

APPENDIX 1

(referred to in paragraphs 2.3 and 2.24)

Imports of contraceptive sheaths 1974 to 1981

Countries of Origin

Calendar Years	West Germany	Italy	Denmark	India	Malaysia	South Korea	Japan	USA	UK**	All Other	Total
<i>Value (£'000)</i>											
1974*	97.6	0	2.7	0	0	3.9	3.3	373.4	33.2	4.1	518.2
1975*	88.5	1.4	6.6	20.0	0	9.7	5.4	215.1	27.2	7.3	381.2
1976†	125.0	1.2	9.1	0	0.2	5.0	2.5	464.6	12.3	3.6	623.5
1977†	126.7	0	10.9	6.3	0	5.1	3.3	256.2	7.2	1.6	417.3
1978‡	79.2	0.3	13.5	0	0	5.2	8.9	19.3	21.6	8.4§	156.4
1979‡	95.4	4.7	18.3	66.0	3.3	11.0	6.5	110.3	9.0	9.5	334.0
1980‡	64.6	10.6	4.6	0	10.4	19.9	58.2	140.2	43.6	29.5¶	381.6
1981‡	51.5	16.3	7.3	0	9.5	5.1	3.2	229.1	4.5††	14.0	340.5
<i>Volume ('000 kg)</i>											
1974*	13.8	0	0.25	0	0	1.3	0.8	76.1	6.1	1.2	99.3
1975*	10.0	0.3	0.7	6.4	0	2.6	1.5	42.5	4.2	1.0	69.2
1976†	10.6	0.3	0.7	0	neg	0.9	0.4	66.5	1.7	0.5	81.6
1977†	11.4	0	0.9	1.9	0	1.3	0.4	25.4	0.9	0.3	42.5
1978‡	7.1	neg	1.1	0	0	1.3	0.9	3.2	2.2	1.6§	17.4
1979‡	8.1	1.3	2.3	13.6	0.3	3.7	0.8	14.7	0.9	1.4	47.1
1980‡	5.5	1.9	0.6	0	1.3	6.9	6.9	17.0	2.2	3.3¶	45.6
1981‡	5.6	2.4	0.7	0	0.8	0.7	0.5	21.8	0.4††	1.7	34.6

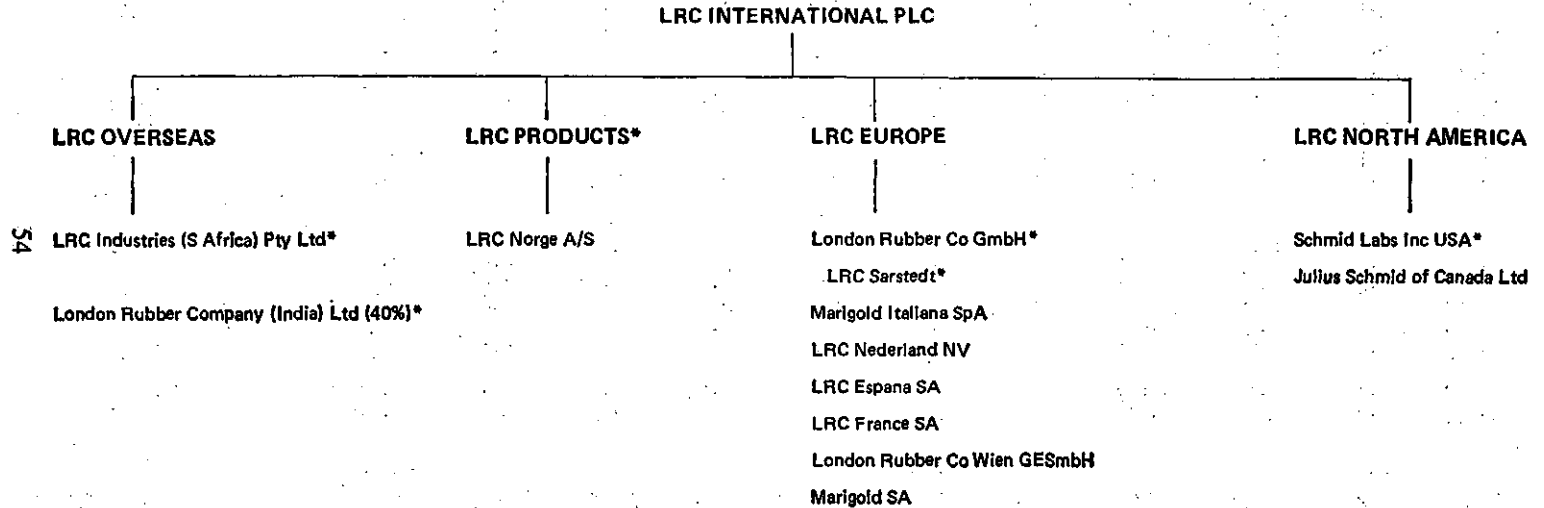
Source: H M Customs and Excise.

*C & E Ref No 4012 0096 'Hygienic & Pharmaceutical Articles of Unhardened Vulcanised Rubber—Seamless Products (including prophylactics)'.
 †C & E Ref No 4012 1077 'Hygienic & Pharmaceutical Articles of Unhardened Vulcanised Rubber—Sheath Contraceptives'.
 ‡C & E Ref No 4012 1000 (defined as 2 above).
 §Includes £2,421—800 kg imported from Belgium/Luxembourg: £2,314—180 kg imported from Finland.
 ¶Includes £16,500—1230 kg imported from Eire: £4,912—740 kg imported from Thailand: £5,696—889 kg imported from Taiwan.
 ||Includes £8,926—1087 kg imported from Taiwan.
 **Reported as imports from unspecified despatching countries of sheaths originating from the United Kingdom.
 ††January–August 1981 only.

