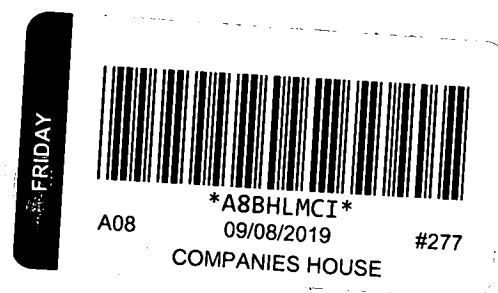


Pfizer Limited

Annual report and
financial statements

Year ended 30 November 2018

Registered number: 00526209



Pfizer Limited

Annual report and financial statements

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Pfizer Limited

Directors and other information

Directors

IE Franklin
BS Phillips
HH Nordkamp
JK Thompson
EJ Pearson
CM Seller
DJ Harnett
B Osborn
PR Rose

Registered office

Pfizer Limited
Ramsgate Road
Sandwich
Kent
CT13 9NJ

Independent auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Registered number

00526209

Pfizer Limited

Strategic report

Business review

The audited financial statements for the year ended 30 November 2018 are set out on pages 10 to 43.

The company generated an after-tax profit of £242,631,000 (2017: *profit of* £177,018,000). During the year, the directors declared payable a dividend of £190,000,000 (2017: *£nil*). The retained profit for the year £242,631,000 (2017: *profit of* £177,018,000) has been transferred to reserves. At the year end the company had net assets, including pension liabilities, of £821,857,000 (2017: £777,882,000). Increased net assets were due mainly to the profitability of the company in 2018 and dividends received and paid in the year.

The profit and loss account and statement of financial position are set out on pages 18 and 19 respectively. The development and performance of the company during the year was satisfactory, as was the position of the company at the year-end. It is anticipated this will continue into 2019.

On 24 September 2018 the company disposed of neuroscience intellectual property rights to Pfizer Inc. On 30 November 2018 the company sold its research and development business to a fellow group undertaking, Pfizer R&D UK Limited. Subsequent to year end, on 1 April 2019, the company agreed to sell a portion of its established medicines business to a fellow group undertaking, Upjohn UK Limited.

The company is managed on an integrated basis with other Pfizer Inc. group companies worldwide as part of Pfizer Inc.'s global healthcare business. Accordingly, key performance indicators have not been given for the company itself. The focus of the business is innovation in the medicines that are integral to good healthcare, with a central task being the discovery and development of more new medicines for patients. Further details are provided in the Pfizer Inc. consolidated annual review and financial report which are available from Pfizer Inc., 235 East 42nd Street, New York, NY 10017, USA.

Brexit risk, planning and readiness preparation

In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". The outcome of ongoing negotiations will likely determine the future terms of the UK's relationship with the EU. The negotiation process continues to be highly complex and the end result of these negotiations may pose certain implications to the Pfizer Inc. group's research, commercial and general business operations in the U.K. and the EU, including the approval and supply of products. The Pfizer Inc. group proactively established an internal committee to plan and implement the changes necessary to meet EU legal requirements should the U.K. cease to be an E.U. member state, especially in the regulatory, research, manufacturing and supply chain areas. The aim is to ensure the continuity of supply to patients in Europe (EU and the U.K.) and other global markets impacted by ultimate resolution of Brexit negotiations. The Brexit related risks and uncertainties for the company derive from the Pfizer Inc. group (of which the company is a part).

Principal risks and uncertainties

The principal risks and uncertainties for the company derive from the development, performance and position of the Pfizer Inc. group (of which the company is a part). During the year the principal factors which could cause risk and uncertainty for the Pfizer Inc. group included:

- The success of research and development activities.

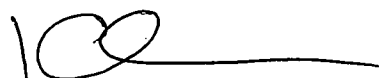
Pfizer Limited

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

- Decisions by regulatory authorities regarding whether and when to approve Pfizer's drug applications as well as their decisions regarding labelling and other matters that could affect the availability or commercial potential of Pfizer's products.
- The speed with which regulatory authorisations, pricing approvals, and product launches may be achieved.
- The success of external business development activities.
- Competitive developments, including the impact on Pfizer's competitive position of new product entrants, in-line branded products, generic products, private label products and product candidates that treat diseases and conditions similar to those treated by Pfizer's in-line products and product candidates.
- The ability to successfully market both new and existing products.
- Difficulties or delays in manufacturing.
- Trade buying patterns.
- The ability to meet generic and branded competition after the loss of patent protection for Pfizer's products and competitor products.
- 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, 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 tax obligations.
- Changes in generally accepted accounting principles.
- General economic, political, business, industry, regulatory and market conditions, including the UK's decision to leave the EU. The impact on Pfizer, its lenders, its customers, its suppliers and counterparties, to foreign exchange and interest rate agreements from weak global economic conditions and changes in global financial markets.
- Any changes in business, political and economic conditions due to actual or threatened terrorist activity.
- 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.

By order of the board



IE Franklin
Director

Date: 01 August 2019

Pfizer Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2018.

A review of the performance of the company's business during the year, the principal risks and uncertainties facing the company and its future prospects are included in the strategic report set out on pages 2 to 3 which should be read in conjunction with the Directors' report.

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 is engaged in research and development activities for the development of pharmaceutical products. On 30 November 2018 the company sold the research and development business to a fellow group undertaking, Pfizer R&D UK Limited.

