Pfizer Limited

Annual report and
financial statements

Year ended 30 November 2017

Registered number: 00526209

Pfizer Limited

Annual report and financial statements

Contents | *Page*

Pfizer Limited

Directors and other information

Directors	IE Franklin BS Phillips DJ Harnett HH Nordkamp EJ Pearson JK Thompson CM Seller
Registered office	Pfizer Limited Ramsgate Road Sandwich Kent CT13 9NJ
Independent auditor	KPMG LLP Chartered Accountants 15 Canada Square London E14 5GL
Registered number	00526209

Pfizer Limited

Strategic report

Business review

The audited financial statements for the year ended 30 November 2017 are set out on pages 9 to 40.

The company generated an after tax profit of £177,018,000 (*2016: profit of £172,068,000*). No dividends were declared in 2017 *(2016: £nil)*. The retained profit for the year £177,018,000 (*2016: profit of £172,068,000*) has been transferred to reserves. At the year end the company had net assets, including pension liabilities, of £777,882,000 (*2016: £456,578,000*). Increased net assets were due mainly to the profitability of the company in 2017 and actuarial gains in respect of the pension scheme.

The profit and loss account and statement of financial position are set out on pages 17 and 18 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. The focus of the business is innovation in the medicines that are integral to good healthcare, with a central task being the discovery and development of more new medicines for patients. Further details are provided in the Pfizer Inc. consolidated annual review and financial report which are available from Pfizer Inc., 235 East 42nd Street, New York, NY 10017, USA.

Principal risks and uncertainties

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

- The success of research and development activities.
- Decisions by regulatory authorities regarding whether and when to approve Pfizer's drug applications as well as their decisions regarding labelling and other matters that could affect the availability or commercial potential of Pfizer's products.
- The speed with which regulatory authorisations, pricing approvals, and product launches may be achieved.
- The success of external business development activities.
- Competitive developments, including the impact on Pfizer's competitive position of new product entrants, in-line branded products, generic products, private label products and product candidates that treat diseases and conditions similar to those treated by Pfizer's in-line products and product candidates.
- The ability to successfully market both new and existing products.
- Difficulties or delays in manufacturing.
- 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.

By order of the board

IE Franklin
Director

Date: 30.7.2018

Pfizer Limited

Directors' report

The directors present their report and the audited 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.

Research and development

The company is engaged in research and development activities for the development of pharmaceutical products.

Share capital, other reserves and dividends

No shares have been issued during the period. During the year, the directors did not propose to pay any dividends (2016: £nil).

Political contributions

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

Community contributions

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

Directors

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

CM Seller	(appointed 27 April 2017)
IE Franklin	
EM Greenfield	(resigned 30 April 2018)
BS Phillips	
TF Dolan	(resigned 31 December 2016)
P Tully	(resigned 16 February 2017)
DJ Harnett	(appointed 26 April 2018)
HH Nordkamp	
D Noseworthy	(resigned 09 January 2017)
C Johnson	(resigned 17 March 2017)
EJ Pearson	(appointed 09 January 2017)
JK Thompson	(appointed 31 December 2016)
S Richardson	(appointed 09 February 2017, resigned 14 March 2018)

Directors' report *(continued)*

Safety, health and the environment

The company has an environmental, health and safety policy in place, together with externally certified management systems. In addition, Pfizer Inc., the ultimate parent company produces an environmental, health and safety report, to which the company contributes.

Disabled employees

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

Employee involvement

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

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

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

Auditor

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

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

By order of the board

I Franklin Date: 30.7.2018
Director
Ramsgate Road
Sandwich
Kent, CT13 9NJ

Pfizer Limited

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

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PFIZER LIMITED

Opinion

We have audited the financial statements of Pfizer Limited ("the company") for the year ended 30 November 2017 which comprise the Profit and loss account and other comprehensive income, Statement of financial position, Statement of changes in equity and related notes, including the accounting policies in Statement of accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 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 those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

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.

George Richards

George Richards (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
Date: 30 July 2018

Pfizer 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

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

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

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

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 24.

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

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

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

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.

Measurement convention

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

Consolidation

The company is exempt by virtue of s.401 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Goodwill and intangible assets

Purchased goodwill, representing the excess of the fair value of purchase consideration over the fair value of the separable net assets acquired, is capitalised and amortised in instalments of up to 20 years, based on the directors' estimate of its useful economic life.