APPENDIX 2

(referred to in paragraph 3.1)

**Chart of companies within LRC International PLC concerned
with the manufacture or sale of contraceptive sheaths**



*Indicates manufacturing of sheaths

Source: LRC Products Ltd.

APPENDIX 3

(referred to in paragraphs 3.14 and 5.2)

LRC Products Ltd: contraceptive sheath lines and trade prices 1973 to 1982

On 'Terms P' excluding VAT

Product	Pack sizes	£ per gross												
		March 1973	December 1975	October 1976	May 1977	May 1978	October 1978	September 1979	March 1980	October 1980	February 1981	December 1981	May 1982	
<i>LRC Brands</i>														
Durex Gossamer	3 and 12	3.70	4.44	5.33	6.00	NC	6.89	7.51	8.35	9.18	NC	10.43	11.27	
Durex Nu-Form	3	5.40	5.33	6.11	6.67	NC	7.56	8.14	8.97	10.22	—	—	—	
Durex Nu-Form	12	5.26	5.33	6.11	6.67	NC	7.56	8.14	8.97	10.22	—	—	—	
Durex Fetherlite	3	5.40	5.33	6.11	6.67	NC	7.56	8.14	8.97	10.22	NC	—	—	
Durex Fetherlite	12	5.20	5.33	6.11	6.67	NC	7.56	8.14	8.97	10.22	NC	—	—	
Durex Dry	3	2.75	3.55	4.34	4.90	NC	5.54	6.26	6.89	8.14	—	8.77	98.1	
Durex Velsan	3	1.65	—	—	—	—	—	—	—	—	—	—	—	
Durex Fourex	3	21.60	33.60	39.84	44.64	NC	66.72	72.96	80.16	94.08	—	—	—	
Durex Allergy	3	2.75	3.55	4.33	4.90	NC	5.56	6.26	6.89	8.14	NC	8.77	—	
Durex Allergy	12	—	—	—	—	—	—	—	—	—	—	—	9.81	
Durex Transyl	12	—	2.89	3.56	3.90	NC	4.44	5.06	5.58	6.63	—	—	—	
Durex Atlas	12	—	3.89	4.72	5.28	NC	6.00	6.68	7.41	8.03	NC	8.40	8.82	
Durex Fiesta	6	5.40	6.00	6.67	NC	NC	7.56	8.14	8.97	10.22	NC	11.27	11.69	
Durex Black Shadow	3	5.40	5.33	6.11	6.67	NC	7.56	8.14	8.97	10.22	—	11.27	11.69	
Durex Unison	3	—	—	7.33	NC	NC	8.00	8.56	9.39	10.43	NC	12.10	12.94	
Durex Nu-Form Extra Safe	3 and 12	—	—	—	—	7.33	8.00	8.56	9.39	11.06	NC	11.69	12.10	
Durex Excita	3	—	—	—	—	—	—	—	—	—	20.66	NC	NC	
Durex Supertrans	3	3.90	4.01	4.66	5.14	NC	5.79	6.48	7.10	8.35	—	—	—	
Durex Sheik	—	—	5.66	—	—	—	—	—	—	—	—	—	—	
Durex Sheik Dry	—	—	4.22	—	—	—	—	—	—	—	—	—	—	
Durex Fetherlite Extra Fine	3 and 12	—	—	—	—	—	—	—	—	—	—	11.27	11.69	

NC = No change.
 — = Not being sold.

Product	Pack- sizes	£ per gross											
		March 1973	Decem- ber 1975	October 1976	May 1977	May 1978	October 1978	Septem- ber 1979	March 1980	October 1980	Febru- ary 1981	Decem- ber 1981	May 1982
<i>Private Brands</i>													
London Surgical Sheath		—	1·80	2·05	2·26	NC	2·56	2·95	3·30	3·95	NC	NC	—
Dry Bulk	Bulk	—	2·20	3·02	NC	NC	3·26	3·70	4·09	5·31	NC	—	—
Lubricated Bulk	Bulk	—	—	—	—	—	3·95	4·48	—	—	—	—	—
Forget-Me-Not 10's	10	2·09	3·25	3·17	3·74	NC	4·29	4·81	5·34	5·99	NC	6·41	6·72
Forget-Me-Not 2's	2	2·71	3·25	3·17	—	—	—	—	—	—	—	—	—
Forget-Me-Not Bulk	Bulk	—	—	—	—	NC	—	—	5·34	5·51	NC	5·90	—
Two's Company		—	—	2·88	3·46	NC	3·96	4·43	4·92	5·61	NC	6·00	—
Sheath Protective Personal T		—	—	—	—	—	5·13	5·76	NC	NC	NC	NC	NC
Own Label Dry	3	1·80	2·50	3·00	3·30	NC	3·80	4·30	4·75	5·65	NC	6·09	6·52
Own Label Dry	Bulk	—	—	—	—	—	—	—	—	—	—	—	1·95
Own Label Lubricated	3	2·70	3·25	3·75	4·15	NC	4·75	5·35	5·95	6·78	NC	7·00	7·43
Own Label Lubricated	Bulk	—	—	—	—	—	—	—	—	—	—	—	5·50
Own Label Lubricated Premium	3	3·25	3·50	4·00	4·40	NC	5·00	5·45	6·05	6·90	6·90	7·12	7·55
Own Label Lubricated Premium	Bulk	—	—	—	—	—	—	—	—	—	—	—	5·68

Source: LRC Products Ltd.

NC = No change.
— = Not being sold

APPENDIX 4

(referred to in paragraph 4.3, 5.1, 5.4, 9.13 and 9.32)

Undertakings to the Secretary of State for Prices and Consumer Protection

Preamble

The intent of the undertakings set out below is, in the light of the Monopolies and Mergers Commission report published on 5th February 1975, to reduce LR Industries Limited's home selling prices for contraceptive sheaths and to alter the company's discount structure so as to bring about a situation in which the profit made by the company (including its subsidiary Safeguard Vending Services Limited) on all home sales of the contraceptive sheaths concerned would be expected to be of the order of £525,000 before deduction of interest and tax in the company's current financial year if the new price and discount structure had applied throughout that period.

