Pfizer Limited

Directors' report and financial statements

Registered Number 526209

30 November 2003

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 November 2003.

Principal activity

The principal activity of the company is the discovery, development, manufacture and marketing of pharmaceutical and animal health products.

Pfizer Inc., the ultimate parent of the company, acquired Pharmacia Corporation and its subsidiaries worldwide on 16 April 2003, since this date business areas that the company has in common with subsidiaries of Pharmacia Corporation have been managed on co-operative bases.

The company acquired certain animal health manufacturing operations from fellow Pfizer Inc group company, Pharmacia Animal Health Limited on 29 September 2003 for £23, 213, 000.

Business review

The profit and loss account for the year is set out on page 6.

Research and development

The company continues to invest in research and development. This has resulted in the development of compounds which it is hoped will ultimately be launched as new products that will contribute to its long term success.

Results and dividends

The audited financial statements for the year ended 30 November 2003 are set out on pages 6 to 25.

The company generated an after tax profit of £386,311,000 *(2002: £549,106,000)*. Dividends of £350,000,000 were declared in 2003 *(2002: £290,000,000)*. The retained profit for the year of £36,311,000 (*2002: £259,106,000)* will be transferred to reserves.

Directors and directors' interests

The directors who held office during the year were as follows:

TGR Audley	
K Fletcher	
R Stone	
S Eccles	
D Doogan	(resigned 5 August 2003)
T Tiivola	(resigned 20 December 2002)
VM Marshall	(resigned 6 June 2003)
O Brandicourt	(appointed 30 April 2003)
A Doherty	(appointed 8 August 2003)

FJC Overtoom was appointed as a director of the company on 22 April 2004.
TGR Audley resigned as a director of the company on 31 May 2004.

At no time during the year did any of the directors have any interest in or the right to subscribe to shares of the company or any Pfizer UK group company.

Safety, Health and the Environment

The company has a Safety, Health and Environmental policy in place as part of its commitment to sustainable development. In addition, Pfizer Inc, the ultimate parent company produces an Environmental, Health and Safety Report, to which the company contributes.

Directors' report *(continued)*

Disabled employees

It is the policy of the company to give full and fair consideration to applications for employment made by disabled persons taking account of their particular abilities and aptitudes. Policies to actively eliminate discrimination and to ensure that all applicants are considered solely on their merits are promoted. Should any existing employee become disabled every effort is made to ensure continuity of employment after appropriate assessment of special needs, suitable adjustment to accommodate the disability, retraining and resettlement. The same opportunity for training and career development is given to disabled employees as is given to employees generally.

Employee involvement

The company seeks open and direct relations with its employees through the provision of efficient formal and informal channels for communication. These include the publication of magazines for employees, web and e-mail based information services, consultation through a variety of committees and regular departmental meetings. The company also participates in the Pfizer Europe Employees Forum (PEEF), agreed under the terms of the European Works Council Directive (22 September 1994).

The company actively promotes an "open door" management policy. There is also an extensive Performance Management programme which facilitates open and regular dialogue between employees and their managers.

The Pfizer Share Ownership Plan, through which shares in the ultimate parent company, Pfizer Inc., may be purchased, encourages employees of the participating companies to take a direct interest in the performance of the world-wide group.

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board

FJC Overtoom
Director

26 AUGUST 2004

Ramsgate Road
Sandwich
Kent
CT13 9NJ

Statement of directors' responsibilities

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Pfizer Limited

We have audited the financial statements on pages 6 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

26/8/2004

Profit and loss account
for the year ended 30 November 2003

	Note	30 November 2003 £000	30 November 2002 £000
Turnover	*2*	**1,092,383**	948,375
Net operating costs	*3*	**(731,106)**	(481,823)
Operating profit	*4*	**361,277**	466,552
Profit on disposal of intellectual property rights	*7*	**13,862**	-
Income from shares in group undertakings		**125,000**	225,000
Other interest receivable and similar income	*8*	**112**	535
Interest payable and similar charges	*9*	**(12,496)**	(6,834)
Profit on ordinary activities before taxation	*4*	**487,755**	685,253
Tax on profit on ordinary activities	*10*	**(101,444)**	(136,147)
Profit on ordinary activities after taxation		**386,311**	549,106
Dividends on equity shares	*11*	**(350,000)**	(290,000)
Retained profit/(loss) for the financial year	*22*	**36,311**	259,106

There are no recognised gains and losses other than those reported in the profit and loss account for each year. All items relate to continuing operations.

