Wilkinson Sword Limited

Directors' report and financial statements

Registered number 29311

30 November 2001

Contents

Directors' report

The directors present their annual report and the audited financial statements for the period ended 30 November 2001.

Principal activities and business review

The principal activity of the Company during the period was the distribution of razors, razor blades, toiletries and manicure products and the manufacture and distribution of swords.

Accounting period

During the period the Company changed its accounting reference date from 31 December to 30 November to be consistent with the other Pfizer group companies. The financial statements presented are for the 11 month period ended 30 November 2001.

Results and dividends

The audited financial statements for the period ended 30 November 2001 are set out on pages 5 to 19.

The Company generated an after tax loss of £2,804,000 (*2000:profit of £1,144,000*). No dividends were paid or proposed during the period *(2000:Nil)*. The retained loss for the period has been transferred to reserves.

Directors and directors' interests

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

M J Cummings (USA)

T G R Audley

K Fletcher

D R Bainbridge (appointed 31 July 2001)

S R Griffin was appointed as a director on 19 March 2001 and resigned on 6 June 2001.

K Fletcher resigned as a director on 25 June 2002.

RH Gane and CA Hoade were appointed as directors on 23 May 2002 and 25 July 2002 respectively.

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.

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 accommodation 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 email 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 that 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 annually, encourages employees of the participating companies to take a direct interest in the performance of the world-wide group.

Auditors

KPMG were re-appointed as auditors for the year ending 30 November 2001. However, since that date their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 14 June 2002 and KPMG LLP were thereupon appointed to fill the vacancy arising. Pursuant to a shareholders' resolution, KPMG LLP will continue in office as auditors.

By order of the board

T Audley
Director

24 SEPTEMBER 2002

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 to 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

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Wilkinson Sword Limited

We have audited the financial statements on pages 5 to 19.

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 2001 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

24 September 2002

Profit and loss account

for the 11 month period ended 30 November 2001

	Note	**11 months ended 30 November 2001 £000**	Year ended 31 December 2000 £000
Turnover	*2*	**25,481**	34,279
Net operating costs	*3*	**(29,523)**	(35,162)
Operating loss		**(4,042)**	(883)
Reorganisation costs	*4*	**-**	(525)
Other interest receivable and similar income	*8*	**67**	1,528
Interest payable and similar charges	*9*	**-**	(1)
(Loss)/profit on ordinary activities before taxation	*5*	**(3,975)**	119
Tax credit on (loss)/profit on ordinary activities	*10*	**1,171**	1,025
Retained (loss)/profit for the financial period	*18*	**(2,804)**	1,144

The Company had no recognised gains or losses other than those reported in the profit and loss account for the period.

All items relate to continuing operations.

Balance Sheet
As at 30 November 2001

	Note	30 November 2001		31 December 2000	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*11*		**922**		419
Investments	*12*		**29**		29
			951		448
Current assets					
Stocks	*13*	**5,276**		3,330	
Debtors	*14*	**31,557**		31,997	
Cash at bank and in hand		**913**		383	
		37,746		35,710	
Creditors: amounts falling due within one year	*15*	**(6,630)**		(3,925)	
Net current assets			**31,116**		31,785
Total assets less current liabilities			**32,067**		32,233
Provisions for liabilities and charges	*16*		**(2,638)**		-
Net assets			**29,429**		32,233
Capital and reserves					
Called up share capital	*17*		**5,246**		5,246
Share premium account	*18*		**360**		360
Profit and loss account	*18*		**23,823**		26,627
Equity shareholders' funds			**29,429**		32,233

These financial statements were approved by the board of directors on 24 SEPTEMBER 2002 and were signed on its behalf by:

T Audley
Director

Reconciliation of movements in equity shareholders' funds

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Retained (loss)/profit for the financial period	**(2,804)**	1,144
Opening equity shareholders' funds	**32,233**	31,089
Closing equity shareholder's funds	**29,429**	32,233

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 following new accounting standards have become effective for the first time this period and have been adopted by the Company;

FRS 17 *Retirement Benefits:* The effects of this new standard are shown in note 20.

FRS 18 *Accounting Policies:* FRS 18 requires the directors to adopt the most appropriate accounting policies having regard to factors including normal industry practice and comparability with other entities in the same sector. The directors have considered the existing accounting policies of the Company in the light of the new requirement and have concluded that no changes are needed.

In addition FRS 19 *Deferred Tax* is applicable for accounting periods ending on or after 23 January 2002. It requires full provision to be made for deferred tax assets and liabilities. The Company will implement the standard in its 2002 financial statements.

Basis of preparation

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

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

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

Intangible assets

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

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

Fixed assets and depreciation

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

Freehold buildings	-	20-50 years
Leasehold buildings	-	life of lease
Plant and machinery	-	3 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.

