John Wyeth & Brother Limited

Annual report and financial statements

For the year ended 30 November 2018

Registered number 00135937

John Wyeth & Brother Limited

Annual report and financial statements

Contents

John Wyeth & Brother Limited

Directors and other information

Directors	CM Seller IE Franklin JA Mount SS Aujla EJ Pearson DJ Harnett BJ Osborn
Registered office	Ramsgate Road Sandwich Kent CT13 9NJ
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Registered number	00135937

Strategic report

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

Business review

The audited financial statements for the year ended 30 November 2018 are set out on pages 9 to 35.

The company generated an after tax profit of £1,772,000 *(2017 loss:* £2,638,000*)* and declared dividends of £180,000,000 in 2018 *(2017: £nil)*. The retained profit for the year of £1,772,000 *(2017 loss:* £2,638,000*)* has been transferred to reserves. At the year end the company had net assets, including pension assets, of £155,040,000 (*2017:* £338,726,000).

The profit and loss account and statement of financial position are set out on pages 15 and 17 respectively. The performance of the company during the year was satisfactory, as was the position of the company at the year-end. On 8 November 2016 Pfizer announced that it proposed to exit the company's cold chain packaging and distribution site in Havant on a phased basis by the end of 2020.

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. 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.
- Trade buying patterns.
- The ability to meet generic and branded competition after the loss of patent protection for Pfizer's products and competitor products.
- The impact of existing and future legislation and regulatory provisions on product exclusivity.
- Trends toward managed care and health care cost containment.
- Legislation or regulatory action affecting, amongst other things, pharmaceutical product pricing, reimbursement or access.
- Contingencies related to actual or alleged environmental contamination.

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

- Claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates.
- The significant breakdown, infiltration or interruption of Pfizer's information technology systems and infrastructure.
- Legal defence costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to product liability, patent protection, government investigations, and other legal proceedings.
- Pfizer's ability to protect its patents and other intellectual property.
- Interest rate and foreign currency exchange rate fluctuations.
- Governmental laws and regulations affecting operations, including tax obligations.
- Changes in generally accepted accounting principles.
- General economic, political, business, industry, regulatory and market conditions including, 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.
- Growth in costs and expenses.
- Changes in Pfizer's product, segment and geographic mix.
- The impact of acquisitions, divestitures, restructurings, product withdrawals and other unusual items.
- Restructuring provision and asset impairment due to site exit announcement, including the valuation of the site land and buildings.

By order of the board

JA Mount
Director

Date: 15 August 2019

Directors' report

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

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

Financial instruments

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

Disabled employees

It is the policy of the company to give full and fair consideration to applications for employment made by persons with disability taking account of their particular abilities and aptitudes. Policies to actively eliminate discrimination and to ensure that all applicants are considered solely on their merits are promoted. Should any existing employee become disabled every effort is made to ensure continuity of employment after appropriate assessment of special needs, suitable adjustment to accommodate the disability, retraining, resettlement and continued support. The same opportunity for training and career development is given to disabled employees as is given to employees generally.

Employee involvement

The company seeks open and direct relations with its employees through the provision of efficient formal and informal channels for communication. These include information and support services provided by e-mail, web and telephone as well as face to face, and consultation through a variety of committees, forums, surveys and regular departmental meetings. The company also participates in the Pfizer Europe Employee Forum.

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

The Pfizer Share Ownership Plan, through which shares in the ultimate parent company, Pfizer Inc., may be purchased, encourages employees of the participating companies to take a direct interest in the performance of the world-wide group.

Share capital, other reserves and dividends

No shares have been issued during the period. During the year, the directors proposed to pay dividends of £180,000,000 to Pfizer Limited (2017: £nil).

Political and charitable contributions

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

Directors' report *(continued)*

Directors

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

IE Franklin	
EJ Pearson	
JA Mount	
HH Nordkamp	(resigned 15 May 2019)
SS Aujla	
CM Seller	
DJ Harnett	(appointed 26 April 2018)
BJ Osborn	(appointed 29 April 2019)

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

JA Mount

JA Mount

Director
Ramsgate Road
Sandwich
Kent
CT13 9NJ

Date: 15 August 2019

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 UK accounting standards and applicable law (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 (as explained in the Statement of accounting policies, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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.