Balance Sheet
at 30 November 2003

	Note	30 November 2003 £000	30 November 2003 £000	30 November 2002 £000	30 November 2002 £000
Fixed assets					
Intangible assets	*12*		**64,707**		50,313
Tangible assets	*13*		**1,190,572**		1,128,246
Investments	*14*		**1**		1
			1,255,280		1,178,560
Current assets					
Stocks	*15*	**167,756**		162,969	
Debtors	*16*	**761,228**		467,765	
Cash at bank and in hand		**70**		714	
		929,054		631,448	
Creditors: amounts falling due within one year	*17*	**(1,373,012)**		(1,049,646)	
Net current liabilities			**(443,958)**		(418,198)
Total assets less current liabilities			**811,322**		760,362
Creditors: amounts falling due after more than one year	*18*		**(200,000)**		(200,000)
Provisions for liabilities and charges	*19*		**(272,809)**		(258,160)
Net assets			**338,513**		302,202
Capital and reserves					
Called up share capital	*21*		**86,300**		86,300
Profit and loss account	*22*		**252,213**		215,902
Equity shareholders' funds			**338,513**		302,202

These financial statements were approved by the board of directors on 26/8/2004 and were signed on its behalf by:

FJC Overtoom

Director

Reconciliation of movements in shareholders' funds
for the year ended 30 November 2003

	2003	2002
	£000	£000
Opening shareholders' funds	**302,202**	43,096
Profit for the financial year	**386,311**	549,106
Dividends declared	**(350,000)**	(290,000)
Closing shareholders' funds	**338,513**	302,202

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has followed the transitional arrangements of FRS17 'Retirement benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Intangible assets

Purchased goodwill is capitalised and amortised in instalments of up to 20 years, based on the directors' estimate of its useful economic life.

Purchased concessions, patents, licences, trademarks and goodwill are amortised over their useful economic lives for periods of between 10 and 20 years.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	33 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	2 to 20 years

No depreciation is provided on freehold land or on assets in the course of construction.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the company's standard exchange rate for the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are provided for within creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in, first out or an average method of valuation is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers and from royalty agreements.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred. Expenditure on fixed assets employed in research and development activities is capitalised.

Post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company.

Employee share options

The Company previously agreed with its ultimate parent company, Pfizer Inc, that Pfizer Inc share options be granted to its employees in exchange for certain payments following exercise. A provision was made for the cost to the company should all these options have been exercised at the balance sheet date. During the year the company gave notice to Pfizer Inc that it would be terminating the stock option charge back agreement under which it made payments to Pfizer Inc following the exercise of stock options. Accordingly the stock options provision was released.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences that have originated but not reversed by the balance sheet date and which could give rise to an obligation to pay more or less tax in the future.

Notes *(continued)*

2 Analysis of turnover by geographical market and by class of business

	Product sales		Royalties		Total	
	2003	2002	**2003**	2002	**2003**	2002
	£000	£000	**£000**	£000	**£000**	£000
Turnover by destination						
- UK	**585,847**	491,439	**-**	-	**585,847**	491,439
- Rest of world	**140,432**	68,682	**366,104**	388,254	**506,536**	456,936
Turnover	**726,279**	560,121	**366,104**	388,254	**1,092,383**	948,375
Operating profit/(loss)	**(4,827)**	78,298	**366,104**	388,254	**361,277**	466,552
Other operating income	**13,862**	-	**-**	-	**13,862**	-
Income from shares in group undertakings	**125,000**	225,000	**-**	-	**125,000**	225,000
Net interest	**(12,384)**	(6,299)	**-**	-	**(12,384)**	(6,299)
Segment profit/(loss) before taxation	**121,651**	296,999	**366,104**	388,254	**487,755**	685,253
Net assets	**252,295**	209,489	**86,218**	92,307	**338,513**	302,202

The origin of turnover, profit and net assets is the United Kingdom.