The undertakings given to the Secretary of State for Prices and Consumer Protection by LRC International Limited, LR Industries Limited and Safeguard Vending Services Limited (hereinafter together or separately called 'LRC') are as follows:

1. Maximum Retail Prices

- (a) LRC shall specify (and shall not, thereafter vary except with the prior approval of the Director General of Fair Trading ('the Director General')) maximum retail prices for its principal brands of contraceptive sheath supplied in the United Kingdom, set out below, and such prices shall not exceed the following prices, *inclusive of VAT* at its current rate of 8 per cent:

	<i>Price per pack of 3</i>
(i) 'Durex Nu-Form'	24
(ii) 'Durex Fetherlite'	24
(iii) 'Durex Black Shadow'	24
(iv) 'Durex Gossamer'	20
(v) 'Durex' (dry)	16

- (b) For packs of other than three sheaths of any of the brands listed in (a) above, LRC shall specify a maximum retail price not exceeding a price, inclusive of VAT at its current rate of 8 per cent, bearing the appropriate arithmetical relationship to the price set out in (a) above for a pack of three sheaths of the same brand.
- (c) In the event of a change in the rate of VAT, applicable to contraceptive sheaths, the prices set out in (a) above shall be adjusted so as to arrive at prices which, after the deduction of VAT shall, taking the brands set out in (a) above in the aggregate, yield to LRC as nearly as possible the same revenue as prices set out in (a) above would have yielded. Such adjustments shall be agreed with the Director General.

- (d) LRC shall make it a condition of sale of its principal brands of contraceptive sheath set out in (a) above that they shall not be sold by retail at a price in excess of the specified maximum price (provided that the rate of VAT prevailing at the time of retail sale does not exceed 8 per cent) and LRC shall give notice of such condition on all its invoices relating to contraceptive sheaths, and on a slip to be enclosed in each display carton of packs of the sheaths set out in (a) above in such manner as to be plainly visible on the opening of such cartons, in terms and in a form to be approved by the Director General.
- (e) LRC shall use all reasonable endeavours to see that its maximum retail prices are observed.
- (f) Without prejudice to the generality of paragraph (e) above LRC shall cause its maximum retail prices to be published in relevant Trade Journals.

2. *LRC's Selling Prices and Discount Structure*

(a) LRC shall sell its principal brands set out in 1(a) above at prices calculated by reference to the applicable maximum retail price *exclusive of VAT* subject to discount structure, and shall not thereafter vary this discount structure without the prior approval of the Director General:

(i) Minimum order: £25 of any LRC goods (contraceptive sheaths, household gloves, etc.)

(ii) Discount off maximum retail price, exclusive of VAT:

Less than 10 gross	50 per cent
10 but less than 20 gross	52 per cent
20 but less than 50 gross	54 per cent
50 but less than 100 gross	56 per cent
100 gross or more	58 per cent

(iii) All LRC's own brands of contraceptive sheath count towards the qualifying levels shown in (ii).

(b) Other existing LRC brands of contraceptive sheath, with the exception of 'Durex Fiesta', sold by LRC, shall be sold by LRC at prices not exceeding prices substantially proportional to those that may be charged by LRC under (a) for the principal brands taking into account difference in cost.

(c) Distributors' 'own label' brands of contraceptive sheath, corresponding to existing LRC brands and sold by LRC, shall be sold by LRC at prices not exceeding prices substantially proportional to those that may be charged by LRC under (a) and (b) for its own corresponding brand, taking into account differences in cost.

3. *New Products*

Nothing in the preamble to or in paragraph 1 of the undertakings shall apply to 'Durex Fiesta' or to new types of contraceptive sheath that may

be introduced by LRC in the future, but it is agreed that at each annual review regard shall be had to the sales of 'Durex Fiesta' and of other new types, if any, in order to consider whether undertakings should be given in respect of them. LRC shall notify the Director General of the retail prices proposed for new types of contraceptive sheath before these are distributed for retail sale.

4. *Vending*

For the period of twelve months from the date of these undertakings, nothing in paragraphs 1 and 2 above shall apply to LRC's contraceptive sheaths sold through vending machines. However, prices and profitability on LRC's vending operations shall be within the scope of the first and subsequent annual reviews referred to below.

5. *Commencement, Duration, Review and Termination of Undertakings*

- (a) The undertakings shall have effect from 1st December 1975.
- (b) The undertakings shall be the subject of reviews, in the summer of each year, or at any other time, to consider whether the undertakings require revision and LRC shall use its best endeavours to provide the Director General with the information requisite to enable him satisfactorily to carry out such reviews.
- (c) LRC will give not less than six week's prior notice in writing to the Secretary of State and to the Director General of its intention to determine all or any of these undertakings.