Independent auditor's report to the members of John Wyeth & Brother Limited

Opinion

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

In our opinion the financial statements:

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

Basis for opinion

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

Emphasis of matter – non going concern basis of preparation

We draw attention to the disclosure made in the statement of accounting policies to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report to the members of John Wyeth & Brother Limited *(continued)*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

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

Auditor's responsibilities

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

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

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
15 August 2019

Statement of accounting policies

for the year ended 30 November 2018

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

Basis of preparation

John Wyeth and Brother Limited is a limited liability company domiciled and registered in England in the UK. The registered number is 00135937 and the registered address is Ramsgate Road, Sandwich, Kent, CT13 9NJ.

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

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Going concern

On 8 November 2016 it was announced that the company plans to exit the cold chain packaging and distribution site in Havant by the end of 2020. As there are no current plans to acquire a replacement trade, the directors have decided to prepare the financial statements on a basis other than going concern from this year onwards. No adjustments were necessary to the amounts at which the net liabilities are included in these financial statements.

Exemptions for qualifying entities under FRS 102

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

A separate cash flow statement is not presented by the Company as the information is included in the consolidated cash flow statement prepared by the ultimate parent, Pfizer Inc., in the manner prescribed by FRS 102.7.

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 22.

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 disclosing share based payments as the relevant information is disclosed in the consolidated financial statements of Pfizer Inc. as required by FRS 102.26.

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

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

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

Turnover

Turnover represents amounts receivable for goods and packaging services provided in the normal course of business, net of returns, allowances and excluding value added tax. Turnover is recognised at the time that the risk and rewards to the packaged goods pass to the buyer.

Interest receivable and interest payable

Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest payable and similar charges include 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 currency 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.

Tangible 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.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The entity assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) 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. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold land	Not depreciated
Freehold buildings	20-50 years
Furniture and fixtures	3-10 years
Plant, machinery and vehicles	4-15 years

No depreciation is provided on assets under 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.

Due to the announcement made to exit the Havant site on 8 November 2016, the remaining useful lives of some assets were adjusted to approximately 4 years, being the time before such exit was expected to be completed. As at 30 November 2018, the remaining useful life of such assets is approximately two years. Refer to note 23.

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

Financial fixed assets

Financial fixed assets are stated at purchase cost less provision for any impairment in value. An impairment test is undertaken on an annual basis by the company to confirm that the carrying value is appropriate.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Estimated selling price less costs to complete and sell is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. A provision is made for obsolete, slow moving or defective items except where the cost can be recharged to another group company.

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 balance sheet 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, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

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

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

Provisions for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits

The company participates in a group operated pension scheme for the benefit of the majority of its employees. The scheme has both a defined contribution section and a defined benefit section.

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 defined contribution section includes some members who benefit from a component that is based on a defined benefit in addition to defined contribution.

The defined benefit section compromises two components dependant on employee status or criteria:

- for some employees, the scheme provides benefits on a purely defined benefit basis
- for certain employees who previously met specific age and service criteria the scheme provides a defined contribution benefit with an additional component that is based on a defined benefit.

The assets of the scheme are held in a separate fund administered by trustees.

In respect of the defined benefit scheme, assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and quality to the liability. The increase in the present value of the liabilities of the group's defined benefit pension section expected to arise from employee service in the period is charged to operating profit. The amount of pension contributions charged in the profit and loss account represents amounts payable in the year to the group pension scheme by the participating group companies, less allocated charges to fellow group companies based on current headcount. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Remeasurement of the net defined benefit asset/liability is recognised in other comprehensive income in the period in which it occurs.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the statement of financial positon net of the related deferred tax. 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.

Statement of accounting policies *(continued)*

for the year ended 30 November 2018

Foreign currencies

Transactions in foreign currencies are recorded using the company's actual month end exchange rates for the month of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. 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 are recognised at their fair value on the statement of financial position.

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.

Financial instruments

Financial assets

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

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balance is 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.

Statement of accounting policies *(continued)*

for the year ended 30 November 2018

Financial instruments (continued)

Financial liabilities

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

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

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

Offsetting

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

Other financial instruments

Derivative financial instruments and hedging

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

Fair value hedges

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

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.

