

Company registration number: 2903539

**DIRECTORS' REPORT AND ACCOUNTS FOR
THE YEAR ENDED 31 DECEMBER 1998
FOR W-L (EUROPE)**



REPORT OF THE DIRECTORS

Directors: R A Breden
S A Mellino

Secretary: S J Wallcraft (appointed 1 December 1998)
D M Willis (resigned 1 December 1998)

The directors have pleasure in submitting the Report and Accounts of the Company for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company was incorporated on 24 February 1994 and formed as an investment holding company.

RESULTS AND DIVIDENDS

The profit for the year amounts to £133,000 (1997 - £2,943,000) all of which has been transferred to reserves (1997 - profit of £38,000).

The directors do not propose a dividend for the year (1997 - £2,905,000).

DIRECTORS

The directors of the Company during the year ended 31 December 1998 were as listed above.

DIRECTORS' INTERESTS

Neither of the directors has an interest in the shares of the Company or in any contract to which the Company was a party during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

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 the year. In preparing these statements the directors are required to select suitable accounting policies and 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 or explained in the financial statements; and prepare the 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS (Continued)**YEAR 2000**

The Directors are aware of the Year 2000 issue and are taking steps to address it by ensuring that internal systems are reviewed and seeking assurances from significant suppliers that they are formulating appropriate strategies to deal with the problem.

The Board has assessed the likely impact on activities of the Company and has considered the action required to address the issue.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain because at least some level of failure may still occur. However, the Board believes that an acceptable state of readiness will be achieved. The costs associated with implementing Year 2000 compliance have all been incurred by Parke Davis & Co Limited, a fellow subsidiary undertaking. Details of the expenditure incurred are disclosed in the Directors' Report of that Company.

ANNUAL GENERAL MEETING

In accordance with the provisions of S379A of the Companies Act 1985, the Company has elected to dispense with the laying of reports and accounts before the members in general meeting, the annual appointment of auditors and the holding of annual general meetings. Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors during the period and PricewaterhouseCoopers were appointed in their place.

By order of the Board.



S J WALLCRAFT
Secretary

25 October 1999

PricewaterhouseCoopers

The Quay
30 Channel Way
Ocean Village
Southampton SO14 3QG
Telephone +44 (0) 1703 330077
Facsimile +44 (0) 1703 223473
Direct fax 01703 223473

**AUDITORS' REPORT TO THE MEMBERS OF
W-L (EUROPE)**

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 1 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

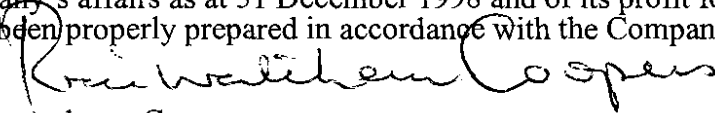
Basis of opinion

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 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Southampton

25 October 1999

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £'000's	1997 £'000's
Income from shares in group undertakings		-	3,632
Net interest receivable		179	55
		<hr/>	<hr/>
Profit on ordinary activities before taxation		179	3,687
Tax on profit on ordinary activities	3	(46)	(744)
		<hr/>	<hr/>
Profit for the financial year		133	2,943
Dividends payable		-	(2,905)
		<hr/>	<hr/>
Retained profit for year	10	133	38
		<hr/>	<hr/>

There are no recognised gains or losses other than those shown in the profit and loss account.

BALANCE SHEET AS AT 31 DECEMBER 1998

	Note	1998		1997	
		£'000's	£'000's	£'000's	£'000's
FIXED ASSETS					
Investments	5		1,301		1,301
CURRENT ASSETS					
Debtors	6	15		2,037	
Cash at bank and in hand		2,853		643	
		—		—	
		2,868		2,680	
CREDITORS: Amounts falling due within one year					
Creditors	7	(17)		-	
Corporation tax		(55)		(17)	
		—		—	
		(72)		(17)	
NET CURRENT ASSETS			2,796		2,663
			—		—
TOTAL ASSETS LESS CURRENT LIABILITIES			4,097		3,964
			—		—
CAPITAL AND RESERVES					
Called up share capital	8		10		10
Share premium account	9		2,015		2,015
Profit and loss account	10		2,072		1,939
			—		—
SHAREHOLDERS' FUNDS	2		4,097		3,964
			—		—



R A Breden

Director

Approved by the Board on 25 October 1999

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

1. ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. In accordance with Financial Reporting Standard 1 (Revised) no cashflow statement has been prepared. Warner-Lambert Company, the ultimate holding company, prepares a cashflow statement.