(Signed 15th October 1975)

APPENDIX 5

(referred to in paragraphs 5.2 and 5.13)

**LRC Products Ltd: recommended retail prices of contraceptive sheaths
(inclusive of VAT) 1973 to 1982**

		March	December	October	May	May	October	VAT	September	March	October	February	October	December	May
	Unit of Sale	1973	1975	1976	1977	1978	1978	Change	1979	1980	1980	1981	1981	1981	1982
		RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP	RSP
Durex Gossamer	3	21p	20p	24p	27p	NC	31p	33p	36p	40p	44p	NC	NC	50p	54p
Durex Gossamer	12	82½p	80p	96p	108p	NC	124p	132p	144p	160p	176p	NC	NC	206p	216p
Durex Nu-Form	3	27½p	24p	27½p	30p	NC	34p	36p	39p	43p	49p	—	—	—	—
Durex Nu-Form	12	104½p	96p	110p	120p	NC	136p	144p	156p	172p	196p	—	—	—	—
Durex Fetherlite	3	27½p	24p	27½p	30p	NC	34p	36p	39p	43p	49p	NC	—	—	—
Durex Fetherlite	12	104½p	96p	110p	120p	NC	136p	144p	156p	172p	196p	NC	—	—	—
Durex Dry	3	16½p	16p	19½p	22p	NC	25p	26½p	30p	33p	—	NC	NC	42p	47p
Durex Velsan	3	8p	—	—	—	—	—	—	—	—	—	—	—	—	—
Durex Fourex	3	82½p	150p	180p	200p	NC	300p	319½p	350p	305p	450p	—	—	—	—
Durex Allergy	3	16½p	16p	19½p	22p	NC	25p	26½p	30p	33p	39p	NC	NC	42p	—
Durex Allergy	12	—	—	—	—	—	—	—	—	—	—	—	—	—	188p
Durex Transyl	12	—	52p	64p	70p	NC	80p	85p	97p	107p	127p	—	—	—	—
Durex Atlas	12	—	70p	85p	95p	NC	100p	115p	120p	142p	154p	NC	NC	165p	169p
Durex Fiesta	6	55p	54p	60p	NC	NC	68p	72p	78p	86p	98p	NC	NC	108p	112p
Durex Black															
Shadow	3	27½p	24p	27½p	30p	NC	34p	36p	39p	43p	49p	—	—	54p	56p
Durex Unison	3	—	—	33p	NC	NC	36p	38½p	41p	45p	50p	NC	NC	50p	62p
Durex Nu-Form															
Extra Safe	3	—	—	—	—	33p	36p	38½p	41p	45p	53p	NC	NC	56p	58p
Durex Nu-Form															
Extra Safe	12	—	—	—	—	132p	144p	154p	164p	100p	212p	NC	NC	224p	232p
Durex Excita	3	—	—	—	—	—	—	—	—	—	—	99p	NC	NC	NC
Durex Supertrans	3	17½p	18p	21p	23p	NC	26p	27½p	31p	34p	40p	—	—	—	—
Durex Sheik	3	—	25½p	—	—	—	—	—	—	—	—	—	—	—	—
Durex Dry	3	—	19p	—	—	—	—	—	—	—	—	—	—	—	—
Fetherlite Extra Fine	3	—	—	—	—	—	—	—	—	—	—	—	49p	54p	56p
Fetherlite Extra															
Fine	12	—	—	—	—	—	—	—	—	—	—	—	196p	216p	224p

Source: LRC Products Ltd.

NC = No change.
— = Not being sold.

APPENDIX 6

(referred to in paragraph 6.3)

**LRC Products Ltd: summarised trading results arising from the sale of
contraceptive sheaths in the United Kingdom 1974 to 1982**

61

	1974			1975			1976		
	Total	Vending	Other Outlets	Total	Vending	Other Outlets	Total	Vending	Other Outlets
Quantities sold (Gross '000)	840.2	107.7	732.5	736.8	111.5	625.3	823.4	104.6	718.8
Sales	£'000 3,845	£'000 793	£'000 3,052	£'000 3,649	£'000 1,033	£'000 2,616	£'000 4,003	£'000 997	£'000 3,006
Costs									
Commissions	277	277	—	401	393	8	400	397	3
Variable costs of Labour and Materials	713	105	608	820	145	675	1,130	166	964
Gas, Water, Electricity and Carriage	104	12	92	61	7	54	98	15	83
Fixed Overheads	890	399	491	1,160	532	628	1,163	531	632
Market Development	206	17	189	215	12	203	216	5	211
Group Management Expenses	103	21	82	87	25	62	103	26	77
Total Costs	2,293	831	1,462	2,744	1,114	1,630	3,110	1,140	1,970
Net Profit [Loss] before interest and taxation	1,552	[38]	1,590	905	[81]	986	893	[143]	1,036

	1977			1978			1979		
	Total	Vending	Other Outlets	Total	Vending	Other Outlets	Total	Vending	Other Outlets
Quantities sold (Gross '000)	790.1	98.3	691.8	752.3	85.9	666.4	779.0	97.3	681.7
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Sales	4,044	954	3,090	4,537	1,052	3,485	5,425	1,511	3,914
Costs									
Commissions	373	373	—	389	389	—	535	535	—
Variable cost of Labour and Materials	1,234	169	1,065	1,404	170	1,234	1,792	212	1,580
Gas, Water, Electricity and Carriage	133	15	118	239	22	217	256	24	232
Fixed Overheads	1,561	590	971	1,619	566	1,053	1,914	639	1,275
Market Development	296	4	292	342	1	341	410	10	400
Group Management Expenses	80	19	61	52	12	40	44	12	32
Total Costs	3,677	1,170	2,507	4,045	1,160	2,885	4,951	1,432	3,519
Net Profit [Loss] before interest and taxation	367	[216]	583	492	[108]	600	474	79	395

62

	1980			1981			1982		
	Total	Vending	Other Outlets	Total	Vending	Other Outlets	Total	Vending	Other Outlets
Quantities sold (Gross '000)	784.8	99.9	684.9	757.4	84.9	672.5	711.9	76.5	635.4
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Sales	6,036	1,614	4,422	7,033	1,707	5,326	7,241	1,656	5,585
Costs									
Commissions	492	492	—	489	489	—	519	507	12
Variable cost of Labour and Materials	1,809	213	1,596	2,079	217	1,862	1,936	206	1,730
Gas, Water, Electricity and Carriage	382	31	351	467	39	428	3,150	871	2,279
Fixed Overheads	2,095	749	1,346	2,351	841	1,510	300	20	280
Market Development	399	10	389	319	7	312	122	28	94
Group Management Expenses	47	13	34	94	23	71			
Total Costs	5,224	1,508	3,716	5,799	1,616	4,183	6,027	1,632	4,395
Net Profit [Loss] before interest and taxation	812	106	706	1,234	91	1,143	1,214	24	1,190

Source: LRC Products Ltd.