Profit and loss account
for the year ended 30 November 2018

	Note	2018 £000	2017 £000
Turnover	*1*	**46,591**	47,484
Cost of sales		**(41,723)**	(51,239)
Gross profit/(loss)		**4,868**	(3,755)
Distribution costs		**(7)**	(276)
Administrative expenses		**(4,229)**	(1,667)
Profit/(loss) on ordinary activities before interest		**632**	(5,698)
Income from fixed asset investments	*5*	**187**	155
Interest receivable and similar income	*6*	**1,062**	644
Other finance income	*7*	**2,180**	2,190
Profit/(loss) on ordinary activities before taxation	*2*	**4,061**	(2,709)
Tax (charge)/credit on the profit/(loss) on ordinary activities	*8*	**(2,289)**	71
Profit/(loss) after taxation and for the financial year		**1,772**	(2,638)

The notes on pages 19 to 35 and the accounting policies on pages 9 to 14 form part of these financial statements.

Statement of other comprehensive income
for the year ended 30 November 2018

	Note	2018 £000	2017 £000
Profit/(loss) for the financial year		**1,772**	(2,638)
Actuarial (loss)/gain recognised in the pension scheme	*19*	**(6,952)**	3,013
Deferred tax credit/(charge) arising on losses/gains in the pension scheme	*15*	**1,182**	(372)
Total recognised (losses)/gains for the year		**(3,998)**	3

The notes on pages 19 to 35 and the accounting policies on pages 9 to 14 form part of these financial statements.

Statement of financial position
as at 30 November 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	9	**18,584**	31,340
Financial fixed assets	10	**346**	353
		18,930	31,693
Current assets			
Stocks	11	**5,941**	6,451
Debtors	12	**122,492**	274,899
		128,433	281,350
Creditors: amounts falling due within one year	13	**(42,203)**	(25,954)
Net current assets		**86,230**	255,396
Total assets less current liabilities		**105,160**	287,089
Creditors: amounts falling due after more than one year	15	**(8,905)**	(9,777)
Provisions for liabilities	16	**(14,231)**	(19,320)
Net assets excluding pension surplus		**82,024**	257,992
Pension asset	19	**73,016**	80,734
Net assets including pension surplus		**155,040**	338,726
Capital and reserves			
Called up share capital	17	**5,750**	5,750
Profit and loss account		**149,290**	332,976
Shareholders' funds		**155,040**	338,726

The notes on pages 19 to 35 and the accounting policies on pages 9 to 14 form part of these financial statements.

These financial statements were approved by the board of directors and were signed on its behalf on 15 August 2019 by:

JA Mount

JA Mount
Director

Registered number: 00135937

John Wyeth & Brother Limited

Statement of changes in equity
for the year ended 30 November 2018

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 December 2016	5,750	332,736	338,486
Loss for the year	-	(2,638)	(2,638)
Other comprehensive income	-	2,641	2,641
Total comprehensive income for the year	-	**3**	**3**
Transactions with owners, recognised in equity			
Adjustment in respect of employee share schemes	-	237	237
At 30 November 2017	**5,750**	**332,976**	**338,726**
Total comprehensive expenditure for the year			
Profit for the year	-	1,772	1,772
Other comprehensive expenditure	-	(5,770)	(5,770)
Total comprehensive expenditure for the year	-	**(3,998)**	**(3,998)**
Transactions with owners, recognised in equity			
Adjustment in respect of employee share schemes	-	312	312
Dividends declared		(180,000)	(180,000)
Balance at 30 November 2018	**5,750**	**149,290**	**155,040**

The notes on pages 19 to 35 and the accounting policies on pages 9 to 14 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Analysis of turnover

Contributions to turnover by geographical destination are as follows:

	2018 £000	2017 £000
United Kingdom	-	10
Overseas	46,591	47,474
	46,591	47,484

Countries included within overseas turnover include those in the rest of Europe.

2 Profit on ordinary activities before taxation

	2018 £000	2017 £000
Profit on ordinary activities before taxation,		
is stated after charging/(crediting):		
Depreciation of tangible fixed assets (note 9)	8,399	9,494
Loss on disposal of tangible fixed assets	165	68
Restructuring (credit)/cost	(129)	6,084
Foreign exchange loss	180	240

Restructuring costs

As part of an overall cost of goods reduction programme across Pfizer Global Supply, an operational review and restructure resulting in the closure of the Havant site by the year 2020 has made number of positions redundant. A provision equal to the expected future severance costs of those employees who will be impacted by the restructuring has been calculated.

Depreciation of tangible fixed assets

The announcement of the planned closure of the Havant site by the year 2020 resulted in the accelerated depreciation of certain tangible fixed assets.

