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Pfizer Limited

Directors' report and financial statements

Year ended 30 November 2010

Pfizer Limited

Directors' report and financial statements

Contents *Page*

Pfizer Limited

Directors and other information

Directors	CM Seller IE Franklin RA Evans AM Doherty RN Blackburn DG Bevan RM Day SM Poulton RM McKernan JM Hanley I Gill
Registered office	Ramsgate Road Sandwich Kent CT13 9NJ
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Registered number	00526209

Pfizer Limited

Directors' report

The dırectors present theır annual report and the audıted financıal statements for the year ended 30 November 2010

Principal activities

The prıncıpal actıvıtıes of the company durıng the year were the dıscovery, development, manufacture, marketıng, and sale of pharmaceutıcal and anımal health products Durıng the year (as part of corporate ıntegratıon wıthın the Pfizer Inc group followıng Pfizer Inc's acquısıtıon of the global pharmaceutıcal group Wyeth ın 2009) the share capıtal of Amerıcan Home Products Holdıngs (U K) Lımıted was contrıbuted to the company and the UK anımal health busıness of Fort Dodge Anımal Health Lımıted was transferred to the company

Business review and future developments

The profit and loss account and balance sheet for the year are set out on pages 13 and 14 respectıvely The development and performance of the company durıng the year was satısfactory, as was the posıtıon of the company at the year-end It ıs antıcıpated thıs wıll contınue ınto 2011 The company ıs managed on an ıntegrated basıs wıth other Pfizer Inc group companıes worldwıde as part of Pfizer Inc's global healthcare busıness Accordıngly, key performance ındıcators have not been gıven for the company ıtself The focus of the busıness ıs ınnovatıon ın the medıcınes that are ıntegral to good healthcare, wıth a central task beıng the dıscovery and development of more new medıcınes for patıents Further detaıls are provıded ın the Pfizer Inc consolıdated annual revıew and financıal report whıch are avaılable from Pfizer Inc, 235 East 42nd Street, New York, NY 10017, USA

On 1 February 2011, Pfizer Inc, the company's ultımate parent undertakıng, announced the planned exıt from the company's sıte and facılıtıes ın Sandwıch, Unıted Kıngdom Further detaıls are set out ın note 30 to the financıal statements

Risks and uncertainties

The prıncıpal rısks and uncertaıntıes for the company derıve from the development, performance and posıtıon of the Pfizer Inc group (of whıch the company ıs a part) Durıng the year the prıncıpal factors whıch could cause rısk and uncertaınty for the Pfizer Inc group ıncluded

- The success of research and development actıvıtıes ıncludıng, wıthout lımıtatıon, the abılıty to meet antıcıpated clınıcal trıal completıon dates, regulatory submıssıon and approval dates, and launch dates for product candıdates
- Decısıons by regulatory authorıtıes regardıng whether and when to approve Pfizer's drug applıcatıons as well as theır decısıons regardıng labellıng, ıngredıents and other matters that could affect the avaılabılıty or commercıal potentıal of Pfizer's products
- The speed wıth whıch regulatory authorısatıons, prıcıng approvals, and product launches may be achıeved
- The success of external busıness development actıvıtıes
- Competıtıve developments, ıncludıng the ımpact on Pfizer's competıtıve posıtıon of new product entrants, ın-lıne branded products, generıc products, prıvate label products and product candıdates that treat dıseases and condıtıons sımılar to those treated by Pfizer's ın-lıne products and product candıdates
- The abılıty to meet generıc and branded competıtıon after the loss of patent protectıon for Pfizer's products or competıtor products
- The abılıty to successfully market both new and exıstıng products.

Pfizer Limited

Directors' report *(continued)*

Risks and uncertainties *(continued)*

- Difficulties or delays in manufacturing
- Trade buying patterns
- The impact of existing and future legislation and regulatory provisions on product exclusivity
- Trends toward managed care and health care cost containment
- Legislation or regulatory action affecting, amongst other things, pharmaceutical product pricing, reimbursement or access
- Contingencies related to actual or alleged environmental contamination
- Claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates
- The significant breakdown, infiltration or interruption of Pfizer's information technology systems and infrastructure
- Legal defence costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to product liability; patent protection, government investigations, consumer, commercial, securities, environmental and tax issues, and other legal proceedings
- Pfizer's ability to protect its patents and other intellectual property
- Interest rate and foreign currency exchange rate fluctuations
- Governmental laws and regulations affecting operations including, without limitation, tax obligations and changes
- Changes in generally accepted accounting principles
- General economic, political, business, industry, regulatory and market conditions including, without limitation, any impact on Pfizer, its lenders, its customers, its suppliers and counterparties to its foreign-exchange and interest-rate agreements from challenging global economic conditions and recent and possible future changes in global financial markets
- Any changes in business, political and economic conditions due to actual or threatened terrorist activity and related military action
- Growth in costs and expenses
- Changes in Pfizer's product, segment and geographic mix
- The impact of acquisitions, divestitures, restructurings, product withdrawals and other unusual items

Financial instruments

The overall objective of Pfizer's financial risk management programme is to seek to minimise the impact of foreign exchange rate movements and interest rate movements on its earnings These financial exposures are managed through operational means and by using various financial instruments These practices may change as economic conditions change

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 the company's long term success

Results and dividends

The audited financial statements for the year ended 30 November 2010 are set out on pages 9 to 43
The company generated an after tax profit of £48,057,000 (2009 profit of £42,609,000) No dividends were declared in 2010 (2009 Nil) The retained profit for the year of £48,057,000 (2009 profit £42,609,000) has been transferred to reserves

Directors and directors' interests

The directors who held office from 1 December 2009 were

CM Seller	
JG Embling	(resigned 8 March 2010)
IE Franklin	
SJ Wallcraft	(resigned 6 April 2011)
D Roblin	(resigned 9 August 2010)
RN Blackburn	
SR Wicks	(resigned 31 March 2010)
DG Bevan	
RM Day	
SM Poulton	
JM Hanley	(appointed 5 March 2010)
I Gill	(appointed 5 March 2010)
RM McKernan	(appointed 17 September 2010)
RA Evans	(appointed 13 April 2011)
AM Doherty	(appointed 15 July 2011)

