

Pharmacia Limited

Annual report and
financial statements

Year ended 30 November 2017

Registered number 00506792



Pharmacia Limited

Annual report and financial statements

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Pharmacia Limited

Directors and other information

Directors

CM Seller
IE Franklin
JA Mount
P Rao
EJ Pearson
E Nordkamp
DJ Harnett

Registered office

c/o Pfizer Limited
Ramsgate Road
Sandwich
Kent
CT13 9NJ

Independent auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Registered number

00506792

Pharmacia Limited

Strategic report

Business review

The audited financial statements for the year ended 30 November 2017 are set out on pages 8 to 26.

The company generated an after tax profit of £26,475,000 (2016: profit of £13,754,000). No dividends were declared in 2017 (2016: £nil). The retained profit for the year of £26,475,000 (2016: profit of £13,754,000) has been transferred to reserves.

The profit and loss account and statement of financial position are set out on pages 13 and 14 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 2018. 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.
- 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.

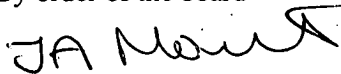
Pharmacia Limited

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

- 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.

By order of the board



JA Mount

Date: 25th July 2018

Director

Pharmacia Limited

Directors' report

The directors present their directors' report and the financial statements for the year ended 30 November 2017.

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

Financial instruments

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

Directors

The directors who held office from 1 December 2016 to the date of this report, unless otherwise noted, were:

CM Seller	
IE Franklin	
AL Verrinder	(resigned 6 July 2017)
JA Mount	
P Rao	
EM Greenfield	(resigned 30 April 2018)
DJ Harnett	(appointed 26 April 2018)
D Noseworthy	(resigned 9 January 2017)
EJ Pearson	(appointed 9 January 2017)
E Nordkamp	(appointed 3 July 2017)

Political contributions

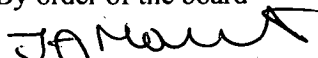
No political donations were made during the year (2016: £nil).

Auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

By order of the board



JA Mount

Date: 25th July 2018

Director
Ramsgate Road
Sandwich
Kent, CT13 9NJ

Pharmacia Limited

Statement of Directors' responsibilities in respect of the strategic report, the Directors' 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.

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 PHARMACIA LIMITED

We have audited the financial statements of Pharmacia Limited ("the company") for the year ended 30 November 2017, 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 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 2017 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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 these 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 or the directors' report;
- in our opinion the information given in these 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; or

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

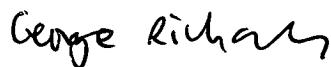
Auditor's responsibilities

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.



George Richards (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
Date: 25th July 2018

Pharmacia Limited

Statement of accounting policies

for the year ended 30 November 2017

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

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"). 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 21.

Exemptions for qualifying entities under FRS 102

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

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

The company has availed of the exemption in FRS 102.33.1A from the requirement to disclose details of transactions with group undertakings. Other than transactions with related group undertakings there are no related party transactions. Details of the availability of the group consolidated financial statements are given in note 20.

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 the group in which Pharmacia Limited is consolidated.

Pharmacia Limited

Statement of accounting policies *(continued)* for the year ended 30 November 2017

Going concern

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

Foreign currencies

Transactions in foreign currencies are recorded using the company's actual month end exchange rate for the month of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss 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.

Turnover

Turnover, which excludes value added tax, is recognised on an accrual basis and billed quarterly per the intercompany agreement governing the exploitation of product rights.

Employee benefits

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 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.

Pharmacia Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2017*

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.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

Pharmacia Limited

Statement of accounting policies *(continued)* *for the year ended 30 November 2017*

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Financial fixed assets

Financial fixed assets are stated at cost less any provision for impairment in value. Impairment reviews are carried out where there is an indication that the carrying value of the investment may be impaired.

Financial instruments

Financial assets

Basic financial assets, including 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.

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 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 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 de-recognised 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.

Pharmacia Limited

Statement of accounting policies *(continued)*
for the year ended 30 November 2017

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 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 and any gains or losses on remeasurement are recognised immediately in the income statement.

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.