Purchased concessions, patents, licences and trademarks are amortised over their useful economic lives for periods of between 10 and 20 years.

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

Fixed assets and depreciation

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

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

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

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

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

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

Fixed assets and depreciation *(continued)*

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

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

Financial fixed assets

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

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

Foreign currencies

Transactions in foreign currencies are recorded using the company's actual month end exchange rate for the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the statement of financial position date and the gains or losses on translation are included in the profit and loss account. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the lower of cost and net realisable value method of valuation is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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

Turnover

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

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred. Expenditure on fixed assets employed in research and development activities is capitalised and charged to depreciation in accordance with the company's accounting policy.

Employee benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company.

Defined contribution plans and other long term employee benefits

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

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

Defined benefit plans

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

Employee benefits (*continued*)

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

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

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

Share based payments

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

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

Borrowing costs

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

Investments

Investment in subsidiary companies

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

Investment in associates

Investment in associates is held at historical cost less accumulated impairment losses.

Cash and cash equivalents

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

Financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

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

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

Offsetting

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

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 and loss.

Fair value hedges

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

Provisions

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

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

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

Interest receivable and Interest payable

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

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

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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

Related parties transactions

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

Share capital

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

Pfizer Limited

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

	Note	2017 £'000	2016 £'000
Turnover	*1*	850,303	1,048,456
Net operating costs	*2*	(632,566)	(846,378)
Operating profit		**217,737**	**202,078**
Income from shares in group undertakings		2,709	10,037
Profit on ordinary activities before interest		**220,446**	**212,115**
Interest receivable and similar income	*6*	536	309
Interest payable and similar charges	*7*	(253)	(864)
Finance (expense)/income	*8*	(3,000)	2,900
Profit on ordinary activities before taxation	*3*	**217,729**	**214,460**
Tax charge on profit on ordinary activities	*9*	(40,711)	(42,392)
Profit on ordinary activities after taxation		**177,018**	**172,068**
Other comprehensive income			
Actuarial gain/(loss) on pension schemes	*20*	137,700	(189,300)
Related deferred tax (liability)/asset	*9*	(23,409)	33,489
Total comprehensive income for the year		**291,309**	**16,257**

The notes on pages 20 to 40 and the accounting policies on pages 9 to 16 form part of these financial statements.

Pfizer Limited

Statement of financial position

as at 30 November 2017

Registered number: 00526209

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Intangible fixed assets	*10*		74,662		69,970
Tangible fixed assets	*11*		85,933		89,309
Financial fixed assets	*12*		271,477		241,728
			432,072		**401,007**
Current assets					
Stocks	*13*	110,429		146,466	
Debtors	*14*	1,336,529		1,290,651	
Other financial asset	*17*	729		1,582	
		1,447,687		1,438,699	
Creditors: amounts falling due within one year	*15*	(1,066,318)		(1,166,610)	
Net current assets			381,369		272,089
Total assets less current liabilities			**813,441**		**673,096**
Creditors: amounts falling due after more than one year	*16*		(1,936)		(3,865)
Provisions for liabilities	*18*		(24,969)		(91,653)
Net assets excluding pension liability			**786,536**		**577,578**
Pension liability	*20*		(8,654)		(121,000)
Net assets including pension liability			**777,882**		**456,578**
Capital and reserves					
Called up share capital	*21*		103,622		103,622
Share premium			218,446		218,446
Capital contribution			364,978		364,978
Profit and loss account			90,836		(230,468)
Shareholder's funds			**777,882**		**456,578**

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

IE Franklin
Director

Date: 30.7.2018

The notes on pages 20 to 40 and the accounting policies on pages 9 to 16 form part of these financial statements.

