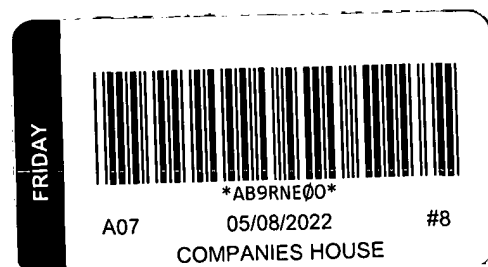


Pfizer Limited

Annual report and financial statements

Year ended 30 November 2021

Registered number: 00526209



Pfizer Limited

Annual report and financial statements

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Pfizer Limited

Directors and other information

Directors

DJ Harnett
EJ Pearson
BS Phillips
RL Smith
JK Thompson
DI Highton
S Rienow

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 2021 are set out on pages 14 to 42.

Pfizer Limited generated an after tax profit of £17,924,000 (2020: profit of £115,213,000). No dividends were declared payable by the directors during the year (2020: £nil). The retained profit for the year £17,924,000 (2020: profit of £115,213,000) has been transferred to reserves. At the year end the company had net assets, including pension assets/liabilities, of £1,318,126,000 (2020: £1,021,413,000). The increase in net assets was due mainly to actuarial gains in respect of the pension scheme in addition to the profit made by the company in 2021. Turnover increased by 284% year on year which was primarily driven by sales of Comirnaty, an mRNA-based coronavirus vaccine to help prevent COVID-19.

The profit and loss account and statement of financial position are set out on pages 22 and 23 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 2022.

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.

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;
- 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, sales or marketing; supply disruptions, shortages or stock-outs at Pfizer or third-party facilities that Pfizer rely on; and legal or regulatory actions;
- 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;

Pfizer Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

- Trends toward managed care and health care cost containment;
- Legislation or regulatory action affecting, amongst other things, changes in accounting standards, tax laws, pharmaceutical product pricing, reimbursement or access;
- 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 contingencies, including those related to actual or alleged environmental contamination, 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;
- General economic, political, business, industry, regulatory and market conditions including, without limitation, any impact on Pfizer, its lenders, its customers, its suppliers and counterparties to its foreign-exchange and interest-rate agreements from 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;
- The impact of public health outbreaks, epidemics or pandemics (such as the COVID-19 pandemic), including the impact of vaccine mandates where applicable, on our business, operations and financial condition and results, including impacts on our employees, manufacturing, supply chain, sales and marketing, R&D and clinical trials;
- Risks and uncertainties related to efforts to develop a vaccine to help prevent COVID-19 and an oral COVID-19 treatment, as well as challenges related to their manufacturing, supply and distribution;
- The exposure of Pfizer operations globally to possible capital and exchange controls, economic conditions, expropriation and other restrictive government actions, changes in intellectual property legal protections and remedies, as well as political unrest, unstable governments and legal systems and inter-governmental disputes;
- Any business disruption, theft of confidential or proprietary information, extortion or integrity compromise resulting from a cyber-attack;
- The impact of the increased presence of counterfeit medicines or vaccines in the pharmaceutical supply chain;
- Any significant issues involving Pfizer's largest wholesale distributors or government customers, which account for a substantial portion of revenues;
- The risk of an impairment charge related to intangible assets, goodwill or equity-method investments;
- Growth in costs and expenses, changes in product and geographic mix and the impact of acquisitions, divestitures, restructurings, internal reorganizations, product withdrawals, recalls and other unusual events.

Pfizer Limited

Strategic report (continued)

Approach to Brexit

The United Kingdom ("UK") left the European Union ("EU") on January 31, 2020 which is commonly referred to as "Brexit". A new Trade and Cooperation Agreement ("TCA") between the UK and EU came into effect on 1 January 2021. In preparing for Brexit the company's and Pfizer Inc. group's priority has been to maintain continuity of supply of medicines and vaccines. The company's updated operating model has been implemented post-Brexit. The company and Pfizer Inc. group continue to work with the UK and EU governments, as well as other third party stakeholders, on the effective implementation of the TCA and to deliver breakthroughs that change patients' lives.

Risks associated with COVID-19 outbreak

The COVID-19 pandemic ("COVID-19") has affected global healthcare systems as well as economic and financial markets. The potential impact of COVID-19 on the company's trading performance and principal risks has been assessed with mitigation plans put in place. The Pfizer Inc. group is now actively producing COVID-19 related products, specifically a vaccine and oral treatment. As the primary UK commercial trade entity of the Group Pfizer Limited has seen increased sales as a result of the COVID-19 vaccine with further sales of COVID-19 products expected to continue into the next financial year. Up to the date of this report, COVID-19 has not had any material adverse impact on the results of the company and satisfactory performance is expected to continue in the near term and beyond. We do not believe the adverse impacts of COVID-19 will impact the ability of the company to continue as a going concern in the foreseeable future. However, we continue to monitor the situation closely, including the potential impacts on results, supply continuity and patients. The situation could change at any time and there can be no assurance that COVID-19 will not have an adverse impact on the future results of the company.

Section 172 Companies Act 2006 Statement

The company's governance architecture and processes operated to ensure that all relevant matters are considered by the board in its principal decision-making.

In the performance of its duty to promote the success of the company the board has agreed to a number of matters, including listening to and considering the views of shareholders and the company's other stakeholders to build trust and ensure it fully understands the potential impacts of the decisions it makes for our stakeholders, the environment and the communities in which we operate.