Pharmacia Limited

Profit and loss account and other comprehensive income for the year ended 30 November 2017

		2017 £'000	2016 £'000
	<i>Notes</i>		
Turnover	1	39,929	20,660
Net operating costs	2	(8,359)	(9,445)
		<hr/>	<hr/>
Operating profit		31,570	11,215
Income from shares in group undertakings	3	-	20
Interest receivable and similar income	4	1,226	4,036
Finance income	5	394	1,284
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	33,190	16,555
Tax charge on profit on ordinary activities	9	(6,715)	(2,801)
		<hr/>	<hr/>
Profit after taxation and for the financial year		26,475	13,754
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive income			
Actuarial (loss) recognised in the pension scheme	14	(2,002)	(15,872)
Deferred tax arising on losses in the pension scheme	9	512	3,483
		<hr/>	<hr/>
Total comprehensive income		24,985	1,365
		<hr/> <hr/>	<hr/> <hr/>

All activities relate to continuing operations.

The notes on pages 16 to 26 and the accounting policies on pages 8 to 12 form part of the financial statements.

Pharmacia Limited

Statement of financial position as at 30 November 2017

Registered Number: 00506792

		2017 £'000	2016 £'000
Fixed assets	<i>Notes</i>		
Financial fixed assets	10	13,735	13,735
Current assets			
Debtors	11	888,539	857,115
Other financial assets	13	-	753
Creditors: amounts falling due within one year	12	(339,307)	(328,830)
Deferred tax liability	16	(10,484)	(9,502)
Net current assets		538,748	519,536
Net assets excluding pension asset		552,483	533,271
Pension asset	14	61,668	55,895
Net assets including pension asset		614,151	589,166
Capital and reserves			
Called up share capital	17	2,395	2,395
Share premium account		39,325	39,325
Profit and loss account		572,431	547,446
Shareholders' funds		614,151	589,166

The notes on pages 16 to 26 and the accounting policies on pages 8 to 12 form part of the financial statements.

These financial statements were approved by the board and were signed on its behalf on 25th July 2018 by:



JA Mount
Director

Pharmacia Limited

Statement of changes in equity as at 30 November 2017

	Share Capital	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000
At 1 December 2015	2,395	39,325	546,081	587,801
Profit for the year	-	-	13,754	13,754
Other comprehensive income	-	-	(12,389)	(12,389)
Total comprehensive income for the year	-	-	1,365	1,365
At 30 November 2016	2,395	39,325	547,446	589,166
Profit for the year	-	-	26,475	26,475
Other comprehensive income	-	-	(1,490)	(1,490)
Total comprehensive income for the year	-	-	24,985	24,985
Balance at 30 November 2017	2,395	39,325	572,431	614,151

The notes on pages 16 to 26 and the accounting policies on pages 8 to 12 form part of the financial statements.

Pharmacia Limited

Notes

forming part of the financial statements

1 Turnover

Segmental information, as required by the Companies Acts, has not been provided, given that the business does not include any underlying segments for which separate financial information is prepared or reviewed by management. The results of the business are derived from a single business activity.

2 Net operating costs

	2017 £'000	2016 £'000
Costs of sales	-	3,439
Administrative expenses	8,359	6,006
	<u>8,359</u>	<u>9,445</u>

3 Income from shares in group undertakings

	2017 £'000	2016 £'000
Dividend in specie received on liquidation of Pharmacia Laboratories Ltd and Farmitalia Carlo Erba Ltd (note 10)	-	20
	<u>-</u>	<u>20</u>

4 Interest receivable and similar income

	2017 £'000	2016 £'000
Receivable from group undertakings	941	1,434
Net exchange gain on foreign currency borrowings	285	2,602
	<u>1,226</u>	<u>4,036</u>

5 Finance income

	2017 £'000	2016 £'000
Net return of Monsanto pension plan (note 14)	394	1,284
	<u>394</u>	<u>1,284</u>

Pharmacia Limited

Notes (continued)
forming part of the financial statements

6 Profit on ordinary activities before taxation

<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>	2017 £'000	2016 £'000
Foreign exchange gain/ (loss) – net	381	2,602
Auditor's remuneration for the audit of these financial statements	39	29
	<hr/> <hr/>	<hr/> <hr/>

The company's auditor also received fees of £23,150 (2016: £27,295) in respect of their audit of an associated pension scheme.

7 Directors' remuneration and emoluments

None of the directors received emoluments or accrued retirement benefits in respect of qualifying services they provided to the company in 2017 (2016: nil).