Share capital, other reserves and dividends

No shares have been issued during the period. During the year, the directors declared payable a dividend of £190,000,000 (2017: £nil).

Political contributions

No political donations were made during the year (2017: £nil).

Community contributions

Details about the company's support to UK communities can be found on the company's website (www.pfizer.co.uk/supporting-uk-society).

Directors

The directors, who held office from 1 December 2017 and to the date of this report, unless otherwise stated, were:

CM Seller	
IE Franklin	
EM Greenfield	(resigned 30 April 2018)
BS Phillips	
DJ Harnett	(appointed 26 April 2018)
HH Nordkamp	
EJ Pearson	
JK Thompson	
S Richardson	(resigned 14 March 2018)
PR Rose	(appointed 06 February 2019)
B Osborn	(appointed 05 November 2018)
S Rienow	(appointed 23 March 2018, resigned 05 February 2019)

Pfizer Limited

Directors' report *(continued)*

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 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.

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

The directors who held office at the date of approval of this directors' report confirm that so far as the directors are aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the board



IE Franklin
Director
Ramsgate Road
Sandwich
Kent, CT13 9NJ

Date: 01 August 2019

Pfizer Limited

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the strategic report, 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 applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general and 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 AUDITOR'S REPORT TO THE MEMBERS OF PFIZER LIMITED

Opinion

We have audited the financial statements of Pfizer Limited ("the company") for the year ended 30 November 2018 which comprise the Profit and loss account and other comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in Statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

The impact of uncertainties due to the UK exiting the European Union on our audit:

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as [recoverability of goodwill] and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PFIZER LIMITED *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

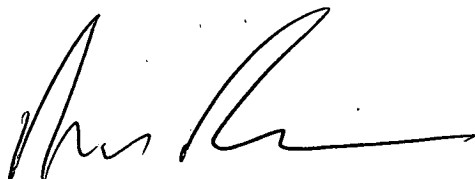
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PFIZER LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Royle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15, Canada Square
London E14 5GL
Date: 01 August 2019

Pfizer Limited

Statement of accounting policies *for the year ended 30 November 2018*

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

Pfizer Limited is a limited liability company incorporated in England and domiciled and registered in the UK. The registered number is 00526209 and the registered office is Ramsgate Road, Sandwich, Kent, CT13 9NJ.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of and no objection to the use of exemptions by the company's shareholders.

A separate cash flow statement is not presented by the company as the information is included in the consolidated cash flow statement prepared by the ultimate parent, Pfizer Inc., in the manner prescribed by FRS102.7.

The company has availed of the exemption in FRS 102.33.1A from the requirement to disclose details of transactions with group undertakings. Other than transactions with related group undertakings there are no related party transactions. Details of the availability of the group consolidated financial statements are given in note 25.

The company is exempt from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

The company is exempt from certain disclosures of share-based payments as the relevant information is disclosed in the consolidated financial statements of Pfizer Inc., as required by FRS 102.26.

The company has availed of the exemption from disclosures for financial assets and liabilities required by Section 11 paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A as equivalent disclosures are included in the consolidated financial statements of Pfizer Inc. in which Pfizer Limited is consolidated.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Going Concern

After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis except where noted in accounting policies below.

Consolidation

The company is exempt by virtue of s.401 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.

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 subsequently measured at cost less accumulated amortisation and are stated net of any provisions for impairment.

Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The entity assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	33 years
Leasehold improvements	Life of lease
Plant and equipment	3 to 20 years

No depreciation is provided on payments on account or assets in the course of construction.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Fixed assets and depreciation *(continued)*

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Residual value is calculated on prices prevailing at the date of acquisition. The net book value of fixed assets is written down to estimated recoverable amount, should any impairment be identified.

Fixed asset investments

Non-listed fixed asset investments are stated at cost less provision for any impairment in value. An impairment test is undertaken on an annual basis by the company to confirm that the carrying value of non-listed fixed asset investments is appropriate.

Listed investments are stated at market value and any change in value is transferred to a reserve through profit and loss account.

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 statement of financial position date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes. The company accounts for derivatives at fair value and they are recognised at their fair value on the statement of financial position.

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 lower of cost and net realisable value 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.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Turnover

Turnover represents the amounts (excluding value added tax and net of rebates and returns) derived from the provision of goods to customers, from royalty agreements and from co-promotion and co-development agreements. Turnover from provision of goods is recognised at the point at which the significant risks and rewards are transferred to the buyer, in line with contract terms, typically on date of goods despatch. Turnover from royalties is recognised at the point the income becomes due in accordance with the relevant royalty agreement. Income from co-promotion agreements is recognised when it is earned, as defined in the contract, and can be reliably estimated. In general, this is upon the sale of the co-promoted product or upon the delivery of a promotional service.

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.

Employee 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.

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. The company operates a number of defined contribution schemes.

The company also provides certain employees with post-retirement benefits other than pensions and the cost of providing these benefits are recognised in the other comprehensive income.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans and other long-term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Employee benefits *(continued)*

A valuation is performed annually by a qualified actuary using the projected unit credit method. Under FRS 102, the company can recognise a surplus on the balance sheet as the employer has an unconditional right to a refund of any surplus.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Share based payments

Share-based payment arrangements in which the entity receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the entity.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on the fair value of the options or shares determined at the grant date. The company uses option valuation models, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Borrowing costs

All borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Investments

Investment in subsidiary companies

Investments in subsidiary companies are held at historical cost less accumulated impairment losses.

