

PFIZER LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

REGISTERED NUMBER 526209

30 NOVEMBER 1994



PFIZER LIMITED

Directors' report and financial statements

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PFIZER LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report and financial statements for the year ended 30th November, 1994.

Activities

During 1994, the company continued to operate, as in 1993, an integrated business in manufacturing and selling pharmaceuticals, animal health, and food sciences products. On the 19th January 1995 Pfizer Inc., incorporated in the United States of America the ultimate parent company of Pfizer Limited, acquired the SmithKline Beecham Animal Health worldwide business. Pfizer Limited has purchased the UK business for \$118m (£75m), financed by a loan from its immediate parent Pfizer Group Limited. With the exception of the above and introduction of new products, the directors do not anticipate any further changes in operation in 1995.

A continuing expansion of research facilities is planned for 1995 and the sum of £22.6million has already been approved for this purpose. Other capital expenditure during 1995 is expected to be broadly in line with 1994's expenditure.

Research and development plays a vital role in the success of the company and will continue to do so in 1995.

A further 13,000,000 shares in the wholly-owned subsidiary Unicliffe Ltd were purchased, for cash, by the company, to finance an acquisition by Unicliffe Ltd.

Financial

The company generated an after tax profit of £29,592,000 in 1994 compared to a profit of £38,260,000 in 1993.

An interim dividend payment was paid (1994: £ 34,745,000 1993: nil) and it is not thought, at this stage, a final dividend will be paid.

Fixed Assets

Information relating to changes in fixed tangible assets is given in note 10 to the financial statements.

In the opinion of the directors, the market value of the land and buildings exceeds the book values of these assets by approximately £9 million; realisation of this value is unlikely to give rise to a charge to Capital Gains Tax.

PFIZER LIMITED

Directors

The directors during the year were as follows:

R.J. Crow
A.A. Dunning
D.P. Doogan (Resigned 17th March, 1995)
G.M. Edwards
M.C. Hall
M.E. Jones
J. Lissaman (Resigned 25th November, 1994)
G.A. Marshall
W.H. O'Connor (Ireland) (Chairman)
P.S. Ringrose
M.J. Wilson
W.J. Wilson (Resigned 3rd April, 1995)

In addition Messrs T.G.R. Audley and T. Bentley were appointed on 1st December, 1994. Mr P.C. Coe and Dr A.M. Whitehead were also appointed 3rd April, 1995.

At no time during the year did any of the directors have any interest in the shares in the company or any UK Group companies. Liability insurance for directors and officers of the company has been arranged by Pfizer Inc.

Employees

The company operates positive policies for the employment, placement and retention of disabled persons. These policies encompass full and fair consideration of disabled persons for employment and regular liaison with local job centres and the Disablement Resettlement Officer to ensure that Registered Disabled Persons are brought to the company's attention. Should any existing employee become disabled every effort is made to ensure continuity of employment after appropriate retraining and resettlement. The same opportunity is given to disabled employees for training and career development as is given to all other employees.

Employee Involvement

The promotion of open and direct relationships with employees and the provision of efficient channels for communication and employee participation are integral parts of the Pfizer Employee Relations Policy. In pursuing these aims, the Company has increasingly sought to improve information flow and consultation procedures and to engender an open style of management. Booklets covering terms and conditions of employment, pensions matters and safety in the workplace are distributed to all employees and are regularly updated. A wide variety of investment and employee related topics ranging from sport to capital investment and new product information are covered in the site newspaper "INSITE" and there is a system of departmental communications meetings and team briefing.

PFIZER LIMITED

Employee Involvement (contd)

Employee consultation is readily achieved through a variety of committees including the Joint Site Committee, Safety Committees, the Pensions Advisory Committee and the Suggestion Scheme Committee. All of these involve employees and/or their representatives in face to face discussions with directors and senior managers. All employees are also actively encouraged to take a direct interest in the performance of the Company by participating in the Pfizer Group Share Ownership Scheme, through which shares in the ultimate parent company Pfizer Inc. may be purchased. Reports of sales and production achievements are also presented by the Chairman and Directors of the Company.

These approaches to the involvement of the employees in Company affairs will continue to be regularly and closely scrutinised and necessary improvements will be implemented.

Political and charitable contributions

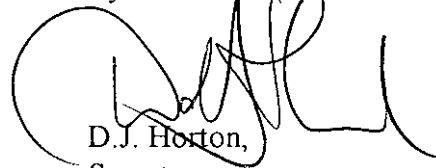
The company made no political contributions during the year. Donations to U.K. charities amounted to £193,153 (1993 : £168,000).

Auditors

In February 1995, the auditors changed the name under which they practice to KPMG and, accordingly, have signed their report in their new name.

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

By order of the Board



D.J. Horton,
Secretary

10th July 1995

Ramsgate Road,
Sandwich,
Kent
CT13 9NJ

PFIZER LIMITED

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 the company's affairs and of its 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 maintaining 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PFIZER LIMITED

AUDITORS' REPORT TO THE MEMBERS OF PFIZER LIMITED

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 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 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 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 30th November 1994 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
London

10th July 1995

PFIZER LIMITED

ACCOUNTING POLICIES

(a) FORMAT

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with Part VII of the Companies Act 1985, and include the results of the activities described in the directors' report, all of which are continuing.

Pfizer Limited complies with the requirements of all applicable Statements of Standard Accounting Practice and Financial Reporting Standards.

The effects of events relating to the year ended 30th November, 1994, which occurred before 10th July, 1995, the date of approval of the financial statements by the board of directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 30th November, 1994, and of the results for the year ended on that date.

(b) GROUP ACCOUNTS

Group accounts have not been prepared as the company is itself a wholly owned subsidiary of Pfizer Group Limited, a company incorporated in Great Britain, registered in England, and is thus exempt under section 228 of the Companies Act 1985.

(c) DEPRECIATION

Depreciation is provided by the company to write off the cost or valuation of fixed tangible 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	- 4 to 20 years

No depreciation is provided on freehold land.

(d) TURNOVER

Turnover comprises net invoiced sales values to customers (excluding VAT) less sales returns.

(e) STOCKS

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price for that inventory is used. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of overheads.

PFIZER LIMITED

ACCOUNTING POLICIES (contd)

(f) RESEARCH AND DEVELOPMENT

Expenditure on research and development (excluding capital expenditure) is written off against profits in the year in which it is incurred.

(g) TAXATION

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

(h) FOREIGN CURRENCIES

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

(i) ROYALTIES

Arising from its research and development, Pfizer Limited earns royalties from its patents when they are exploited. Where material, these royalties are accounted for in conformity with the accruals principle.

(j) PENSIONS

The Pfizer Group of companies operates an externally funded, defined benefit pension scheme. The pension cost charged to the profit and loss account is such as to spread the cost of pensions over the employees' working lives with the company at a level percentage of current and future earnings. The contributions are determined on the advice of a qualified actuary on the basis of a two yearly valuation. Pension surpluses and deficits are accounted for in accordance with the provisions of Statement of Standard Accounting Practice number 24. The difference between the charge in the profit and loss account and the contributions paid is included in the balance sheet within Other debtors or Other creditors.

(k) OPERATING LEASES

Rental charges under operating leases are charged to the profit and loss account as incurred.