Safety, health and the environment

The company has an environmental, health and safety policy in place, together with externally certified management systems In addition, Pfizer Inc, the ultimate parent company produces an environmental, health and safety report, to which the company contributes

Disabled employees

It is the policy of the company to give full and fair consideration to applications for employment made by persons with disability 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, resettlement and continued support 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, information and support services provided by e-mail, web and telephone as well as face to face, and consultation through a variety of committees, forums, surveys and regular departmental meetings The company also participates in the Pfizer Europe Employee Forum

Pfizer Limited

Directors' report *(continued)*

Employee involvement *(continued)*

The company actively promotes an "open door" management policy and has a grievance escalation process There is also an extensive performance management programme in place which facilitates open and regular dialogue between employees and their managers Employees complete an annual integrity pledge and have direct access to a corporate compliance hotline and other facilities

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

Auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

The company's auditors are KPMG LLP, UK

By order of the board

Director I. E FRANKLIN   Date 30.8.2011

Pfizer Limited

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

• select suitable accounting policies and then apply them consistently,

• make judgments and estimates that are reasonable and prudent,

• state whether applicable UK Accounting Standards have been followed; and

• 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

Independent auditors' report to the member of Pfizer Lımited

We have audıted the financıal statements of Pfizer Lımıted for the year ended 30 November 2010 set out on pages 9 to 43 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and UK Accountıng Standards (UK Generally Accepted Accountıng Practıce)

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtors' report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members, as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsibilities of directors and auditors

As explaıned more fully ın the Dırectors' Responsıbılıtıes Statement set out on page 6, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt and express an opınıon on the financıal statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's (APB's) Ethıcal Standards for Audıtors

Scope of the audit of the financial statements

A descrıptıon of the scope of an audıt of financıal statements ıs provıded on the APB's web-sıte at www frc org uk/apb/scope/UKNP.

Opinion on financial statements

In our opınıon the financıal statements

• gıve a true and faır vıew of the state of the company's affaırs as at 30 November 2010 and of ıts profit for the year then ended,

• have been properly prepared ın accordance wıth UK Generally Accepted Accountıng Practıce, and

• have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opınıon the ınformatıon gıven ın the Dırectors' Report for the financıal year for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Independent auditors' report to the member of Pfizer Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made, or

• we have not received all the information and explanations we require for our audit

Nicholas Frost (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL

Date 30th August 2011

Pfizer Limited

Statement of accounting policies
for the year ended 30 November 2010

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles under the historical cost convention, and comply with the financial reporting standards of the Accounting Standards Board, in the United Kingdom

The financial statements have been prepared on a going concern basis as the Company has entered into a financial arrangement with a fellow group undertaking to provide financial support for the foreseeable future This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment As with any company placing its reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Consolidation

The company is exempt by virtue of S401 of the Companies Act 2006 from the requirement to prepare group accounts These financial statements present information about the company as an individual undertaking and not about its group

Cash flow

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 results, net assets and cash flows of the company in its own published consolidated financial statements

Goodwill and intangible assets

Purchased goodwill, representing the excess of the fair value of purchase consideration over the fair value of the separable net assets acquired, 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 and trademarks are amortised over their useful economic lives for periods of between 10 and 20 years

Goodwill and intangible assets are stated net of any provisions for impairment

Statement of accounting policies *(continued)*
for the year ended 30 November 2010

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated 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

Financial fixed assets

Financial fixed assets are stated at cost less any provision for impairment in value

Government grants

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

Revenue grants received during the year are charged to the profit and loss account to offset the matching expenditure

Foreign currencies

Transactions in foreign currencies are recorded using the company's actual month end 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

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 Turnover is recognised at the point at which the risks and rewards are transferred to the buyer

Pfizer Limited

Statement of accounting policies *(continued)*
for the year ended 30 November 2010

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 and charged to depreciation in accordance with the company's accounting policy

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

In accordance with FRS 17, the amount charged to operating profit in respect of the company's defined benefit scheme is the cost of accruing pension benefits promised to members over the year plus any benefit improvements granted to members by the company during the year Other finance charges/income in the profit and loss account include a charge equal to the equivalent to the company's expected increase in the pension scheme's liabilities over the year, offset by the credit equivalent to the company's expected return on the pension scheme's assets

The difference between the market value of the scheme's assets, valued at bid price, and the present value of the scheme's liabilities is reported as an asset/liability on the balance sheet, net of deferred tax (to the extent that it is recoverable) In accordance with FRS 17, the company only recognises an asset to the extent that it is able to recover the surplus through reduced contributions in the future or through refunds from the scheme The company recognises a liability to the extent that it reflects its legal or constructive obligation Any difference between expected return and that actually achieved, and any changes in liabilities over the year due to changes in assumptions or experience within the schemes, are recognised in the statement of total recognised gains and losses

The company also provides certain employees with post retirement benefits other than pensions and the cost of providing these benefits are accounted for in a similar manner to that described above

The company also operates a number of defined contribution schemes and the contributions to such schemes are charged to the operating profit as they fall due

Classification of financial instruments issued by the company

Financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions

a) They include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

Classification of financial instruments issued by the company *(continued)*

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for the called up share capital and share premium account exclude amounts in relation to those shares

Share-based payments

The company engages in equity-settled share-based payment transactions in respect of services received from its employees The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense The total amount to be expensed rateably over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets)

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive This estimate is revised at each balance sheet date and the difference is charged or credited to the profit and loss account, with a corresponding adjustment to equity In accordance with FRS 20, the company has applied this policy to all share option grants that were made after 7 November 2002 Please refer to note 23 for further details of the Pfizer share grant policy, the share-based payment schemes operated by Pfizer and the assumptions used to calculate the fair value of the shares and options on the grant date

There is no recharge of share-based expense from the company's ultimate parent company

Taxation

The charge for taxation is based on the profit for the year

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in taxable profits in periods different from those in which they are recognised in the financial statements Provision is made at the rates expected to apply when the temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Pfizer Limited