3 Net operating costs

	2003	2002
	£000	£000
Cost of sales	**498,988**	413,027
Research and development expenditure[1]	**597,774**	551,990
Research and development recharges	**(461,308)**	(532,924)
Distribution costs	**7,699**	8,312
Administrative expenses[2]	**87,953**	41,418
	731,106	481,823

Research and development recharges comprise total charges to other group companies for research and development activities performed under cost sharing and other arrangements.

1. Included within research and development expenditure in 2003 are "one-off" payments for the Synthon license (note 12) and R&D payments relating to Voriconazole, Darifenacin and Elitriptan, totalling £66,896,000.

2. Included within administrative expenses in 2002 was a credit of £46,722,000 which was a result of the impact of a fall in the share price of Pfizer Inc on the provision for stock option costs. In 2003 a credit of £13,783,000 was included within administrative expenses as a result of a release of the stock option provision. Further details are provided in note 19.

Notes *(continued)*

4 Profit on ordinary activities before taxation

	2003 £000	2002 £000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**207**	191
Other services - fees paid to the auditor and its associates	**597**	404
Depreciation and other amounts written off tangible fixed assets	**95,976**	83,397
Amortisation of intangible fixed assets	**35,787**	4,900
Loss on disposal of fixed assets	**8,919**	4,872
Hire of plant and machinery - rentals payable under operating leases	**152**	164
Hire of other assets - operating leases	**1,928**	1,135
Exchange losses (net)	**7,772**	5,996

5 Remuneration of directors

	2003 £000	2002 £000
Directors' emoluments	**1,426**	1,233
Compensation for loss of office	**219**	-
	1,645	1,233

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £281,821 (In 2002, the aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director was £261,317). This person is a member of a defined benefit scheme, operated by a member company of the Pfizer world-wide group, under which his accrued pension on 30 November 2003 was £153,026 (In 2002, the accrued pension of the highest paid director was £146,224).

Notes *(continued)*

5 Remuneration of directors *(continued)*

	Number of directors	
	2003	2002
Retirement benefits accrued to the following number of directors who served during the year under defined benefits schemes	9	9
The number of directors who exercised share options during the year was	3	1

One director received shares under long term incentive schemes *(2002:none).*

References in this note to shares and share options are to those in the ultimate parent company, Pfizer Inc.

6 Staff numbers and costs

The average number of people employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Manufacturing	**860**	770
Research and development	**2,772**	2,486
Sales and distribution	**1,288**	1,208
Administration	**639**	645
	5,559	5,109

The aggregate payroll costs of these people were as follows:

	2003	2002
	£000	£000
Wages and salaries	**228,773**	225,172
Social security costs	**21,874**	23,035
Other pension costs	**54,670**	32,993
	305,317	281,200

Notes *(continued)*

7 Profit on sale of intellectual property rights

During the year intellectual property rights in Darifenacin were sold to Novartis. Proceeds to the Company were £13,862,000 with further amounts receivable should Darifenacin receive approval by EU and US regulatory authorities.

	2003 £000	2002 £000
Proceeds on sale	13,862	-
Cost	-	-
Profit	13,862	-

8 Other interest receivable and similar income

	2003 £000	2002 £000
Receivable from group undertakings	93	479
Other	19	56
	112	535

9 *Interest payable and similar charges*

	2003 £000	2002 £000
Amounts payable to group undertakings	12,479	6,824
Amounts payable on bank loans and overdrafts	17	10
	12,496	6,834

10 Taxation on profit on ordinary activities

	2003 £000	2002 £000
UK corporation tax at 30% (*2002:30%*)	76,244	105,930
Adjustments relating to an earlier year	(3,232)	420
Deferred tax – origination and reversal of timing differences	28,432	29,797
	101,444	136,147