Auditor's remuneration

Auditor's remuneration in respect of the audit of these financial statements for the current year is borne without recourse by Pfizer Limited, a fellow group undertaking. In 2018 these fees amounted to £62,000 (2017: £60,000). The company auditor also received fees of £30,280 (2017: £23,400) in respect of their audit of an associated pension scheme.

3 Directors' remuneration and emoluments

	2018	2017
	£000	£000
Directors' emoluments	**168**	**141**

The remuneration of the majority of directors in respect of qualifying services for 2018 and 2017 was borne by Pfizer Limited.

Seven of the directors received shares under long term incentive schemes *(2017: seven)*, and one of the directors exercised share options in the ultimate holding company Pfizer Inc. during the year *(2017: none)*.

4 Staff costs and numbers

	2018	2017
	£000	£000
Staff costs		
Wages and salaries	**11,414**	11,343
Social security costs	**1,146**	1,147
Other pension costs (note 19)	**1,446**	1,445
Cost of employee share schemes	**312**	237
	14,318	14,172

The above costs do not include those relating to redundancies.

The average number of persons employed by the company during the year was:

	2018	2017
	Number	Number
By activity		
Manufacturing	163	160
Marketing and administration	100	112
	263	272

Notes *(continued)*

(forming part of the financial statements)

5 Income from fixed asset investments

	2018 £000	2017 £000
Dividend from Wyeth Limited, India	**187**	155
	187	155

6 Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable on amounts owed by group undertakings	**1,062**	644

7 Other finance income

	2018 £000	2017 £000
Amount in respect of pensions (note 19)	**2,180**	2,190

Notes *(continued)*

(forming part of the financial statements)

8 Tax on the profit on ordinary activities

	2018	2017
	£000	£000
Current tax		
Current tax charge on income for the period	**2,097**	1,192
Withholding tax on dividend income	**-**	(53)
Adjustment in respect of prior periods	**(118)**	(18)
Total current tax charge	**1,979**	1,121
Deferred tax		
Origination and reversal of timing differences	**(446)**	(1,322)
Adjustment in respect of prior periods	**907**	74
Effect of change in tax rate	**(151)**	57
Total deferred tax charge/(credit) (note 15)	**310**	(1,191)
Tax charge/(credit) on profit/(loss) on ordinary activities	**2,289**	(71)

The tax assessed for the year is lower *(2017: higher)* than the applicable rate of corporation tax in the UK of 19% *(2017: 19.33%)*. The differences are explained below:

	2018	2017
	£000	£000
Profit/(Loss) on ordinary activities before tax	**4,061**	(2,709)
Taxation credit at UK corporation tax rate of 19% (2017: 19.33%)	**772**	(524)
Effects of		
Change in tax rate on deferred tax balances	**(151)**	57
Permanent differences	**916**	369
Non-taxable income	**(35)**	(29)
Under provided in prior periods	**787**	56
Tax charge/(credit) on profit/(loss) on ordinary activities	**2,289**	(71)

Reductions in the UK corporation tax rate from 19.33% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

Notes *(continued)*

(forming part of the financial statements)

9 Tangible fixed assets

	Freehold land and buildings	Plant, machinery and vehicles	Furniture and fixtures	Assets under construction	Total
	£000	**£000**	**£000**	**£000**	**£000**
Cost					
At beginning of year	70,419	45,663	11,863	180	128,125
Additions	-	-	-	948	948
Transfers between categories	397	543	56	(996)	-
Disposals	(3,218)	(6,208)	(345)	-	(9,771)
At end of year	67,598	39,998	11,574	132	119,302
Accumulated depreciation and impairment					
At beginning of year	54,374	30,810	11,601	-	96,785
Charge for year	5,431	2,837	131	-	8,399
Disposals	(3,057)	(1,064)	(345)	-	(4,466)
At end of year	56,748	32,583	11,387	-	100,718
Net book value					
At 30 November 2018	**10,850**	**7,415**	**187**	**132**	**18,584**
At 30 November 2017	**16,045**	**14,853**	**262**	**180**	**31,340**

An impairment review of tangible fixed assets was performed, taking into consideration the planned site exit in 2020. No impairment was required following the review. The remaining depreciation of the net book value of tangible fixed assets has been accelerated to the estimated disposal proceeds on exit.

The net book value of undepreciated land included in the above is *£29,000 (2017:£29,000)*.

