Pfizer Limited

Directors' report and financial statements

Registered Number 526209

30 November 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 November 2002.

Principal activities

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

Business review

The profit and loss account for the year is set out on page 5.

Research and development

The company continues to invest in research and development. This has resulted in the development of compounds which it is hoped ultimately will 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 2002 are set out on pages 5 to 22.

During the year the company adopted FRS 19 ' Deferred Tax', further details are provided in notes 10 and 20. The results for the comparative period and prior years have been restated as if FRS 19 had been implemented for those periods. The net impact of implementing FRS 19 as at 30 November 2002 has been to decrease net assets by £244,377,000 *(30 November 2001: £214,580,000).*

The company generated an after tax profit of £549,106,000 *(2001: £203,058,000 as restated)*. Dividends of £290,000,000 were declared in 2002 *(2001: £545,416,000)*. The retained profit for the year of £259,106,000 *(2001: loss £342,358,000 as restated)* will be transferred to reserves.

Directors and directors' interests

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

TGR Audley	
ME Jones	(resigned 30 June 2002)
K Fletcher	
I Robinson	(resigned 5 February 2002)
D Doogan	
T Tiivola	
R Stone	(appointed 20 May 2002)
VM Marshall	(appointed 7 August 2002)
S Eccles	(appointed 16 August 2002)

T Tiivola and VM Marshall resigned as directors on 20 December 2002 and 6 June 2003 respectively.

OR Brandicourt was appointed as a director on 30 April 2003.

At no time during the year did any of the directors have any interest in the 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

TGR Audley
Director

11 JULY 2003

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

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

Independent auditors' report to the members of Pfizer Limited

We have audited the financial statements on pages 5 to 22.

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 3, 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 2002 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

28 July 2003

Profit and loss account
for the year ended 30 November 2002

	Note	30 November 2002 £000	30 November 2001 £000 (as restated)
Turnover	*2*	**948,375**	843,211
Net operating costs	*3*	**(481,823)**	(535,350)
Operating profit		**466,552**	307,861
Profit on disposal of investment	*4*	**-**	6,976
Income from shares in group undertakings		**225,000**	-
Interest receivable and similar income	*8*	**535**	396
Interest payable and similar charges	*9*	**(6,834)**	(11,750)
Profit on ordinary activities before taxation	*5*	**685,253**	303,483
Taxation on profit on ordinary activities	*10*	**(136,147)**	(100,425)
Profit on ordinary activities after taxation		**549,106**	203,058
Dividends on equity shares	*11*	**(290,000)**	(545,416)
Retained profit/(loss) for the financial year	*22*	**259,106**	(342,358)

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 2002

	Note	30 November 2002		30 November 2001 (as restated)	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*12*		**50,313**		55,213
Tangible assets	*13*		**1,128,246**		1,062,882
Investments	*14*		**1**		1
			1,178,560		1,118,096
Current assets					
Stocks	*15*	**162,969**		145,245	
Debtors	*16*	**467,765**		419,573	
Cash at bank and in hand		**714**		5	
		631,448		564,823	
Creditors: amounts falling due within one year	*17*	**(1,049,646)**		(1,158,051)	
Net current liabilities			**(418,198)**		(593,228)
Total assets less current liabilities			**760,362**		524,868
Creditors: amounts falling due after more than one year	*18*		**(200,000)**		(200,000)
Provisions for liabilities and charges	*19*		**(258,160)**		(281,772)
Net assets			**302,202**		43,096
Capital and reserves					
Called up share capital	*21*		**86,300**		86,300
Profit and loss account	*22*		**215,902**		(43,204)
Equity shareholders' funds			**302,202**		43,096

These financial statements were approved by the board of directors on 11 JULY 2003 and were signed on its behalf by:

TGR Audley

Director

Reconciliation of movements in shareholders' funds
for the year ended 30 November 2002

	2002	2001
	£000	£000
Opening shareholders' funds as previously reported	257,676	550,759
Adjustment in respect of adoption of FRS 19*	(214,580)	(165,305)
As restated	43,096	385,454
Profit for the financial year (as restated for 2001)	549,106	203,058
Dividends declared	(290,000)	(545,416)
Closing shareholders' funds	**302,202**	43,096

* During the year the company adopted FRS 19 'Deferred Tax'. Adoption of this new standard required the company to restate its results for the comparative period and the reserves brought forward from prior periods.

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 adopted FRS 19, Deferred Tax, in the year which requires full provision to be made for deferred tax assets and liabilities. The impact of adopting FRS 19 on the current and prior year is disclosed in notes 10 and 20.