Seven of the directors received shares under long term incentive schemes (2016: six) and none of the directors exercised share options in the ultimate holding company Pfizer Inc. during the period (2016: two).

8 Staff numbers and costs

The company did not employ any staff during the current or previous year.

Pharmacia Limited

Notes (continued)
forming part of the financial statements

9 Tax charge on profit on ordinary activities

<i>Current tax</i>	2017 £'000	2016 £'000
Current tax on income for the period	6,339	2,741
Adjustments in respect of prior periods	309	(64)
Total current tax	<u>6,648</u>	<u>2,677</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	76	257
Change in tax rate	(9)	(133)
Total deferred tax	<u>67</u>	<u>124</u>
Tax on profit on ordinary activities	<u><u>6,715</u></u>	<u><u>2,801</u></u>

	2017 £'000	2017 £'000	2017 £'000	2016 £'000	2016 £'000	2016 £'000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	6,648	67	6,715	2,677	124	2,801
Recognised in other comprehensive income	(1,426)	914	(512)	(1,743)	(1,740)	(3,483)
Total tax	<u><u>5,222</u></u>	<u><u>981</u></u>	<u><u>6,203</u></u>	<u><u>934</u></u>	<u><u>(1,616)</u></u>	<u><u>(682)</u></u>

Pharmacia Limited

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

9 Tax charge on profit on ordinary activities *(continued)*

Analysis of current tax recognised in profit and loss

	2017 £'000	2016 £'000
UK corporation tax	6,648	2,677
Total current tax recognised in profit and loss	<u>6,648</u>	<u>2,677</u>

Reconciliation of effective tax rate

	2017 £'000	2016 £'000
Profit for the year	26,475	13,754
Total tax expense	6,715	2,801
Profit excluding taxation	<u>33,190</u>	<u>16,555</u>
Tax using the UK corporation tax rate of 19.33% (2016: 20%)	6,415	3,311
Reduction in tax rate on deferred tax balances	(9)	(133)
Non-taxable expense / (income)	-	(4)
Adjustment in respect of prior years	309	(373)
Total tax expense included in profit or loss	<u>6,715</u>	<u>2,801</u>

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

Pharmacia Limited

Notes (continued)
forming part of the financial statements

10 Financial fixed assets

Shares in group undertakings

	2017 £'000	2016 £'000
At beginning of year	13,735	30,201
Return of investment cost via dividend (see below)	-	(16,466)
At end of year	<u>13,735</u>	<u>13,735</u>

The subsidiary undertakings are as follows:

Name of undertaking	Country of incorporation and principal country of operation	Percentage holding of ordinary share capital	Nature of business
GD Searle & Co Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%	Non-trading
MPP Trustee Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%	Non-trading

During the prior year a pre liquidation distribution dividend was approved to Pharmacia Limited from Pharmacia Laboratories Limited of £15,365,638 and Farmitalia Carlo Erba Limited of £1,120,259. The dividend received was partially recognised as a return on investment cost for accounting purposes with the remaining balance of £20,000 recognised as dividend income.

In the opinion of the directors the investment in the company's subsidiary undertakings is worth at least the amounts at which it is stated in the balance sheet.

11 Debtors

	2017 £'000	2016 £'000
Amounts owed by group undertakings	<u>888,539</u>	<u>857,115</u>

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 with one year.

Pharmacia Limited

Notes (continued)
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12 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to group undertakings	334,391	321,949
Corporation tax payable	4,916	998
Group relief inter-company creditor	-	5,883
	<u>339,307</u>	<u>328,830</u>

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

All creditors fall due with one year.

13 Derivatives included at fair value

The company has derivatives which are included at fair value in the accounts:

	Fair value asset/ (liability)	
	2017 £'000	2016 £'000
Forward foreign exchange contracts	-	753
	<u>-</u>	<u>753</u>

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

Pharmacia Limited

Notes (continued)
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14 Pension scheme

	2017 £'000	2016 £'000
Pension scheme asset		
At beginning of year	55,895	61,768
Profit and loss	394	1,284
Charge recognised in the statement of other comprehensive income	(2,002)	(15,872)
Contributions	7,381	8,715
At end of year	61,668	55,895

Monsanto Pension Plan

The valuation used for FRS 102 disclosures has been based on the final results of the actuarial valuation carried out as at 31 December 2014 and updated by the actuary to take account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 30 November 2017. Scheme assets are stated at their bid value at 30 November 2017.