Notes *(continued)*

(forming part of the financial statements)

10 Financial fixed assets

	Subsidiary undertakings £000	Other investments £000	Total £000
Cost and net book value			
At beginning of year	1	352	353
Movement in other investments	-	(7)	(7)
At end of year	**1**	**345**	**346**

Subsidiary undertakings

Name of undertaking	Registered Office	Proportion of share capital at 30 Nov 18
Wyeth Pharmaceutical Ltd	9 Riverwalk, National Digital Park, Citywest Business Campus, Dublin 24, Ireland.	100%

Other investments

In 2015, Wyeth Limited amalgamated with Pfizer Limited, India. John Wyeth & Brother Limited now holds 1.93% of the ordinary shares of the amalgamated entity, Pfizer Limited, India. The principal activities of Pfizer Limited, India are the sale of prescription medicines and over the counter products.

The investment comprises of:

	Investments £000	Loan account £000	Total £000
Cost			
At beginning of year	63	289	352
Foreign exchange adjustment	-	(7)	(7)
At end of year	**63**	**282**	**345**

The book value of the investments is supported by their underlying assets.

Notes *(continued)*

(forming part of the financial statements)

11 Stocks

	2018 £000	2017 £000
Raw material and consumables	**2,222**	2,267
Work in progress	**210**	375
Finished goods and goods for resale	**3,509**	3,809
	5,941	6,451

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

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,112,000 (2017: £6,279,000). The write-down of stocks to net realisable value amounted to £186,000 (2017: £498,000) and is included in cost of sales.

12 Debtors

	2018 £000	2017 £000
Trade receivables	**-**	1
Amounts owed by group undertakings	**120,740**	273,332
Other receivables	**1,752**	1,566
	122,492	274,899

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

13 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade payables	**3,008**	3,632
Amounts owed to group undertakings	**30,336**	18,815
Other financial liabilities (note 14)	**7**	10
Corporation tax payable	**2,098**	1,192
Restructuring provision – short-term (note 16)	**5,450**	847
Accruals	**1,304**	1,458
	42,203	25,954

Amounts owed to group undertakings are unsecured. As these amounts that are also repayable on demand, notional interest is not applied. For term loans with fellow affiliates a commercial rate of interest is charged. All creditors fall due within one year

Notes *(continued)*

(forming part of the financial statements)

14 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 cost

	2018	2017
	£'000	£'000
Trade receivables	**-**	1
Amounts owed by group undertakings	**120,740**	273,332
Other receivables	**1,752**	1,566

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

Financial liabilities that are debt instruments measured at amortised cost

Trade payables	**3,008**	3,632
Amounts owed to group undertakings	**30,336**	18,815

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

Financial (liabilities)/assets measured at fair value

Other financial (liabilities)/assets (note 20)	**(7)**	(10)

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 EUR, INR and USD. The fair values of these contracts are based on market values of equivalent instruments at the balance sheet date.

Notes *(continued)*

(forming part of the financial statements)

15 Creditors: amounts falling due after more than one year

	Deferred taxation
	£000
At beginning of year	9,777
Charge to the profit and loss account	310
(Credit) to the statement of comprehensive income	(1,182)
At end of year	**8,905**

Deferred Taxation

	2018 £000	2017 £000
Accelerated capital allowances	234	(230)
Other timing differences	(3,742)	(3,717)
Pension scheme	12,413	13,724
Total deferred tax	8,905	9,777

It is estimated that deferred tax of £2,018,000 will reverse over the next twelve months.

The movement on deferred taxation comprises:

	Pension scheme	**Other**	**Total**	Total
	2018 £000	**2018 £000**	**2018 £000**	2017 £000
At beginning of year	**13,724**	**(3,947)**	**9,777**	10,596
Current year (credit)	**(145)**	**(301)**	**(446)**	(1,322)
Prior year charge	-	**907**	**907**	74
Change in tax rate	**15**	**(166)**	**(151)**	57
Charge/(credit) to profit and loss account (note 8)	**(130)**	**440**	**310**	(1,191)
(Credit)/charge to statement of comprehensive income	**(1,182)**	-	**(1,182)**	372
	12,412	**(3,507)**	**8,905**	9,777

Notes *(continued)*

(forming part of the financial statements)

16 Provisions for liabilities

	Restructuring provision – short-term £000	Restructuring provision- long-term £000	Total £000
At beginning of year	847	19,320	20,167
Additions/(reductions) during the year	4,603	(5,089)	(486)
At end of year	**5,450**	**14,231**	**19,681**

Restructuring costs

As part of an overall cost of goods reduction programme across Pfizer Global Supply, an operational review and restructure resulting in the closure of the Havant site by the year 2020 has made a number of positions redundant. A provision equal to the expected future severance costs of those employees who will be impacted by the restructuring has been calculated.