Investment in associates

Investments in associates are held at historical cost less accumulated impairment losses.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

Financial assets

Basic financial assets, including trade and other debtors and amounts due from group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. A provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Other financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit and loss.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged and any gains or losses on remeasurement are recognised immediately in the profit and loss.

Provisions

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation. Unless these conditions are met, no provision will be recognised.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Interest receivable and Interest payable

Interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains. Interest payable and similar charges includes interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currencies accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest rate method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Pfizer Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2018*

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Related parties' transactions

The company avails of the exemption contained in FRS 102 Section 33 *Related Party Disclosures* and does not disclose transactions entered into between wholly owned members of the group, transactions with entities not wholly group owned are disclosed in accordance with the accounting standards and Companies Act 2006.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Pfizer Limited

Profit and loss account and other comprehensive income for the year ended 30 November 2018

		Continuing operations	Discontinued operations	Total	Continuing operations (as restated)	Discontinued operations (as restated)	Total
	Note	2018 £'000	2018 £'000	2018 £'000	2017 £'000	2017 £'000	2017 £'000
Turnover	1	641,922	-	641,922	850,303	-	850,303
Net operating costs	2	(636,795)	13,915	(622,880)	(632,709)	143	(632,566)
Operating profit		5,127	13,915	19,042	217,594	143	217,737
Income from shares in group undertakings		98,214	-	98,214	2,709	-	2,709
Profit on ordinary activities before interest		103,341	13,915	117,256	220,303	143	220,446
Interest receivable and similar income	6	1,784	-	1,784	536	-	536
Interest payable and similar charges	7	(170)	-	(170)	(253)	-	(253)
Finance income/(expense)	8	400	-	400	(3,000)	-	(3,000)
Other income	9	97,511	122,518	220,029	-	-	-
Profit on ordinary activities before taxation	3	202,866	136,433	339,299	217,586	143	217,729
Tax charge on profit on ordinary activities	10	(96,668)	-	(96,668)	(40,711)	-	(40,711)
Profit on ordinary activities after taxation		106,198	136,433	242,631	176,875	143	177,018
Other comprehensive (loss)/income							
Actuarial (loss)/gain on pension schemes	21	(52,300)	-	(52,300)	137,700	-	137,700
Related deferred tax asset/(liability)	10	9,561	-	9,561	(23,409)	-	(23,409)
Total comprehensive income for the year		63,459	136,433	199,892	291,166	143	291,309

The notes on pages 21 to 43 and the accounting policies on pages 10 to 17 form part of these financial statements.

Pfizer Limited

Statement of financial position

as at 30 November 2018

Registered number: 00526209

	Note	2018		2017	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	11		41,197		74,662
Tangible fixed assets	12		53,027		85,933
Fixed asset investments	13		182,680		271,477
			276,904		432,072
Current assets					
Stocks	14	121,652		110,429	
Debtors	15	1,200,015		1,336,529	
Other financial asset	18	475		729	
		1,322,142		1,447,687	
Creditors: amounts falling due within one year	16	(560,292)		(1,066,318)	
Net current assets			761,850		381,369
Total assets less current liabilities			1,038,754		813,441
Creditors: amounts falling due after more than one year	17		(1,230)		(1,936)
Provisions for liabilities	19		(186,377)		(24,969)
Net assets excluding pension liability			851,147		786,536
Pension liability	21		(29,290)		(8,654)
Net assets including pension liability			821,857		777,882
Capital and reserves					
Called up share capital	22		103,622		103,622
Share premium			-		218,446
Capital contribution			365,001		364,978
Profit and loss account			353,234		90,836
Shareholder's funds			821,857		777,882

These financial statements were approved by the board and were signed on its behalf by:



IE Franklin
Director

Date: 01 August 2019

The notes on pages 21 to 43 and the accounting policies on pages 10 to 17 form part of these financial statements.

Pfizer Limited

Statement of Changes in Equity for the year ended 30 November 2018

	Called up share capital	Share premium	Capital contribution	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
At 1 December 2016	103,622	218,446	364,978	(230,468)	456,578
Profit for the year	-	-	-	177,018	177,018
Other comprehensive income	-	-	-	114,291	114,291
Total comprehensive income for the year	-	-	-	291,309	291,309
Transactions with owners, recognised in equity					
Capital contribution arising on employee share scheme	-	-	-	29,995	29,995
At 30 November 2017	103,622	218,446	364,978	90,836	777,882
Profit for the year	-	-	-	242,631	242,631
Other comprehensive loss	-	-	-	(42,739)	(42,739)
Total comprehensive income for the year	-	-	-	199,892	199,892
Transactions with owners, recognised in equity					
Share premium converted to retained earnings	-	(218,446)	-	218,446	-
Capital contribution converted to retained earnings	-	-	23	(23)	-
Dividends declared	-	-	-	(190,000)	(190,000)
Capital contribution arising on employee share scheme	-	-	-	34,083	34,083
Balance at 30 November 2018	103,622	-	365,001	353,234	821,857

During the year the company undertook a capital reduction process and converted £218,446,000 from share premium to retained earnings.

The notes on pages 21 to 43 and the accounting policies on pages 10 to 17 form part of these financial statements.