Pfizer Limited

Statement of Changes in Equity

for the year ended 30 November 2017

	Called up share capital	Share premium	Capital contribution	Other reserves	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
At 1 December 2015	86,300	-	364,978	200,000	(270,122)	381,156
Loss for the year	-	-	-	-	172,068	172,068
Other comprehensive income	-	-	-	-	(155,811)	(155,811)
Total comprehensive income for the year	-	-	-	-	16,257	16,257
Issue of ordinary shares – non cash transactions	17,322	218,446	-	(200,000)	-	**35,768**
Capital contribution arising on employee Share scheme	-	-	-	-	23,397	23,397
At 30 November 2016	**103,622**	**218,446**	**364,978**	-	**(230,468)**	**456,578**
Profit for the year	-	-	-	-	177,018	177,018
Other comprehensive income	-	-	-	-	114,291	114,291
Total comprehensive income for the year	-	-	-	-	**291,309**	**291,309**
Transactions with owners, recognised in equity						
Capital contribution arising on employee share scheme	-	-	-	-	29,995	29,995
Balance at 30 November 2017	**103,622**	**218,446**	**364,978**	-	**90,836**	**777,882**

The notes on pages 20 to 40 and the accounting policies on pages 9 to 16 form part of these financial statements.

Pfizer Limited

Notes
forming part of the financial statements

1 Analysis of turnover by geographical market and by class of business

	Product sales		Royalties		Total	
	2017	2016	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Turnover by destination						
- UK						
Continuing	**699,862**	852,210	**-**	-	**699,862**	852,210
	699,862	852,210	**-**	-	**699,862**	852,210
- Rest of world						
Continuing	**644**	5	**149,797**	196,241	**150,441**	196,246
Turnover	**700,506**	852,215	**149,797**	196,241	**850,303**	1,048,456
Operating profit	**67,940**	5,837	**149,797**	196,241	**217,737**	202,078
Income from shares in group undertakings	**2,709**	10,037	**-**	-	**2,709**	10,037
Interest receivable and similar income	**536**	309	**-**	-	**536**	309
Interest payable and similar charges	**(253)**	(864)	**-**	-	**(253)**	(864)
Finance (expense)/ income	**(3,000)**	2,900	**-**	-	**(3,000)**	2,900
Profit before Taxation	**67,932**	18,219	**149,797**	196,241	**217,729**	214,460

2 Net operating costs

	2017	2016
	£'000	£'000
Cost of sales	**553,593**	719,872
Net research and development expenditure / (income)	**17,012**	(13,240)
Distribution costs	**19,353**	18,137
Administration expenses	**42,608**	121,609
	632,566	846,378

Research and development expenditure comprises the net spend, after charges to/from other group companies and RDEC tax credits, on research and development activities.

The research and development expenditure credit (RDEC) scheme replaced the large company enhanced-deduction scheme in April 2016. In 2017, under the RDEC scheme, the company recognised the benefit of the research and development tax claim of £17,412,000 *(2016: £14,203,000)* directly against the research and development expenditure in the profit and loss account, rather than as a deduction to the corporation tax charge.

Administration expenses for 2017 include an expense of £29,994,747 *(2016: £23,396,828)* in respect of share based payment transactions and a credit of £64,200,000 related to a reduction in other provisions (see note 18).

Also included in administration expenses are restructuring costs for the year of £7,129,684 *(2016: £21,081,326)* which arose as a result of various divisional reorganisation projects undertaken during 2017.

3 Profit on ordinary activities before taxation

	2017	2016
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets (see note 11)	**9,904**	11,106
Amortisation of intangible fixed assets (see note 10)	**11,104**	11,067
Impairment of goodwill (see note 10)	**-**	7,500
Loss/ (Gain) on disposal of fixed assets	**2,935**	(1,317)
Hire of other assets – operating leases	**3,802**	4,403
Foreign exchange loss/ (gain) – net	**3,136**	(6,695)
Auditor's remuneration:		
Audit of the company's annual accounts	**245**	294
Other services pursuant to legislation	**130**	138

In addition to the audit fee disclosure above the company has borne £73,300 *(2016: £149,000)* of audit fees in respect of the audits of annual accounts for fellow UK subsidiary companies.

The company's auditor also received fees from other group undertakings of £48,000 *(2016: £49,000)* in respect of their audit of an associated pension scheme and £93,000 *(2016: £89,000)* in respect of assurance services on industry returns. These costs were not borne by the company.

4 Remuneration of directors

	2017	2016
	£'000	£'000
Directors' emoluments	**2,468**	2,224

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £352,062 *(2016: £382,647)*.

	2017	2016
	No.	No.
Retirement benefits accrued to the following number of directors who served during the year under defined benefit schemes	**8**	**8**
The number of directors who exercised share options during the year was	**-**	**6**

8 directors received shares under a long term incentive schemes during the year *(2016: 11)*.