PFIZER LIMITED

Profit and Loss Account

for the year ended 30th November, 1994

All figures in £'000

	<u>Note</u>	<u>1994</u>	<u>1993</u>
Turnover	1	159,261	130,888
Cost of Sales	2	(154,772)	(128,535)
Gross Profit/(Loss)		<u>4,489</u>	<u>2,353</u>
Distribution costs		(5,059)	(4,751)
Administrative expenses		(11,626)	(10,971)
Other operating income	3	82,188	57,336
Operating Profit		<u>69,992</u>	<u>43,967</u>
Income from shares in group undertakings		731	0
Loss on sale of fixed assets in continuing operation		(670)	(1,798)
Profit on ordinary activities before interest		<u>70,053</u>	<u>42,169</u>
Interest	4	(4,493)	(3,633)
Profit on ordinary activities before taxation	5	<u>65,560</u>	<u>38,536</u>
Tax on profit on ordinary activities	8	(35,968)	(276)
Profit for the financial year		<u>29,592</u>	<u>38,260</u>
Retained profit brought forward		112,882	74,622
Dividends paid	9	(34,745)	0
Retained profit carried forward		<u>107,729</u>	<u>112,882</u>

There are no recognised gains or losses other than through the profit and loss account. In both the current and preceding years, the company made no material acquisitions and had no discontinued operations.

PFIZER LIMITED

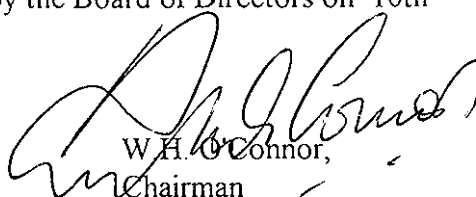
Balance Sheet

as at 30th November, 1994

All figures in £'000

	<u>Note</u>	<u>1994</u>	<u>1993</u>
FIXED ASSETS			
Tangible assets	10	249,124	208,470
Investments	11	32,325	19,500
CURRENT ASSETS			
Stocks	12	20,551	20,742
Debtors	13	94,455	81,698
Cash at bank and in hand		8,399	145
		<u>123,405</u>	<u>102,585</u>
CREDITORS: Amounts falling due within one year	14	(205,463)	(126,011)
		<u>(82,058)</u>	<u>(23,426)</u>
NET CURRENT ASSETS/(LIABILITIES) falling due within one year			
TOTAL ASSETS less CURRENT LIABILITIES		199,391	204,544
CREDITORS: Amounts falling due after more than one year	14	(5,000)	(5,000)
NET ASSETS		<u>194,391</u>	<u>199,544</u>
CAPITAL AND RESERVES			
Called up share capital	16	86,300	86,300
Revaluation reserve	10	362	362
Profit and loss account		107,729	112,882
TOTAL SHAREHOLDERS FUNDS		<u>194,391</u>	<u>199,544</u>

These financial statements were approved by the Board of Directors on 10th July, 1995 and were signed on its behalf by:


W.H. O'Connor,
Chairman

PFIZER LIMITED

NOTES (forming part of the financial statements)

1. *TURNOVER (£000's)*

Turnover is analysed by geographical area as follows:

	<u>1994</u>	<u>1993</u>
U.K. and Ireland	108,595	87,356
Rest of World	50,666	43,532
	<u>159,261</u>	<u>130,888</u>

As provided in Statement of Standard Accounting Practice Number 25, segmental information is provided in the financial statements of Pfizer Group Limited.

2. *COST OF SALES (£000's)*

Cost of sales includes production costs, marketing, bad debt provisions and research and development expenses. Research and development costs incurred in 1994 amounted to 58,474 net (1993: 49,521).

3. *OTHER OPERATING INCOME (£000's)*

Other income includes net royalty receipts relating to agreements covering the sale of research compounds discovered by Pfizer Limited of 81,541 (1993: 57,103).

4. *INTEREST (£000's)*

	<u>1994</u>	<u>1993</u>
Interest payable on bank loans, overdrafts and other loans repayable within five years	(1,682)	(1,735)
Interest expense payable to parent and fellow subsidiary undertakings	(3,006)	(2,006)
Interest income receivable from parent and fellow subsidiary undertakings	152	59
Other interest receivable and similar income	<u>43</u>	<u>49</u>
Total Income/(Expense)	<u>(4,493)</u>	<u>(3,633)</u>

PFIZER LIMITED

NOTES (contd)/

5. PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION (£000's)

This is stated after charging/(crediting):	<u>1994</u>	<u>1993</u>
Depreciation of fixed tangible assets	17,668	15,988
Hire of plant and machinery	302	274
(Profit)/ loss on exchange	(251)	(1,013)
Auditors' remuneration:		
Audit	116	109
Other services	30	43
Loss on disposal of fixed assets	670	1,798
	=====	=====

6. REMUNERATION OF DIRECTORS (£000's)

	<u>1994</u>	<u>1993</u>
The emoluments in connection with the management of the affairs of the company,	1,391	1,200
The emoluments in respect of services as a director,	10	10

The table which follows shows the number of directors whose emoluments, including benefits in kind (primarily the scale charges on company cars) but excluding pension contributions, during the year were within the bands stated.

<u>Emoluments excluding pension contributions</u>		<u>No. of Directors</u>	
<u>between</u>	<u>and</u>	<u>1994</u>	<u>1993</u>
5	10	1	1
70	75	-	1
75	80	-	3
80	85	1	1
85	90	-	2
90	95	1	1
95	100	4	-
100	105	2	1
110	115	1	-
135	140	-	1
170	175	-	1
175	180	1	-
185	190	1	-

Including benefits in kind but excluding pension contributions, the emoluments of the Chairman, who was also the highest paid director, were 189 (1993: 172). No ex-gratia payments were made to former directors (1993 : 0).

PFIZER LIMITED

NOTES(contd)

7. STAFF NUMBERS AND COSTS

Staff costs (£000's) including the costs of directors were:

	<u>1994</u>	<u>1993</u>
Wages and Salaries	69,385	63,322
Social security costs	5,674	5,092
Pension costs	<u>9,491</u>	<u>7,762</u>
	<u>84,550</u>	<u>76,176</u>

On average, 2,633 people were employed in 1994 (1993: 2,406) as follows:

	<u>1994</u>	<u>1993</u>
Manufacturing	705	667
Research & Development	1,289	1,131
Distribution	322	309
Administration	<u>317</u>	<u>299</u>
	<u>2,633</u>	<u>2,406</u>
	=====	=====

8. TAXATION (£000's)

	<u>1994</u>	<u>1993</u>
UK corporation tax at 33% (1993: 33%) on the the profit for the year on ordinary activities	22,232	6,252
Brought forward losses	0	(5,976)
Adjustments relating to prior year	<u>13,736</u>	<u>0</u>
	<u>35,968</u>	<u>276</u>
	=====	=====

Provision for deferred tax is not required in view of the company's planned expenditure on fixed assets. In 1993 it was assumed that capital allowances would be claimed to eliminate the taxable profit. However, in the event capital allowances were not claimed which resulted in a tax charge relating to the prior year.