APPENDIX 7

(referred to in paragraph 6.3)

LRC Products Ltd: capital employed 1973 to 1982

	1973	1974	1975	1976	At 31 March		1979	1980	1981	1982	£'000
					1977	1978					
Fixed Assets—Properties and Plant	5,566	5,864	6,206	6,339	5,776	6,293	13,304	11,390	9,835	9,548	
Interest in Subsidiaries	3,026	3,088	775	489	526	923	166	192	328	227	
	<u>8,592</u>	<u>8,952</u>	<u>6,981</u>	<u>6,828</u>	<u>6,302</u>	<u>7,216</u>	<u>13,470</u>	<u>11,582</u>	<u>10,163</u>	<u>9,775</u>	
Current Assets											
Amounts due from Fellow Subsidiaries	847	56	1,373	3,195	3,525	3,397	2,587	2,331	1,651	893	
Stocks	2,600	3,631	4,941	5,599	7,825	8,666	11,513	14,455	9,015	8,749	
Debtors	2,168	2,089	2,485	1,508	2,253	2,789	8,129	9,703	9,681	8,501	
Taxation Recoverable	—	—	245	254	1	—	1	—	267	225	
Bank and Cash Balances	502	6	7	7	95	30	76	19	150	2,578	
	<u>6,117</u>	<u>5,782</u>	<u>9,051</u>	<u>10,563</u>	<u>13,699</u>	<u>14,882</u>	<u>22,306</u>	<u>26,508</u>	<u>20,764</u>	<u>20,946</u>	
Current Liabilities											
Creditors	1,392	1,727	1,932	2,248	2,908	2,389	4,653	5,600	4,643	4,845	
Amounts due to Fellow Subsidiaries	48	347	134	410	341	245	1,357	1,280	136	673	
Taxation Payable	645	343	—	321	6	421	317	—	—	—	
	<u>2,085</u>	<u>2,417</u>	<u>2,066</u>	<u>2,979</u>	<u>3,255</u>	<u>3,055</u>	<u>6,327</u>	<u>6,880</u>	<u>4,779</u>	<u>5,518</u>	
Net Current Assets	4,032	3,365	6,985	7,584	10,444	11,827	15,979	19,628	15,985	15,428	
Capital Employed	<u>12,624</u>	<u>12,317</u>	<u>13,966</u>	<u>14,412</u>	<u>16,746</u>	<u>19,043</u>	<u>29,449</u>	<u>31,210</u>	<u>26,148</u>	<u>25,203</u>	

Source: LRC Products Ltd.

APPENDIX 8

(referred to in paragraph 6.3)

LRC Products Ltd: capital employed in total protectives and allocation to United Kingdom contraceptive sheaths 1973 to 1982

	1973	1974	1975	1976	At 31 March		1979	1980	1981	1982
					1977	1978				
Fixed Assets—Properties	1,283	1,397	1,390	1,372	1,347	1,323	1,411	1,436	1,710	1,702
Plant	501	483	611	593	651	781	900	776	661	666
Interest in Subsidiaries	299	299	139	52	39	58	55	37	50	44
	<u>2,083</u>	<u>2,179</u>	<u>2,140</u>	<u>2,017</u>	<u>2,037</u>	<u>2,162</u>	<u>2,366</u>	<u>2,249</u>	<u>2,421</u>	<u>2,412</u>
Current Assets										
Amounts due from Fellow Subsidiaries	—	—	161	976	782	676	163	108	65	6
Stocks	664	933	1,109	1,108	2,061	2,276	1,912	2,387	2,197	1,839
Debtors	771	771	860	338	571	553	1,118	1,358	1,447	1,489
Bank and Cash Balances	2	2	2	2	25	7	12	3	26	489
	<u>1,437</u>	<u>1,706</u>	<u>2,132</u>	<u>2,424</u>	<u>3,439</u>	<u>3,512</u>	<u>3,205</u>	<u>3,856</u>	<u>3,735</u>	<u>3,823</u>
Current Liabilities										
Creditors	298	369	371	461	609	449	592	695	557	706
Amounts due to Fellow Subsidiaries	—	—	—	—	—	—	—	—	—	34
Net Current Assets	<u>1,139</u>	<u>1,337</u>	<u>1,761</u>	<u>1,963</u>	<u>2,830</u>	<u>3,063</u>	<u>2,613</u>	<u>3,161</u>	<u>3,178</u>	<u>3,083</u>
Capital Employed	<u>3,222</u>	<u>3,516</u>	<u>3,901</u>	<u>3,980</u>	<u>4,867</u>	<u>5,225</u>	<u>4,979</u>	<u>5,410</u>	<u>5,599</u>	<u>5,495</u>
Average Capital Employed in Total Protectives		3,369	3,709	3,941	4,424	5,046	5,102	5,195	5,505	5,547
Proportion allocated to UK sheaths on the basis of variable costs of labour and materials (%)		58.1	50.6	62.1	60.0	56.0	62.9	60.0	68.1	68.8
Average Capital Employed in UK sheaths		1,957	1,877	2,447	2,654	2,826	3,209	3,117	3,749	3,816

Source: LRC Products Ltd.

(referred to in paragraph 6.5)

LRC Products Ltd: criteria used to charge costs and capital employed to the Protectives product group

A. Capital employed

(1) Land and buildings

This relates to the Chingford site only where the complete manufacturing operation is carried out. The allocation of the written down value at the end of each financial year has been on the basis of the area occupied by protective operations and, for all years, is 57 per cent of the site. The written down value includes revaluations in the years to 31 March 1973, 1979 and 1981.