5 Staff numbers and costs

The average number of people employed by the company (including directors) during the year, analysed by category, was as follows:

	2017	2016
	No.	No.
Manufacturing	**150**	133
Research and development	**809**	825
Sales and distribution	**821**	833
Administration	**477**	431
	2,257	2,222

The aggregate payroll costs of these people were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	**129,699**	169,595
Social security costs	**20,973**	24,293
Other pension costs	**42,142**	36,821
Cost of employee share schemes (see note 20)	**29,995**	23,397
	222,809	254,106

Included in the above are the costs of the services of employees charged out in full to a fellow group company Pfizer Consumer Healthcare Limited. These employees are involved in marketing/ administration. The cost of these services in the year was £4,495,339 *(2016: £4,204,517)*.

6 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable from group undertakings	**360**	78
Other income	**176**	231
	536	309

Other income relates to income received from third party investments.

7 Interest payable and similar charges

	2017 £'000	2016 £'000
Interest payable to group undertakings	**20**	864
Other	**233**	-
	253	864

Other charges relates to third party investment charges

8 Finance (expense) / income

	2017 £'000	2016 £'000
Finance (expense) / income	**(3,000)**	2,900

9 Tax charge on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax		
Current tax on income for the period	**40,145**	5,366
Adjustments in respect of prior periods	**1,654**	2,336
	41,799	7,702
Deferred tax		
Origination and reversal of timing differences	**(3,498)**	33,894
Change in tax rate	**2,612**	(3,534)
Adjustments in respect of prior periods	**(202)**	4,330
Total deferred tax	**(1,088)**	34,690
Tax charge on profit on ordinary activities	**40,711**	42,392

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

	2017 £'000 Current tax	2017 £'000 Deferred tax	2017 £'000 Total tax	2016 £'000 Current tax	2016 £'000 Deferred tax	2016 £'000 Total tax
Recognised in Profit and loss account	41,799	(1,088)	40,711	7,702	34,690	42,392
Recognised in other comprehensive income	-	23,409	23,409	-	(33,489)	(33,489)
Total tax	**41,799**	**22,321**	**64,120**	**7,702**	**1,201**	**8,903**

Analysis of current tax recognised in profit and loss

	2017 £'000	2016 £'000
UK corporation tax	**41,799**	7,702
Total current tax recognised in profit and loss	**41,799**	7,702

Reconciliation of effective tax rate

	2017 £'000	2016 £'000
Profit for the year	**177,018**	172,068
Total tax expense	**40,711**	42,392
	217,729	214,460
Taxation charge at UK corporation tax rate of 19.33% *(2016: 20%)*	**42,087**	42,892
Change in tax rate on deferred tax balances	**2,612**	(3,534)
Non-deductible expenses	**(4,916)**	4,602
Non-taxable income	**(524)**	(8,234)
Under provided in prior years	**1,452**	6,666
Total tax expense included in profit or loss	**40,711**	42,392

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.

10 Intangible fixed assets

	Goodwill £'000
Cost	
At beginning and end of year	**515,599**
Additions	15,796
At end of year	**531,395**
Amortisation	
At beginning of year	445,629
Charge for the year	11,104
At end of year	**456,733**
Net realisable value	
At 30 November 2017	**74,662**
At 30 November 2016	69,970

Goodwill arising on the company's acquisition of the Legacy Hospira pharmaceutical business from Pfizer PFE UK Limited during the year was £15,796,046. See note 12 for further details.

The other components included in goodwill relate to the 2004 acquisition of Pharmacia Limited's pharmaceutical business (£358,000,000) and the goodwill arising on the 2011 acquisition of pharmaceutical business from John Wyeth & Brother Limited (£125,000,000). No impairment has been required following review of carrying values. See note 25 for further details.

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

11 Tangible fixed assets

	Freehold land and buildings	Leasehold improve -ments	Plant and Equipment	Payments on account and assets in course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At beginning of year	79,931	6,163	124,411	12,628	223,133
Additions	96	518	3,244	5,954	9,812
Transfers between categories	84	831	8,931	(9,846)	-
Disposals	(277)	(860)	(5,068)	-	(6,205)
At end of year	**79,834**	**6,652**	**131,518**	**8,736**	**226,740**
Depreciation					
At beginning of year	36,783	2,558	94,483	-	133,824
Charge for year	2,458	797	6,649	-	9,904
Disposals	(46)	(187)	(2,688)	-	(2,921)
At end of year	**39,195**	**3,168**	**98,444**	-	**140,807**
Net book value					
At 30 November 2017	**40,639**	**3,484**	**33,074**	**8,736**	**85,933**
At 30 November 2016	43,148	3,605	29,928	12,628	89,309

Included in the total net book value of freehold land and buildings is £523,382 *(2016: £523,382)* in respect of land which is not depreciated.