9. DIVIDENDS (£000's)

	<u>1994</u>	<u>1993</u>
Ordinary shares:		
Interim & Final	<u>34,745</u>	<u>0</u>

PFIZER LIMITED

NOTES(contd)

10. FIXED TANGIBLE ASSETS (£000's)

(a) Analysis of book value

	Land and <u>Buildings</u>	Plant and <u>Equipment</u>	Assets in course of <u>Construction</u>	<u>Total</u>
<u>COST OR AS REVALUED</u>				
At beginning of year	71,944	178,587	31,354	281,885
Capital expenditure			59,889	59,889
Transfer from CIP	3,177	35,138	(38,315)	0
Disposals	<u>(35)</u>	<u>(6,754)</u>		<u>(6,789)</u>
At end of year	<u>75,086</u>	<u>206,971</u>	<u>52,928</u>	<u>334,985</u>
<u>DEPRECIATION</u>				
At beginning of year	10,196	63,219	-	73,415
Charge for year	1,524	13,502	2,642	17,668
Transfer from CIP	808	1,834	(2,642)	-
Disposals	<u>(26)</u>	<u>(5,196)</u>	<u>-</u>	<u>(5,222)</u>
At end of year	<u>12,502</u>	<u>73,359</u>	<u>-</u>	<u>85,861</u>
Net Book Value at End 1994	<u>62,584</u>	<u>133,612</u>	<u>52,928</u>	<u>249,124</u>
Net Book Value at end 1993	<u>61,748</u>	<u>115,368</u>	<u>31,354</u>	<u>208,470</u>

Land and buildings at 30th November, 1994 comprised the following:

	<u>1994</u>		<u>1993</u>
	Gross Book Value	Net Book Value	Net Book Value
Leaseholds (short term) at cost	1,984	1,689	1,820
Freeholds - at cost	72,578	60,533	59,566
Freeholds - at valuation	524	362	362
	<u>75,086</u>	<u>62,584</u>	<u>61,748</u>

PFIZER LIMITED

FIXED TANGIBLE ASSETS (contd)

(b) Impact of Revaluations of Fixed Assets

The company's assets have been subjected to the following revaluation:

- an adjustment made in 1964 when the assets at that time were revalued to estimated open market value. At 30th November, 1994, the difference between the depreciated historic cost of those assets and the revalued amount as depreciated was 362, fully represented by land.

(c) Investment programme

The company has continued to invest in new fixed assets. In addition to the 59,889 spent on new fixed assets in 1994 (54,588 in 1993) expenditure of 76,084 had been authorised at year end 1994 (1993 : 50,988). Of this authorisation, 29,967 had been committed at the end of the year (1993 : 15,804).

11. INVESTMENTS (£000's)

Investments of 32,325 are wholly in respect of shares in the following companies and are stated at cost.

<u>Company</u>	<u>Nature of Company</u>
Unicliffe Limited	Proprietary medicines.
Coty Limited	Dormant.
Pfizer Pension Trustees Ltd.	Trustees of the Pfizer Group Pension Scheme.

PFIZER LIMITED

INVESTMENT (contd)

Pfizer Limited holds all the ordinary share capital of these companies which are all registered and incorporated in England.

	<u>1994</u>
Investments at beginning of the year	19,500
Additions - Unicliffe Ltd	13,000
Disposals - Coty Ltd	(175)
Closing Balance	<u>32,325</u>

The additional investment in Unicliffe Ltd was to fund acquisitions by that company. Investments held in Coty Ltd were written down to reflect market value.

In the opinion of the directors the aggregate value of the assets of the company consisting of shares in these subsidiaries is not less than the aggregate amount at which these assets were included in the company's balance sheet.

12. STOCKS (£000's)

	<u>1994</u>	<u>1993</u>
Raw materials and consumables	9,396	8,709
Work in progress	6,743	5,328
Finished goods and goods for resale	4,412	6,705
Total stocks	<u>20,551</u>	<u>20,742</u>

13. DEBTORS (£000's)

	<u>1994</u>	<u>1993</u>
Trade debtors	26,543	19,263
Amounts due from parent and fellow subsidiary undertakings	60,515	57,307
Other debtors	1,514	1,482
Prepayments & accrued income	4,856	3,646
Other taxes	1,027	0
Total debtors	<u>94,455</u>	<u>81,698</u>

All debtors fall due within one year for 1994 and 1993.

PFIZER LIMITED

NOTES(contd)

14. CREDITORS (£000's)

	<u>1994</u>	<u>1993</u>
Bank loans and overdrafts	(86,784)	(36,860)
Trade creditors	(7,545)	(8,055)
Amounts due to subsidiary undertakings	(4,691)	(3,312)
Amounts due to parent and fellow subsidiary undertakings	(39,557)	(38,065)
Other creditors	(659)	(1,101)
Pension scheme	(645)	(230)
Corporation Tax	(22,133)	(267)
Other tax and social security	(1,026)	(738)
Accruals & deferred income	(42,423)	(37,383)
	<hr/>	<hr/>
Total creditors due within one year	(205,463)	(126,011)
	<hr/>	<hr/>

A 5 year loan for £5,000 was taken out during 1992. This loan is wholly repayable on 28 May, 1997.

15. DEFERRED TAXATION (£000's)

Most of the timing differences between accounting and taxable profits relate to the utilization of accelerated capital allowances. The total of deferred tax not provided, assuming all differences would reverse with a corporation tax rate of 33%, amounts to 26,175 (1993: 40,790).

No provision has been made for deferred taxation as it is not expected that the timing differences will reverse in the foreseeable future.

16. CALLED UP SHARE CAPITAL (£000's)

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Ordinary shares of £1 each	120,000	120,000	86,300	86,300
	<hr/>	<hr/>	<hr/>	<hr/>

The company on 11th January 1995 increased its authorised share capital by creating 400,000 preference shares at par value of £1 each.

Pfizer Limited is part of the worldwide group of companies whose ultimate parent company is Pfizer Inc., incorporated in the United States of America. Copies of the ultimate parent company's financial statements may be obtained from Pfizer Inc., 235 East 42nd Street, New York, NY10017, U.S.A. Pfizer Limited's immediate parent is Pfizer Group Limited, registered in England.

PFIZER LIMITED

NOTES(contd)

17. RECONCILIATION OF SHAREHOLDERS FUNDS' (£000's)

	<u>1994</u>
Profit for the year	29,592
Dividends paid	(34,745)
Shareholders funds at 1st December 1993	199,544
Shareholders funds at 30th November 1994	<u>194,391</u> =====

18. COMMITMENTS (£000's)

The company is committed to sell foreign currencies forward. These forward commitments are hedges of assets denominated in these currencies and for delivery within 3 months of the year end. The company had forward exchange contracts outstanding valued at £41,959, (£ 29,422:1993).

19. CONTINGENT LIABILITIES (£000's)

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

The company has guaranteed the overdraft of the Pfizer Social Club up to 325.

The company has a contingent liability as guarantor for a property lease by a subsidiary company.

None of these contingent liabilities are considered material.

- b) 1993 Restructuring

During the third quarter of 1993, Pfizer Inc recorded a pre-tax charge of \$750 million to cover a worldwide restructuring programme as well as unusual items. This worldwide programme includes a wide range of restructuring initiatives including the consolidation of manufacturing, distribution, and administrative infrastructures. Pfizer Inc anticipates that this programme will be phased in over the next several years. The effect of this programme, if any, on the company has not yet been determined, but any specific expenses incurred or committed up to the end of this financial year have been charged to the Profit and Loss Account.

PFIZER LIMITED

NOTES(contd)

20. CASH FLOW

No cash flow statement is included with these financial statements since a consolidated cash flow statement produced under Financial Reporting Standard Number 1 is available in the Pfizer Group Limited financial statements.