The company has engaged with its main stakeholder groups, including our patients, shareholders, consumers, customers, and group employees, as further detailed in the stakeholder engagement statement in the Directors' report and the feedback from the engagement has been considered by the directors during the decision-making process.

Matters identified that may affect the company's performance in the long term are set out in the principal risks disclosed above.

By order of the board

DocuSigned by:

David Highton

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DI Highton

Date: 1 August 2022

Director

Pfizer Limited

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 November 2021.

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 4 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.

Share capital, other reserves and dividends

No shares have been issued during the period. During the year, the directors did not propose to pay any dividends (2020: £nil). On 24 January 2022, the company declared and paid a dividend of £550,000,000 to its sole shareholder, Pfizer Luxco Holdings SARL.

Political contributions

No political donations were made during the year (2020: none).

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 2020 and to the date of this report, unless otherwise stated, were:

DJ Harnett	
JA Mount	(appointed 21 January 2021; resigned 31 May 2022)
B Osborn	(resigned on 29 April 2022)
EJ Pearson	
BS Phillips	
RL Smith	
JK Thompson	
S Rienow	(appointed on 28 February 2022)
IE Franklin	(resigned on 09 February 2021)
DI Highton	(appointed on 23 June 2022)

Pfizer Limited

Directors' Report (continued)

Going concern

The company has assessed the principal risks and other matters, including the impact of the COVID-19 pandemic on its operations, at the reporting date and at the date of approval of the financial statements. In doing so management considered the company's performance, reserves and forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Based on these considerations, the directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

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 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.

Stakeholder engagement

The company aims to build enduring relationships with governments, regulators, patients, customers, partners, suppliers and communities in the areas where it operates. The company works with its business partners in an honest, respectful and responsible way and seeks to work with others who share the company's commitments to safety, ethics and compliance.

The company's activities affect a wide variety of individuals and organisations. The company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making.

On behalf of the company, the Pfizer Inc. group participates in industry and trade associations that offer opportunities to share good practice and collaborate on issues of importance.

Pfizer Limited

Directors' Report (continued)

Streamlined Energy and Carbon Reporting

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the directors present the company's energy and carbon report for the year ended 30 November 2021.

Methodologies used

The Energy Managers Association methodology, UK Government environmental reporting guidelines, and UK Government emission factors, including those published by the UK's Department of Business, Energy and Industrial Strategy, have been used to calculate the energy consumption and greenhouse gas footprint in this report.

Commitment to responsible energy management

The company's ultimate parent and ultimate controlling party, Pfizer Inc., is committed to reaching Net Zero by 2040. Global targets have been set to mitigate climate change and its impact, minimising the environmental impact of our products and managing water resources.

The company and the group of Pfizer UK companies ("Pfizer UK") has developed an energy program to contribute to Pfizer Inc.'s in meeting global commitments.

2021 Progress

The company and Pfizer UK energy program spans across Pfizer UK sites and offices and is focused on generating awareness, consolidating and refreshing office space, operating more efficiently, and investing in new technology.

The Walton Oaks and Hurley sites were powered by 100% renewable electricity for the duration of the reporting period. Energy efficiency projects for the future are focused around areas such as Battery Electric Vehicle (BEV) technology, promoting carbon efficient travel behaviours and meeting internal targets on business travel reductions

Energy consumption and greenhouse gas emissions

	Units	2021	2020 Revised
Energy consumption			
Electricity	Thousand kWh	2,323	2,792
Gas	Thousand kWh	1,192	1,649
Business travel: road ⁽¹⁾	Thousand kWh	47	1,431
Total Streamlined Energy and Carbon Report energy consumption	Thousand kWh	3,562	5,872
Greenhouse gas emissions^(2,3)			
Scope 1	tCO ₂ e	228	638
Scope 2	tCO ₂ e	497	657
Scope 3	tCO ₂ e	1	4
Total emissions (scope 1, 2 and 3)	tCO ₂ e	726	1,299
Total emissions intensity (scope 1, 2 and 3)	tCO ₂ e/£m Revenue	0.34	2.4

(1) Business travel, claimed through expenses, and on site vehicles is based on mileage, converted to kWh using UK Government GHG conversion factors.

(2) Calculated using UK Government GHG conversion factors for company reporting. The scope of this Streamlined Energy and Carbon Report disclosure does not include some Scope 3 emissions.

(3) Total emissions calculated using 'Location Based' method.

Note: The baseline data was over-reported in the FY20 financial report due to an error in data collection for our Hurley site. The revised figures above represent the correct (amended) data for this period.

Pfizer Limited

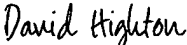
Directors' Report (continued)

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 LLP will therefore continue in office.

By order of the board

DocuSigned by:

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DI Highton

Date: 1 August 2022

Director

Ramsgate Road

Sandwich

Kent, CT13 9NJ

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2021 which comprise the Profit and loss account and other comprehensive income, the Statement of financial position and the Statement of changes in equity and related notes, including the accounting policies in the 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 2021 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.

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").