(b) Investments

Investments are stated at cost less provisions for permanent diminution in value.

2. MOVEMENT IN SHAREHOLDERS' FUNDS

	1998 £'000's	1997 £'000's
Profit for the financial year	133	2,943
Dividends payable	-	(2,905)
Net addition to shareholders' funds	133	38
Opening shareholders' funds	3,964	3,926
Closing shareholders' funds	4,097	3,964

All shareholders' funds relate to equity interests.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation based on the profit for the year comprises:

	1998 £'000's	1997 £'000's
UK tax at 31% (1997 – 31.5%)	55	17
Tax credit on franked investment income	-	727
Prior year adjustment	(9)	-
	46	744

4. EMOLUMENTS OF DIRECTORS

The only employees of the Company during the year were the directors, neither of whom received any remuneration (1997 - £nil).

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (Continued)

5. INVESTMENTS

	1998 £'000's	1997 £'000's
Opening and closing balance	1,301	1,301

Interest in Associated Undertakings:

The Company holds 3,808 'A' shares being 38.08% of the nominal value of those ordinary shares of Warner-Lambert Consumer Healthcare, registered in England and Wales, the holders of which have the right to receive notices, attend general meetings and vote thereat.

The Company also holds 373,204 'C' shares being 37.32% of the nominal value of those shares of Warner-Lambert Consumer Healthcare, registered in England and Wales, the holders of which have the rights to receive the balance of any profits to be distributed.

Warner-Lambert Consumer Healthcare is the holding company for the Warner-Lambert Consumer Healthcare group of companies in Europe and its subsidiaries develop, market, distribute and sell pharmaceutical OTC (over the counter) products.

The Company's share in the net assets and results of its associate is as follows:

	1998 £'000's	1997 £'000's
37.32% share of the profit before tax of Warner-Lambert Consumer Healthcare	24,019	6,338
37.32% share of the tax of Warner-Lambert Consumer Healthcare	7,753	3,575
37.32% share of the net profit of Warner-Lambert Consumer Healthcare	16,265	2,763
37.32% share of the fixed assets of Warner-Lambert Consumer Healthcare	3,358	6,707
37.32% share of the current assets of Warner-Lambert Consumer Healthcare	66,463	40,813
37.32% share of the liabilities due within one year of Warner-Lambert Consumer Healthcare	(23,222)	(17,908)
37.32% share of the liabilities due after one year or more of Warner-Lambert Consumer Healthcare	(724)	(526)
37.32% share of the assets of Warner-Lambert Consumer Healthcare	45,875	47,520
37.32% share of the reserves of Warner-Lambert Consumer Healthcare	43,666	27,436

6. DEBTORS

	1998 £'000's	1997 £'000's
Amounts owed by fellow subsidiary undertaking	-	2,037
Other debtors	15	-
	<u>15</u>	<u>2,037</u>

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (Continued)

7. CREDITORS: Amounts falling due within one year	1998 £'000's	1997 £'000's
Amounts owed to fellow subsidiary undertaking	17	-
8. CALLED UP SHARE CAPITAL	1998 £	1997 £
Authorised and allotted:		
100,000 Ordinary shares at 10 pence each	10,000	10,000
Fully paid:		
99,930 Ordinary shares at 10 pence each	9,993	9,993
9. SHARE PREMIUM ACCOUNT	1998 £'000's	1997 £'000's
Opening and closing balance	2,015	2,015
10. PROFIT AND LOSS ACCOUNT	1998 £'000's	1997 £'000's
Opening balance	1,939	1,901
Profit for the year	133	38
Closing balance	2,072	1,939
11. AUDITORS' REMUNERATION		

The auditors' remuneration has been borne by a Warner-Lambert group company.

12. ULTIMATE PARENT UNDERTAKING/RELATED PARTY TRANSACTIONS

The ultimate parent and controlling undertaking is Warner-Lambert Company, a company incorporated in the United States of America. Copies of the accounts can be obtained from 201 Tabor Road, Morris Plains, New Jersey, 07950, USA. Warner-Lambert Company is the largest and smallest company to consolidate the accounts of W-L (Europe).

The results of the Company are consolidated in the results of Warner-Lambert Company, whose financial statements are publicly available. Accordingly, the Company is exempt from the requirement to disclose transactions with other companies which qualify as related parties within the Group.