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 shown in 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 between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes *(continued)*

2 Turnover

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Geographical markets:		
United Kingdom	**23,771**	28,653
Rest of Europe	**1,398**	3,920
United States of America	**57**	-
Rest of World	**255**	1,706
	25,481	34,279
Sales of products	**25,193**	33,882
Royalty income	**288**	397
	25,481	34,279

3 Net operating costs

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Cost of sales	**22,589**	24,996
Research and development expenditure	**1**	72
Distribution costs	**1,329**	986
Administrative expenses[1]	**5,604**	9,108
	29,523	35,162

Cost of sales includes the cost of production and marketing.

[1] Included within administrative expenses are costs of £299,000 *(2000: £75,000)* relating to the merger with Pfizer Inc. Also included within administrative expenses are costs of £2,864,000 arising on the creation of a provision for the recharge of stock option costs by Pfizer Inc., further details are provided in note 16.

Notes *(continued)*

4 Reorganisation costs

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Cost of restructuring	-	2,011
Less: release of provision made in 1998	-	(1,486)
	-	525

The reorganisation costs represent the final closure costs of the production facility at Cramlington. During 2000 the provision was fully utilised. A further amount of £525,000 in excess of this provision was spent in 2000.

5 (Loss)/Profit on ordinary activities before taxation

(Loss)/Profit on ordinary activities before taxation is stated after charging	**11 months ended 30 November 2001 £000**	Year ended 31 December 2000 £000
Depreciation	**94**	79
Auditors' remuneration:		
Audit	**28**	40
Hire of plant and machinery – rentals payable under operating leases	**192**	233
Hire of buildings – operating leases	**529**	415

6 Remuneration of directors

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Directors' emoluments	**48**	270

Notes *(continued)*

6 Remuneration of directors *(continued)*

	Number of directors	
	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Retirement benefits under defined benefit schemes accrued to the following number of directors during the period in respect of their services to the Company	**2**	1
The number of directors who exercised share options was	**1**	3

None of the directors received shares under long term incentive schemes in respect of their services to the Company *(2000: three)*.

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:

	11 months ended 30 November 2001	Year ended 31 December 2000
Manufacturing	**22**	16
Administration	**55**	59
	77	75

The aggregate payroll costs of these people were as follows:

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Wages and salaries	**3,102**	4,452
Social security costs	**269**	304
Other pension costs	**232**	686
	3,603	5,442

Notes *(continued)*

8 Other interest receivable and similar income

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Receivable from group undertakings	-	1,303
Other	67	225
	67	1,528

9 Interest payable and similar charges

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
Amounts payable to group undertakings	-	-
Amounts payable on bank loans and overdrafts	-	(1)
	-	(1)

10 Tax credit on (loss)/profit on ordinary activities

	11 months ended 30 November 2001 £000	Year ended 31 December 2000 £000
UK Corporation tax at 30% *(2000:30%)*	1,070	(6)
Adjustments relating to an earlier year	101	1,031
	1,171	1,025

Notes *(continued)*

11 Tangible fixed assets

	Land and buildings £000	Plant and equipment £000	Total £000
Cost or valuation			
At beginning of period	228	715	943
Additions	12	588	600
Disposals	(41)	(60)	(101)
At end of period	199	1,243	1,442
Depreciation			
At beginning of period	114	410	524
Charge for period	14	80	94
On disposals	(41)	(57)	(98)
At end of period	87	433	520
Net book value			
At 30 November 2001	**112**	**810**	**922**
At 31 December 2000	114	305	419

12 Investments

	30 November 2001 £000	31 December 2000 £000
Cost at 30 November 2001 and 1 January 2001	**29**	29

13 Stocks

	30 November 2001 £000	31 December 2000 £000
Raw materials and consumables	**496**	368
Work in progress	**92**	128
Finished goods and goods for resale	**4,688**	2,834
	5,276	3,330

Notes *(continued)*

14 Debtors

	30 November 2001 £000	31 December 2000 £000
Trade debtors	**6,778**	5,827
Amounts owed by parent undertaking and fellow group undertakings	**20,972**	20,754
Prepayments and accrued income	**167**	1,180
Other debtors	**3,640**	2,763
Corporation tax recoverable	**-**	1,473
	31,557	31,997

15 Creditors: amounts falling due within one year

	30 November 2001 £000	31 December 2000 £000
Trade creditors	**370**	-
Amounts owed to parent undertaking and fellow group undertakings	**3,266**	1,249
Accruals and deferred income	**2,232**	1,419
Other creditors including tax and social security	**762**	1,257
	6,630	3,925

16 Provisions for liabilities and charges

	Stock options provision £000
At beginning of period	**-**
Charged during period	**2,864**
Utilised during period	**(226)**
At end of period	**2,638**

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 2001, 229,484 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.