Notes *(continued)*

10 Taxation on profit on ordinary activities *(continued)*

The current tax charge assessed for the year is lower than would have been achieved by tax effecting the profit before tax for the year at 30%. The differences are as follows:

	2003 £000	2002 £000
Profit on ordinary activities before tax	**487,755**	685,253
Taxation charge at UK corporation tax rate of 30% *(2002:30%)*	**146,327**	205,576
Effects of:		
Pension contributions	**(5,491)**	(8,060)
Income from shares in group undertakings	**(37,500)**	(67,500)
Permanent differences	**(6,003)**	(1,970)
Accelerated capital allowances	**(16,993)**	(18,250)
Other timing differences	**(4,096)**	(3,866)
Current tax charge for the year	**76,244**	105,930

The directors are not aware of any factors, other than those described above, that will have a significant effect on the future tax charge.

11 Dividends and other appropriations

	2003 £000	2002 £000
Equity shares:		
Interim dividends paid	**350,000**	240,000
Final dividend declared	**-**	50,000
	350,000	290,000

Notes *(continued)*

12 Intangible fixed assets

	Goodwill £000	Other intangibles £000	Total £000
Cost			
At beginning of year	69,286	12,633	81,919
Additions	50,181	-	50,181
At end of year	119,467	12,633	132,100
Amortisation			
At beginning of year	28,463	3,143	31,606
Charged in year	3,633	1,265	4,898
Write down Synthon	30,889	-	30,889
At end of year	62,985	4,408	67,393
Net book value			
At 30 November 2003	**56,482**	**8,225**	**64,707**
At 30 November 2002	40,823	9,490	50,313

Goodwill relates to the 1996 acquisition of the UK operations of the SmithKline Beecham Animal Health business and the 2003 acquisition of the Pharmacia Animal Health manufacturing business (£19.3m).

During the year the Company acquired certain intellectual property rights from Synthon with the purchase cost capitalised as an intangible asset of £30.9m. Following a subsequent impairment review, this intangible asset was written off.

Other intangibles relates to payments made under an outsourcing contract.

Notes (continued)

13 Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Plant and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At beginning of year	654,749	16,715	705,626	113,008	1,490,098
Additions	15,864	2,010	22,341	134,881	175,096
Transfers between categories	43,729	-	57,224	(100,953)	-
Disposals	(7,555)	-	(41,417)	-	(48,972)
At end of year	706,787	18,725	743,774	146,936	1,616,222
Depreciation					
At beginning of year	70,129	6,545	285,178	-	361,852
Charge for year	20,123	2,406	73,447	-	95,976
Transfer of depreciation	879	-	1,718	-	2,597
On disposals	(2,679)	-	(32,096)	-	(34,775)
At end of year	88,452	8,951	328,247	-	425,650
Net book value					
At 30 November 2003	**618,335**	**9,774**	**415,527**	**146,936**	**1,190,572**
At 30 November 2002	584,620	10,170	420,448	113,008	1,128,246

Included in the total net book value of freehold land and buildings is £20,912,361*(2002: £19,138,650)* in respect of land which is not depreciated.

14 Investments

	2003
	£000
At beginning and end of year	**1**

The investment comprises the 100% shareholding in Pfizer Technologies Limited, a company incorporated in England and Wales whose principal activities are the development and exploitation of intellectual property.

In the opinion of the directors the investment in the company's subsidiary undertakings is worth at least the amount at which they are stated in the balance sheet.

Notes *(continued)*

15 Stocks

	2003 £000	2002 £000
Raw materials and consumables	**50,844**	44,928
Work in progress	**50,861**	72,557
Finished goods and goods for resale	**66,051**	45,484
	167,756	162,969

16 Debtors

	2003 £000	2002 £000
Trade debtors	**158,180**	130,050
Amounts owed by group undertakings	**447,731**	234,092
Other debtors	**6,493**	5,069
Prepayments and accrued income	**148,824**	98,554
	761,228	467,765

All debtors fall due within one year.