21. PENSIONS

The total cost of the Pfizer Group Pension Scheme was £10.6 million (1993: £7.8million). A sum of £9.6 million was paid directly to the Pfizer Group Pension Scheme resulting in a £1.2 million provision at the year end.

The Pfizer Group Pension Scheme is an externally funded defined benefit scheme. An actuarial valuation as at 1st December 1992 was carried out by independent professionally qualified actuaries. The market value of the assets was £103.4 million. Based on the actuarial value of the assets the funding level at that date was 94%, giving rise to a balance of liability of £6.5 million.

This balance, plus the opening prepayment, is being charged to the profit and loss account over a 15 year period, this being the estimated average remaining service lives of members. In 1994, £0.96 million has been charged to the profit and loss account. (1993: £0.96 million).

The actuarial valuation method used was the projected unit method. The major assumptions used were:-

- (i) rate of return on investments: 9.75% p.a.
- (ii) rate of increase in pay: 6.5% p.a.
- (iii) rate of increase in pensions in payment: 3.25% p.a.
- (iv) valuation of assets: The assets were valued at the present value of the anticipated income and sale or redemption proceeds from a notional portfolio of similar assets with the same market value as the actual assets held by the Scheme at the valuation date. This method smooths out fluctuations in market values and ensures consistency between the valuation of assets and liabilities. The resultant value was 103% of market value.

22. OPERATING LEASES (£000's)

Annual commitments under operating leases are as follows:-

	Land & Building	Other
Expiry within 1 year	-	-
Expiry within 2-5 years	-	-
Expiry over 5 years	-	411
		<hr/>

TO BE FILED WITH ✓
PFIZER LTD.

PFIZER GROUP LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
*REGISTERED NUMBER 1143903***

30 NOVEMBER 1994

PFIZER GROUP LIMITED

Profit and Loss Account for the year ended 30th November, 1994

	<u>1994</u> <u>£'000's</u>	<u>1993</u> <u>£'000's</u>
Administration Expenses	____(8)	____-
Operating (loss) from continued operations	____(8)	____-
Income from Group Companies	34,745	____-
Interest receivable	95	115
Interest payable	____(123)	____-
Profit on ordinary activities before Taxation	34,709	115
Taxation	____12	____(5)
Profit on ordinary activities before Taxation	34,721	110
Dividends Paid	(34,745)	____-
(Loss)/Profit for the financial year	(24)	110
Retained earnings brought forward	____5,221	____5,111
Retained earnings carried forward	____5,197	____5,221

PFIZER GROUP LIMITED

Directors' report and consolidated financial statements

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PFIZER GROUP LIMITED

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30th November, 1994.

Activities

Pfizer Group Limited is the holding company for Pfizer Limited and Howmedica International Limited.

During 1994, the group continued to operate, as in 1993, in manufacturing and selling pharmaceuticals, animal health, food science and health care products. On the 19th January, 1995 Pfizer Inc.(the ultimate parent company), acquired the Smith Kline Beecham Animal Health Worldwide business. Pfizer Limited, a wholly-owned subsidiary of Pfizer Group Limited, has purchased the UK business for \$118m (£75m).

Business Review

The results for the year show a profit before tax of £74.5 million (1993: £41.7 million).

A continuing expansion of research facilities is planned for 1995 and the sum of £22.6 million has already been approved for this purpose. Other capital expenditure during 1995 is expected to be broadly in line with 1994.

Research and development plays a vital role in the success of the group and will continue to do so in 1995.

On 18th April, 1994, Unicliffe Limited purchased three brands from the London International Group (LIG) for consideration of £ 10.7 million. These brands added to the portfolio of pharmaceutical products acquired from Charwell Pharmaceutical Products on 15th November, 1993.

Dividends

A final dividend of £4 per ordinary share was paid in November, 1994 (1993:Nil).

Significant changes in fixed assets

Information relating to changes in tangible fixed assets is given in note 12 to the financial statements.

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings exceeds the book values of these assets by approximately £9 million; realisation of this value is unlikely to give rise to a liability to taxation.

PFIZER GROUP LIMITED

Directors' Report (*cont.*)

Directors

The directors during the year were as follows:

P.N. Gray	
W.H. O'Connor (Ireland)	(Chairman and Managing)
A.A. Dunning	
J. Lissaman	(Resigned 25th November, 1994)
P.S. Ringrose	
G.A. Marshall	(Appointed 1st December, 1993)

In addition Mr T.G.R. Audley was appointed director on 1st December, 1994.

At no time during the year did any of the directors have any interest in the shares of the company or any UK Group companies. Liability insurance for directors and officers of the company has been arranged by Pfizer Inc.

Employees

The group operates positive policies for the employment, placement and retention of disabled persons. These policies encompass full and fair consideration of disabled persons for employment and regular liaison with local job centres and the Disablement Resettlement Officer to ensure that Registered Disabled Persons are brought to the company's attention. Should any existing employee become disabled every effort is made to ensure continuity of employment after appropriate retraining and resettlement. The same opportunity is given to disabled employees for training and career development as is given to all other employees.

Employee Involvement

The promotion of open and direct relationships with employees and the provision of efficient channels for communication and employee participation are integral parts of the Pfizer Employee Relations Policy. In pursuing these aims, the Group has increasingly sought to improve information flow and consultation procedures and to engender an open style of management. Booklets covering terms and conditions of employment, pensions matters and safety in the workplace are distributed to all employees and are regularly updated.

Political and charitable contributions

The group made no political contributions during the year. Donations to UK charities amounted to £194,724 (1993 : £170, 871).

PFIZER GROUP LIMITED

Directors' report *(cont.)*

Auditors

In February, 1995, the auditors changed the name under which they practice to KPMG and, accordingly, have signed their report in their new name.

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

By order of the Board

D.J. Horton,
Secretary

Ramsgate Road,
Sandwich,
Kent, CT13 9NJ

18th September, 1995

PFIZER GROUP LIMITED

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 company and the group and of the profit or loss of the group 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 group will continue in business.

The directors are responsible for maintaining 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 group and to prevent and detect fraud and other irregularities.

PFIZER GROUP LIMITED

Auditors' report to the members of Pfizer Group Limited

We have audited the financial statements on pages 6 to 28.

Respective responsibilities of directors and auditors

As described on page 4 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 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 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 evaluate 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 affairs of the company and the group as at 30 November 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
London

September 1995

PFIZER GROUP LIMITED

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.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain assets and are in accordance with part VII of the Companies Act 1985 and include the results of the activities described in the directors' report, all of which are continuing.

(b) Basis of consolidation

The group accounts consolidate the accounts of Pfizer Group Limited and all its subsidiary undertakings. These accounts are made up to 30th November, 1994.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisitions or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985 Pfizer Group Limited is exempt from the requirement to present its own profit and loss account.

The amount of the profit for the financial year dealt with in the financial statements of Pfizer Group Limited is disclosed on the face of the consolidated profit and loss account.

PFIZER GROUP LIMITED

Accounting Policies *(cont.)*

(c) Depreciation

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

Freehold buildings	- 33 years to 50 years
Leasehold land and buildings	- life of lease
Plant and machinery	- 4 to 20 years

No depreciation is provided on freehold land.