Profit and loss account
for the year ended 30 November 2010

	Note	**2010 £'000**	2009 £'000
Turnover	*1*	**1,594,929**	1,444,245
Net operating costs	2	**(1,641,192)**	(1,439,123)
Operating (loss)/ profit		**(46,263)**	5,122
Income from shares in group undertakings		**55,000**	40,000
Operating profit before exceptional items	*3*	**8,737**	45,122
Exceptional items:			
Pension curtailment arising on restructuring	*6*	**12,200**	(9,800)
(Provision)/ reversal of provision	*6*	**132**	(3,020)
Impairment & accelerated depreciation of tangible fixed assets	*6*	**(241)**	(26,183)
Profit on ordinary activities before interest		**20,828**	6,119
Interest receivable and similar income	*7*	**73**	220
Interest payable and similar charges	*8*	**(4,119)**	(6,464)
Finance income	*9*	**10,300**	20,300
Profit on ordinary activities before taxation		**27,082**	20,175
Tax credit on profit on ordinary activities	*10*	**20,975**	22,434
Profit on ordinary activities after taxation		**48,057**	42,609

Pfizer Limited

Balance sheet

at 30 November 2010

Registered number 00526209

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
Fixed assets					
Intangible fixed assets	*11*		**273,709**		285,326
Tangible fixed assets	*12*		**790,244**		832,912
Financial fixed assets	*13*		**430,378**		81,891
			1,494,331		1,200,129
Current assets					
Stocks	*14*	**193,625**		137,123	
Debtors	*15*	**3,418,722**		1,981,908	
Cash at bank and in hand		**-**		14,467	
		3,612,347		2,133,498	
Creditors: amounts falling due within one year	*16*	**(4,050,076)**		(2,636,587)	
Net current liabilities			**(437,729)**		(503,089)
Total assets less current liabilities			**1,056,602**		697,040
Creditors: amounts falling due after more than one year	*17*		**(44,567)**		(42,367)
Provisions for liabilities and charges	*19*		**(113,772)**		(148,576)
Net assets excluding pension (liabilities)/assets			**898,263**		506,097
Pension (liabilities)	*27*		**(23,506)**		(154,380)
Net assets including pension (liabilities)			**874,757**		351,717
Capital and reserves					
Called up share capital	*22*		**86,300**		86,300
Profit and loss account	*24*		**85,458**		(53,103)
Capital contribution	*24*		**502,999**		118,520
Other reserves	*24*		**200,000**		200,000
Equity shareholder's funds			**874,757**		351,717

These financial statements were approved by the board and were signed on its behalf on 30 8 11 by

Director I. E. FRANKLIN

Pfizer Limited

Statement of total recognised gains and losses
for the year ended 30 November 2010

	2010 **£'000**	2009 £'000
Profit on ordinary activities after taxation	**48,057**	42,609
Actuarial gain/(loss) on employment schemes	**125,700**	(407,300)
Related deferred tax (liability)/ asset	**(35,196)**	114,044
Total recognised gains/(losses) for the year	**138,561**	(250,647)

Reconciliation of movements in shareholder's funds
for the year ended 30 November 2010

	2010 **£'000**	2009 £'000
Opening shareholder's funds	**351,717**	582,846
Total recognised gains/(losses) for the year	**138,561**	(250,647)
Capital contribution arising on investment (see note 13)	**363,707**	-
Capital contribution arising on employee share scheme (see note 23)	**20,772**	19,518
Closing shareholder's funds	**874,757**	351,717

Pfizer Limited

Notes
forming part of the financial statements

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

	Product sales		Royalties		Total	
	2010	2009	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Turnover by destination						
- UK	**1,353,649**	1,045,836	**-**	-	**1,353,649**	1,045,836
- Rest of world	**1,744**	130,567	**239,536**	267,842	**241,280**	398,409
Turnover	**1,355,393**	1,176,403	**239,536**	267,842	**1,594,929**	1,444,245
Operating (loss)/ profit	**(272,261)**	(250,171)	**225,998**	255,293	**(46,263)**	5,122
Income from shares in group undertakings	**55,000**	40,000	**-**	-	**55,000**	40,000
Exceptional items	**12,091**	(39,003)	**-**	-	**12,091**	(39,003)
Interest receivable and similar income	**73**	220	**-**	-	**73**	220
Interest payable and similar charges	**(4,119)**	(6,464)	**-**	-	**(4,119)**	(6,464)
Finance income	**10,300**	20,300	**-**	-	**10,300**	20,300
Segment profit/(loss) before taxation	**(198,916)**	(235,118)	**225,998**	255,293	**27,082**	20,175
Net assets by segment	**744,425**	273,258	**130,332**	78,459	**874,757**	351,717

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

Notes *(continued)*
forming part of the financial statements

2 Net operating costs

	2010	2009
	£'000	£'000
Cost of sales	**990,074**	893,400
Research and development expenditure	**380,968**	305,726
Royalties	**13,992**	12,549
(Profit)/ Loss on disposal of fixed assets	**(560)**	6,414
Distribution costs	**26,160**	30,622
Administration expenses	**230,558**	190,412
	1,641,192	1,439,123

Research and development expenditure comprises the net spend after charges to other group companies for research and development activities

Included in administration expenses are restructuring costs for the year of £53,489,490 *(2009 £39,682,000)* They arise as a result of various divisional reorganisation projects undertaken during 2010

Included in administration expenses for 2010 is an expense £20,772,000 *(2009 £19,518,000)* in respect of share based payment transactions

3 Operating profit before exceptional items

	2010	2009
	£'000	£'000
Profit on ordinary activities before exceptional items, interest and taxation is stated after charging		
Auditor's remuneration		
Audit	**371**	239
Depreciation of tangible fixed assets (see note 12)	**65,628**	71,954
Amortisation of intangible fixed assets (see note 11)	**21,159**	21,188
(Profit)/ Loss on disposal of fixed assets	**(560)**	6,414
Hire of other assets - operating leases	**7,747**	6,787
Foreign exchange (gain) - net	**(1,605)**	(2,827)