17 Creditors: amounts falling due within one year

	2003 £000	2002 £000
Bank loans and overdrafts	**7**	-
Trade creditors	**51,995**	31,335
Amounts owed to group undertakings	**1,100,277**	847,572
Other creditors including tax and social security		
UK corporation tax	**40,720**	40,638
Other taxation and social security	**13,901**	9,946
Accruals and deferred income	**166,112**	120,155
	1,373,012	1,049,646

Notes *(continued)*

18 Creditors: amounts falling due after more than one year

	2003	2002
	£000	£000
Convertible loan notes	**200,000**	200,000

In 1995 the company borrowed £200,000,000 from Pfizer Group Limited by means of interest free convertible loan notes issued at par. These loan notes are repayable at par on maturity on 31 December 2043. Both parties have the option to convert the loan notes at any time during the loan period into 200,000,000 fully paid preference shares of £1 per share. The preference shares are non-voting, carry no dividend rights and receive priority over all other shares on winding up.

19 Provisions for liabilities and charges

	Deferred tax provision	**Stock options provision**	**Total**
	£000	**£000**	**£000**
At beginning of year	244,377	13,783	258,160
Charged during year	28,432	-	28,432
Released during year	-	(13,783)	(13,783)
At end of year	**272,809**	**-**	**272,809**

During the year the company gave notice to Pfizer Inc that it would be terminating the stock option charge back agreement under which it made payments to Pfizer Inc following the exercise of stock options. Accordingly the stock options provision was released.

Notes *(continued)*

20 Deferred taxation

	30 November 2003	30 November 2002
	£000	£000
Deferred tax liabilities		
Fixed assets	**259,654**	240,175
Pension contributions	**10,230**	6,495
Other timing differences	**2,925**	(2,293)
	272,809	244,377

21 Called up share capital

	2003	2002
	£000	£000
Authorised		
Equity: Ordinary shares of £1 each	**120,000**	120,000
Non-equity: Preference shares of £1 each	**400,000**	400,000
	520,000	520,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	**86,300**	86,300

Each equity share entitles the holder to one vote per share and the right to any dividend.

Notes (continued)

22 Reserves

	Profit and loss account £000
At beginning of year	215,902
Retained profit for the year	36,311
At end of year	**252,213**

23 Contingent liabilities

During the year Pfizer Limited participated in a cash pooling arrangement with its UK affiliates involving a series of cross guarantees between the parties.

There are various cases of litigation pending against the company in the normal course of business. The company does not expect any material financial loss to result from these claims.

The company has guaranteed an overdraft of the Pfizer Social Club up to a maximum value of £450,000.

The company may also give certain other guarantees in the normal course of business.

24 Commitments

Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2003 £000	2002 £000
Committed	**45,568**	110,501

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

	2003 Land and buildings £000	**2003 Other £000**	2002 Land and Buildings £000	2002 Other £000
Operating leases which expire:				
Within one year	**1,928**	**152**	9	-
In the second to fifth years inclusive	**6,129**	**608**	842	157
Above five years	**989**	**152**	522	-
	9,046	**912**	1,373	157

Notes *(continued)*

25 Pension scheme

The company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The charge for the year was based on an actuarial valuation prepared as at 1 April 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

The key assumptions used in this valuation were:

- a rate of return on investments of 8.1% p.a.
- a rate of increase in salaries of 3.6% p.a.
- a rate of price inflation of 2.6% p.a.
- a rate of increase in pensions payment of 2.0% p.a. on pre 6 April 1997 pensions in excess of Protected Rights pensions and 2.5% p.a. on post 5 April 1997 pensions.
- valuation of assets at the present value of the anticipated income and sale or redemption proceeds from a notional portfolio of assets with the same market value as the actual assets held by the scheme at the valuation date. This method smoothes out fluctuations in market values and ensures consistency between the valuation of assets and liabilities. The resultant value was equal to the market value.

This valuation showed that the market value of the scheme's assets was £363.7 million at 1 April 2003 and that the actuarial value of those assets represented 57% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company were increased to 21.5% from 15.1% from 1 December 2003.

The pension charge for the period is £55.4m (2002:£28.3m).