(d) Foreign currencies

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

(e) Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

(f) Pensions

The Pfizer Group of companies operates externally funded defined benefit pension schemes. Contributions to the schemes are charged to the profit and loss account so as to spread the pension cost over the employees working lives with the companies within the Group. The contributions are determined on the advice of independent qualified actuaries on the basis of a two yearly valuation. Pension surpluses and deficits are accounted for in accordance with the provisions of Statement of Standard Accounting Practice number 24. The difference between the charge in the profit and loss account and the contributions paid is included in the balance sheet within other debtors or other creditors.

(g) Research and development

Expenditure on research and development (excluding capital expenditure) is written off against profits in the year in which it is incurred.

PFIZER GROUP LIMITED

Accounting Policies *(cont.)*

(h) Stocks

Stocks are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price for that inventory is used. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of overheads.

(i) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision for deferred taxation is made only if there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

(j) Turnover

Turnover comprises net invoiced sales values to customers (excluding VAT) less sales returns.

(k) Royalty income

The group earns royalties from the patents it exploits arising from its research and development. Where material these royalties are accounted for in conformity with the accruals principle.

(l) Brands

Brands are carried at the acquisition cost in the accounts and will be amortised over periods of 10-25 years on a straight line basis, according to an assessment of their useful economic life.

PFIZER GROUP LIMITED

Consolidated profit and loss account

for the year ended 30th November, 1994

		<u>All figures in £'000</u>	
	<u>Note</u>	<u>1994</u>	<u>1993</u>
Turnover	1		
Continuing operations		198,665	170,895
Acquisitions		<u>8,101</u>	<u>-</u>
		206,766	170,895
Cost of sales	2	<u>(181,870)</u>	<u>(156,399)</u>
Gross profit		24,896	14,496
Distribution costs		(12,201)	(11,139)
Administrative expenses	3	(17,167)	(14,144)
Other operating income	4	<u>84,160</u>	<u>57,620</u>
Operating profit		79,688	46,833
Loss on sale of fixed assets in continuing operations		(820)	(2,096)
Interest receivable and similar income		866	769
Interest payable and similar charges	5	<u>(5,201)</u>	<u>(3,817)</u>
Profit on ordinary activities before taxation	6	74,533	41,689
Tax on profit on ordinary activities	9	<u>(39,487)</u>	<u>(1,167)</u>
Profit for the financial year		35,046	40,522
Dividends paid	10	<u>(34,745)</u>	<u>-</u>
Retained profits for the financial year		<u>301</u>	<u>40,522</u>
Parent company retained profit brought forward		5,221	5,111
Parent company profit for the year		34,721	110
Parent company dividends paid on ordinary share capital		<u>(34,745)</u>	<u>-</u>
Parent company retained profit carried forward		<u>5,197</u>	<u>5,221</u>

There are no recognised gains or losses other than through the profit and loss account.
Historic cost profits are the same as those presented above.

PFIZER GROUP LIMITED

Consolidated balance sheet

as at 30th November, 1994

		<u>All figures in £'000</u>	
	<u>Note</u>	<u>1994</u>	<u>1993</u>
Fixed assets			
Intangible assets	11	35,448	25,950
Tangible	12	256,404	215,577
Investments	13	<u>1</u>	<u>1</u>
		291,853	241,528
Stocks	14	33,665	31,706
Debtors	15	119,155	100,942
Cash at bank and in hand		<u>17,269</u>	<u>9,412</u>
		170,089	142,060
Creditors: Amounts falling due within one year	16	<u>(315,784)</u>	<u>(139,482)</u>
Net current (liabilities)/ assets		<u>(145,695)</u>	<u>2,578</u>
Total assets less current liabilities		146,158	244,106
Creditors: Amounts falling due after one year	16	(5,000)	(5,000)
Provision for liabilities and charges	17	<u>(8,044)</u>	<u>(11,293)</u>
Net assets		<u>133,114</u>	<u>227,813</u>
Capitals and reserves			
Called up share capital	19	8,686	103,686
Revaluation reserve	20	362	362
Merger reserve	20	78	78
Profit and loss account	20	<u>123,988</u>	<u>123,687</u>
Shareholders' funds		<u>133,114</u>	<u>227,813</u>
Equity		133,114	132,813
Non equity		<u>-</u>	<u>95,000</u>
		<u>133,114</u>	<u>227,813</u>

These financial statements were approved by the board of directors on 18th September, 1995 and were signed on its behalf by:

T.G.R. Audley
Director

PFIZER GROUP LIMITED

Company balance sheet *as at 30th November, 1994*

		<u>All figures in £'000</u>	
	<u>Note</u>	<u>1994</u>	<u>1993</u>
Fixed assets			
Investments	13	107,220	107,220
Current assets			
Debtors	15	2,401	1,725
Creditors: Amounts	16	<u>(95,738)</u>	<u>(38)</u>
falling due within one year			
Net Current Assets		<u>(93,337)</u>	<u>1,687</u>
Total assets less			
Current liabilities		<u>13,883</u>	<u>108,907</u>
Net assets		<u>13,883</u>	<u>108,907</u>
Capital and reserves			
Called up share capital	19	8,686	103,686
Profit and loss account		<u>5,197</u>	<u>5,221</u>
Shareholders' funds		<u>13,883</u>	<u>108,907</u>
Equity		13,883	13,907
Non equity		<u>13,883</u>	<u>95,000</u>
			<u>108,907</u>

These financial statements were approved by the board of directors on 18th September, 1995 and were signed on its behalf by:

T.G.R. Audley
Director

PFIZER GROUP LIMITED

Consolidated cash flow statement for the year ended 30th November, 1994

All Figures in £000's

	<u>Note</u>	<u>1994</u>	<u>1993</u>
Net cash inflow from operating activities	24	87,772	62,107
Returns on investments and servicing of finance			
Interest received	866	769	
Interest paid	(5,201)	(3,817)	
Dividend paid	<u>(34,745)</u>	<u>-</u>	
Net cash outflow from returns on investments and servicing finance		(39,080)	(3,048)
Tax paid		(14,850)	608
Investigating activities			
Purchase of tangible fixed assets	(62,117)	(56,812)	
Purchase of intangible fixed assets	(11,131)	-	
Purchase of subsidiary undertakings	-	(20,978)	
Receipts from sales of tangible fixed assets	<u>1,175</u>	<u>1,450</u>	
Net cash outflow from investing activities		<u>(72,073)</u>	<u>(76,340)</u>
Net cash outflow before financing		<u>(38,231)</u>	<u>(16,673)</u>
Financing			
Redemption of preference shares	<u>(95,000)</u>	<u>-</u>	
Net cash outflow from financing		(95,000)	-
Decrease in cash and cash equivalents	24	<u>(133,231)</u>	<u>(16,673)</u>

PFIZER GROUP LIMITED

NOTES (forming part of the financial statements)

1. *TURNOVER, PROFIT AND ASSETS EMPLOYED (£000's)*

The tables below set out information for each of the group's industry segments and geographic areas of operation.

	<u>Turnover</u>		<u>Profit for the year</u>		<u>Assets Employed</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
ANALYSIS BY CLASS OF BUSINESS						
Human and veterinary medicines	149,693	123,552	60,646	38,470	169,750	184,474
Hospital Products	58,282	51,529	11,002	6,269	32,659	28,144
Other	<u>23,176</u>	<u>12,752</u>	7,245	691	(69,295)	15,195
	231,151	187,833				
less intra group turnover	<u>(24,385)</u>	<u>(16,938)</u>				
	<u>206,766</u>	<u>170,895</u>				
Operating profit			78,893	45,430		
Unallocated interest paid			<u>(4,360)</u>	<u>(3,741)</u>		
			<u>74,533</u>	<u>41,689</u>		
Assets employed					<u>133,114</u>	<u>227,813</u>
ANALYSIS BY GEOGRAPHIC REGION						
British Isles	149,197	121,357				
Rest of Europe	41,027	30,736				
North America	25,409	19,508				
Rest of World	<u>15,518</u>	<u>16,232</u>				
	<u>231,151</u>	<u>187,833</u>				

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

PFIZER GROUP LIMITED

NOTES (cont.)