Notes *(continued)*

16 Provisions for liabilities and charges *(continued)*

The full net potential deferred tax asset, none of which has been recognised in these financial statements, is set out below:

	30 November 2001 £000	31 December 2000 £000
Difference between accumulated depreciation and amortisation and capital allowances	**(82)**	(97)
Other timing differences	**842**	344
	760	247

17 Called up equity share capital

	Authorised		**Allotted, called up and fully paid**	
	2001 £000	2000 £000	**2001 £000**	2000 £000
6,350,000 Ordinary shares of 20p each	**1,270**	1,270	**1,270**	1,270
19,882,283 Non-voting 'A' Ordinary shares of 20p each	**3,976**	3,976	**3,976**	3,976
3,767,717 Unclassified shares of 20p each	**754**	754	**-**	-
	6,000	6,000	**5,246**	5,246

The Non-Voting 'A' Ordinary shares rank pari passu in all respects with the Ordinary shares except that holders of the former shares are not entitled to vote at general meetings and on any issue of shares (not being Preference shares) by way of capitalisation, are only entitled to receive further Non-Voting 'A' Ordinary shares.

The Unclassified shares may be issued by the Company in all or part either as Ordinary shares or as Non-Voting 'A' Ordinary shares as it may so determine.

18 Reserves

	Share Premium Account £000	**Profit and Loss Account** £000
At beginning of period	**360**	**26,627**
Retained loss for the period	**-**	**(2,804)**
At end of period	**360**	**23,823**

Notes *(continued)*

19 Commitments

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

	2001 **£000**	2000 £000
Committed	**46**	-

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

	2001 Land and buildings £000	**2001 Other £000**	2000 Land and buildings £000	2000 Other £000
Operating leases which expire:				
Within one year	-	**11**	-	48
In the second to fifth years inclusive	-	**38**	-	-
Above five years	**505**	-	418	-
	505	**49**	418	48

Land and buildings lease commitments include a lease for office premises which were leased for a term of 128 years from 1 August 1971. The lease was subject to rent review on 26 February 1980 and every seven years thereafter. The next review is due on 26 February 2008.

20 Pension scheme

The Company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The charge for the year was based on actuarial valuations prepared as at 6 April 1999. 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 pre-retirement investments of 6% pa;
- a rate of return on post-retirement investments of 4.7% pa;
- a rate of increase in salaries of 4% pa;
- price inflation rate of 2.7% pa;
- rate of increase in pensions payment of 5% pa.

This valuation showed that the market value of the scheme's assets was £109 million at 6 April 1999 and that this represented 91% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Notes *(continued)*

20 Pension scheme *(continued)*

The pension charge for the period was £232,000 *(2000:£686,000).*

Disclosures in respect of FRS 17

The above figures have been prepared in accordance with the requirements of the current UK Statement of Standard Accounting Practice (SSAP 24) for accounting for pension costs. The UK has published a new Financial Reporting Standard (FRS 17) which will change the basis on which defined benefit pension costs and funding position are calculated and reported for accounting purposes. FRS 17 has to be implemented in full by 2003 but supplementary disclosure is required in accounts from 2001 onwards. The accounting requirements of FRS 17 are broadly as follows:

- pension scheme assets are valued at market values at the balance sheet date.
- pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on high quality corporate bond of equivalent term and currency to the liability.
- for accounting periods ending on or after 22 June 2003 the pensions scheme surplus (to the extent it is considered recoverable) or deficit will be recognised in full and presented on the face of the balance sheet.
- the movement in the scheme surplus/deficit will be split between operating charges, financing items and, in the statement of total recognised gains and losses, actuarial gains and losses.
- supplementary disclosures on an FRS 17 basis are set out below.

Qualified independent actuaries updated the actuarial valuations of the Wilkinson Pension Fund to 30 November 2001. The main financial assumptions used in this update were as follows:

Inflation assumption	2.3% p.a.
Rate of increase in salaries	3.6% p.a.
Rate of increase in pensions in payment	5.0% p.a.
Discount rate	5.75% p.a.

The assets and liabilities of the Wilkinson Pension Fund at 30 November 2001 are as follows:

	£000
Equities	**15,332**
Bonds	**87,448**
Others	**1,459**
Total fair value of assets	**104,239**
Present value of scheme liabilities	**(107,476)**
Deficit in the scheme	**(3,237)**
Related deferred tax asset *	**971**
Net pension liability	**(2,266)**

* Calculated on the full provision basis in accordance with FRS 19.

Notes *(continued)*

20 Pension scheme *(continued)*

The scheme deficit shown above is before taking account of prepayments £3.4m which is already included in the accounts with respect to this scheme. This balance will increase the impact on the balance sheet of incorporating the pension deficit on the introduction of FRS 17.

21 Related party disclosure

Wilkinson Sword Limited, a wholly owned subsidiary of Pfizer UK Group Limited, has taken advantage of the exemption provided in FRS8 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.

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

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

The immediate holding company is Pfizer UK 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 Pfizer UK Group Limited.