Notes *(continued)*
forming part of the financial statements

4 Remuneration of directors

	2010	2009
	£'000	£'000
Directors' emoluments	**2,450**	1,887

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £361,590 *(2009 £292,573)* This person is a member of a defined benefit scheme, operated by a member company of the Pfizer world-wide group, under which the accrued pension on 30 November 2010 was £58,449 *(2009 £40,316)*

	Number of directors	
	2010	2009
Retirement benefits accrued to the following number of directors who served during the year under defined benefit schemes	**10**	10
The number of directors who exercised share grants during the year was	**-**	1

10 directors received shares under long term incentive schemes during the year *(2009 9)*

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

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

5 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	
	2010	2009
Manufacturing	**124**	76
Research and development	**1,891**	2,759
Sales and distribution	**1,494**	611
Administration	**1,003**	891
	4,512	4,337

The aggregate payroll costs of these people were as follows

	2010	2009
	£'000	£'000
Wages and salaries	**264,629**	264,508
Social security costs	**30,874**	27,472
Other pension costs	**41,256**	32,963
Cost of employee share schemes (see note 23)	**20,772**	19,518
	357,531	344,461

The above costs do not include those relating to redundancies due to the closure of the manufacturing plant

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

6 Exceptional items

	2010 £'000	2009 £'000
Pension curtailments		
Pension curtailments	**12,200**	(9,800)
Reversal of provision for restructuring/ (Provision)		
Restructuring costs relating to plant closure	**132**	(3,020)
Impairment & accelerated depreciation of tangible fixed assets		
Impairment of tangible fixed assets (see note 12)	**(241)**	(1,324)
Accelerated depreciation of tangible fixed assets	**-**	(24,859)
	(241)	(26,183)

During September 2007 it was announced that the company's manufacturing facility in Sandwich, Kent would close over a two year period The opening provision in 2010 was £15,077,000 During the year, the company reduced the provision by £14,509,000 for termination costs paid in 2010 In addition, the provision was reduced by £132,000 due to a change in estimated employee termination costs

Asset impairments in 2010 primarily relate to the write down of buildings and property, plant and equipment within the manufacturing division

7 Interest receivable and similar income

	2010 £'000	2009 £'000
Interest receivable from group undertakings	**73**	219
Other	**-**	1
	73	220

Notes *(continued)*
forming part of the financial statements

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable to group undertakings	**4,119**	6,464

9 Finance income

	2010 £'000	2009 £'000
Amount credited to other finance income (see note 27)	**10,300**	20,300

10 Tax credit on profit on ordinary activities

	2010 £'000	2009 £'000
UK current corporation tax	**(23,860)**	(21,777)
Adjustments in respect of previous periods	**(2,838)**	17,553
	(26,698)	(4,224)
Deferred tax – origination and timing differences	**9,385**	(18,210)
Deferred tax – effect of rate change	**(3,662)**	-
Tax credit	**(20,975)**	(22,434)

Notes *(continued)*
forming part of the financial statements

10 Tax credit on profit on ordinary activities *(continued)*

The tax credit for the period is lower than the effective rate of corporation tax for the year in the UK of 28% (2009 28%) The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	**27,082**	20,175
Taxation charge at UK corporation tax rate of 28% *(2009 28%)*	**7,583**	5,649
Effects of		
Pension contributions	**(15,820)**	(27,944)
Income from shares in group undertakings	**(15,400)**	(11,200)
Permanent differences	**(10,736)**	(9,393)
Accelerated capital allowances	**4,511**	14,984
Other timing differences	**6,002**	6,127
Adjustments in respect of previous periods	**(2,838)**	17,553
Current tax credit for the year	**(26,698)**	(4,224)

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 30 November 2010 has been included in the figures above

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax liability of approximately £3,662,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

Notes *(continued)*
forming part of the financial statements

11 Intangible fixed assets

	Goodwill	Other intangibles	Total
	£'000	£'000	£'000
Cost			
At beginning of year	474,885	95,211	570,096
Additions	9,542	-	9,542
At end of year	**484,427**	**95,211**	**579,638**
Amortisation			
At beginning of year	190,109	94,661	284,770
Charge for the year	21,103	56	21,159
At end of year	**211,212**	**94,717**	**305,929**
Net realisable value			
At 30 November 2010	**273,215**	**494**	**273,709**
At 30 November 2009	284,776	550	285,326

Included in opening goodwill is the 1996 acquisition of the UK operations of the SmithKline Beecham Animal Health business (£65m), the 2003 acquisition of the Pharmacia Animal Health manufacturing business (£18m), and the 2004 acquisition of Pharmacia Limited's pharmaceutical and animal health businesses (£358m) In 2010 goodwill was recognised on the transfer of the UK animal health business of Fort Dodge Animal Health Limited to the company (£9m)

In the opinion of the directors, intangible assets are stated at the lower of their cost and net recoverable value

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

12 Tangible fixed assets

	Freehold land and buildings	Leasehold improve-ments	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	788,625	4,236	744,818	6,009	1,543,688
Additions	-	-	535	54,761	55,296
Transfers between categories	27,087	-	20,605	(47,861)	(169)
Disposals	(70,951)	-	(101,748)	-	(172,699)
At end of year	**744,761**	**4,236**	**664,210**	**12,909**	**1,426,116**
Depreciation					
At beginning of year	249,715	728	460,333	-	710,776
Charge for year	21, 679	121	43,828	-	65,628
Disposals	(43,859)	-	(96,914)	-	(140,773)
Impairment	-	-	241	-	241
At end of year	**227,535**	**849**	**407,488**	**-**	**635,872**
Net book value					
At 30 November 2010	**517,226**	**3,387**	**256,722**	**12,909**	**790,244**
At 30 November 2009	538,910	3,508	284,485	6,009	832,912

Included in the total net book value of freehold land and buildings is £20,883,120 *(2009 £20,889,782)* in respect of land which is not depreciated

The impairment charge relates to fixed assets in the manufacturing facility in Sandwich, Kent which closed in 2009

Notes *(continued)*
forming part of the financial statements

13 Financial fixed assets

	2010
	£'000
At beginning of year	81,891
Additions	364,107
Impairments	(226)
Write down of investment	(15,394)
At end of year	430,378