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Turnover by destination						
- UK						
Continuing	630,149	699,862	-	-	630,149	699,862
	<u>630,149</u>	<u>699,862</u>	<u>-</u>	<u>-</u>	<u>630,149</u>	<u>699,862</u>
- Rest of world						
Continuing	2,034	644	9,739	149,797	11,773	150,441
	<u>2,034</u>	<u>644</u>	<u>9,739</u>	<u>149,797</u>	<u>11,773</u>	<u>150,441</u>
Turnover	632,183	700,506	9,739	149,797	641,922	850,303
	<u><u>632,183</u></u>	<u><u>700,506</u></u>	<u><u>9,739</u></u>	<u><u>149,797</u></u>	<u><u>641,922</u></u>	<u><u>850,303</u></u>

Pfizer Limited

Notes

forming part of the financial statements

2 Net operating costs

	2018			2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales	405,101	(4,333)	400,768	554,470	(877)	553,593
Net research and development expenditure	38,779	(26,385)	12,394	31,187	(14,175)	17,012
Distribution costs	18,281	-	18,281	19,353	-	19,353
Administration expenses	174,634	16,803	191,437	27,699	14,909	42,608
	<u>636,795</u>	<u>(13,915)</u>	<u>622,880</u>	<u>632,709</u>	<u>(143)</u>	<u>632,566</u>

Research and development expenditure comprises the net spend, after charges to/from other group companies and tax credits from research and development activities. The research and development expenditure credit (RDEC) scheme replaced the large company enhanced-deduction scheme in April 2016. In 2018, under the RDEC scheme, the company recognised the benefit of the research and development tax claim of £12,181,000 (2017: £17,412,000) directly against the research and development expenditure in the profit and loss account.

Administration expenses for the year include an expense of £34,084,000 (2017: £29,994,747) in respect of share-based payment transactions, a credit of £nil (2017: £64,200,000) related to reductions in other provisions (note 18) and an impairment of fixed asset investments (note 13) of £6,976,000 (2017: nil).

Also included in administration expenses are restructuring costs for the year of £7,767,628 (2017: £7,129,684) which arose as a result of various divisional reorganisation projects undertaken during 2018.

Pfizer Limited

Notes (continued)
forming part of the financial statements

3 Profit on ordinary activities before taxation

	2018 £'000	2017 £'000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Impairment of goodwill (note 11)	21,806	-
(Gain)/loss on disposal of tangible fixed assets	(368)	2,935
Hire of other assets – operating leases	4,294	3,802
Foreign exchange (gain)/loss – net	(1,181)	3,136
Auditor's remuneration:		
Audit of the company's annual accounts	260	245
Other services pursuant to legislation	130	130

In addition to the audit fee disclosure above the company has borne £114,300 (2017: £73,300) of audit fees in respect of the audits of annual accounts for fellow UK subsidiary companies.

The company's auditor also received fees from other group undertakings of £49,000 (2017: £48,000) in respect of their audit of an associated pension scheme and £70,000 (2017: £93,000) in respect of assurance services on industry returns. These costs were not borne by the company.

4 Remuneration of directors

	2018 £'000	2017 £'000
Directors' emoluments	2,752	2,468

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £427,116 (2017: £352,062).

	2018 No.	2017 No.
Retirement benefits accrued to the following number of directors who served during the year under defined benefit schemes	-	8
The number of directors who exercised share options during the year was	3	-

10 directors received shares under a long-term incentive schemes during the year (2017: 8).

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:

	2018 No.	2017 No.
Manufacturing	147	150
Research and development	879	809
Sales and distribution	743	821
Administration	484	477
	<u>2,253</u>	<u>2,257</u>

The aggregate payroll costs of these people were as follows:

	2018 £'000	2017 £'000
Wages and salaries	150,480	129,699
Social security costs	24,435	20,973
Other pension costs	40,591	42,142
Cost of employee share schemes (note 21)	34,083	29,995
	<u>249,589</u>	<u>222,809</u>

Included in the above are the costs of the services of employees charged out in full to a fellow group company Pfizer Consumer Healthcare Limited. These employees are involved in marketing/administration. The cost of these services in the year was £1,749,950 (2017: £4,495,339). During the year employees involved with the operation of Pfizer Consumer Healthcare Limited became employees of that company.

6 Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group undertakings	1,780	360
Other income	4	176
	<u>1,784</u>	<u>536</u>

Other income relates to income received from third party investments.

Pfizer Limited

Notes (continued)
forming part of the financial statements

7 Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to group undertakings	170	20
Other	-	233
	<u>170</u>	<u>253</u>
Other charges relate to third party investment charges		

8 Finance income / (expense)

	2018 £'000	2017 £'000
Finance income / (expense)	400	(3,000)
	<u>400</u>	<u>(3,000)</u>

9 Other income

	2018 £'000	2017 £'000
Gain on disposal of discontinued operation	122,518	-
Gain on disposal of intellectual property	97,480	-
Gain on disposal of fixed asset investment	31	-
	<u>220,029</u>	<u>-</u>

The gain on disposal of discontinued operation relates to the intercompany gain on disposal of the research and development business to Pfizer R&D UK Limited on 30 November 2018.

The gain on disposal of intellectual property arose on the sale of neuroscience licenced technology to Pfizer Inc. which had a carrying value of nil at the time of sale.

The gain on disposal of fixed asset investments relates to the gain on disposal of PowderJect Vaccines Limited.