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

	2017 £'000	2016 £'000
Net pension asset:		
Defined benefit obligation	(456,244)	(451,500)
Plan Assets	517,912	507,395
Net pension asset	61,668	55,895

Movements in present value of defined benefit obligation	2017 £'000	2016 £'000
At beginning of year	451,500	408,283
Current service cost	1,000	715
Interest expense	10,398	12,057
Remeasurement actuarial loss/(gain)	16,241	54,587
Benefits paid	(22,895)	(24,142)
At end of year	456,244	451,500

Pharmacia Limited

Notes (continued)

forming part of the financial statements

14 Pension scheme (continued)

Movements in fair value of plan assets	2017 £'000	2016 £'000
At beginning of year	507,395	470,051
Remeasurement: return on plan assets	14,239	38,716
Interest income	11,792	14,055
Benefits paid	(22,895)	(24,142)
Contributions by employer	7,381	8,715
At end of year	517,912	507,395

	2017 £'000	2016 £'000
Net interest income on net defined benefit asset	(1,394)	(1,999)
Current service cost	1,000	715
Total (credit) recognised in profit and loss account	(394)	(1,284)

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

Scheme portfolio	Asset allocation at 30 November 2017		Asset allocation at 30 November 2016	
	%	£'000	%	£'000
Equity	14.9%	77,169	17.2%	87,272
Gilts	27.3%	141,390	40.1%	203,465
Bonds	22.8%	118,084	18.5%	93,868
Property	9%	46,612	8.4%	42,621
Other	7.4%	38,325	15.8%	80,169
Annuities	18.6%	96,332	-	-
	100%	517,912	100%	507,395

Pharmacia Limited

Notes (continued)
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14 Pension scheme (continued)

Principal actuarial assumptions at the balance sheet date

	2017	2016
	%	%
Discount rate	2.52	2.73
Discount rate for expense	2.27	2.36
Inflation assumption (RPI – based)	3.19	3.23
Inflation assumption (CPI – based)	2.09	2.13
Pension increase assumption (RPI – based)	3.04	3.07
Pension increase assumption (CPI – based)	2.09	2.13

Mortality assumptions

Current and future pensioners: 99% of the tables (males) and 106% of the tables (females)

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.8 years (male), 24.4 years (female).
- Reach age 65 in 15 years: 24.1 years (male), 25.8 years (female).

15 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

	2017	2016
	£'000	£'000
Amounts owed by group undertakings	888,539	857,115

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.

Pharmacia Limited

Notes (continued)
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15 Financial instruments (continued)

Financial liabilities that are debt instruments measured at amortised cost

	2017 £'000	2016 £'000
Amounts owed to group undertakings	334,391	321,949

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

Financial assets measured at fair value

	2017 £'000	2016 £'000
Forward foreign exchange contracts	97	753

16 Deferred tax liability

	2017			2016		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Employee benefits	-	(10,484)	(10,484)	-	(9,502)	(9,502)
Net tax liabilities	-	(10,484)	(10,484)	-	(9,502)	(9,502)

17 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid Equity: 2,394,470 ordinary shares of £1 each	2,395	2,395

18 Contingent liabilities

At year end there are potential legal cases which could impact the company and the financial statements. However, based on communications with the company's lawyers, any possible impact would not be material to the financial statements. The directors believe it would be prejudicial to its business interests to disclose further information in respect of this matter.

Pharmacia Limited

Notes *(continued)*

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19 Related party disclosure

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 20.

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

Pharmacia Limited is part of the world-wide group of companies whose ultimate parent is Pfizer Inc. a company incorporated in the state of Delaware, United States of America. The only group in which the company's results are consolidated is that of Pfizer Inc. Copies of the ultimate parent company's financial statements may be obtained from Pfizer Inc., 235 East 42nd Street, New York, NY10017 USA.

The immediate holding companies of Pharmacia Limited are Pharmacia LLC and Pharmacia & Upjohn Company LLC, which are incorporated and registered in the state of Delaware, United States of America, and Pfizer Holdings International Luxembourg (PHIL) Sarl which is incorporated and registered in Luxembourg.

21 Accounting estimates and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the financial statements where these judgements and estimates have been made include:

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 14. 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.

22 Events after the reporting period

On 17 May 2018 the company declared a dividend of £347,000,000 representing a rate of £144.92 per share.