The investment comprises

Shares in subsidiary undertakings

- 100% of the ordinary share capital of Pfizer Technologies Limited, a company incorporated in England and Wales whose principal activities are the development and exploitation of intellectual property
- 100% of the ordinary share capital of Meridica Limited, a non-trading company incorporated in England and Wales
- 100% of the ordinary share capital of American Home Products UK Limited, a holding company incorporated in England and Wales
- 62% of the ordinary share capital of PHIVCO Jersey (Holdco) Limited, a holding company incorporated in the Isle of Jersey

Consideration for the acquisition of Meridica Limited was £81,549,000 of which £15,393,821 was deferred The directors consider this deferred consideration will now not be payable and therefore the investment has been written down

During the year (as part of corporate integration within the Pfizer Inc group following Pfizer Inc's acquisition of the global pharmaceutical group Wyeth in 2009) the share capital of American Home Products Holdings (U K) Limited, a company incorporated in the United Kingdom, was contributed to the company at market value of £363,707,000, and the UK animal health business of Fort Dodge Animal Health Limited was transferred to the company

In the opinion of the directors, the investment in the company's financial fixed assets is not less than the amount stated in the balance sheet

During the year the company received £55 million (*2009 £40 million*) in dividends from Pfizer Technologies Limited, a group undertaking

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

13 Financial fixed assets *(continued)*

Share in joint venture

- 50% of the ordinary share capital of Cyclofluidic Limited, a company incorporated in England and Wales whose principal activities are the development and exploitation of intellectual property Consideration for the investment was £400,000 which purchased 400,000 ordinary shares @ £1 each The total of the company's capital and reserves at the end of the financial year was £658,535 The company's profit for the year was £141,465

14 Stocks

	2010	2009
	£'000	£'000
Raw materials and consumables	**612**	4,838
Work in progress	**479**	-
Finished goods and goods for resale	**192,534**	132,285
	193,625	137,123

The replacement costs of stocks are not less than their balance sheet amounts

15 Debtors

	2010	2009
	£'000	£'000
Trade debtors	**334,414**	260,562
Amounts owed by group undertakings	**3,024,521**	1,672,323
UK corporation tax	**21,851**	19,055
Foreign VAT recoverable	**10,906**	14,414
Other debtors	**2,595**	2,192
Prepayments and accrued income	**24,435**	13,362
	3,418,722	1,981,908

All debtors fall due within one year

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

16 Creditors amounts falling due within one year

	2010 £'000	2009 £'000
Short term loan	**1,162**	-
Trade creditors	**93,547**	96,515
Amounts owed to group undertakings	**3,706,818**	2,332,713
VAT payable	**25,778**	6,813
Other taxation and social security	**14,780**	13,454
Government grants (see note 21)	**191**	191
Accruals and deferred income	**207,800**	186,901
	4,050,076	2,636,587

17 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Deferred royalties	**40,212**	37,820
Government grants (see note 21)	**4,355**	4,547
	44,567	42,367

18 Pension scheme liabilities/(assets)

	2010 £'000	2009 £'000
At beginning of year	**214,400**	(93,100)
Profit and loss charge	**30,500**	12,600
Contributions	**(87,000)**	(112,400)
(Credit)/Charge to the statement of total recognised gains and losses	**(125,700)**	407,300
At end of year (see note 27)	**32,200**	214,400

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

19 Provisions for liabilities and charges

	Deferred tax provision £'000	Restructu -ring provision £'000	Environ -mental provision £'000	Other provisions £'000	Total £'000
At beginning of year	117,968	15,077	1,053	14,478	148,576
Profit and loss charge / (credit)	(6,423)	5,254	-	-	(1,169)
Profit and loss credit (Effect of rate change)	(3,985)	-	-	-	(3,985)
Utilised during the year	-	(14,509)	(531)	-	(15,040)
Released (see note 13)	-	(132)	-	(15,394)	(15,526)
Currency translation effects	-	-	-	916	916
At end of year (see notes 10 & 20)	**107,560**	**5,690**	**522**	**-**	**113,772**

During September 2007 it was announced that the company's manufacturing facility in Sandwich, Kent would close over a two year period The opening provision in 2010 was £15,077,000 During the year, the company reduced the provision by £14,509,000 for termination costs paid in 2010 In addition, the provision was reduced by £132,000 due to a change in estimated employee termination costs

20 Deferred taxation

	2010 £'000	2009 £'000
Deferred tax provisions		
Fixed assets	**159,714**	167,667
Employee share scheme	**(9,239)**	(8,214)
Other timing differences	**(5,140)**	(4,801)
Effect of rate change	**(3,985)**	-
Tax losses carried forward	**(33,790)**	(36,684)
	107,560	117,968

Factors that may affect the future tax charges

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011 This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 30 November 2010 has been included in the figures above

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

20 Deferred taxation *(continued)*

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011 This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax liability of approximately £3,662,000 This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date

The Chancellor also proposed changes to further reduce the main rate of corporation tax by 1% per annum to 23 % by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above The overall effect of the further reductions from 27 % to 23%, if these applied to the deferred tax balance at 30 November 2010, would be to further reduce the deferred tax liability by approximately £14,648,000

Deferred Tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the temporary differences will reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date

21 Government capital grants deferred

	2010	2009
	£'000	£'000
At beginning of year	**4,738**	4,930
Additions during year	**-**	-
Amortised	**(192)**	(192)
At end of year	**4,546**	4,738
Included in		
Creditors falling due within one year (see note 16)	**191**	191
Creditors falling due after more than one year (see note 17)	**4,355**	4,547
	4,546	4,738

22 Called up share capital

	2010 **£'000**	2009 £'000
Allotted, called up and fully paid		
Equity 86,300,000 ordinary shares of £1 each	**86,300**	86,300

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

23 Share based compensation

FRS 20 "Share-based Payment" requires the company to recognise an expense, measured at fair value, in respect of share based payments made

Pfizer share grant policy

The Share-based Payment plan of Pfizer Limited is part of the Pfizer Inc 2004 Stock Plan (the 2004 Plan) Pfizer Inc 's shareholders approved the 2004 Plan at the Annual Meeting of Shareholders held on 22 April 2004 and, effective upon that approval, new stock options and other share-based awards may be granted only under the 2004 Plan