17 Called up share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
5,750,000 ordinary shares of £1 each	**5,750**	5,750

18 Commitments

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

	2018 £000	2017 £000
Capital committed	**5**	14

Notes *(continued)*

(forming part of the financial statements)

19 Employee benefits

Share based payments

FRS 102 requires the company to recognise share-based payments as an expense and share-based payments must be measured at fair value. John Wyeth & Brother Limited is part of the Pfizer, Inc. ("Pfizer") 2004 Stock Plan and therefore under FRS 102.1.12(d) is exempt from certain disclosures of share based payments as the relevant information is disclosed in the holding undertaking's (Pfizer, Inc.) consolidated financial statements.

The terms and conditions of the grants are as follows:

Grant date/ employees entitled	Methods of settlement accounting	Number of Instruments	Vesting conditions	Contractual life of options
Equity settled award	Equity	4	Vest after three years of continuous service	10 years

Pension costs

The company participates in a group operated pension scheme for the benefit of the majority of its employees. The scheme has both a defined contribution section and a defined benefit section.

The scheme ceased to contract-out of the State Second Pension Scheme with effect from 1 November 2011, the contributions scale was amended and a salary swap arrangement introduced. Defined benefit accrual effectively ceased on 1 November 2011.

In addition to defined benefit pensioners and deferred pensioners some members of the defined contribution section continue to benefit from a defined benefit underpin to all or part of their pensionable service prior to 1 December 2011. The defined contribution assets subject to such an underpin form part of these disclosures.

The latest full valuation for funding purposes was as at 31 December 2017. The combined ongoing funding level for the Defined Benefit and Defined Contribution Sections was 105% of the accrued liabilities and the surplus revealed was £28,400,000. The next full actuarial valuation is due in 2021.

During the year, the group paid contributions and salary swap contributions at the rates set out for the Defined Contribution section. In addition, the group paid the cost of insuring the lump sum death in service benefits and the expenses of administration.

For the company, the charge to the operating profit for the year was £1,446,070 (2017: £1,444,618), comprising of £632,074 (2017: £630,622) for the Defined Contribution section and nil (2017: £nil) for the Defined Benefit Section, plus £813,996 (2017: £813,996) for life assurance cover and administrative expenses. The results shown in the following table relate to the entire Defined Benefit Section.

Notes *(continued)*

(forming part of the financial statements)

19 Employee benefits *(continued)*

Pension costs (continued)

Pension scheme assets

	2018 £000	2017 £000
At beginning of year	**80,734**	75,531
Profit and loss	**(766)**	2,190
(Loss)/gain recognised in the statement of other comprehensive income	**(6,952)**	3,013
At end of year	**73,016**	80,734

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

Net pension asset:	2018 £000	2017 £000
Defined benefit obligation	**(335,814)**	(365,063)
Plan assets	**408,830**	445,797
Net pension asset	**73,016**	80,734

Notes *(continued)*

(forming part of the financial statements)

19 Employee benefits *(continued)*

Pension costs (continued)

Movements in present value of defined benefit obligation	2018 £000	2017 £000
At beginning of year	**365,063**	366,117
Loss on curtailments/changes/introductions	**2,946**	-
Interest expense	**7,875**	8,458
Remeasurement – actuarial (gain)/loss	**(27,035)**	2,976
Insured annuities*	**(3,000)**	(2,000)
Benefits paid	**(10,035)**	(10,488)
At end of year	**335,814**	365,063

Movements in fair value of plan assets	2018 £000	2017 £000
At beginning of year	**445,797**	441,648
Remeasurement – return on plan assets	**(33,987)**	5,989
Interest income	**10,055**	10,648
Insured annuities*	**(3,000)**	(2,000)
Benefits paid	**(10,035)**	(10,488)
At end of year	**408,830**	445,797

*The Scheme holds a number of annuity contracts with insurance companies which exactly match the benefit payments for a number of pensioners.