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

Identifying and responding to risks of material misstatement due to fraud (continued)

As required by auditing standards, and recent revisions to guidance/ our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; [and]
- the risk of bias in accounting estimates; and
- the risk that revenue is overstated through recording revenues in the wrong period

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and those posted to unusual accounts, Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 9, 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

United Kingdom

Date: 1 August 2022

Pfizer Limited

Statement of accounting policies

for the year ended 30 November 2021

Basis of preparation

Pfizer Limited is a limited liability company, limited by shares, 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 FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

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

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemption available under FRS 102 in respect of the below disclosures. The disclosure exemptions are subject to certain conditions, which have been complied with.

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 11.42, 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.

Going Concern

The company has assessed the principal risks and other matters, including the impact of the COVID-19 pandemic on its operations, at the reporting date and at the date of approval of the financial statements. In doing so management considered the company's performance, reserves and forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. Based on these considerations, the directors believe that it remains appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

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.

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 company 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 general estimated useful lives are as follows:

Freehold buildings	33 years
Leasehold improvements	Life of lease
Plant and equipment	2 to 20 years

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

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.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

Financial fixed assets

Investments in group undertakings and other non-listed investments are measured at cost less accumulated impairment. An impairment test is undertaken on an annual basis by the company to confirm that the carrying value of non-listed financial fixed assets is appropriate.

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

Foreign currencies

Transactions in foreign currencies are recorded using the company's set exchange rate for the month of the transaction. This set exchange rate is the actual month end rate for the last close period. 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.

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 or delivery to customer. Turnover from royalties is recognised at the point the income becomes due in accordance with the relevant royalty agreement. Income from co-promotion and co-development 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.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

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

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

The company operates a funded defined benefit pension scheme providing benefits based on age, length of service and pensionable salary at the date of leaving the scheme. The scheme closed to future accrual at 31 December 2017. 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.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company'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 company 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.

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.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

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.

The company currently does not issue its own equity instruments as share-based payments. The company is part of the Pfizer Inc. group which operates a stock plan that offers share-based payments to employees of the wider group. Share-based payments issued by Pfizer Inc. are recognised based on the company's allocation of the group expense. This allocation is based on an assignment of colleague expenses based on their employing entity within the group. Pfizer Inc. does not recharge for the cost of the shares issued under this plan.

Borrowing costs

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

Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.

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.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

Financial instruments (continued)

Financial assets (continued)

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 payments 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 the liability simultaneously.

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. The fair value of the derivatives is determined by using the net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

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.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

Provisions

A provision will be 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.

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.

Pfizer Limited

Statement of accounting policies (continued)

for the year ended 30 November 2021

Taxation (continued)

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 party 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 2021*

	Note	2021 £'000	2020 £'000
Turnover	1	2,122,498	552,679
Net operating costs	2	(2,028,640)	(460,517)
Operating profit		<u>93,858</u>	<u>92,162</u>
Income from shares in group undertakings		19,095	25,853
Other net income	9	65	10,616
Profit on ordinary activities before interest		<u>113,018</u>	<u>128,631</u>
Interest receivable and similar income	6	1	2,254
Interest payable and similar charges	7	(31)	(28)
Finance income/(expense)	8	900	(400)
Profit on ordinary activities before tax	3	<u>113,888</u>	<u>130,457</u>
Tax charge on profit on ordinary activities	10	(95,964)	(15,244)
Profit on ordinary activities after tax		<u>17,924</u>	<u>115,213</u>
Other comprehensive income			
Actuarial gain/(loss) on pension schemes	21	343,600	(7,500)
Deferred tax arising on gains/losses in the pension scheme	10	(80,855)	2,466
Total comprehensive income for the year		<u>280,669</u>	<u>110,179</u>

The notes on pages 25 to 42 and the accounting policies on pages 14 to 21 form part of these financial statements.

All amounts relate to continuing operations.

Pfizer Limited

Statement of financial position

as at 30 November 2021

Registered number: 00526209

	Note	2021	2020
		£'000	£'000
Fixed assets			
Intangible fixed assets	11	14,334	20,603
Tangible fixed assets	12	48,149	48,090
Financial fixed assets	13	172,170	183,772
		<u>234,653</u>	<u>252,465</u>
Current assets			
Stocks	14	114,546	135,580
Debtors	15	1,703,921	1,304,449
		<u>1,818,467</u>	<u>1,440,029</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(1,116,203)	(616,266)
Net current assets		<u>702,264</u>	<u>823,763</u>
Total assets less current liabilities		<u>936,917</u>	<u>1,076,228</u>
Creditors: amounts falling due after more than one year	17	(98,388)	(857)
Provisions for liabilities	19	(34,103)	(21,189)
Net assets excluding pension asset/ liability		<u>804,426</u>	<u>1,054,182</u>
Pension asset/(liability)	21	513,700	(32,769)
Net assets including pension asset/ liability		<u><u>1,318,126</u></u>	<u><u>1,021,413</u></u>
Capital & reserves			
Called up share capital	22	103,622	103,622
Capital contribution		365,001	365,001
Profit and loss account		849,503	552,790
Shareholder's funds		<u><u>1,318,126</u></u>	<u><u>1,021,413</u></u>

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

DocuSigned by:

David Highton

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DI Highton

Date: 1 August 2022

Director

The notes on pages 25 to 42 and the accounting policies on pages 14 to 21 form part of these financial statements.

