not been revalued the balances at 31 December 1996 would have been:				
Cost	919	17,547	879	19,345
Accumulated depreciation	306	12,368	-	12,674

d) Land and buildings at net book amount
comprises:

	<u>1996</u>	<u>1995</u>
	£000	£000
Freehold	866	884
Short leasehold	29	45
	<u>895</u>	<u>929</u>

e) There were authorised capital commitments at 31 December 1996 £124,000 (1995: £290,000)

f) 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>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£000	£000	£000	£000
Within one year	-	-	58	39
Between one and five years	48	48	306	349
Over five years	473	473	-	-

WILKINSON SWORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)****12 INVESTMENTS**

	<u>1996</u>	<u>1995</u>
	£000	£000
Cost at 1 January 1996 / 1 December 1994	22	7
Additions	-	15
Cost at 31 December 1996 / 31 December 1995	<u>22</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.

13 STOCKS

	<u>1996</u>	<u>1995</u>
	£000	£000
Raw materials and consumables	1,528	1,646
Work in progress	1,469	2,038
Finished goods and goods for resale	2,824	3,301
	<u>5,821</u>	<u>6,985</u>

14 DEBTORS

	<u>1996</u>	<u>1995</u>
	£000	£000
Trade debtors	7,670	6,431
Amounts owed by parent undertaking and fellow group undertakings	530	1,513
Prepayments and accrued income	289	530
Other debtors	78	122
	<u>8,567</u>	<u>8,596</u>

In 1996 long term contract volume discounts of £923,000 are netted against trade debtors. In 1995 these discounts of £757,000 were included within accruals and deferred income (note 15)

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

15 CREDITORS: Amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£000	£000
Trade creditors	2,344	3,878
Corporation tax	906	514
Other taxation and social security	263	209
Advance corporation tax payable	850	-
Accruals & deferred income (note 14)	6,695	8,171
	<hr/>	<hr/>
	11,058	12,772
	<hr/>	<hr/>

16 PROVISION FOR LIABILITIES AND CHARGES

a) Deferred tax

Deferred tax, which is calculated under the liability method, is £nil (1995 :£nil)

The full potential (asset)/liability is as follows:

	<u>1996</u>	<u>1995</u>
	£000	£000
Accelerated capital allowances	298	572
Other timing differences	(871)	(1,020)
	<hr/>	<hr/>
	(573)	(448)
	<hr/>	<hr/>

b) Pensions

	<u>1996</u>	<u>1995</u>
	£000	£000
Provision for the excess of pension costs charged over amounts funded	429	515
	<hr/>	<hr/>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

17 CALLED UP SHARE CAPITAL

	Authorised		Allotted issued and fully paid	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</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

	Share premium account	Revaluation reserve	Profit and loss account
	£000	£000	£000
1 January 1996	360	16,413	5,788
Profit for the year	-	-	1,446
Transfers :			
Excess amortisation of trademarks	-	(432)	432
Excess depreciation of revalued land & buildings	-	(3)	3
31 December 1996	<u>360</u>	<u>15,978</u>	<u>7,669</u>

WILKINSON SWORD LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1996 (continued)**

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	<u>1996</u>	<u>1995</u>
	£000	£000
Profit for the financial year/period	4,846	4,737
Dividend Paid	(3,400)	(3,600)
Net addition to shareholders' funds	1,446	1,137
Opening shareholders' funds	27,807	26,670
Closing shareholders' funds	29,253	27,807

20 ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Warner Lambert Company, the largest company for which group accounts are prepared. It is incorporated in the United States of America. Copies of the accounts 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 accounts are prepared. It is incorporated in Great Britain. Copies of the accounts can be obtained from Lambert Court, Chestnut Avenue, Eastleigh, Hampshire, SO5 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.