The amounts recognised in the profit and loss account are as follows:	2018 £000	2017 £000
Loss on curtailments/changes/introductions	**(2,946)**	-
Net interest income in net defined benefit	**2,180**	2,190
Total (charge)/credit recognised in Profit and Loss account	**(766)**	2,190

19 Employee benefits *(continued)*

Pension costs (continued)

The fair value of the plan assets excluding insured annuities were as follows:

Scheme portfolio	**Asset allocation at 30 November 2018 %**	**£000**	Asset allocation at 30 November 2017 %	£000
Equity securities	5.22%	17,951	5.03%	19,000
Debt securities	48.01%	165,061	86.42%	326,497
Other assets	45.50%	156,442	5.69%	21,480
Cash and cash equivalents	1.27%	4,376	2.86%	10,820
	100%	**343,830**	**100%**	**377,797**

Principal actuarial assumptions at the year end were as follows:

Weighted average assumptions used to determine benefit obligations for the year ended

	30 November 2018	30 November 2017
Discount rate	**3.10%**	2.70%
Rate of revaluation (CPI)	**2.40%**	2.30%
Pension increase rate (5% RPI)	**3.20%**	3.10%
Pension increase rate (2.5% RPI)	**2.50%**	2.40%

In valuing the liabilities of the pension fund at 30 November 2018, mortality assumptions have been made as indicated below.

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

	30 November 2018		30 November 2017	
	Male	**Female**	Male	Female
Member aged 65 (current life expectancy thereafter; number of years)	**22.7**	**24.9**	23.1	25.6
Member aged 45 (life expectancy at age 65; number of years)	**24.4**	**26.8**	25.0	27.7

Notes *(continued)*

(forming part of the financial statements)

20 Derivatives included at fair value

The company has derivatives which are included at fair value in these financial statements:

	Fair value asset/(liability)	
	2018	2017
	£000	£000
Forward foreign exchange contracts	**(7)**	(10)

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 EUR, INR and USD. The fair values of these contracts are based on market values of equivalent instruments at the balance sheet date.

21 Related party disclosures

The company is controlled by Pfizer Limited. 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 22.

22 Ultimate parent undertaking

The company's ultimate parent undertaking and controlling party is Pfizer Inc, which is incorporated in the state of Delaware, USA, which heads the largest group in which the results of John Wyeth & Brother Limited are consolidated and whose principal place of business is at 235 East 42nd Street, New York, NY 10017, USA. These consolidated financial statements are available to the public from this address.

The immediate holding company is Pfizer Limited, Ramsgate Road, Sandwich, Kent, CT13 9NJ, which is incorporated in Great Britain and registered in England and Wales.

The smallest group in which the results of the company are consolidated is that headed by C.P. Pharmaceuticals International C.V., Coolsingel 93, 3012 AE Rotterdam, Holland whose accounts are publicly available from the Chamber of Commerce, PO Box 450, 3001 AL Rotterdam, Holland.

Notes *(continued)*

(forming part of the financial statements)

23 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 managements 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. A reduction in the expected level of usage due to the planned closure of the Havant site by 2020 impacted the useful life of certain tangible fixed assets and the depreciation of these assets have been accelerated.

Impairment of tangible assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. An impairment of tangible assets was recognised in the profit and loss account.

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

- cash flow projections were prepared looking forward 3 years, until after the planned closure of the Havant site, showing the estimated revenues together with future operating costs based on budgeted information, adjusted for tax, and proceeds from the expected sale of the site and specific equipment.
- 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 rates used ranged from 6 – 14%.
- the JWB operation was identified as a single cash generating unit given this was the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. Specific discount rates were applied to cash flows in a manner that reflected the risk inherent in those cash flows.
- sensitivities considered included variance in revenue, margin and discount rates.

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 19. Under FRS 102, the company can recognise a surplus on the statement of financial position as the employer has an unconditional right to a refund of any surplus based on a legal review of the scheme rules.

23 Accounting estimates and judgements *(continued)*

Provisions for restructuring

A provision for restructuring is recognised as the company has approved a detailed and formal restructuring plan, and the restructuring has commenced and has been announced publicly. Management use assumptions regarding different areas of the restructuring plan. Redundancy costs are projected with reference to basic salary data and estimates surrounding the date of redundancy, inflation, discount rate and length of service among other factors. The reserve reflects the latest published works council information as well as any updated budget assumptions yet to be published.