Pfizer Limited

Notes (continued)
forming part of the financial statements

10 Tax charge on profit on ordinary activities

	2018 £'000	2017 £'000
Current tax		
Current tax on income for the period	20,559	40,145
Adjustments in respect of prior periods	66,761	1,654
	<u>87,320</u>	<u>41,799</u>
Deferred tax		
Origination and reversal of timing differences	4,003	(3,498)
Change in tax rate	(934)	2,612
Adjustments in respect of prior periods	6,279	(202)
	<u>9,348</u>	<u>(1,088)</u>
Total deferred tax	9,348	(1,088)
Tax charge on profit on ordinary activities	<u>96,668</u>	<u>40,711</u>

	2018			2017		
	£'000	£'000	£'000	£'000	£'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	87,320	9,348	96,668	41,799	(1,088)	40,711
Recognised in other comprehensive income	-	(9,561)	(9,561)	-	23,409	23,409
Total tax	<u>87,320</u>	<u>(213)</u>	<u>87,107</u>	<u>41,799</u>	<u>22,321</u>	<u>64,120</u>

Analysis of current tax recognised in profit and loss

	2018 £'000	2017 £'000
UK corporation tax	87,320	41,799
Total current tax recognised in profit and loss	<u>87,320</u>	<u>41,799</u>

Pfizer Limited

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

10 Tax charge on profit on ordinary activities (continued)

Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Profit for the year	242,631	177,018
Total tax expense	96,668	40,711
	<u>339,299</u>	<u>217,729</u>
Taxation charge at UK corporation tax rate of 19% (2017: 19.33%)	64,467	42,087
Change in tax rate on deferred tax balances	(934)	2,612
Non-deductible expenses	19,042	(4,916)
Non-taxable income	(58,947)	(524)
Under provided in prior years	73,040	1,452
Total tax expense included in profit or loss	<u>96,668</u>	<u>40,711</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

Pfizer Limited

Notes (continued)
forming part of the financial statements

11 Intangible fixed assets

	Goodwill £'000
<i>Cost</i>	
At beginning and end of year	498,424
Additions	-
	<hr/>
At end of year	498,424
	<hr/>
<i>Amortisation</i>	
At beginning of year	423,762
Charge for the year	11,659
Impairment	21,806
	<hr/>
At end of year	457,227
	<hr/>
<i>Net realisable value</i>	
At 30 November 2018	41,197
	<hr/>
At 30 November 2017	74,662
	<hr/>

The main components included in goodwill relate to the 2004 acquisition of Pharmacia Limited's pharmaceutical business (£358,000,000) and the goodwill arising on the 2011 acquisition of pharmaceutical business from John Wyeth & Brother Limited (£125,000,000). An impairment of goodwill of £21,806,000 on the John Wyeth & Brother Limited pharmaceutical business has been recognised during the period as a result of updated impairment assessment. See note 26 for details of accounting estimates and judgements utilised.

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	79,834	6,652	131,518	8,736	226,740
Additions	177	1,704	3,299	7,434	12,614
Transfers between categories	670	714	3,667	(5,051)	-
Disposals	(1,536)	(7,245)	(69,157)	(9,513)	(87,451)
At end of year	79,145	1,825	69,327	1,606	151,903
Depreciation					
At beginning of year	39,195	3,168	98,444	-	140,807
Charge for year	2,422	1,568	7,292	-	11,282
Disposals	(937)	(3,714)	(48,562)	-	(52,213)
At end of year	40,680	1,022	57,174	-	98,876
Net book value					
At 30 November 2018	38,465	803	12,153	1,606	53,027
At 30 November 2017	40,639	3,484	33,074	8,736	85,933

Included in the total net book value of freehold land and buildings is £523,382 (2017: £523,382) in respect of land which is not depreciated.

Pfizer Limited

Notes (continued)
forming part of the financial statements

13 Fixed asset investments

	Shares in group undertakings £'000	Other Investments £'000	Total £'000
At beginning of year	270,158	1,319	271,477
Additions	-	694	694
Disposals	(299)	(431)	(730)
Distributions	-	(71)	(71)
Revaluation	-	72	72
Return of investment cost via dividend (see below)	(81,786)	-	(81,786)
Impairment	(6,976)	-	(6,976)
At end of year	<u>181,097</u>	<u>1,583</u>	<u>182,680</u>

John Wyeth & Brother Limited paid a dividend of £180,000,000 to the company during the year. A portion of the dividend received has been treated as a return of investment cost for accounting purposes. To the extent that the dividend from the subsidiary has reduced the subsidiary's net assets below the investment carrying value that element of dividend has been credited against the investment cost rather than profit and loss account.

Following a review, an impairment of £6,976,000 was recognised on the investment held in Hospira UK Limited. The reduction in the value of Hospira UK Limited was driven by the sale of their compounded pharmaceutical products business and assets in December 2018.

The investments comprise:

Shares in joint venture

The company owns 50% of the ordinary share capital of Cyclofluidic Limited whose principal activities are the development and exploitation of intellectual property.

European Economic Investment Groupings

The company holds a 50% share in the following non-trading European Economic Investment Groupings, registered in England and Wales:

- Pfizer Europe MA EEIG
- Bristol-Meyers Squibb / Pfizer EEIG
- Pfizer Animal Health MA EEIG
- Pfizer EU PFE MA EEIG

Other Investments

Other investments comprise investments in Leviccept Limited, Ixchelsis Limited, UK Medical Ventures Fund No.1 Limited Partnership, MVM International Life Sciences No.1 Limited Partnership, Dementia Discovery Fund (note 23) and a listed investment in Momenta Pharmaceutical Inc.