There is a net prepayment of £128.8m (2002:£75.8m) in the balance sheet which represents the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

Disclosures in respect of FRS 17, Retirement Benefits

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 30 November 2003 and 30 November 2002.

The major assumptions used in this valuation were:

	2003	2002	2001
Rate of increase in salaries	**3.8%**	3.3%	3.25%
Rate of increase in pensions in payment and deferred pensions	**%**	%	%
Discount rate applied to scheme liabilities	**5.7%**	5.7%	5.75%
Inflation assumption	**2.8%**	2.3%	2.5%
Pre 6 April 1997	**0%**	1.9%	2.0%
Past 5 April 1997	**2.7%**	2.3%	2.25%

Notes *(continued)*

25 Pension scheme

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2003	**Value at 2003 £000**	Long term rate of return 2002	Value at 2002 £000	Long term rate of return 2001	Value at 2001 £000
Equities	**9.4%**	**431.1**	9.25%	315.3	9.5%	277.6
Bonds	**5.0%**	**105.8**	5.7%	78.8	4.6%	54.8
Other – Property	**4.25%**	-	3.3%	-	4.6%	15.0
		536.9		394.1		347.4
Present value of scheme liabilities		**636.8**		579.9		500.1
Deficit in the scheme – pension liability		**(99.9)**		(185.8)		(152.7)
Related deferred tax liability/asset		**30.0**		55.7		45.8
Net liability		**(69.9)**		(130.1)		(106.9)

The amount of this net pension asset/liability would have a consequential effect on reserves.

Movement in surplus/deficit during the year

	2003 £000	2002 £000
Surplus/(deficit) in scheme at beginning of year	**(185,800)**	(152,700)
Current service cost	**(42,700)**	(37,200)
Contributions paid	**108,400**	114,700
Past service cost	**70,900**	-
Actuarial gain/loss	**(54,300)**	(109,700)
Curtailments/settlements	-	(1,700)
Other finance income/cost	**3,600**	800
Surplus/deficit in the scheme at end of year	**(99,900)**	(185,800)

Notes *(continued)*

25 Pension scheme *(continued)*

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2003 £000	2002 £000
Current service cost	**42,700**	37,200
Past service cost	**(70,900)**	-
Previously unrecognised surplus deducted from past service cost	-	-
Gains/losses on settlements or curtailments	-	1,700
Previously unrecognised surplus deducted from the settlement or curtailment losses	**(28,200)**	38,900

Analysis of amounts included in other finance income/costs

	2003 £000	2002 £000
Expected return on pension scheme assets	(37,500)	(30,300)
Interest on pension scheme liabilities	33,900	34,000
	(3,600)	3,700

Analysis of amount recognised in statement of total recognised gains and losses

	2003 %	2003 £000
Actual return less expected return on scheme assets		8,800
Percentage of year end scheme assets	1.6	
Experience gains and losses arising on scheme liabilities		-
Percentage of present value of year end scheme liabilities	0.0	
Changes in assumptions underlying the present value of scheme liabilities		(63,100)
Actuarial gain loss recognised in statement of total recognised gains and losses		**(54,300)**
Percentage of present value of year end scheme liabilities		**7.6%**

Notes *(continued)*

26 Related party disclosure

The company is controlled by Pfizer UK Group Limited, the holding company of the UK group. The ultimate controlling company is Pfizer Inc.

Pfizer Limited, a wholly owned subsidiary of Pfizer UK Group Limited, has taken advantage of the exemption provided in FRS 8 under which transactions or balances with entities forming part of a group (or investees of a group qualifying as related parties) do not require disclosure.

27 Ultimate parent company and parent undertaking of larger group of which the company is a member

Pfizer Limited is part of the world-wide group of companies whose ultimate parent is Pfizer Inc., incorporated in the USA. Copies of the ultimate parent company's financial statements may be obtained from Pfizer Inc., 235 East 42nd Street, New York, NY10017 USA.

The immediate holding company is Pfizer Group Limited, which is incorporated in Great Britain and registered in England and Wales.

The smallest group in which the results of the company are consolidated is C.P. Pharmaceuticals International C.V., Rotterdam.