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

12 Financial fixed assets

	Shares in group undertakings £'000	Other Investments £'000	Total £'000
At beginning of year	240,860	868	241,728
Additions	29,304	709	30,013
Distributions	-	(70)	(70)
Revaluation	-	48	48
Impairment	(6)	(236)	(242)
At end of year	**270,158**	**1,319**	**271,477**

The investments comprise:

Shares in joint venture

The company owns 50% of the ordinary share capital of Cyclofluidic Limited whose principal activities are the development and exploitation of intellectual property. This entity is currently in the process of liquidation.

European Economic Investment Groupings

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

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

Other Investments

Other investments comprise shares in joint venture, investments in Levicept Limited, Ixchelsis Limited, UK Medical Ventures Fund No.1 Limited Partnership, MVM International Life Sciences No.1 Limited Partnership, Dementia Discovery Fund (see note 22) and a listed investment in Momenta Pharmaceutical Inc.

12 Financial fixed assets (*continued*)

Shares in subsidiary undertakings

Name of undertaking	Registered office	Percentage holding of ordinary share capital	Nature of business
Neusentis Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%	Non-trading
John Wyeth & Brother Ltd	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%	Manufacture of pharmaceutical products
Wyeth Pharmaceutical Limited	9 Riverwalk, National Digital Park, Citywest Business Campus, Dublin, 24, Ireland	100%**	Manufacture of pharmaceutical products
Wyeth Europa Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%.	Non-trading
Phivco Holdco Sarl	51 Avenue JF Kennedy Luxembourg, L-1855 G.D. of Luxembourg	54%	Holding
PZR Ltd	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%	Non-trading
PZR Property Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%**	Non-trading
Pfizer PFE UK Limited	1 More London Place, London, SE1 2AF	100%*	Non-trading
PowderJect Research Limited	Ramsgate Road, Sandwich, Kent, CT13 9NJ	100%*	Non-trading
PowderJect Vaccines Inc	1209 Orange Street Wilmington DE 19801 United States	100%	Non-trading
Hospira UK Limited	Horizon Honey Lane, Hurley, Maidenhead, SL6 6RJ	100%	Manufacture of pharmaceutical products

*Entities in the process of liquidation.
**Investment held indirectly.

In April 2017 Pfizer Limited acquired 100% of the ordinary share capital of Hospira UK Limited whose principal activities are the manufacture of pharmaceutical products, incorporated in the United Kingdom, as part of a group reorganisation. The investment, together with the legacy Hospira pharmaceutical business, were distributed to the company as a £45,100,000 dividend in specie by Pfizer PFE UK Limited, a subsidiary undertaking. The fair value of the investment was £29,303,954 and the fair value of the legacy pharmaceutical business was £15,796,046.

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

13 Stocks

	2017	2016
	£'000	£'000
Finished goods and goods for resale	**110,429**	146,466

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 £574,197,000 *(2016: £648,747,000)*. The write-down of stocks to net realisable value amounted to £13,279,000 *(2016: £19,942,000)*. The write-down is included in cost of sales.

14 Debtors

	2017	2016
	£'000	£'000
Trade debtors	**285,742**	290,130
Amounts owed by group undertakings	**1,010,922**	933,395
UK corporation tax	**11,406**	11,049
Group tax relief	**-**	5,745
Other debtors	**1,242**	1,770
Prepayments and accrued income	**3,961**	2,983
Deferred tax asset (note 19)	**23,256**	45,579
	1,336,529	1,290,651

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

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

15 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	**125,848**	145,377
Amounts owed to group undertakings	**794,779**	832,791
Other taxation and social security	**15,149**	18,037
Accruals	**126,781**	125,231
Deferred income	**3,761**	45,130
Bank overdraft	**-**	44
	1,066,318	1,166,610

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

Deferred income
In 2016 the company entered into an agreement to out license the global rights to a deprioritised asset to a third party. The amount received in respect of the agreement has been deferred and released to the profit and loss account as the income was earned.