Pfizer Limited

Statement of changes in equity*for the year ended 30 November 2021*

	Called up share capital £'000	Capital contribution £'000	Profit and loss account £'000	Total £'000
At 1 December 2019	103,622	365,001	427,432	896,055
Profit for the year	—	—	115,213	115,213
Other comprehensive loss	—	—	(5,034)	(5,034)
Total comprehensive income for the year	—	—	110,179	110,179
Transactions with owners, recognised in equity				
Capital contribution arising on employee share scheme	—	—	15,179	15,179
At 30 November 2020	103,622	365,001	552,790	1,021,413
Profit for the year	—	—	17,924	17,924
Other comprehensive income	—	—	262,745	262,745
Total comprehensive income for the year	—	—	280,669	280,669
Transactions with owners, recognised in equity				
Capital contribution arising on employee share scheme	—	—	16,044	16,044
Balance at 30 November 2021	103,622	365,001	849,503	1,318,126

The notes on pages 25 to 42 and the accounting policies on pages 14 to 21 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Turnover by destination						
UK	2,060,649	466,499	—	—	2,060,649	466,499
Rest of the world	4,876	1,599	56,973	84,581	61,849	86,180
Turnover	2,065,525	468,098	56,973	84,581	2,122,498	552,679

2. Net operating costs

	2021 £'000	2020 £'000
Net cost of sales	1,889,452	367,668
Net research and development expenditure	1,820	1,728
Net distribution costs	11,086	12,019
Net administration expenses	126,282	79,102
	2,028,640	460,517

Administration expenses for the year include an expense of £16,044,000 (2020: £15,179,000) in respect of share based payment transactions, restructuring costs (note 19) of £20,047,000 (2020: £1,826,000) and an impairment of fixed asset investments (note 13) of £9,743,000 (2020: £nil). Restructuring costs arose as a result of various divisional and global reorganisation projects undertaken during the year.

3. Profit on ordinary activities before taxation

	2021 £'000	2020 £'000
<i>Profit on ordinary activities before taxation is stated after charging/crediting:</i>		
Impairment of goodwill (note 11)	—	6,000
Loss on disposal of fixed assets	676	125
Operating lease payment expenses	683	899
Foreign exchange loss/(gain) – net	914	(319)
Auditor's remuneration:		
Audit of the company's annual accounts	428	347
Other services pursuant to legislation	4	5

In addition to the audit fee disclosure above the company has borne £87,700 (2020: £84,600) of audit fees in respect of the audits of annual accounts for fellow UK subsidiary companies.

Pfizer Limited

Notes (continued)

forming part of the financial statements

3. Profit on ordinary activities before taxation (continued)

The company's auditor also received fees from other group undertakings of £50,170 (2020: £52,170) in respect of their audit of an associated pension scheme and £36,690 (2020: £37,810) in respect of assurance services on industry returns. These costs were not borne by the company.

4. Remuneration of directors

	2021	2020
	£'000	£'000
Directors' emoluments	<u>2,145</u>	<u>2,204</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £479,473 (2020: £394,083).

	2021	2020
	No.	No.
The number of directors who exercised share options during the year was	<u>4</u>	<u>4</u>

Nine directors, including the highest paid director, received shares under a long term incentive schemes during the year (2020: nine).

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:

	2021	2020
	No.	No.
Manufacturing	140	139
Research and development	174	162
Sales and distribution	447	496
Administration	451	461
	<u>1,212</u>	<u>1,258</u>

The aggregate payroll costs of these people were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	57,462	65,604
Social security costs	15,721	8,473
Other pension costs	11,606	12,249
Cost of employee share schemes (see note 21)	16,044	15,179
	<u>100,833</u>	<u>101,505</u>

Pfizer Limited

Notes (continued)*forming part of the financial statements***6. Interest receivable and similar income**

	2021	2020
	£'000	£'000
Interest receivable from group undertakings	<u>1</u>	<u>2,254</u>

7. Interest payable and similar charges

	2021	2020
	£'000	£'000
Interest payable to group undertakings	<u>31</u>	<u>28</u>

8. Finance income/(expense)

	2021	2020
	£'000	£'000
Finance income/(expense)	<u>900</u>	<u>(400)</u>

9. Other net income

	2021	2020
	£'000	£'000
Net economic benefit operations payments	—	(91)
Gain on disposal of business operations	—	10,683
Other income - rental	<u>65</u>	<u>24</u>
	<u>65</u>	<u>10,616</u>

Net economic benefit operations payments in the prior year related to the agreement with Upjohn UK Limited to operate the Upjohn Business on its behalf during a transitional period and to transfer the profit and loss of the Upjohn Business to Upjohn UK Limited, during that period. The company charged Upjohn UK Limited a fee of £136,000 for operating the business on their behalf and this is included within net economic benefit operations payments. The transitional period ended on 27 January 2020.

The gain on disposal of business operations in the prior year, relates to the sale of a portion of the established medicines business to a fellow group undertaking, Upjohn UK Limited. On 16 November 2020, Upjohn UK Limited became a part of the Viatris Inc. group of companies.