1. TURNOVER, PROFIT AND ASSETS EMPLOYED (£000's) (cont.)

The table below sets out the analysis of continuing and discontinued operations

	1994 Continuing	1994 Acquisitions	Total	1993 Continuing
Turnover	198,665	8,101	206,766	170,895
Cost of sales	<u>(176,673)</u>	<u>(5,197)</u>	<u>(181,870)</u>	<u>(156,399)</u>
Gross Profit	21,992	2,904	24,896	14,496
Distribution costs	(12,010)	(191)	(12,201)	(11,139)
Administration expenses	(14,405)	(2,762)	(17,167)	(14,144)
Other operating income	<u>84,111</u>	<u>49</u>	<u>84,160</u>	<u>57,620</u>
Operating profit	<u>79,688</u>	<u>nil</u>	<u>79,688</u>	<u>46,833</u>

Acquisitions relate to: (1) the acquisition of Charwell Pharmaceuticals Limited on 15th November, 1993. This was disclosed and accounted for in the 1993 financial statements. However, there was no contribution to the results for the year. (2) the acquisition of cough medicine brands from London International Group.

2. COST OF SALES (£000's)

Cost of sales includes production costs, marketing and research and development expenses. Research and development costs incurred in 1994 amounted to 58,928 (1993: 51,031).

3. ADMINISTRATIVE EXPENSES (£000's)

Included in the figure of £(17,167) are the following exceptional items, all of which relate to continuing operations:

Adjustment to the provision for future rentals on a lease which reverted to Unicliffe Ltd in 1992	1,527
Provision of Financial Services to Pfizer Hospital Products Limited and Howmedica International Limited	(200)
Provision for a two phase divisional reorganisation in Pfizer Hospital Products Ltd	(870)
Increase in provision for proposed cessation of Simplex production by Howmedica International Ltd.	(65)

PFIZER GROUP LIMITED

NOTES (cont.)

4. *OTHER OPERATING INCOME (£000's)*

Substantially all of the other operating income relates to royalty agreements covering the sale of research compounds discovered by Pfizer Limited.

5. *INTEREST (£000's)*

	<u>1994</u>	<u>1993</u>
Interest on bank loans, overdrafts and other loans repayable within five years	(1,963)	(2,084)
Interest on loans payable to holding company	(3,236)	(1,733)
Other interest payable	<u>(2)</u>	<u>-</u>
	<u>(5,201)</u>	<u>(3,817)</u>

6. *PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (£000's)*

This is stated after charging/(crediting):

	<u>1994</u>	<u>1993</u>
Depreciation of fixed tangible assets	19,295	17,335
Hire of plant and machinery	618	590
Profit on exchange	(263)	(1,021)
Auditors' remuneration		
Audit	224	212
Otherservices	163	175
Goodwill amortised	<u>1,663</u>	<u>-</u>

PFIZER GROUP LIMITED

NOTES (Cont.)

7. DIRECTORS' EMOLUMENTS

The emoluments of the directors for the year were £771,000 (1993:£818,000) and were all paid in connection with the management of the affairs of the company and its subsidiaries.

The table which follows shows the number of directors whose emoluments, excluding pension contributions, during the year were within the bands stated.

<u>Emoluments excluding</u> <u>pension contributions</u> <u>between</u> <u>and</u> £'000 £'000		<u>No. of</u> <u>Directors</u> <u>1994</u> <u>1993</u>	
40	45	1	-
75	80	-	1
80	85	1	-
85	90	-	1
90	95	1	1
95	100	1	-
135	140	-	1
155	160	-	1
170	175	-	1
175	180	1	-
185	190	1	-

Including benefits in kind but excluding pension contributions, the emoluments of the Chairman, who was also the highest paid director, were £189,000 (1993:£172,000).

PFIZER GROUP LIMITED

NOTES (cont.)

8. STAFF NUMBERS AND COSTS

Staff costs (£000's) including the costs of directors were:

	<u>1994</u>	<u>1993</u>
Wages and Salaries	79,865	71,104
Social security costs	6,560	5,827
Pension costs	10,318	8,306
	<u>96,743</u>	<u>85,237</u>

On average, 2,949 people were employed within subsidiary companies of Pfizer Group Limited (1993: 2,716) as follows:

	<u>1994</u>	<u>1993</u>
Manufacturing	754	725
Research and Development	1,293	1,131
Distribution	332	309
Administration	570	551
	<u>2,949</u>	<u>2,716</u>

9. TAX ON PROFIT ON ORDINARY ACTIVITIES (£000's)

	<u>1994</u>	<u>1993</u>
UK Corporation tax @ 33% on the profit for the year	(25,531)	(1,130)
Adjustments relating to prior year	<u>(13,956)</u>	<u>(37)</u>
	<u>(39,487)</u>	<u>(1,167)</u>

As explained in note 18, provision for deferred tax is not required in view of the company's planned expenditure on fixed assets. In 1993 it was assumed that capital allowances would be claimed to eliminate the taxable profit. However, in the event capital allowances were not claimed which resulted in a tax charge relating to the prior year.

10. DIVIDENDS PAID (£000's)

A final dividend of £4 per ordinary share was paid in November, 1994.

PFIZER GROUP LIMITED

NOTES (cont.)

11. INTANGIBLE FIXED ASSETS (£000's)

	Migrave Brands	Trade Marks	Other Charwell Brands	L.I.G. Brands	Total
Cost					
At beginning of year	19,253	25	6,672	-	25,950
Additions	158	25	-	10,948	11,131
Transfers between items	<u>72</u>	<u>-</u>	<u>(72)</u>	<u>-</u>	<u>-</u>
At end of year	<u>19,483</u>	<u>50</u>	<u>6,600</u>	<u>10,948</u>	<u>37,081</u>
Amortisation					
At beginning of year	-	-	-	-	-
Charged in year	<u>779</u>	<u>5</u>	<u>570</u>	<u>279</u>	<u>1,633</u>
	<u>779</u>	<u>5</u>	<u>570</u>	<u>279</u>	<u>1,633</u>
Net book value at end 1994	<u>18,704</u>	<u>45</u>	<u>6,030</u>	<u>10,669</u>	<u>35,448</u>
Net book value at end 1993	<u>19,253</u>	<u>25</u>	<u>6,672</u>	<u>-</u>	<u>25,950</u>

PFIZER GROUP LIMITED

NOTES (cont.)