16 Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Accruals	1,936	104
Deferred income	-	3,761
	1,936	**3,865**

Amount owed to group undertakings and related companies
Amounts owed to group undertakings fall due for repayment between two and five years. The interest rate charged is equal to LIBOR.

Deferred income
In 2016 the company entered into an agreement to out license the global rights to a deprioritised asset to a third party. The amount received in respect of the agreement has been deferred and released to the profit and loss account as the income was earned.

17 Financial instruments

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

Financial assets that are debt instruments measured at amortised costs:

	2017	2016
	£'000	£'000
Trade debtors	**285,742**	290,130
Other debtors	**1,242**	1,770
Amounts owed by group undertakings	**1,010,922**	933,395

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

Financial assets measured at fair value:

	2017	2016
	£'000	£'000
Forward foreign exchange contracts asset	**729**	1,582

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

Financial liabilities that are debt instruments measured at amortised costs:

	2017	2016
	£'000	£'000
Trade creditors	**125,848**	145,377
Amounts owed to group undertakings	**794,779**	832,791

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.

18 Provisions for liabilities

	Restructuring provision £'000	Other provisions £'000	Total £'000
At beginning of year	7,453	84,200	91,653
Profit and loss charge/(credit)	7,130	(64,200)	(57,070)
Utilised during the year	(9,614)	-	(9,614)
At end of year	**4,969**	**20,000**	**24,969**

During 2017 the restructuring provision was increased by £7,129,000. The restructuring costs are related to various divisional reorganisations and have been included in administration expenses. During the year the company utilised £9,613,530 of the provision to pay termination and exit costs.

Other provisions are in relation to litigation matters pending against the company. As at 30 November 2017, in accordance with FRS 102, the company has reduced provisions for its best estimate of potential exposure relating to ongoing inquiries based on assessments received. The company continues to defend itself in respect of these matters; therefore the final amount of any payment that may be made in respect of these items is not certain, and final resolution is not expected within 12 months of the statement of financial position date.

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2017			2016		
	Assets £'000	Liabilities £'000	Net £'000	Assets £'000	Liabilities £'000	Net £'000
Depreciation in excess of allowances	9,339	-	9,339	13,131	-	13,131
Employee benefits	13,551	-	13,551	32,069	-	32,069
Other	366	-	366	379	-	379
Net tax assets	23,256	-	23,256	45,579	-	45,579

The company has capital losses carried forward of £119,314,867 (2016: £119,378,819) upon which a deferred tax asset is not recognised. This asset is not recognised as it is not expected to be utilised in the foreseeable future.

20 Employee benefits

Pension scheme

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

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

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

Pension scheme (liabilities) (excluding related deferred tax)

	2017 **£'000**	2016 £'000
At beginning of year	**(121,000)**	83,200
Profit and loss	**(31,500)**	(21,600)
Contributions	**7,900**	6,700
Gain / (Charge) recognised in the statement of other comprehensive income	**137,700**	(189,300)
Defined contributions unfunded unapproved retirement benefit scheme	**(1,754)**	-
At end of year	**(8,654)**	(121,000)

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

Net pension (liability)/asset:	**2017** **£'000**	2016 £'000
Defined benefit obligation	**(2,968,000)**	(2,831,100)
Plan assets	**2,961,100**	2,710,100
Defined contributions unfunded unapproved retirement benefit scheme	**(1,754)**	-
Net pension (liability)	**(8,654)**	(121,000)

20 Employee benefits *(continued)*

Movements in present value of defined benefit obligation

	2017 £'000	2016 £'000
At beginning of year	**2,831,100**	2,325,700
Current service cost	**24,400**	20,300
Interest expense	**72,100**	76,400
Remeasurement actuarial loss	**131,000**	487,300
Benefits paid	**(90,600)**	(78,600)
	2,968,000	2,831,100

Movements in fair value of plan assets

	2017 £'000	2016 £'000
At beginning of year	**2,710,100**	2,408,900
Remeasurement actuarial gain	**268,700**	298,000
Interest income	**69,100**	79,300
Benefits paid	**(90,600)**	(78,600)
Administration costs	**(4,100)**	(4,200)
Contributions by employer	**7,900**	6,700
At the end of year	**2,961,100**	2,710,100