Pfizer Limited

Notes (continued)

forming part of the financial statements

10. Tax charge on profit on ordinary activities

	2021 £'000	2020 £'000
Current tax		
Current tax on income for the period	5,492	14,235
Adjustments in respect of prior periods	71,371	(643)
	<u>76,863</u>	<u>13,592</u>
Deferred tax		
Origination and reversal of timing differences	15,246	3,742
Change in tax rate	3,720	(1,932)
Adjustments in respect of prior periods	135	(158)
	<u>19,101</u>	<u>1,652</u>
Tax charge on profit on ordinary activities	<u>95,964</u>	<u>15,244</u>

	2021			2020		
	£'000	£'000	£'000	£'000	£'000	£'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	76,863	19,101	95,964	13,592	1,652	15,244
Recognised in other comprehensive income	—	80,855	80,855	—	(2,466)	(2,466)
Total tax	<u>76,863</u>	<u>99,956</u>	<u>176,819</u>	<u>13,592</u>	<u>(814)</u>	<u>12,778</u>

Analysis of current tax recognised in profit and loss

	2021 £'000	2020 £'000
UK corporation tax	76,863	13,592
Total current tax recognised in profit and loss	<u>76,863</u>	<u>13,592</u>

Reconciliation of effective tax rate

	2021 £'000	2020 £'000
Profit on ordinary activities after tax	17,924	115,213
Total tax expense	<u>95,964</u>	<u>15,244</u>
	<u>113,888</u>	<u>130,457</u>
Taxation charge at UK corporation tax rate of 19% (2020: 19%)	21,639	24,787
Change in tax rate on deferred tax balances	3,720	(1,932)
Non-deductible expenses	2,727	132
Non-taxable income	(3,628)	(6,942)
Under/(over) provided in prior years	71,506	(801)
Total tax expense included in profit and loss	<u>95,964</u>	<u>15,244</u>

Pfizer Limited

Notes (continued)

forming part of the financial statements

10. Tax charge on profit on ordinary activities (continued)

An increase in the UK corporation tax rate from 19% to 25% was announced in March 2021. This increase to 25% is effective from April 2023. This was enacted and received royal assent on 10 June 2021.

11. Intangible fixed assets

	Goodwill
	£'000
Cost	
At beginning and end of year	498,424
Additions	—
At end of year	<u><u>498,424</u></u>
Accumulated amortisation and impairment	
At beginning of year	477,821
Amortisation charge for the year	6,269
Impairment	—
At end of year	<u><u>484,090</u></u>
Net realisable value	
At 30 November 2021	<u><u>14,334</u></u>
At 30 November 2020	<u><u>20,603</u></u>

The net realisable value of intangible fixed assets relates to the 2011 acquisition of the pharmaceutical business from John Wyeth & Brother Limited and the 2017 acquisition of the Hospira pharmaceutical business from Pfizer PFE UK Limited. See note 26 for details of accounting estimates and judgements utilised.

There were no impairment charges recognised in the profit and loss account during the year. In the prior year an impairment charge of £6,000,000 was recognised relating to the acquisition of the Hospira pharmaceutical business and reflected updated commercial forecasts, increased costs, and competitive pressure in the generic sterile injectable market.

Pfizer Limited

Notes (continued)

forming part of the financial statements

12. Tangible fixed assets

	Freehold land and buildings	Leasehold improvements	Plant and Equipment	Payments on account and assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At beginning of year	80,572	1,816	41,968	2,310	126,666
Additions	—	—	687	4,828	5,515
Transfers between categories	2,654	—	2,294	(4,948)	—
Disposals	(833)	(258)	(7,277)	—	(8,368)
At end of year	82,393	1,558	37,672	2,190	123,813
Depreciation					
At beginning of year	45,452	1,349	31,775	—	78,576
Charge for year	2,420	190	2,123	—	4,733
Disposals	(4,705)	(272)	(2,668)	—	(7,645)
At end of year	43,167	1,267	31,230	—	75,664
Net book value					
At 30 November 2021	39,226	291	6,442	2,190	48,149
At 30 November 2020	35,120	467	10,193	2,310	48,090

Included in the total net book value of freehold land and buildings is £523,382 (2020: £523,382) in respect of land which is not depreciated.

13. Financial fixed assets

	Shares in group undertakings	Other Investments	Total
	£'000	£'000	£'000
At beginning of year	181,097	2,675	183,772
Additions	—	972	972
Revaluation	—	568	568
Return of investment cost	(2,641)	(758)	(3,399)
Impairment	(9,743)	—	(9,743)
At end of year	168,713	3,457	172,170

Following a review, an impairment of £9,743,000 was recognised on the investment held in John Wyeth & Brother Ltd.

Pfizer Limited

Notes (continued)

forming part of the financial statements

13. Financial fixed assets (continued)

The investments comprise:

Shares in joint venture

The company owns 50% of the ordinary share capital of Cyclofluidic Limited whose principal activities were the development and exploitation of intellectual property. The investment in this entity has a carrying value of £nil and the entity is currently in the process of liquidation.

UK Economic Interest Groupings

The company holds a 50% share in the following non-trading UK Economic Interest Grouping, Pfizer Animal Health MA UKEIG, which is registered in England. This Grouping converted from an EU Economic Interest Grouping to a UK Economic Interest Grouping on 31 December 2020 and is currently in the process of liquidation.

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 Pharmaceuticals 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%*
PowderJect Research Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%**
Hospira UK Limited	Horizon Honey Lane, Hurley, Maidenhead, SL6 6RJ	100%
Hospira Aseptic Services Limited	Horizon Honey Lane, Hurley, Maidenhead, SL6 6RJ	100%*

*Investment held indirectly.