(2) Plant and Machinery comprises the following asset categories:

- (i) *Chingford General Plant*—allocated to protectives on the area occupied.
- (ii) *Chingford Packing Plant*—100 per cent specific to protectives.
- (iii) *Chingford Automatic Protective Plant*—100 per cent specific to protectives.
- (iv) *Chingford Canteen Equipment*
- (v) *Chingford Internal Transport*
- (vi) *Chingford Fixtures and Fittings*
- (vii) *Warehouse General Plant*
- (viii) *Warehouse General Transport*
- (ix) *Warehouse Canteen Equipment*
- (x) *Warehouse Commercial Vehicles*
- (xi) *Formers and Mandrels*—were transferred to fixed assets from stocks at 31 March 1979 and the allocation to protectives is by specific identification.
- (xii) *Company Cars*—have been allocated to protectives on the basis of the proportion that protective turnover represents of the total UK turnover. This turnover basis varies from that used for warehouse assets above due to the prime users of the cars being the UK based sales forces, in particular, the vending operation. Company cars virtually disappeared from the balance sheet in the financial year 1979–80 when they were sold to a leasing company. The cost of leasing is included in the overhead cost allocation.

} Allocated on basis of area occupied

} Allocated on the proportion that protective turnover represents of total turnover

(3) Interest in subsidiaries—

comprises three sections: shares at cost, amounts due from and amounts due to. Where year-end balances have a whole or partial involvement with protectives, turnover has been used as a basis of allocation.

(4) *Amounts due from and to fellow subsidiaries—*
basis as for (3) above.

(5) *Stocks—*

include the specific identification of finished goods, work-in-progress and raw and packing materials relating to protectives. In addition, an allocation has been made of general engineering stocks and all years until 31 March 1978 included stocks of formers and mandrels (see 2(xi) above). All stock evaluations of finished goods and work-in-progress have been calculated according to SSAP9 since the financial year 1976–77.

(6) *Debtors—*

have been allocated on the proportion of protective sales to total third-party sales in each year. Vending has been excluded from the protective and total sales on the basis that it is a cash operation thereby having no debtors. In the years 1976–1978, debtors reduced while amounts from fellow subsidiaries increased. This was during the existence of the marketing company called LR/Sanitas which was non-profit making and passed its income and expenditure back to the two underlying profit centres of Sanitas Co Ltd, and LR Industries Ltd.

(7) *Cash in hand and at bank—*

small year-end balances have been allocated on the protective proportion of total sales.

(8) *Creditors—*

have been allocated on the basis of the protectives cost of sales as a proportion of the total.

B. Costs

(1) *Commissions—*

in the main, are specific to the vending operation.

(2) *Variable cost of labour and materials*

The company operates a unit standard costing system and annually produces estimates incorporating the individual characteristics of each type of protective as to weight, quality standard and packing specification. The unit cost includes materials used at all stages of production together with direct labour and the associated payroll expenses of National Insurance and graduated pension, holiday and sick pay, and contributions to the company's superannuation scheme. Variances from standard costs are monitored at each stage of production and have been incorporated in the statement of profits.

(3) *Other variable costs—gas, water, electricity and carriage:*

(i) *Gas, water and electricity—*are monitored by manufacturing site and can be closely related to specific products.

(ii) *Carriage—*is charged to products as a percentage on turnover.

(4) *Fixed overheads*—include the indirect expenditure of the following:

- Manufacturing
- Sales and marketing
- Finance
- Computer
- Personnel
- Research and development.

- (i) *Manufacturing*—where possible, specific cost centres are allocated direct to the product group. In the event of common departments, an associated base is used, for example, the purchasing function is spread on the material value of each product group and the engineering department on the historical pattern of routine maintenance jobs. Where a cost does not lend itself to a logical spread, an opinion of the manager will be sought.
- (ii) *Sales and marketing*—mainly allocated on the basis of sales, but in the case of the vending operation, costs are collated specifically.
- (iii) *Administration and general* (finance, computer and personnel)—are allocated using the traditional bases of sales and headcount.
- (iv) *Research and development*—this function includes the chief development engineer and laboratories and is allocated by the heads of these sections from the work undertaken.

(5) *Market development*—is a specific charge to each product group.

(6) *Group management expenses*—are allocated on the basis of sales.

Source : LRC Products Ltd.

APPENDIX 10
(referred to in paragraph 6.10)

**LRC Products Ltd : profit and loss account for year ending 31 March 1981
using CCA standards**

£'000s	Historical Cost Convention (Total Company)	CCA Adjustment	CCA Adjusted Profit and Loss Account (Total Company)	Historical Cost Convention (UK Protectives)	CCA Adjustments	CCA Adjusted Profit and Loss Account (UK Protectives)
Turnover	52,289		52,289	7,033		7,033
Trading Profit	4,235		4,235	1,234		1,234
<i>Current Cost Adjustments</i>						
Depreciation	—	627	627	—	113	113
Fixed Asset Disposals	—	27	27	—		
Cost of Sales	—	449	449	—	37	37
Monetary Working Capital	—	(35)	(35)	—	(5)	(5)
	<u>4,235</u>	<u>1,068</u>	<u>3,167</u>	<u>1,234</u>	<u>145</u>	<u>1,089</u>
Interest Payable	1,210	—	1,210			
Profit before Taxation	3,025	1,068	1,957			
Taxation	1,610	—	1,610			
Profit before extraordinary items	1,415	1,068	347			
Extraordinary items	3,060	—	3,060			
Profit available for appropriation	4,475	1,068	3,407			
Dividends Paid/Proposed	830	—	830			
Retained Profit/(Loss) for the year	3,645	1,068	2,577			

Source: LRC Products Ltd.