12. TANGIBLE FIXED ASSETS (£000's)

(a) Analysis of book value

	Land and <u>Buildings</u>	Plant and <u>Equipment</u>	Assets in course of <u>construction</u>	<u>Total</u>
<u>COST OR AS REVALUED</u>				
At beginning of year	74,014	188,485	31,354	293,853
Capital expenditure	3	2,068	60,046	62,117
Transfer from assets in course of construction	3,177	35,274	(38,451)	-
Disposals	<u>(35)</u>	<u>(7,956)</u>	<u>-</u>	<u>(7,991)</u>
At end of year	<u>77,159</u>	<u>217,871</u>	<u>52,949</u>	<u>347,979</u>
<u>DEPRECIATION</u>				
At beginning of year	11,030	67,246	-	78,276
Charge for year	1,645	14,970	2,642	19,257
Transfer from assets in course of construction	808	1,834	(2,642)	-
Disposals	<u>(26)</u>	<u>(5,932)</u>	<u>-</u>	<u>(5,958)</u>
At end of year	<u>13,457</u>	<u>78,118</u>	<u>Nil</u>	<u>91,575</u>
Net book value at end 1994	<u>63,702</u>	<u>139,753</u>	<u>52,949</u>	<u>256,404</u>
Net Book value at end 1993	<u>62,984</u>	<u>121,239</u>	<u>31,354</u>	<u>215,577</u>

Land and buildings at 30th November, 1994 comprised the following:

	<u>1994</u>		<u>1993</u>
	Gross Book Value	Net Book Value	Net Book Value
Leaseholds (short term) at cost	3,524	2,500	2,732
Freeholds - at cost	73,111	60,840	59,890
- at valuation	<u>524</u>	<u>362</u>	<u>362</u>
	<u>77,159</u>	<u>63,702</u>	<u>62,984</u>

PFIZER GROUP LIMITED

NOTES (cont.)

12. *TANGIBLE FIXED ASSETS (£000's) (cont.)*

(b) Impact of Revaluations of Fixed Assets

The group's assets have been subjected to the following revaluation:

- an adjustment made in 1964 when the assets at that time were revalued to estimated open market value. At 30th November, 1994, the difference between the depreciated historic cost of those assets and the revalued amount as depreciated was 362, fully represented by land.

(c) Investment programme

The group has continued to invest in new fixed assets. In addition to the 62,117 spent on new fixed assets in 1994 (1993 : 56,812) expenditure of 77,831 had been authorised at year end 1994 (1993 : 53,427). Of this authorisation 31,707 had actually been committed at the end of the year (1993 : 18,037).

PFIZER GROUP LIMITED

NOTES (cont.)

13. INVESTMENTS

- (a) The principal companies owned by Pfizer Group Limited as at 30th November, 1994 are set out below. All of these companies are one hundred percent owned by Pfizer Group Limited and whose results are included in the consolidated financial statements.

<u>Company</u>	<u>Activities</u>
* Pfizer Limited	Research, manufacture and sale of pharmaceutical, animal health and food sciences products.
* Howmedica International Limited	Manufacture, marketing and distribution of health care products.
Unicliffe Limited	Manufacture and sale of proprietary medicines and toiletries.
Pfizer Hospital Products Limited	Provision of management and computer equipment.
Shiley Limited	Import and sale of medical equipment.

Subsidiaries held directly are denoted by *.

All of the above companies are registered in England and Wales.

(b)

	<u>Company</u> £'000	<u>Group</u> £'000
At 1st December, 1993 and at 30th November, 1994	<u>107,220</u>	<u>1</u>

In the opinion of the directors the aggregate value of the assets of the company consisting of shares in these subsidiaries is not less than the aggregate amount at which these assets were included in the company's balance sheet.

PFIZER GROUP LIMITED

NOTES (cont.)

14. STOCKS (£000's)

	<u>1994</u>	<u>1993</u>
Raw materials and consumables	10,521	9,225
Work in progress	7,022	5,837
Finished goods and goods for resale	<u>16,122</u>	<u>16,644</u>
Total stocks	<u>33,665</u>	<u>31,706</u>

In the opinion of the directors there is no material difference between the replacement cost of stocks and the value at which they are stated in the balance sheet.

15. DEBTORS (£000's)

	<u>Company</u>		<u>Group</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Trade debtors	-	-	42,054	30,023
Amounts owed by subsidiary undertakings		1,725		
Amounts owed by parent undertakings and fellow subsidiary undertakings	-	-	68,756	64,259
Other debtors	2,389	-	2,016	1,831
Prepayments & accrued income	-	-	5,290	4,365
Corporation tax	12	-	12	464
Other taxes			<u>1,027</u>	<u>-</u>
Total debtors	<u>2,401</u>	<u>1,725</u>	<u>119,155</u>	<u>100,942</u>

All debtors are due within one year.

16. CREDITORS (£000's)

a) Amounts falling due within one year

	<u>Company</u>		<u>Group</u>	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
Bank loans and overdrafts	(95,000)	-	(182,120)	(41,032)
Trade creditors	-	-	(9,606)	(9,739)
Amounts owed to parent undertakings and fellow subsidiary undertakings	(614)	-	(48,526)	(40,118)
Other creditors	-	-	(931)	(1,527)
Pension scheme	-	-	(645)	(230)
Social security & other taxes	-	-	(2,066)	(2,062)
Corporation Tax	-	(38)	(25,391)	(1,206)
Accruals & deferred income	<u>(124)</u>	<u>-</u>	<u>(46,499)</u>	<u>(43,568)</u>
Total creditors	<u>(95,738)</u>	<u>(38)</u>	<u>(315,784)</u>	<u>(139,482)</u>

PFIZER GROUP LIMITED

NOTES (cont.)

16. CREDITORS (cont.)

b) Amounts falling due after more than one year

A 5 year loan for 5,000 was taken out during 1992. This loan is wholly repayable on 29 May, 1997.

17. PROVISIONS FOR LIABILITIES AND CHARGES (£000's)

	Financial Services	Divisional Reorganisation	Closure Provision	Lease	Deferred Consideration	Total
Opening position	-	-	(1,429)	(2,164)	(7,700)	(11,293)
Charge in P&L	(200)	(870)	(65)	1,527	(363)	29
Paid/ Utilised in year	<u>-</u>	<u>291</u>	<u>646</u>	<u>352</u>	<u>1,931</u>	<u>3,220</u>
At end of year	<u>(200)</u>	<u>(579)</u>	<u>(848)</u>	<u>(285)</u>	<u>(6,132)</u>	<u>(8,044)</u>

The closure provision relates to the closure of the Simplex manufacturing business in the UK.

The lease provision relates to a lease that reverted to a group company during 1992.

Deferred consideration relates to amounts payable on the acquisition of Charwell Pharmaceuticals. The maximum deferred consideration payable under the Charwell acquisition agreement is £17,500. However, the directors consider that the likely total deferred consideration payable will be £10,300 which discounted over five years at 6% gives a net present value of £7,700.

18. DEFERRED TAXATION (£000's)

The amounts provided for deferred taxation and the amounts not provided are set out below:

	<u>1994</u>		<u>1993</u>	
	Provided	Unprovided	Provided	Unprovided
Difference between accumulated depreciation and amortisation and capital allowances	<u>-</u>	<u>26,175</u>	<u>-</u>	<u>41,004</u>

No provision has been made in 1994 for deferred taxation as it is not expected that the timing differences will reverse in the foreseeable future.

PFIZER GROUP LIMITED

NOTES (cont.)