**Entity in process of liquidation

Pfizer Limited

Notes (continued)

forming part of the financial statements

13. Financial fixed assets (continued)

Shares in subsidiary undertakings (continued)

Wyeth Europa Limited paid a dividend of £3,451,752 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.

Other Investments

Other investments comprise shares in the joint venture, investments in Levicept Limited, Ixchelsis Limited, and Dementia Discovery Fund (see note 23). The movements during the year represent adjustments to the investment in the Dementia Discovery Fund.

14. Stocks

	2021	2020
	£'000	£'000
Finished goods and goods for resale	<u>114,546</u>	<u>135,580</u>

The replacement cost of stocks did not differ significantly from the amounts shown above. The write-down of stocks to net realisable value amounted to £13,355,000 (2020: £10,793,000). The write-down is included in cost of sales.

15. Debtors

	2021	2020
	£'000	£'000
Trade debtors	323,150	94,180
Amounts owed by group undertakings	1,339,018	1,137,881
Other debtors	23,400	33,758
Prepayments and accrued income	7,818	11,672
Deferred tax asset (note 20)	8,315	26,958
Forward foreign exchange contracts assets (note 18)	2,220	—
	<u>1,703,921</u>	<u>1,304,449</u>

Amounts owed by group undertakings and related parties

Amounts owed by group undertakings are unsecured and non interest bearing. For amounts placed with Pfizer Service Company Ireland, a group treasury company, interest is charged at commercial rates for loan facilities and at a rate determined by Pfizer Service Company Ireland for call account facilities. Where commercial rates are negative a floor of 0% may be applied however Pfizer Service Company Ireland reserves the right to pass on any costs incurred in providing the required facilities by adjusting the interest rate. At year-end the interest rate on loan facilities was 0% and for call account facilities was 0% for GBP, (0.564)% for EUR and 0.09% for USD balances.

Pfizer Limited

Notes (continued)

forming part of the financial statements

16. Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	29,292	46,086
Amounts owed to group undertakings	703,635	286,389
UK corporation tax	105,378	30,303
Other taxation and social security	80,431	54,989
Accruals and deferred income	197,467	197,968
Forward foreign exchange contracts liability (note 18)	—	531
	<u>1,116,203</u>	<u>616,266</u>

Amount owed to group undertakings and related companies

Amounts owed to group undertakings are unsecured and non interest bearing. For amounts placed with Pfizer Service Company Ireland, a group treasury company, interest is charged at commercial rates for loan facilities and at a rate determined by Pfizer Service Company Ireland for call account facilities. Where commercial rates are negative a floor of 0% may be applied however Pfizer Service Company Ireland reserves the right to pass on any costs incurred in providing the required facilities by adjusting the interest rate. At year-end the company had no such facilities within amounts owed to group undertakings in relation to Pfizer Service Company Ireland.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£'000	£'000
Accruals and deferred income	17,075	857
Deferred tax liability (note 20)	81,313	—
	<u>98,388</u>	<u>857</u>

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:

	2021	2020
	£'000	£'000
Trade debtors	323,150	94,180
Other debtors	23,400	33,758
Amounts owed by group undertakings	<u>1,339,018</u>	<u>1,137,881</u>

Financial assets/liabilities measured at fair value:

	2021	2020
	£'000	£'000
Forward foreign exchange contract assets/(liabilities)	<u>2,220</u>	<u>(531)</u>

Pfizer Limited

Notes (continued)

forming part of the financial statements

18. Financial instruments (continued)

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:

	2021 £'000	2020 £'000
Trade creditors	29,292	46,086
Amounts owed to group undertakings	<u>703,635</u>	<u>286,389</u>

19. Provisions for liabilities

	Restructuring provision £'000	Other provisions £'000	Total £'000
At beginning of year	1,189	20,000	21,189
Profit and loss charge	20,047	—	20,047
Utilised during the year	(7,133)	—	(7,133)
At end of year	<u>14,103</u>	<u>20,000</u>	<u>34,103</u>

Restructuring costs relate to various divisional and group reorganisations and have been included within administration expenses.

Other provisions are in relation to litigation matters pending against the company. As at 30 November 2021 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.

Pfizer Limited

Notes (continued)

forming part of the financial statements

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2021			2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation in excess of allowances	5,433	—	5,433	4,655	—	4,655
Employee benefits	—	(81,313)	(81,313)	21,841	—	21,841
Other	2,882	—	2,882	462	—	462
Net tax (liabilities)/assets	8,315	(81,313)	(72,998)	26,958	—	26,958

The company has capital losses carried forward of £118,285,000 (2020: £118,285,000) 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 age, length of service and pensionable salary at the date of leaving the scheme. The scheme closed to future accrual at 31 December 2017. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. In order to meet current funding deficit requirements the company has agreed to make repair contributions of £64 million to the scheme in 2021, £35 million for three years starting in 2021, which then reduces to £30 million annually thereafter ending in 2030.

The company also operates a defined contribution 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 performed for the FRS 102 disclosures has been based on the most recent actuarial valuation at 1 April 2020 performed by Lane Clark & Peacock LLP 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 2021. The scheme assets are stated at their bid market value at 30 November 2021.