APPENDIX 11

(referred to in paragraph 6.10)

LRC Products Ltd : balance sheet at 31 March 1981 using CCA standards

£'000s	Historical Cost Convention (Total Company)	CCA Adjust- ments	CCA Adjusted Balance Sheet (Total Company)	Historical Cost Convention (UK Protectives)	CCA Adjust- ments	CCA Adjusted Balance Sheet (UK Protectives)
<i>Fixed Assets</i>						
Properties and Plant	9,835	3,670	13,505	1,767	659	2,426
Interest in Subsidiaries	328	—	328	37	—	37
	<u>10,163</u>	<u>3,670</u>	<u>13,833</u>	<u>1,804</u>	<u>659</u>	<u>2,463</u>
<i>Current Assets</i>						
Amounts due by Fellow Subs	1,651	—	1,651	48	—	48
Stocks	9,015	48	9,063	1,637	9	1,646
Debtors	9,681	—	9,681	1,311	—	1,311
Taxation Recoverable	267	—	267	—	—	—
Bank and Cash Balances	150	—	150	19	—	19
	<u>20,764</u>	<u>48</u>	<u>20,812</u>	<u>3,015</u>	<u>9</u>	<u>3,074</u>
<i>Current Liabilities</i>						
Creditors	4,643	—	4,643	415	—	415
Amounts due to Fellow Subs	136	—	136	—	—	—
	<u>4,779</u>	<u>—</u>	<u>4,779</u>	<u>415</u>	<u>—</u>	<u>415</u>
<i>Net Assets</i>	15,985	48	15,033	2,600	9	2,609
Capital Employed	<u>26,148</u>	<u>3,718</u>	<u>29,866</u>	<u>4,404</u>	<u>668</u>	<u>5,072</u>

<i>£'000s</i>	<i>Historical Cost Convention (Total Company)</i>	<i>CCA Adjust- ments</i>	<i>CCA Adjusted Balance Sheet (Total Company)</i>	<i>Historical Cost Convention (UK Protectives)</i>	<i>CCA Adjust- ments</i>	<i>CCA Adjusted Balance Sheet (UK Protectives)</i>
<i>Represented by:</i>						
Share Capital	10	—	10			
Reserves	9,064	3,718	12,782			
	<u>9,074</u>	<u>3,718</u>	<u>12,792</u>			
Loan Capital	776	—	776			
Deferred Taxation	2,823	—	2,823			
Bills Payable	500	—	500			
Bank Overdraft	1,012	—	1,012			
Amounts due to Holding Company	11,963	—	11,963			
	<u>26,148</u>	<u>3,718</u>	<u>29,866</u>			

Source: LRC Products Ltd.

APPENDIX 12

(referred to in paragraphs 7.14, 9.23, 9.24, 9.25, 9.26, 9.27, 9.28, 9.29 and 9.31)

Extracts from Memorandum by LRC Products Ltd

An index relating to LRC Products' costs of production of contraceptive sheaths

Objectives

1. The objectives of calculating the index are to provide an accurate indicator of changes in LRC's costs of production which can:

- (i) be easily calculated by LRC and
- (ii) be easily checked by any supervisory body that might be involved.

These requirements imply that the index should have a fairly small number of components, that these components should be drawn from readily available published statistics, and that they should be weighted in proportion to their contribution to the total cost of the product. The basic data should be available monthly in order that the index may be used to show changes in costs over intervals between price changes.

LRC's costs

2. LRC's production costs in the financial year 1980-81 were as follows:

<i>Category</i>	<i>Per cent of total</i>
Labour (including pensions and national insurance)	40
Latex	3
Other materials	16
Gas, water & electricity	4
Vehicle expenses	3
Carriage	4
Advertising	6
Commissions	9
Vending machine charges	2
Depreciation	1
Other (including general overheads)	12
	<hr/>
	100

Selection of index components

3. The following series are used:

Labour

- (a) The Department of Employment average earnings index of all employees in manufacturing industries, seasonally adjusted, and further adjusted for changes in the rate of employers' contribution to National Insurance. It is implicitly assumed that employers' pension contributions are a constant proportion of earnings (weight 45.4).

Materials

Raw materials costs other than latex are divided about equally between special purpose papers used in packaging and a wide range of miscellaneous materials. The former is represented by:

- (b) Wholesale Price Index Numbers (WPI). Table 3 Commodities produced in the United Kingdom (home sales). XVIII Paper printing and publishing, 481 Paper and Board: sub heading:— industrial and special purpose paper (weight 9.1).

The cost of miscellaneous materials is represented by:

- (c) WPI. Table A Materials and fuel purchased. Orders IV to XIX. Materials¹ purchased by manufacturing industry, other than food, drink and tobacco manufacturing industries (weight 9.1).

The cost of latex is represented by:

- (d) WPI. Table 4 Commodities wholly or mainly imported into the United Kingdom. Crude rubber: natural rubber smoked sheet (weight 3.4).

Fuel costs are represented by:

- (e) WPI. Table A Materials and fuel purchased by manufacturing industry. Orders III to XIX. Coal (except for carbonising), gas and electricity (weight 4.5).

Vehicle expenses and carriage together are represented by:

- (f) General Index of Retail Prices (RPI). Transport and vehicles (weight 8.0).

Depreciation, vending machine charges and commissions are not represented in the index, partly because of the difficulty of finding a suitable component. However, the first two are very small and the third (commissions) may be assumed to vary closely in line with sales value.

Advertising has been included with other costs. A separate index, prepared by the Advertising Association is available but only on an annual basis. It could be incorporated in an annual index if required. Other costs include rent and rates, stationery, postage, telephone and other office expenses. These are represented by:

- (g) RPI. All items except items of food whose prices show significant seasonal variations (weight 20.5).