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 has 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. Provision is made for the cost to the company should all these options have been exercised at the balance sheet date.

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**	
	2002 £000	2001 £000	**2002 £000**	2001 £000	**2002 £000**	2001 £000
Turnover by destination						
- UK	**491,439**	393,807	**-**	-	**491,439**	393,807
- Rest of world	**68,682**	75,126	**388,254**	374,278	**456,936**	449,404
Turnover	**560,121**	468,933	**388,254**	374,278	**948,375**	843,211
Operating profit/(loss)	**78,298**	(42,308)	**388,254**	350,169	**466,552**	307,861
Income from shares in group undertakings	**225,000**	-	**-**	-	**225,000**	-
Profit on disposal of investment	**-**	6,976	**-**	-	**-**	6,976
Net interest	**(6,299)**	(11,354)	**-**	-	**(6,299)**	(11,354)
Profit/(loss) before taxation	**296,999**	(46,686)	**388,254**	350,169	**685,253**	303,483
Net assets	**209,489**	(40,910)	**92,307**	84,006	**301,796**	43,096

Turnover in 2002 did not include any non refundable royalty receipts relating to products discovered and developed by the company *(2001: £11.3 million).*

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

3 Net operating costs

	2002 £000	2001 £000
Cost of sales	**413,027**	337,709
Research and development expenditure	**551,990**	501,853
Research and development recharges	**(532,924)**	(483,700)
Royalty expense[1]	**-**	24,109
Distribution costs	**8,312**	7,341
Administrative expenses[2]	**41,418**	148,038
	481,823	535,350

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

1. Due to the expiry of various intellectual property rights there are no royalty payments due in respect of 2002.
2. Included within administrative expenses in 2001 were costs of £69,379,000 which arose on the creation of a provision for the recharge of stock option costs by Pfizer Inc. In 2002 a credit of £46,722,000 was included within administrative expenses as a result of a reduction in the provision for stock option costs recharged from Pfizer Inc. Further details are provided in note 19.

Notes *(continued)*

4 Profit on disposal of investment

On 26 October 2001, the company sold its 100% shareholding in Unicliffe Limited to Pfizer Consumer Health Products Company, a fellow Pfizer Inc company, in exchange for shares in Pfizer Consumer Healthcare. On the same day the company sold its shares in Pfizer Consumer Healthcare to Pfizer Group Limited, its immediate parent company for £28,030,000. This resulted in a profit on disposal of £6,976,000. The tax effect of this profit on disposal was nil.

5 Profit on ordinary activities before taxation

	2002	*2001*
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**191**	185
Other services - fees paid to the auditor and its associates	**404**	635
Depreciation and other amounts written off tangible fixed assets	**83,397**	75,359
Amortisation of intangible fixed assets	**4,900**	4,887
Loss on disposal of fixed assets	**4,872**	10,042
Hire of plant and machinery - rentals payable under operating leases	**164**	192
Hire of other assets - operating leases	**1,135**	1,202
Exchange losses (net)	**5,996**	732

6 Remuneration of directors

	2002	2001
	£000	£000
Directors' emoluments	**1,233**	1,116
Compensation for loss of office	-	377
	1,233	1,493

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £261,317 *(2001: £209,830)*. This person is a member of a defined benefit scheme, operated by a member company of the Pfizer world-wide group, whose accrued pension at the end of the year was £146,224. In 2001 the highest paid director had an accrued pension of £120,276.

Notes *(continued)*

6 Remuneration of directors *(continued)*

	Number of directors	
	2002	2001
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	1	5

None of the directors received shares under long term incentive schemes *(2001:one)*.

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

7 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	
	2002	2001
Manufacturing	**770**	799
Research and development	**2,486**	2,467
Sales and distribution	**1,208**	918
Administration	**645**	548
	5,109	4,732

The aggregate payroll costs of these people were as follows:

	2002	2001
	£000	£000
Wages and salaries	**225,172**	181,967
Social security costs	**23,035**	19,579
Other pension costs	**32,993**	25,012
	281,200	226,558

Notes *(continued)*

8 Interest receivable and similar income

	2002 £000	2001 £000
Receivable from group undertakings	**479**	188
Other	**56**	208
	535	396

9 *Interest payable and similar charges*

	2002 £000	2001 £000
Amounts payable to group undertakings	***6,824***	11,735
Amounts payable on bank loans and overdrafts	**10**	15
	6,834	11,750