Pension scheme asset/(liability) (excluding related deferred tax)

	2021	2020
	£'000	£'000
At beginning of year	(32,769)	(49,223)
Profit and loss	(5,000)	(6,800)
Contributions	208,000	31,700
Gain/(charge) recognised in the statement of other comprehensive income	343,600	(7,500)
Defined contributions unfunded unapproved retirement benefit scheme	(131)	(946)
At end of year	513,700	(32,769)

Pfizer Limited

Notes (continued)

forming part of the financial statements

21. Employee benefits (continued)

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

Net pension asset/(liability):	2021	2020
	£'000	£'000
Defined benefit obligation	(3,750,100)	(3,633,700)
Plan assets	4,269,800	3,606,800
Defined contribution unfunded unapproved retirement benefit scheme	(6,000)	(5,869)
Net pension asset/(liability)	513,700	(32,769)

Movements in present value of defined benefit obligation

	2021	2020
	£'000	£'000
At beginning of year	3,633,700	3,231,500
Interest expense	51,300	60,600
Remeasurement actuarial loss	157,200	427,500
Benefits paid	(92,100)	(87,100)
Past service cost (including curtailments)	—	1,200
	3,750,100	3,633,700

Movements in fair value of plan assets

	2021	2020
	£'000	£'000
At beginning of year	3,606,800	3,187,200
Remeasurement actuarial gain	500,800	420,000
Interest income	52,200	60,200
Benefits paid	(92,100)	(87,100)
Administration costs	(5,900)	(5,200)
Contributions by employer	208,000	31,700
At the end of year	4,269,800	3,606,800

The amounts recognised in the profit and loss account in relation to the defined benefit scheme are as follows:

	2021	2020
	£'000	£'000
Net interest (income)/expense on net defined benefit asset	(900)	400
Past service cost included in other operating costs	—	1,200
Administration costs included in other operating costs	5,900	5,200
	5,000	6,800

Pfizer Limited

Notes (continued)

forming part of the financial statements

21. Employee benefits (continued)

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

Scheme portfolio	Asset allocation at 30-Nov 2021		Asset allocation at 30-Nov 2020	
	%	£'000	%	£'000
Equity	7.1 %	305,400	18.8 %	677,800
Multi-asset credits and DGFs	4.8 %	203,300	14.9 %	538,800
Property	6.9 %	294,100	8.2 %	295,900
Bonds	23.4 %	1,000,000	20.1 %	724,800
Secured Finance	12.9 %	549,500	8.2 %	294,000
LDI	40.0 %	1,708,900	25.4 %	917,800
Other	4.9 %	208,600	4.4 %	157,700
	100 %	4,269,800	100 %	3,606,800

Scheme assets do not include any of the company's own financial instruments or any property occupied by the company.

Principal actuarial assumptions at the statement of financial position date

	2021	2020
Discount rate for interest cost	1.70%	1.43%
Discount rate applied to scheme liabilities	1.74%	1.65%
RPI Inflation	3.27%	2.95%
CPI Inflation	2.77%	2.38%
Pension increases on pensions accrued**:		
RPI pension increases pre 6 April 1997 and in excess of GMP	0%	0%
CPI pension increases April 1997 – April 2006	2.71%	2.37%
RPI pension increases April 1997 – April 2006	3.13%	2.87%
CPI pension increases post April 2006	2.00%	1.84%
RPI pension increases post April 2006	2.17%	2.07%

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

The actuarial assumption for the long-term gap between RPI and CPI inflation decreased by 7 basis points in 2021. The estimated impact of this change was a c. £60m increase in the defined benefit obligation.

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 23.1 years if they are male and for a further 24.8 years if they are female.

For a member who retires in 2041 at age 65 the assumptions are that they will live on average for a further 24.5 years after retirement if they are male and for a further 26.3 years after retirement if they are female.

No adjustments have been to mortality assumptions at year end to reflect the potential effects of Covid-19 as the actual plan experience is not yet available and as it is too soon to make a judgement on the impact of the pandemic on future mortality improvements. The mortality experience analysis for the scheme will be carried out in the future as part of the 1st April 2023 funding valuation for the PGPS plan.

Pfizer Limited

Notes (continued)

forming part of the financial statements

21. Employee benefits (continued)

Movements in present value of defined contribution unfunded unapproved retirement benefit scheme obligation

	2021	2020
	£'000	£'000
At beginning of year	5,869	4,923
Profit and loss expense	1,274	1,038
Benefits paid over the accounting period	(1,143)	(92)
At end of year	<u>6,000</u>	<u>5,869</u>

Share based payments

FRS 102 requires the company to recognise share-based payments as an expense and share-based payments must be measured in accordance with the standard. Pfizer Limited is part of the Pfizer Inc. group which operates under the ("Pfizer") 2019 Stock Plan. Under FRS 102.1.12(d) the company is exempt from certain disclosures around share based payments as the relevant information is disclosed in the holding undertaking's (Pfizer Inc.) consolidated financial statements.

Share-based payments issued by Pfizer Inc. are recognised based on the company's allocation of the group expense. This allocation is based on an assignment of colleague expenses based on their employing entity within the group. Pfizer Inc. does not recharge for the cost of the shares issued under this plan.