To allow for the items omitted the percentages shown in section 2 have been multiplied by 100/88 to give the weights shown above.

Construction of the index

4. The index is a weighted arithmetic mean of the 'price relatives' described in section 3. The weights (shown above) are constant and proportionate to the contribution of each item to total cost in 1980-81. If the index is to be used for a long period it would be desirable to review the weights from time to time but this need not be done for several years.

¹ Includes crude oil and coal for carbonising.

Index

- Advertising, 2.20-2.21
- Akwell Industries Inc, 2.22, 2.25
- Area Health Authorities
prices paid, 5.17-5.19
- Attitudes
to contraceptive sheaths: changes, 2.17
- Boots Co. Ltd.
views, 2.31, 8.5
- British Standards Institution
evidence, 1.3
rubber condoms standards (BS 3704), 2.22
- BSI, *see* British Standards Institution
- Chefaro Proprietaries Ltd, 2.27
- Conclusions of the report, 9.1-9.32
- Condoms, *see* Contraceptive sheaths
- Consumers' Association
evidence, 1.3
views, 8.15
- Contraceptive sheaths
advertising, 2.20-2.21
background, 2.1-2.14
changes in attitudes, 2.17
Contraceptive Sheaths: Report of Supply in UK: 1974-75, HC135, 2.1, 2.5, 2.9, 2.25, 3.2, 4.1-4.8
distribution, 2.18-2.19
imports 1974-1981, Appendix 1
market: characteristics, 2.15-2.26
monopoly situation: conclusions of the report, 9.1-9.32; existence, 9.3, 9.30; recommendations of the report, 9.16-9.29
standards (BS 3704), 2.22
trade prices, 5.10-5.12
- Department of Health and Social Security
views, 8.7
- DHSS, *see* Department of Health and Social Security
- Distribution
of contraceptive sheaths, 2.18-2.19
- Doctors and Overpopulation Group
views, 8.10
- Evidence
from LRC Products Ltd, 7.1-7.16
sources, 1.3
- Family Planning Association
evidence, 1.3, 2.11
views, 8.11-8.12
- Family Planning Sales Ltd
role in sheath distribution, 2.14, 2.28
views, 8.13
- Family planning services, 2.12-2.14
- FPA, *see* Family Planning Association
- FPSL, *see* Family Planning Sales Ltd
- G D Searle & Co Ltd, *see* Searle (G D) & Co Ltd
- Imports
of sheaths 1974-1981, Appendix 1
- Jiffi Contraceptives Ltd, 2.32
- Lamberts (Dalston) Ltd, 2.30
- LRC, *see* LRC International PLC; LRC Products Ltd
- LRC International PLC
companies within the group concerned with sheath manufacture or sale: organisational chart, Appendix 2
organisation, 3.1
performance targets, 6.9
- LRC Products Ltd
allocation of costs, 6.11-6.17
background, 2.2
balance sheet at 31 March 1981 using CCA standards, Appendix II
capital employed: background, 6.11-6.17; in total protectives and allocation to UK sheaths 1973-1982, Appendix 8; 1973-1982, Appendix 7
capital expenditure, 3.7
criteria used to charge costs and capital employed to the Protectives product group, Appendix 9
current cost accounting (CCA), 6.10
evidence, 1.3, 7.1-7.16
financial results, 6.1-6.8
investment, 3.8-3.12
organisation, 3.2-3.6
outlets, 3.17-3.18
price structure, 3.20-3.21
production: costs, index, Appendix 12; organisation, 3.8-3.12; profit and loss account for year ending 31 March 1981 using CCA standards, Appendix 10

References are to paragraph numbers, not page numbers.

- LRC Products Ltd. (continued)**
 range, 3.14-3.16
 recommended retail prices of contraceptive sheaths (inclusive of VAT) 1973-1982, Appendix 5
 sales, 3.13
 sheath lines, 1973-1982, Appendix 3
 trade prices, 5.1-5.9, Appendix 3
 trading results 1974-1982: summary, Appendix 6
 undertakings to the Secretary of State for Prices and Consumer Protection, Appendix 4
- Marie Stopes House**
 views, 8.14
- MMC, see Monopolies and Mergers Commission**
- Monopolies and Mergers Commission**
 conclusions of the report, 9.1-9.32
Contraceptive Sheaths: Report on Supply in UK; 1974-75, HC135, 2.1, 2.5, 2.9, 2.25, 3.2, 4.1-4.8
 recommendations of the report, 9.16-9.29
 terms of reference, 1.1-1.2
- Monopoly situation**
 existence, 9.3, 9.30
- National Association of Family Planning Doctors**
 views, 8.9
- National Pharmaceutical Association**
 views, 8.6
- Ortho Pharmaceuticals Ltd, 2.25**
- Pharmaceutical Society of Great Britain**
 views, 8.6
- Population Concern**
 views, 8.11
- Prices**
 (see also Retail prices)
 possible remedies for price balance, 9.16-9.29
 structure (LRC), 3.20-3.21
 trade, 5.10-5.12; (LRC), 5.1-5.9
- Public interest**
 conclusions of the report, 9.4-9.15
- Recommendations of the report, 9.16-9.29**
- Retail prices, 5.13-5.16**
- Rubber condoms, see Contraceptive sheaths**
- Searle (GD) & Co Ltd, 2.26**
- Sheaths, see Contraceptive sheaths**
- Soplex Ltd, 2.29**
- Tellercrest (London) Ltd, 2.29**
- Terms of reference, 1.1-1.2**
- Trades Union Congress**
 evidence, 1.3
 views, 8.16
- TUC, see Trades Union Congress**
- Views**
 from interested third parties, 8.1-8.16
- Warwickshire Supplies Ltd, 2.30**

References are to paragraph numbers, not page numbers.