Pfizer Limited

Notes (continued)
forming part of the financial statements

13 Fixed asset investments (continued)

Shares in subsidiary undertakings

Name of undertaking	Registered office	Percentage holding of ordinary share capital
Neusentis Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%
John Wyeth & Brother Ltd	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%
Wyeth Pharmaceutical Limited	9 Riverwalk, National Digital Park, Citywest Business Campus, Dublin, 24, Ireland	100%**
Wyeth Europa Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%.
Phivco Holdco Sarl	51 Avenue JF Kennedy Luxembourg, L-1855 G.D. of Luxembourg	54%
PZR Ltd	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%
PZR Property Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%**
Pfizer PFE UK Limited	1 More London Place, London, SE1 2AF	100%*
PowderJect Research Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%*
Upjohn UK Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%
Hospira UK Limited	Horizon Honey Lane, Hurley, Maidenhead, SL6 6RJ	100%

*Entities in the process of liquidation.

**Investment held indirectly.

Pfizer Limited

Notes (continued) forming part of the financial statements

14 Stocks

	2018 £'000	2017 £'000
Finished goods and goods for resale	121,652	110,429

The replacement cost of stocks did not differ significantly from the amounts shown above.

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £437,178,000 (2017: £574,197,000). The write-down of stocks to net realisable value amounted to £12,491,000 (2017: £13,279,000). The write-down is included in cost of sales.

15 Debtors

	2018 £'000	2017 £'000
Trade debtors	286,692	285,742
Amounts owed by group undertakings	860,554	1,010,922
UK corporation tax	-	11,406
Other debtors	24,405	1,242
Prepayments and accrued income	1,262	3,961
Deferred tax asset (note 20)	27,102	23,256
	1,200,015	1,336,529

Amounts owed by group undertakings and related parties

Amounts owed by group undertakings are unsecured. For amounts that are repayable on demand, notional interest is not applied. For term loans placed with fellow affiliates a commercial rate of interest is charged.

Pfizer Limited

Notes (continued)
forming part of the financial statements

16 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	92,218	125,848
Amounts owed to group undertakings	248,750	794,779
UK corporation tax	60,576	-
Other taxation and social security	16,149	15,149
Accruals	142,547	126,781
Deferred income	41	3,761
Bank overdraft	11	-
	<u>560,292</u>	<u>1,066,318</u>

Amount owed to group undertakings and related companies

Amounts owed to group undertakings are unsecured. For amounts that are repayable on demand, notional interest is not applied. For term loans placed with fellow affiliates a commercial rate of interest is charged.

17 Creditors: amounts falling due after more than one year

	2018 £'000	2017 £'000
Accruals	1,230	1,936
	<u>1,230</u>	<u>1,936</u>

Pfizer Limited

Notes (continued) forming part of the financial statements

18 Financial instruments

The analysis of the carrying amounts of the financial instruments of the group required under section 11 of FRS 102 is as follows:

Financial assets that are debt instruments measured at amortised costs:

	2018 £'000	2017 £'000
Trade debtors	286,692	285,742
Other debtors	24,405	1,242
Amounts owed by group undertakings	860,554	1,010,922

Amounts owed by group undertakings are unsecured. For amounts that are repayable on demand, notional interest is not applied. For term loans placed with fellow affiliates a commercial rate of interest is charged.

Financial assets measured at fair value:

	2018 £'000	2017 £'000
Forward foreign exchange contracts asset	475	729

The company uses derivatives to hedge its exposures to changes in foreign currency exchange rates. As at the year end the company had open forward currency contracts in place with a fellow group company to buy and sell various currencies. The fair values of these contracts are based on market values of equivalent instruments at the statement of financial position date.

Financial liabilities that are debt instruments measured at amortised costs:

	2018 £'000	2016 £'000
Trade creditors	92,218	125,848
Amounts owed to group undertakings	248,750	794,779

Amounts owed to group undertakings are unsecured. For amounts that are repayable on demand, notional interest is not applied. For term loans placed with fellow affiliates a commercial rate of interest is charged.

Pfizer Limited

Notes (continued)
forming part of the financial statements

19 Provisions for liabilities

	Restructuring provision £'000	Other provisions £'000	Total £'000
At beginning of year	4,969	20,000	24,969
Profit and loss charge	7,768	165,000	172,768
Utilised during the year	(11,360)	-	(11,360)
At end of year	1,377	185,000	186,377

During 2018 the restructuring provision was increased by £7,768,000. The restructuring costs are related to various divisional reorganisations and have been included in administration expenses. During the year the company utilised £11,360,000 of the provision to pay termination and exit costs.

Other provisions are in relation to various litigation matters against the company. As at 30 November 2018 the company has recorded a provision for its best estimate of the aggregate potential exposure relating to court rulings and ongoing inquiries and is based on assessments received. The final amount of any payment that may be made in respect of these matters is not certain and is dependent on future rulings and claims filed. Final resolution is not expected within 12 months of the statement of financial position date. Further disclosures have not been made in relation to such matters on the grounds that it can be expected to prejudice seriously the position of the company. Where provisions have been recognised for potential exposure which, if payable, would be expected to be reimbursed by fellow group undertakings then an equivalent recoverable amount has been recognised in "Amounts owed by group undertakings". As at 30 November 2018 a recoverable amount of £165million (2017 - £nil) has been recognised in "Amounts owed by group undertakings".