Pfizer Inc is responsible for administering the share based compensation plan Pfizer Inc does not recharge any cost relating to the granting of shares or share options to Pfizer Limited Pfizer share grants are equity settled

Pfizer's primary share-based awards, and their general terms and conditions are as follows

- Stock options, which entitle the holder to purchase, after the end of a vesting term, a specified number of shares of Pfizer Inc common stock at a price equal to the market price of Pfizer Inc common stock on the date of grant

- Restricted stock units (RSUs), which entitle the holder to receive, at the end of a vesting term, a specified number of shares of Pfizer Inc common stock As part of the plan, dividend equivalents may be, on a discretionary basis, awarded to holders of RSUs as additional RSUs

- Performance share awards (PSAs) and performance-contingent share awards (PSCAs), which entitle the holder to receive, at the end of a vesting term, a number of shares of Pfizer Inc common stock, within a range of shares from zero to a specified maximum, calculated using a non-discretionary formula that measures Pfizer's performance relative to an industry peer group Dividend equivalents can be paid on a discretionary basis on PSAs

Notes *(continued)*
forming part of the financial statements

23 Share based compensation *(continued)*

- Stock appreciation rights (SARs), which entitle the holder to receive, two years after the end of a vesting term, a number of shares of Pfizer common stock with a value equal to the difference between the defined settlement price and the closing market price of Pfizer common stock on the grant date, plus accumulated dividend equivalents through the payment date SARs were launched on 28 February 2008

Stock options

Stock options, which entitle the holder to purchase, after the end of a vesting term, a specified number of shares of Pfizer Inc common stock at a price equal to the market price of Pfizer Inc common stock on the date of grant are accounted for, at fair value at the date of grant.

All employees may receive stock option grants In virtually all instances, stock options vest after three years of continuous service from the grant date and have a contractual term of ten years In all cases, even for stock options that are subject to accelerated vesting upon voluntary retirement, stock options must be held for at least one year from grant date before any vesting may occur In the event of a divestiture or restructuring, options held by employees are immediately vested and are exercisable from three months to their remaining term, depending on various conditions

The fair value of each stock option grant is estimated on the grant date using the Black Scholes Merton option-pricing model, which incorporates a number of valuation assumptions noted in the table below, shown at their weighted average values

	2010	2009
Expected dividend yield (a)	**3.99%**	4.92%
Risk-free interest rate (b)	**2.88%**	2 7%
Expected stock price volatility (c)	**26.73%**	41.44%
Expected term (d)	**6.25**	6

(a) Determined using a constant dividend yield during the expected term of the option
(b) Determined using the extrapolated yield on U S Treasury zero-coupon issues
(c) Determined using implied volatility, after consideration of historical volatility
(d) Determined using historical exercise and post-vesting termination patterns

The following tables summarise the number of options issued, the weighted average cost per option calculated per the Black Scholes Merton Model, the total expense which will be recognised over the vesting life of the option, the total cost which will be recognised over the vesting period of the option, and the weighted average price of the share for all stock options issued during the financial year These figures are broken down by financial year, and are split between those attributable to directors and those attributable to employees

Notes *(continued)*
forming part of the financial statements

23 Share based compensation *(continued)*

Options granted to directors and employees in FY 2010

	Number of shares	Weighed average BSM+ value	Weighted average share price at date of grant
Directors	191,896	£2 13	£11 57
Employees	5,153,444	£2 13	£11 57
Total	5,345,340	£2 13	£11 57

BSM+ Black Scholes Merton

Options granted to directors and employees in FY 2009

	Number of shares	Weighed average BSM+ value	Weighted average share price at date of grant
Directors	105,626	£2 28	£8 80
Employees	5,066,322	£2 28	£8 80
Total	5,171,948	£2 28	£8 80

The table below summarises the total option cost recognised by financial year

	Director £'000	Employee £'000
Financial year 2010	399	9,052
Financial year 2009	162	8,643
Financial year 2008	194	8,468
	755	26,163

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

23 Share based compensation *(continued)*

The following table summarises all stock option activity during 2009 and 2010

	Shares	Weighted average exercise price per share	Range of exercise price	Weighted average remaining contractual term (years)
Outstanding as at 30 November 2008	36,246,086	20 29	8 76 – 31 43	4 78
Granted	5,171,948	8 80		
Exercised	(132,878)	8 80		
Forfeited	(269,283)	11 39		
Cancelled/ early vested	(5,805,326)	22 99		
Transfers	(167,370)	21 40		
Balance as at 30 November 2009	35,043,177	18 26	8 76 – 31 43	4 90
Granted	5,345,340	11 57		
Exercised	(210,665)	8 83		
Forfeited	(526,907)	10 50		
Cancelled/ early vested	(4,248,594)	18 60		
Transfers	(184,963)	41 14		
Balance as at 30 November 2010	**35,217,388**	**17.25**	**8.76 – 31.43**	**4.98**
Exercisable	21,525,186			

Restricted Share Units (RSUs)

The RSU share grant scheme began in the financial year 2005 There are three types of RSU scheme

- During the period 1 February 2005 to 1 March 2006 all restricted share unit grants were grade vested over five years (for example 500 shares granted on 1 February 2005 - 100 shares vested 1 February 2006, 100 shares vested 1 February 2007 etc)
- After 1 April 2006, the RSU scheme is cliff vested over three years (for example an RSU was granted on 1 February 2007 for 500 shares – 500 shares vested on 1 February 2010)
- "Focused Retention Awards" were launched in 2007 These were launched with the intention of retaining top levels of Pfizer management This RSU vests 50% after 18 months and 50% after 3 years (for example 1,000 shares granted on 1 February 2007 - 50% vested on 1 August 2008, 50% vested on 1 February 2010)

23 Share based compensation *(continued)*

RSUs, which entitle the holder to receive, at the end of a vesting term, a specified number of shares of Pfizer common stock, including shares resulting from dividend equivalents paid on such RSUs, are accounted for at fair value at the date of grant For RSUs granted in 2007, 2008, 2009 and 2010, in virtually all instances, the units vest after three years of continuous service from the grant date and the fair values are amortized on an even basis over the vesting term into general and administrative expenses For RSUs granted in 2006 and 2005, the units vest in substantially equal portions each year over five years of continuous service