10 Taxation on profit on ordinary activities

	2002 £000	2001 £000 (as restated)
UK corporation tax at 30% (*2001:30%*)	**105,930**	54,757
Adjustments relating to an earlier year	**420**	(3,607)
Deferred tax – origination and reversal of timing differences	**29,797**	49,275
	136,147	100,425

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:

	2002 £000	2001 £000
Profit on ordinary activities before tax	**685,253**	303,483
Taxation charge at UK corporation tax rate of 30% (*2001:30%*)	**205,576**	91,045
Effects of:		
Pension contributions	**(8,060)**	(1,957)
Income from shares in group undertakings	**(67,500)**	-
Permanent differences	**(1,970)**	3,569
Capital allowances for year less than depreciation	**(18,250)**	(41,444)
Other timing differences	**(3,866)**	3,544
Current tax charge for the year	**105,930**	54,757

Notes *(continued)*

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

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

	2002 £000	2001 £000
Equity shares:		
Interim dividends paid	**240,000**	545,416
Final dividend declared	**50,000**	-
	290,000	545,416

12 Intangible fixed assets

	Goodwill £000	Other intangibles £000	Total £000
Cost			
At beginning and end of year	69,286	12,633	81,919
Amortisation			
At beginning of year	24,829	1,877	26,706
Charged in year	3,634	1,266	4,900
At end of year	28,463	3,143	31,606
Net book value			
At 30 November 2002	**40,823**	**9,490**	**50,313**
At 30 November 2001	44,457	10,756	55,213

Goodwill relates to the 1996 acquisition of the UK operations of the SmithKline Beecham Animal Health business.

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	548,530	16,715	618,201	181,911	1,365,357
Additions	-	-	-	156,745	156,745
Transfers between categories	110,076	-	115,572	(225,648)	-
Disposals	(3,857)	-	(28,147)	-	(32,004)
At end of year	654,749	16,715	705,626	113,008	1,490,098
Depreciation					
At beginning of year	56,245	4,772	241,458	-	302,475
Charge for year	17,551	1,773	64,073	-	83,397
On disposals	(3,667)	-	(20,353)	-	(24,020)
At end of year	70,129	6,545	285,178	-	361,852
Net book value					
At 30 November 2002	**584,620**	**10,170**	**420,448**	**113,008**	**1,128,246**
At 30 November 2001	492,285	11,943	376,743	181,911	1,062,882

Included in the total net book value of freehold land and buildings is £19,138,650 *(2001: £19,206,188)* in respect of land which is not depreciated.

14 Investments

	2002
	£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

	2002 £000	2001 £000
Raw materials and consumables	44,928	47,062
Work in progress	72,557	37,187
Finished goods and goods for resale	45,484	60,996
	162,969	145,245

16 Debtors

	2002 £000	2001 £000
Trade debtors	130,050	130,118
Amounts owed by group undertakings	234,092	258,415
Other debtors	5,069	7,241
Prepayments and accrued income	98,554	23,799
	467,765	419,573

All debtors fall due within one year.

17 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Bank loans and overdrafts	-	759
Trade creditors	31,335	36,251
Amounts owed to group undertakings	847,572	939,006
Other creditors including tax and social security		
UK corporation tax	40,638	20,866
Other taxation and social security	9,946	9,626
Accruals and deferred income	120,155	151,543
	1,049,646	1,158,051

Notes *(continued)*

18 Creditors: amounts falling due after more than one year

	2002	2001
	£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 (as restated)	Stock options provision	Animal Health provision	Total (as restated)
	£000	£000	£000	£000
At beginning of year (as restated for FRS 19)	214,580	62,620	4,572	281,772
Charged during year	29,797	-	-	29,797
Utilised during year	-	(2,115)	(4,106)	(6,221)
Released during year	-	(46,722)	(466)	(47,188)
At end of year	**244,377**	**13,783**	**-**	**258,160**

The company has agreed with its ultimate parent company for options over shares in that company to be granted to its employees in exchange for certain payments following exercise. As at 30 November 2002, 25,092,153 share options had been granted to the employees of the company under this scheme which had yet to be exercised. Provision has been made for the cost to the company should all these options have been exercised at the balance sheet date.

The Animal Health provision related to the re-organisation of the Animal Health division of the company which included the curtailment of certain research operations and a reduction in sales personnel.