Pfizer Limited

Notes (continued)
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20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets £'000	2018 Liabilities £'000	Net £'000	Assets £'000	2017 Liabilities £'000	Net £'000
Depreciation in excess of allowances	7,196	-	7,196	9,339	-	9,339
Employee benefits	19,564	-	19,564	13,551	-	13,551
Other	342	-	342	366	-	366
Net tax assets	27,102	-	27,102	23,256	-	23,256

The company has capital losses carried forward of £119,244,703 (2017: £119,314,867) upon which a deferred tax asset is not recognised. This asset is not recognised as it is not expected to be utilised in the foreseeable future.

21 Employee benefits

Pension scheme

The company operates a funded defined benefit pension scheme (The Pfizer Group Pension Scheme) providing benefits based on final pensionable pay. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The company also operates a defined contributions unfunded unapproved retirement benefit scheme separate to the Pfizer Group Pension Scheme. For this scheme the company entered into a contractual agreement to pay a pension to the holder at retirement for which benefits are being accrued.

The valuation used for the FRS 102 disclosures has been based on the most recent actuarial valuation at 1 April 2017 and updated by Aon Hewitt to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 30 November 2018. The scheme assets are stated at their bid market value at 30 November 2018.

Pfizer Limited

Notes (continued)

forming part of the financial statements

21 Employee benefits (continued)

Pension scheme liability (excluding related deferred tax)

	2018 £'000	2017 £'000
At beginning of year	(8,654)	(121,000)
Profit and loss	(14,400)	(31,500)
Contributions	47,900	7,900
(Charge) / Gain recognised in the statement of other comprehensive income	(52,300)	137,700
Defined contributions unfunded unapproved retirement benefit scheme	(1,836)	(1,754)
At end of year	(29,290)	(8,654)

The amounts recognised in the statement of financial position are as follows:

	2018 £'000	2017 £'000
Net pension liability:		
Defined benefit obligation	(2,917,500)	(2,968,000)
Plan assets	2,891,800	2,961,100
Defined contributions unfunded unapproved retirement benefit scheme	(3,590)	(1,754)
Net pension liability	(29,290)	(8,654)

Movements in present value of defined benefit obligation

	2018 £'000	2017 £'000
At beginning of year	2,968,000	2,831,100
Current service cost	2,200	24,400
Interest expense	70,100	72,100
Remeasurement actuarial (gain)/ loss	(37,600)	131,000
Benefits paid	(93,200)	(90,600)
Past service cost (including curtailments)	8,000	-
	2,917,500	2,968,000

Pfizer Limited

Notes (continued)
forming part of the financial statements

21 Employee benefits (continued)

Movements in fair value of plan assets

	2018 £'000	2017 £'000
At beginning of year	2,961,100	2,710,100
Remeasurement actuarial gain	(89,900)	268,700
Interest income	70,500	69,100
Benefits paid	(93,200)	(90,600)
Administration costs	(4,600)	(4,100)
Contributions by employer	47,900	7,900
At the end of year	2,891,800	2,961,100

The amounts recognised in the profit and loss account are as follows:

	2018 £'000	2017 £'000
Net interest (expense)/ income on net defined benefit asset	(400)	3,000
Past service cost included in other operating costs	8,000	-
Current service cost included in other operating costs	6,800	28,500
	14,400	31,500

The fair value of the plan assets and the return on those assets were as follows:

Scheme portfolio	Asset allocation at 30 November 2018 %	£'000	Asset allocation at 30 November 2017 %	£'000
Equity	26.1%	754,800	41.8%	1,237,600
Multi-asset credit and DGFs*	12.4%	358,100	-	-
Property	10.7%	308,400	10.2%	302,500
Bonds	11.7%	339,600	9.1%	270,800
LDI	32.3%	934,400	-	-
Other	6.8%	196,500	38.9%	1,150,200
	100%	2,891,800	100%	2,961,100

* LDI and multi asset credit/DGFs not split out in the prior year.

Pfizer Limited

Notes (continued)
forming part of the financial statements

21 Employee benefits (continued)

Principal actuarial assumptions at the statement of financial position date

	2018	2017
Discount rate for interest cost	2.6%	2.4%
Discount rate applied to scheme liabilities	2.82%	2.59%
RPI Inflation	3.3%	3.19%
CPI Inflation	2.2%	2.09%
Pension increases on pensions accrued**:		
RPI pension increases pre 6 April 1997	0%	0%
CPI pension increases April 1997 – April 2006	2.2%	2.11%
RPI pension increases April 1997 – April 2006	3.15%	3.04%
CPI pension increases post April 2006	1.75%	1.69%
RPI pension increases post April 2006	2.23%	2.18%

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

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23 years if they are male and for a further 25 years if they are female.

For a member who retires in 2038 at age 65 the assumptions are that they will live on average for a further 24.4 years after retirement if they are male and for a further 26.5 years after retirement if they are female.

Share based payments

FRS 102 requires the company to recognise Share-based Payments as an expense and Share-based Payments must be measured at fair value. In accordance with FRS 102, the company has accounted for all share option grants that were made after 7 November 2002 and which have not vested at 1 January 2006.