The fair value of each RSU grant is estimated on the grant date For RSUs granted in 2007, 2008, 2009 and 2010, the fair value is set using the closing price of Pfizer Inc common stock on the date of grant

For certain members of senior and key management, vesting may occur after three years of continuous service

RSUs granted to directors and employees in FY 2010

	Number of shares	**Weighed average share price at date of grant**
Directors	86,648	£11 38
Employees	1,093,446	£11 54
Total	1,180,094	£11 53

RSUs granted to directors and employees in FY 2009

	Number of shares	**Weighed average share price at date of grant**
Directors	24,516	£8 80
Employees	1,049,672	£8 80
Total	1,074,188	£8 80

23 Share based compensation *(continued)*

The below table summarises the total RSU cost recognised by financial year

	Director £'000	Employee £'000
Financial year 2010	642	10,006
Financial year 2009	378	10,212
Financial year 2008	310	9,359
	1,330	29,577

The following table summarizes all RSU activity during 2009 and 2010

	RSU	Weighted average share price at date of grant	Weighted average remaining contractual term (years)
Outstanding as at 30 November 2008	2,493,370		6 05
Granted	1,074,188	8 80	
Exercised	(409,493)		
Forfeited	(220,418)		
Reinvested dividends	148,118		
Transfer	(29,065)		
Balance as at 30 November 2009	3,056,700		8 06
Granted	1,180,094	11 53	
Exercised	(1,034,360)		
Forfeited	(225,775)		
Reinvested dividends	137,061		
Transfer	43,621		
Balance as at 30 November 2010	3,157,341		8 27

Other share scheme costs in 2010 amounted to £673,080 (2009 £123,000)

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

24 Reserves

	Profit and loss account £'000	Capital contributions £'000	Convertible loan reserve £'000	Total £'000
Opening reserves	(53,103)	118,520	200,000	265,417
Total recognised gains and losses for the year	138,561	-	-	138,561
Employee share scheme (see note 23)	-	20,772	-	20,772
Capital Contribution (see note 13)	-	363,707	-	363,707
At end of year	85,458	502,999	200,000	788,457

25 Contingent liabilities

There are various cases of litigation pending against the company in the normal course of business The financial impact of all material litigation has been provided for in the financial statements

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

The company has entered into financial arrangements with fellow group undertakings whereby Pfizer Limited has agreed to provide financial support to these companies in meeting their liabilities as they fall due for payment for the foreseeable future

Notes *(continued)*
forming part of the financial statements

26 Commitments

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

	2010 £'000	2009 £'000
Committed	**798**	1,182

Annual commitments under non-cancellable operating leases are as follows

	2010 Land and Buildings £'000	2009 Land and Buildings £'000
Operating leases which expire		
In the second to fifth years inclusive	**5,595**	4,791
After five years	**1,301**	837
	6,896	5,628

27 Pension scheme

The company operates a funded defined benefit pension scheme (The Pfizer Group Pension Scheme) providing benefits based on final pensionable pay Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method

Retirement Benefits (FRS 17)

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 1 April 2008 and updated by Hewitt Associates to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 30 November 2010 Scheme assets are stated at their bid market value at 30 November 2010

Following the UK Government's announcement in summer 2010, the inflation index to be used to derive statutory pension increases has been changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) for certain pensioners Due to the number of differences between the indices, including both constituents and construction, CPI is expected to be less that RPI over the long-term which means that the Pfizer group pension scheme liabilities have reduced The reduction has been recognised as an assumption change – that is, a change to the estimate of future inflation which will be used to increase certain benefits The change has been recognised at 30 November 2010

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

27 Pension scheme *(continued)*

Expected return on assets

Pfizer Limited employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out within this note.

The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the benchmark asset allocation for the Scheme

The amounts recognised in the balance sheet are as follows

	Value at 30 November 2010 £'000	Value at 30 November 2009 £'000
Fair value of scheme assets	**1,762,700**	1,629,700
Benefit obligations	**(1,794,900)**	(1,844,100)
(Liability) recognised on balance sheet	**(32,200)**	(214,400)
Related deferred tax asset	**8,694**	60,020
Net pension (liability)/ asset	**(23,506)**	(154,380)

Movements in present value of defined benefit obligation

	2010 £'000	2009 £'000
Opening defined benefit obligation	**1,844,100**	1,257,000
Current service cost	**53,000**	23,100
Interest cost	**99,900**	80,000
Actuarial (gains)/ losses on scheme liabilities	**(126,100)**	524,900
Contributions by scheme participants	**2,500**	2,800
Net benefits paid out	**(66,300)**	(53,500)
Curtailments/settlements	**(12,200)**	9,800
Closing defined benefit obligation	**1,794,900**	1,844,100

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

27 Pension scheme *(continued)*

Movements in the fair value of scheme assets

	2010 £'000	2009 £'000
Opening fair value of scheme assets	**1,629,700**	1,350,100
Expected return on scheme assets	**110,200**	100,300
Actuarial gains/ (losses) on scheme assets	**(400)**	117,600
Contributions by the employer	**87,000**	112,400
Contributions by scheme participants	**2,500**	2,800
Net benefits paid out	**(66,300)**	(53,500)
Closing fair value of assets	**1,762,700**	1,629,700

Analysis of the amount charged to operating profit

	2010 £'000	2009 £'000
Current service cost	**53,000**	23,100
Curtailments	**(12,200)**	9,800
Total operating charge	**40,800**	32,900

Analysis of the amounts credited to other finance income

	2010 £'000	2009 £'000
Expected return on pension scheme assets	**110,200**	100,300
Interest on pension scheme liabilities	**(99,900)**	(80,000)
Net return	**10,300**	20,300

Notes *(continued)*
forming part of the financial statements

27 Pension scheme *(continued)*

Actual return on scheme assets

	2010 £'000	2009 £'000
Expected return on scheme assets	**110,200**	100,300
Actuarial (loss)/ gain on scheme assets	**(400)**	117,600
Actual return on scheme assets	**109,800**	217,900