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

	2017 £'000	2016 £'000
Net interest expense/ (income) on net defined benefit asset	**3,000**	(2,900)
Current service cost included in other operating costs	**28,500**	24,500
	31,500	21,600

20 Employee benefits (*continued*)

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

Scheme portfolio	**Asset allocation at 30 November 2017 %**	**£'000**	Asset allocation at 30 November 2016 %	£'000
Equity	41.8%	1,237,600	40.5%	1,095,700
Property	10.2%	302,500	8.0%	217,800
Bonds	9.1%	270,800	9.6%	261,100
Other	38.9%	1,150,200	41.9%	1,135,500
	100%	**2,961,100**	100%	2,710,100

Principal actuarial assumptions at the statement of financial position date

	2017	2016
Rate of increase in salaries	**3.19%**	3.23%
Discount rate applied to scheme liabilities	**2.59%**	2.81%
RPI Inflation	**3.19%**	3.23%
CPI Inflation	**2.09%**	2.13%
Pension increases on pensions accrued**:		
RPI pension increases pre 6 April 1997*	**0%**	0%
CPI pension increases April 1997 – April 2006*	**2.11%**	2.13%
RPI pension increases April 1997 – April 2006*	**3.04%**	3.07%
CPI pension increases post April 2006	**1.69%**	1.66%
RPI pension increases post April 2006	**2.18%**	2.18%

* Certain sections / groups that have transferred in from other schemes are entitled to different pension increases. They are valued consistently with this basis.
** Before application at pensionable salary cap at 2% up to 1 January 2018 and freeze thereafter

Mortality assumptions

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 23.0 years if they are male and for a further 24.9 years if they are female.

For a member who retires in 2037 at age 65 the assumptions are that they will live on average for a further 24.4 years after retirement if they are male and for a further 26.4 years after retirement if they are female.

20 Employee benefits *(continued)*

Share based payments

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

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

The terms and conditions of the grants are as follows:

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

21 Called up share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
Equity: 103,622,461 *(2016: 103,622,461)* ordinary shares of £1 each	**103,622**	103,622

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

During 2017, the company did not issue any ordinary shares.

22 Commitments

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

	2017	2016
	£'000	£'000
Capital Committed	**292**	375
Dementia Fund Committed	**5,555**	6,032
	5,847	6,407

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

	2017 Land and Buildings £'000	2016 Land and Buildings £'000
Operating leases which expire:		
In the second to fifth years inclusive	**2,867**	1,307
After five years	**1,063**	2,413
	3,930	3,720

23 Related party disclosure

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

The company has availed of the exemption in FRS 102.33.1A from the requirement to disclose details of transactions with group undertakings. Other than transactions with related group undertakings there are no related party transactions. Details of the availability of the group consolidated financial statements are given in note 24.

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

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

At the beginning of the year the immediate holding company was Pfizer Pharmaceuticals B.V. incorporated in Holland. During the year following an internal restructure the immediate holding company is now Pfizer Luxco Holdings SARL., which is incorporated in Luxembourg.

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

24 Ultimate parent company and parent undertaking of larger group of which the company is a member *(continued)*

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.

25 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.

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

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

- cash flow projections were prepared looking forward up to 8 years showing the estimated revenues together with future operating costs based on budgeted information and adjusted for tax. The forecast period is in line with the company's operating plan based on previous experience of product revenue streams.
- appropriate discount rates, adjusted for country and industry risks, of between 6 - 8% were applied to the post tax cash flows. The equivalent pre-tax discount rates used ranged from 17 - 21%.
- cash generating units were identified as the products acquired on acquisition of pharmaceutical businesses.
- sensitivities considered included variance in revenue, margin and discount rates.

25 Accounting estimates and judgements *(continued)*

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

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

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

Pension scheme
Management use assumptions regarding different areas of the defined benefit plan. The cost of defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, price inflation, future pension increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and long term nature of these plans, such estimates are subject to significant uncertainty. Management perform an internal review on these assumptions. Further details are given in note 20. A valuation is performed annually by a qualified actuary using the projected unit credit method. Under FRS 102, the company can recognise a surplus on the balance sheet as the employer has an unconditional right to a refund of any surplus based on a legal review of the scheme rules.

26 Contingent liability

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

27 Subsequent event

In July 2018 the Company passed a special resolution to reduce the existing share premium reserve by £218,446,431.