Pfizer Limited is part of the Pfizer Inc. ("Pfizer") 2004 Stock Plan and therefore under FRS 102.1.12(d) is exempt from certain disclosures of share-based payments as the relevant information is disclosed in the holding undertaking's (Pfizer Inc.) consolidated financial statements.

The terms and conditions of the grants are as follows:

Grant date/ employees entitled	Methods of settlement accounting	Number of Instruments	Vesting conditions	Contractual life of options
Equity settled award	Equity	5	Vest after three years of continuous service	10 years

Pfizer Limited

Notes (continued)
forming part of the financial statements

22 Called up share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
Equity: 103,622,461 (2017: 103,622,461) ordinary shares of £1 each	103,622	103,622

Each equity share entitles the holder to one vote per share and the right to any dividend. During 2018, the company did not issue any ordinary shares.

23 Commitments

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

	2018 £'000	2017 £'000
Capital Committed	-	292
Dementia Fund Committed	5,000	5,555
	5,000	5,847

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

	2018 Land and Buildings £'000	2017 Land and Buildings £'000
Operating leases which expire:		
In the second to fifth years inclusive	704	2,867
After five years	-	1,063
	704	3,930

Pfizer Limited

Notes (continued)

forming part of the financial statements

24 Related party disclosure

The company is controlled by Pfizer Luxco Holdings SARL. The ultimate controlling company is Pfizer Inc., a company incorporated in the state of Delaware, United States of America.

The company has availed of the exemption in FRS 102.33.1A from the requirement to disclose details of transactions with group undertakings. Other than transactions with related group undertakings there are no related party transactions. Details of the availability of the group consolidated financial statements are given in note 25.

25 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., 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 Luxco Holdings SARL., a company incorporated and registered in Luxembourg.

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.

26 Accounting estimates and judgements

The company made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

Useful economic lives of tangible assets

The company depreciates tangible fixed assets over their estimated useful lives after taking into account their estimated residual values. The estimated useful life reflects management's estimate of the period that the company intends to derive future economic benefits from the use of the company's tangible fixed assets. The residual value reflects management's estimated amount that the company would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economies, useful lives and the residual values of these assets which could then consequently impact future depreciation charges.

Pfizer Limited

Notes (continued)
forming part of the financial statements

26 Accounting estimates and judgements (continued)

Impairment of intangible fixed assets

Each year, management reviews the recoverable amount of its intangible fixed assets, at a cash generating unit level, based upon projections of discounted future net revenues and compares that amount with the carrying amount of those assets. To the extent that the carrying amount exceeds the recoverable amount, management provides for the impairment identified; should conditions change such that the recoverable amount exceeds the carrying amount, then the carrying amount is written up to the lower of the depreciated original cost and the recoverable amount.

In undertaking calculations for the purposes of goodwill impairment tests, the following rules were applied:

- cash flow projections were prepared looking forward up to 10 years showing the estimated revenues together with future operating costs based on budgeted information and adjusted for tax. The estimated revenues consider the impact of loss of exclusivity on products. The forecast period is in line with the company's operating plan based on previous experience of product revenue streams.
- appropriate discount rates, adjusted for country and industry risks, of between 6 - 8% were applied to the post tax cash flows. The equivalent pre-tax discount rates used ranged from 15 - 16%.
- cash generating units were identified as the products acquired on acquisition of pharmaceutical businesses.
- sensitivities considered included variance in revenue, margin and discount rates.

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

Impairment of fixed asset investments

At the end of each financial year, an assessment is made on whether there are indicators that the company's investments are impaired. Where necessary, the assessment is based on the estimation of the value in use of the assets defined in FRS 102 Section 27 Impairment of Assets by forecasting the expected future cash flows for an appropriate period, using a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade debtors

The company assesses its trade debtors on a continuous basis for any objective evidence of impairment by considering factors including the ageing profile, the creditworthiness and the past collection history of each debtor. If the financial conditions of these debtors were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

Pension scheme

Management use assumptions regarding different areas of the defined benefit plan. The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, price inflation, future pension increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. Management perform an internal review on these assumptions. Further details are given in note 21. A valuation is performed annually by a qualified actuary using the projected unit credit method. Under FRS 102, the company can recognise a surplus on the balance sheet as the employer has an unconditional right to a refund of any surplus based on a legal review of the scheme rules.

Pfizer Limited

Notes *(continued)*

forming part of the financial statements

26 Accounting estimates and judgements (continued)

Other provisions

Other provisions are in relation to various litigation matters against the company. As at 30 November 2018 the company has recorded a provision for its best estimate of the aggregate potential exposure relating to court rulings and ongoing inquiries and is based on assessments received. The final amount of any payment that may be made in respect of these matters is not certain and is dependent on future rulings and claims filed.

27 Contingent liability

There are various cases of litigation pending against the company in the normal course of business. Further disclosures have not been made in relation to such matters on the grounds that it can be expected to prejudice seriously the position of the company. The estimated financial impact of all material litigation has been provided for in the financial statements.

28 Subsequent events

On 1 April 2019 the company agreed to sell a portion of its established medicines business to a fellow group undertaking, Upjohn UK Limited, for £16,000,000. The company has agreed to continue to operate the business on behalf of the acquiring company and to transfer the economic benefit of the established medicines to Upjohn UK Limited during a transitional period. This transaction forms part of a Pfizer Inc. group reorganisation in preparation for, and part of, the creation of the Upjohn division.