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

	2010 £'000	2009 £'000
Actuarial gain/ (loss) on scheme liabilities	**126,100**	(524,900)
Actuarial (loss)/ gain on scheme assets	**(400)**	117,600
Actuarial gain/ (loss) recognised in STRGL	**125,700**	(407,300)

The principal actuarial assumptions at the balance sheet date

	2010	2009
Rate of increase in salaries	**4.5%**	4 5%
Discount rate applied to scheme liabilities	**5.5%**	5 5%
RPI Inflation	**3.5%**	3 5%
CPI Inflation	**2.6%**	-
Pension increases on pensions accrued		
RPI pension increases pre 6 April 1997*	**0%**	0%
CPI pension increases April 1997 – April 2006*	**2.6%**	-
RPI pension increases April 1997 – April 2006*	**3.3%**	3 3%
CPI pension increases post April 2006	**1.9%**	3 3%
RPI pension increases post April 2006	**2.2%**	2 2%

*Certain sections/groups that have transferred in from other schemes are entitled to different pension increases They are valued consistently with this basis

Pfizer Limited

Notes *(continued)*
forming part of the financial statements

27 Pension scheme *(continued)*

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions are that a member currently aged 65 will live on average for a further 22 years if they are male and for a further 25 years if they are female. For a member who retires in 2028 at age 65 the assumptions are that they will live on average for a further 24 years after retirement if they are male and for a further 27 years after retirement if they are female

When calculating the discount rate and inflation assumptions, a yield curve approach was adopted in order to reflect the weighted average duration of the liabilities The yield curve approach involves

- Calculating a single discount rate which produces the same pension liability figure as discounting the projected future cashflows for the UK schemes by the hypothetical zero-coupon spot rate applicable to each future year
- A single discount rate is used for the UK schemes which reflect their relative size
- The results are rounded to the nearest 0 25% p a

Inflation is derived in a manner consistent with the discount rate using a curve of inflation expectations based on market indicators, and rounded to the nearest 0 1% p a It also incorporates a deduction of 0 25% p a to reflect the inflation risk premium

Expected return on assets

	Long term rate of return expected at 30 November 2010	**Value at 30 November 2010 £'000**	Long term rate of return expected at 30 November 2009	Value at 30 November 2009 £'000	Long term rate of return expected at 30 November 2008	Value at 30 November 2008 £'000
Equities	**8.2%**	**972,200**	8 8%	877,300	8 9%	779,100
Bonds	**4.1%**	**496,300**	4 2%	546,700	4 1%	366,300
Other	**8.8%**	**244,600**	3 8%	149,900	4 5%	190,300
Property	**6.7%**	**49,600**	7 2%	55,800	8 9%	14,400
Total market value of assets	**6.75%**	**1,762,700**	6 75%	1,629,700	7 42%	1,350,100

Notes *(continued)*
forming part of the financial statements

27 Pension scheme *(continued)*

History of experience gains and losses

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	**1,794,900**	1,844,100	1,257,000	1,337,218	1,365,833
Fair value of assets	**1,762,700**	1,629,700	1,350,100	1,437,100	1,290,200
(Liability)/asset recognised on balance sheet	**(32,200)**	(214,400)	93,100	99,882	(75,633)
Experience gains/ (losses) on scheme assets	**(400)**	117,600	(412,300)	(35,600)	32,900
Experience gains/ (losses) on scheme liabilities	**126,100**	18,000	(20,300)	3,300	16,590

The company expects to contribute £83,200,000 to the pension plan in the year ended 30 November 2011

28 Related party disclosure

The company is controlled by Pfizer Group Limited The ultimate controlling company is Pfizer Inc , a company incorporated in the State of Delaware, United States of America

As the company is a wholly owned subsidiary of Pfizer Group Limited it has availed of the exemption provided in FRS 8 Related Party Disclosures, from the requirement to disclose details of transactions with wholly owned group undertakings

Other than transactions with related group undertakings there are no related party transactions requiring disclosure Details of the availability of the group consolidated financial statements are given in note 29

29 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 ("Pfizer Group"), a company incorporated in the State of Delaware, 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 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 that headed by C P Pharmaceuticals International C V , Coolsingel 93, 3012 AE Rotterdam, Holland whose accounts are publicly available from the Chamber of Commerce, PO Box 450, 3001 AL Rotterdam, Holland

30 Subsequent Events

On 1 February 2011, Pfizer Inc, the ultimate parent undertaking, announced as part of its continuing strategy to evaluate its global research and development function, it would accelerate its current strategies to improve innovation and overall productivity by prioritising areas with the greatest scientific and commercial promise, utilising appropriate risk/return profiles and focusing on areas with the highest potential to deliver value in the near term and over time To that end, Pfizer Group's research will primarily focus on five high-priority areas that have a mix of small and large molecules—immunology and inflammation, oncology, cardiovascular and metabolic diseases, neuroscience and pain and vaccines In addition to reducing the number of disease areas the Pfizer Group will focus on, key steps in this process include a realigned research and development footprint As part of this realignment Pfizer Inc announced the planned exit from the Group's site and facilities in Sandwich, United Kingdom, held by Pfizer Limited

Subsequently, on 23 June 2011, Pfizer Inc revised exit plans and now expects to retain a presence within the Pharmaceutical Sciences area at the Sandwich site These decisions are subject to works council and union consultations As at the date of these accounts consultations with the works council and unions are ongoing and are not expected to be completed until November 2011 at the earliest

The company estimates that as a result of this decision it will incur employee-termination charges in the range of approximately £100 million to £150 million and other exit and implementation charges in the range of approximately £75 million to £125 million, all of which will result in future cash expenditures The company expects these charges to be incurred by the end of 2012 The company has also estimated that it will incur total accelerated depreciation and asset restructuring charges in the range of approximately £550 million to £650 million

On the 28 August 2011 the Pharmaceutical business (selling prescription medicines) of John Wyeth and Brother Limited was acquired by Pfizer Limited for £131 4 million subject to finalisation adjustments to be completed by 30 November 2011 The purchase includes all intellectual property rights and stocks of the Pharmaceutical business