20 Deferred tax

	30 November 2002	30 November 2001 (as restated)
	£000	£000
Fixed assets	**240,175**	220,776
UK pension credit	**6,495**	(1,565)
Other timing differences	**(2,293)**	(4,631)
	244,377	214,580

Notes *(continued)*

21 Called up share capital

	2002	2001
	£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

22 Reserves

	Profit and loss account
	£000
At beginning of year (as restated)	(43,204)
Retained profit for the year	259,106
At end of year	**215,902**

23 Contingent liabilities

Pfizer Limited participates 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 had a guarantee with HM Customs and Excise of £2,000,000 during the year.

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.

Notes *(continued)*

24 Commitments

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

	2002 **£000**	2001 £000
Committed	**110,501**	79,873

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

	2002 Land and buildings £000	**2002 Other £000**	2001 Land and buildings £000	2001 Other £000
Operating leases which expire:				
Within one year	**9**	**-**	-	-
In the second to fifth years inclusive	**842**	**157**	247	181
Above five years	**522**	**-**	982	-
	1,373	**157**	1,229	181

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 biennial valuations using the projected unit method. The charge for the year was based on an actuarial valuation prepared as at 1 December 2000. 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 8.5% p.a.
- a rate of increase in salaries of 3.3% p.a.
- a rate of price inflation of 2.3% p.a.
- a rate of increase in pensions payment of 1.9% p.a. on pre 6 April 1997 pensions in excess of Protected Rights pensions and 2.3% 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 £359.0 million at 1 December 2000 and that the actuarial value of those assets represented 91% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company were increased to 15.1% from 13.9% from 1 December 2000.

Notes *(continued)*

25 Pension scheme *(continued)*

The pension charge for the period of £28.3m *(2001:£25.0m)* includes £3.4m *(2001:£3.1m)* in respect of the amortisation of a past service deficiency being recognised over 15 years.

There is a net prepayment of £75.8 m *(2001:£1.4m)* 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

During the transitional period prior to its full implementation, FRS 17 requires additional disclosures relating to pension obligations. The information required to be disclosed is shown below and is based on the most recent actuarial valuation of the company's plan, updated as appropriate by independent qualified actuaries and as required by FRS 17, in order to assess the liabilities of the plan as at 30 November 2002. Plan assets are stated at their market values at 30 November 2002.

The final assumptions used to calculate pension liabilities under FRS 17 were:

Discount rate of		5.7%
Inflation		2.3%
Rate of increase in pensions in payment	post 5 April 1997	1.9%
	pre 6 April 1997	2.3%
Rate of increase in salaries of		3.3%
Long term rate of return	equities	9.25%
	bonds	5.7%
	other	3.3%

The estimated assets and liabilities of the Pfizer Group Pension Scheme at 30 November 2002 were as follows:

	£m
Equities	315.3
Bonds	78.8
Total fair value of assets	394.1
Present value of scheme liabilities	(579.9)
Deficit in the scheme	(185.8)
Related deferred tax asset *	55.7
Net pension liability	(130.1)

The scheme deficit shown above is before taking account of prepayments of £75.8m which are already accrued in the accounts. These balances will reduce the impact on the balance sheet of incorporating the pension deficit on the introduction of FRS 17.

Notes *(continued)*

25 Pension scheme *(continued)*

If FRS 17 had been adopted in the financial statements, the following amounts would have been recognised in the performance statements for the year to 30 November 2002.

Profit and loss account	**£m**
Current service cost	37.2
Past service cost	-
Curtailment loss	1.7
Total charged against operating profit	38.9
Amounts charged/(credited) to other finance charges:	
Expected return on pension scheme assets	(30.3)
Interest on pension scheme liabilities	29.5
Total charge to the profit and loss account	38.1

Statement of Total Recognised Gains and Losses (STRGL)	**£m**
Actual return less expected return on pension scheme assets - £m	75.1
As % of scheme assets	19%
Experience (gain)/loss arising on the scheme liabilities - £m	22.5
As % of present value of scheme liabilities	3.9%
Changes in assumptions underlying the present value of the scheme liabilities - £m	12.1
As % of present value of scheme liabilities	2.1%
Actuarial loss recognised in the STRGL - £m	109.7

Movement in deficit during the year	**£m**
Deficit at beginning of year	152.7
Current service cost	38.9
Employer contributions	(114.7)
Other finance income	(0.8)
Actuarial loss recognised in STRGL	109.7
Deficit at end of year	185.8

In addition to the Pfizer Group Pension Scheme, certain Pfizer Limited employees are members of the Parke Davis & Co Limited pension scheme. Full details of this pension scheme are shown in the Parke Davis & Co Limited financial statements.

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 42^{nd} 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.