The primary types of Pfizer Inc. share based awards are as follows;

- Total Shareholder Return Units (TSRUs) which entitle the holder to receive shares of Pfizer Inc. common stock with a value equal to the difference between the defined settlement price and the grant price, plus the dividend equivalents accumulated during the five or seven-year term, if and to the extent the total value is positive. Settlement price is the average closing price of Pfizer Inc. common stock during the 20 trading days ending on the fifth or seventh anniversary of the grant, as applicable; the grant price is the closing price of Pfizer Inc. common stock on the date of the grant.
- Restricted Stock Units (RSUs) which entitle the holder to receive a specified number of shares of Pfizer Inc. common stock, including dividend equivalents that are reinvested into additional RSUs.
- Portfolio Performance Shares (PPSs) which entitle the holder to receive, at the end of the performance period, shares of Pfizer Inc. common stock, if any, including shares resulting from dividend equivalents earned on such shares. For PPSs granted, the number of shares paid, if any, depends on the achievement of predetermined goals related to Pfizer's long-term product portfolio during a three or five-year performance period from the year of the grant date, as applicable. The number of shares that may be earned ranges from 0% to 200% of the initial award depending on goal achievement over the performance period.
- Breakthrough Performance Awards (BPAs) which entitle the holder to receive, at the end of the performance period, shares of our common stock, if any, including shares resulting from dividend equivalents earned on such shares dependent upon the achievement of the respective predetermined performance goals related to advancing Pfizer's product pipeline during the performance period. The number of shares that may be earned ranges from 0% to 600% of the target award depending on the level and timing of goal achievement over the performance period.

Pfizer Limited

Notes (continued)

forming part of the financial statements

21. Employee benefits (continued)

Share based payments (continued)

- Performance Share Awards (PSAs) which entitle the holder to receive, at the end of the performance period, shares of Pfizer common stock (retirees) earned, if any, or an equal value in cash (active colleagues), including dividend equivalents on shares earned, dependent upon the achievement of predetermined goals related to two measures: 1) adjusted net income over three one-year periods; and 2) TSR as compared to the NYSE ARCA Pharmaceutical Index (DRG Index) over the three-year performance period. The award that may be earned ranges from 0% to 200% of the target award depending on goal achievement over the performance period.
- Stock Options which entitle the holder to purchase a specified number of shares of Pfizer Inc. common stock at a price per share equal to the closing market price of Pfizer Inc. common stock on the date of grant, for a period of time when vested.
- Retirement-eligible holders, as defined in the grant terms, can convert their TSRUs, when vested, into Profit Units (PTUs) with a conversion ratio based on a calculation used to determine the shares at TSRU settlement. The PTUs are entitled to earn Dividend Equivalent Units (DEUs), and the PTUs and DEUs will be settled in Pfizer Inc. common stock on the TSRUs' original settlement date and will be subject to the terms and conditions of the original grant including forfeiture provisions.

The terms and conditions of the grants are as follows:

Number of Instrument Types	Vesting conditions	Contractual life of options
7	Vest after three years of continuous service	10 years

22. Called up share capital

	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid</i>		
Equity: 103,622,461 (2020: 103,622,461) ordinary shares of £1 each	<u>103,622</u>	<u>103,622</u>

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

During 2021, the company did not issue any ordinary shares.

Pfizer Limited

Notes (continued)

forming part of the financial statements

23. Commitments

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

	2021	2020
	£'000	£'000
Capital Committed	131	48
Dementia Fund Committed	4,630	4,843
	<u>4,761</u>	<u>4,891</u>

At 30 November 2021 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	Land and Buildings	Land and Buildings
	£'000	£'000
Not later than one year	691	634
Later than 1 year and not later than 5 years	475	1,162
	<u>1,166</u>	<u>1,796</u>

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

The company's ultimate parent company and ultimate controlling party is Pfizer Inc., a company incorporated in the state of Delaware, USA. Pfizer Inc. is the largest group which includes the company and for which group accounts are prepared. The parent undertaking of the smallest such group is C.P. Pharmaceuticals International C.V., a company incorporated in the Netherlands. Copies of the group financial statements of Pfizer Inc. are available from Pfizer Inc., 235 East 42nd Street, New York, NY10017, USA. Copies of the group financial statements of C.P. Pharmaceuticals International C.V. are available from Chamber of Commerce, PO Box 450, 3001 AL Rotterdam, Holland. The company's immediate controlling party is Pfizer Luxco Holdings SARL., a company incorporated in Luxembourg.

Pfizer Limited

Notes (continued)

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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.

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 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 - 7% were applied to the post tax cash flows. The equivalent pre-tax discount rate was 17%.
- 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 financial fixed assets

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.

Pfizer Limited

Notes (continued)

forming part of the financial statements

26. Accounting estimates and judgements (continued)

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.

Other provisions

Other provisions are in relation to various litigation matters against the company. As at 30 November 2021 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 that meets provision recognition requirements has been provided for in the financial statements.

28. Subsequent events

On 24 January 2022, the company declared and paid a dividend of £550,000,000 to its sole shareholder, Pfizer Luxco Holdings SARL.

On 21 July 2022 the Competition and Markets Authority (CMA) issued a competition law infringement decision to Pfizer and Flynn Pharma which included fines of £63.3m and £6.7m respectively in relation of their investigation into the pricing of phenytoin sodium capsules. The CMA had previously issued an infringement decision in respect of this matter in 2016 which was the subject of successful appeals. The fines issued in July are as a result of their new investigation following the prior Court of Appeals ruling. Pfizer disagrees with the CMA's latest infringement decision and will be appealing against it.