19. CALLED UP SHARE CAPITAL (£000's)

	Authorised		Allotted, called up and fully paid	
	<u>1994</u>	<u>1993</u>	<u>1994</u>	<u>1993</u>
8,686,342 Ordinary shares of £1 each	20,000	20,000	8,686	8,686
95,000,000 10% non-cumulative redeemable preference shares of £1 each	<u>25,000</u>	<u>120,000</u>	<u>-</u>	<u>95,000</u>
	<u>45,000</u>	<u>140,000</u>	<u>8,686</u>	<u>103,686</u>

The preference shares were redeemed at the option of the company on 21st November, 1994. No premium was paid on redemption.

20. RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDER FUNDS (£000's)

<u>Consolidated</u>	<u>Share capital</u>	<u>Revaluation reserve</u>	<u>Merger reserve</u>	<u>Profit and loss</u>	<u>Shareholders Funds</u>
At 1st December, 1993	103,686	362	78	123,687	227,813
Preference shares redeemed in year	(95,000)				(95,000)
Retained in year	<u>-</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>
At 30th November, 1994	<u>8,686</u>	<u>362</u>	<u>78</u>	<u>123,988</u>	<u>133,114</u>
<u>Company</u>	<u>Share capital</u>	<u>Revaluation reserve</u>	<u>Merger reserve</u>	<u>Profit and loss</u>	<u>Shareholders Funds</u>
At 1st December, 1993	103,686	-	-	5,221	108,907
Preference shares redeemed in year	(95,000)	-	-	-	(95,000)
Retained in year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>(24)</u>
At 30th November, 1994	<u>8,686</u>	<u>-</u>	<u>-</u>	<u>5,197</u>	<u>13,883</u>

PFIZER GROUP LIMITED

NOTES (cont.)

21. CONTINGENT LIABILITIES (£000's)

- a) There are various cases of litigation pending within group companies in the normal course of their business. No material financial penalty is expected to Pfizer Group Limited or its subsidiary companies as a result of these claims.

The group has the following contingent liabilities:

	<u>1994</u>	<u>1993</u>
Bank guarantees to HM Customs & Excise	350	350
Performance Bonds	5	219
Forward Foreign Exchange Contracts	4,785	3,041
Bank guarantee to Pfizer Social Club	325	325
	<u>5,465</u>	<u>3,935</u>

- b) 1993 Restructuring

During the third quarter of 1993, Pfizer Inc recorded a pre-tax charge of US \$750 million to cover a world-wide restructuring programme as well as unusual items. This world-wide programme includes a wide range of restructuring initiatives including the consolidation of manufacturing, distribution, and administrative infrastructures. Pfizer Inc. anticipates that this programme will be phased in over the next several years. The effect of this programme, if any, on the company has not yet been determined.

- c) One of the group companies, Shiley Limited, is involved in a number of litigation cases following instances of strut fractures of Shiley CC Heart Valves. Settlement in respect of any claims will be made by Shiley Inc. or Pfizer Inc. Accordingly no provision has been made in these accounts.

22. COMMITMENTS

The group is committed to sell various currencies forward. These forward commitments are hedges of assets denominated in these currencies and for delivery within 3 months of the year end.

23. PENSIONS

Employees of the companies consolidated into Pfizer Group Limited are covered by two pension schemes.

The two schemes are both externally funded defined benefit schemes that are reviewed regularly by independent qualified actuaries.

The market value of the two schemes at the time of their latest actuarial valuation was £112.5m, 92% of which is attributed to the largest scheme.

Details of that scheme (referred to as the Pfizer Group Pension Scheme) are given below.

PFIZER GROUP LIMITED

NOTES (cont.)

23. PENSIONS (cont.)

The total cost of the Pfizer Group Pension Scheme was £10.6 million (1993: £7.8 million). A sum of £9.6 million was paid directly to the Pfizer Group Pension Scheme resulting in a £1.2 million provision at the year end.

The Pfizer Group Pension Scheme is an externally funded defined benefit scheme. An actuarial valuation as at 1st December 1992 was carried out by independent professionally qualified actuaries. The market value of the assets was £103.4 million. Based on the actuarial value of the assets the funding level at that date was 94%, giving rise to a balance of liability of £6.5 million.

This balance, plus the opening prepayment, is being charged to the profit and loss account over a 15 year period, this being the estimated average remaining service lives of members. In 1994, £0.96 million has been charged to the profit and loss account. (1993: £0.96 million credit).

The actuarial valuation method used was the projected unit method. The major assumptions used were:-

- (i) rate of return on investments: 9.75% p.a.
- (ii) rate of increase in pay: 6.5% p.a.
- (iii) rate of increase in pensions in payment: 3.25% p.a.
- (iv) valuation of assets: The assets were valued 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 smooths out fluctuations in market values and ensures consistency between the valuation of assets and liabilities. The resultant value was 103% of market value.

24. CASH FLOW STATEMENT NOTES (£000's)

a. Reconciliation of operating profit to net cash inflow from operating activities

	<u>1994</u>	<u>1993</u>
Operating profit before interest and tax	78,868	44,737
Depreciation & amortisation charges	20,928	17,335
Loss on sale of fixed assets	820	2,096
Provision charged in year (note 17)	(29)	73
(Increase)/Decrease in stocks	(1,959)	1,565
(Increase) in debtors	(18,665)	(19,335)
Increase in creditors	11,029	15,986
Amounts paid in respect of provisions (note 17)	(3,220)	(350)
Net cash inflow from operating activities	<u>87,772</u>	<u>62,107</u>

PFIZER GROUP LIMITED

NOTES (cont.)

24. CASH FLOW STATEMENT NOTES (£000's) (cont.)

b. Analysis of changes in cash and cash equivalents

	<u>1994</u>	<u>1993</u>
Balance at beginning of year	(31,620)	(14,947)
Net decrease in cash and cash equivalents	<u>(133,231)</u>	<u>(16,673)</u>
Balance at end of year	<u>(164,851)</u>	<u>(31,620)</u>

Cash and cash equivalents comprise cash at bank and in hand of £17,269 (1993: £9,412) less loans and overdrafts due within one year with an original maturity of less than 90 days of £182,120 (1993: £41,032).

c. Analysis of changes in financing during the year

	<u>1994</u>	<u>1993</u>
Balance at beginning of year	108,686	108,686
Redemption of Preference Shares	<u>(95,000)</u>	<u>-</u>
Balance at end of year	<u>13,686</u>	<u>108,686</u>

26. OPERATING LEASES (£000's)

Annual commitments under operating leases are as follows:-

	<u>Land and Building</u>	<u>Other</u>
Expiry within 1 year	254	-
Expiry within 2-5 years	-	-
Expiry over 5 years	92	411

PFIZER GROUP LIMITED

NOTES *(cont.)*

27. POST BALANCE SHEET EVENT

On 13th September, 1995, the directors resolved to reduce the Company's authorised share capital by the cancellation of 25,000,000 unissued 10% non-cumulative redeemable preference shares. In addition they resolved to increase the authorised share capital of the Company by US\$1,000,000 by the creation of 462,000 cumulative redeemable non-voting A preference shares of US\$1 each, 308,000 cumulative redeemable non-voting B preference shares of US\$1 each and 230,000 cumulative redeemable non-voting C preference shares of US\$1 each. They further resolved to capitalise the sterling equivalent of US\$1,000,000 of undistributed profits and apply the sum in fully paying up the newly created US\$ preference shares. The shares were all allotted to Pfizer International Inc. The shares carry a coupon rate of £20 each per annum. The shares are redeemable on the option of the Company with the consent of Pfizer Inc.

28. ULTIMATE PARENT COMPANY

Pfizer Group 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.