Pharmacia Limited

Annual report and financial statements

Year ended 30 November 2019

Registered number: 00506792

Pharmacia Limited

Annual report and financial statements

Contents

Directors and other information

Directors	IE Franklin JA Mount DJ Harnett BJ Osborn EJ Pearson P Rao
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

Strategic report

Business review

The audited financial statements for the year ended 30 November 2019 are set out on pages 11 to 29.

The company generated an after tax profit of £56,948,000 (2018: £20,487,000). No dividends were declared in 2019 (2018: £347,000,000). The retained profit for the year of £56,948,000 (2018: £20,487,000) has been transferred to reserves.

On 1 April 2019 the company disposed of a portion of its business (including residual rights with respect to certain pharmaceutical products) to a fellow group undertaking, Upjohn UK Limited, for consideration of £36,000,000.

The profit and loss account and statement of financial position are set out on pages 16 and 17 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 2020. The company is managed on an integrated basis with other Pfizer Inc. group companies worldwide as part of Pfizer Inc.'s global healthcare business. Accordingly, key performance indicators have not been given for the company itself. Further details are provided in the Pfizer Inc. consolidated annual review and financial report which are available from Pfizer Inc., 235 East 42nd Street, New York, NY 10017, USA.

Principal risks and uncertainties

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

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

Strategic report (continued)

Principal risks and uncertainties (continued)

- The impact of existing and future legislation and regulatory provisions on product exclusivity.
- Trends toward managed care and health care cost containment.
- Legislation or regulatory action affecting, amongst other things, pharmaceutical product pricing, reimbursement or access.
- Contingencies related to actual or alleged environmental contamination.
- Claims and concerns that may arise regarding the safety or efficacy of in-line products and product candidates.
- The significant breakdown, infiltration or interruption of Pfizer's information technology systems and infrastructure.
- Legal defence costs, insurance expenses, settlement costs and the risk of an adverse decision or settlement related to product liability, patent protection, government investigations, and other legal proceedings.
- Pfizer's ability to protect its patents and other intellectual property.
- Interest rate and foreign currency exchange rate fluctuations.
- Governmental laws and regulations affecting operations, including tax obligations.
- Changes in generally accepted accounting principles.
- General economic, political, business, industry, regulatory and market conditions including, 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.

Strategic report (continued)

Approach to Brexit

In June 2016, the U.K. electorate voted in a referendum to leave the EU, which is commonly referred to as "Brexit". The U.K. left the EU on January 31, 2020 with status quo arrangements through a transition period scheduled to end on December 31, 2020. The consequences of the U.K. leaving the EU and the terms of the future trading relationship continue to be uncertain, which may pose certain implications to our research, commercial and general business operations in the U.K. and the EU, including the approval and supply of our products. In preparing for Brexit our priority has been to maintain continuity of supply of our medicines and is aligned with preparations taken by the Pfizer Inc. Group. The U.K. and the EU have issued detailed guidance for the industry on how medicines, medical devices and clinical trials will be separately regulated in their respective territories. The Company and Pfizer Inc. Group has substantially completed its preparations for Brexit, having made the changes necessary to meet relevant regulatory requirements in the EU and the U.K., through the transition period and afterwards, especially in the regulatory, research, manufacturing and supply chain areas.

Risks associated with COVID-19 outbreak

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. On March 11 2020, due to the rapid increase in the number of cases outside China, the World Health Organisation characterised the COVID-19 outbreak as a pandemic. The extent to which the COVID-19 impacts both the Company's and the Pfizer Inc. Group's operations as well as the global economy will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The Company and Pfizer Inc. group are monitoring the situation to ensure the safety of Pfizer staff as well as adapting services and operations.

Up to the date of this report, the outbreak has not had a material impact on the results of the Company and satisfactory performance is expected to continue in the near term and beyond. We do not believe the outbreak will impact the ability of the company to continue as a going concern. However, we continue to monitor the situation closely, including the potential impacts on results, our supply continuity and our employees.

By order of the board

DocuSigned by:
Ian Franklin
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IE Franklin Date: 17 August 2020

Director

Directors' report

The directors present their report and the audited financial statements for the year ended 30 November 2019.

A review of the performance of the company's business during the year, the principal risks and uncertainties facing the company and its future prospects are included in the Strategic report set out on pages 2 to 4 which should be read in conjunction with the Directors' report.

Financial instruments

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

Directors

The directors, who held office from 1 December 2018 and to the date of this report, unless otherwise stated, were:

CM Seller	(resigned 23 September 2019)
IE Franklin	
JA Mount	
DJ Harnett	
BJ Osborn	(appointed 29 April 2019)
EJ Pearson	
P Rao	
H Nordkamp	(resigned 15 May 2019)

Post balance sheet events

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. On March 11 2020, due to the rapid increase in the number of cases outside China, the World Health Organisation characterised the COVID-19 outbreak as a pandemic. The extent to which the COVID-19 impacts both the Company's and the Pfizer Inc. Group's operations as well as the global economy will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The Company and Pfizer Inc. group are monitoring the situation to ensure the safety of Pfizer staff as well as adapting services and operations.

The directors have considered the impact on the company of COVID-19, which is a non-adjusting post balance sheet event. The directors do not consider that there have been material adverse changes to the carrying value of the Company's assets nor material adjustments to liabilities subsequent to year-end which require disclosure in these financial statements.

Going concern

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

Directors' report (continued)

Political contributions

No political donations were made during the year (2018:£nil).

Auditor

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

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

By order of the board

DocuSigned by:
Ian Franklin
3942165333FE47C...

IE Franklin Date: 17 August 2020

Director

Ramsgate Road

Sandwich

Kent, CT13 9NJ

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

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

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

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

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

Opinion

We have audited the financial statements of Pharmacia Limited ("the Company") for the year ended 30 November 2019, which comprise the Profit and loss account and other comprehensive income, 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including *FRS 102 The Financial Reporting Standard* applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, 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.

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

Auditor's responsibilities (continued)

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

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

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

Andrew Royle (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London,

E14 5GL

United Kingdom

Date: 17 August 2020

Statement of accounting policies

for the year ended 30 November 2019

Basis of preparation

Pharmacia Limited is a limited liability company incorporated in England and domiciled and registered in the UK. The registered number is 00506792 and the registered office is Ramsgate Road, Sandwich, Kent, CT13 9NJ.

These financial statements were prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Republic of Ireland as issued in September 2015. The amendments to FRS 102 issued in March 2016, December 2016 and May 2017 have been applied.

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 20.

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 19.

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 Pharmacia Limited is consolidated.

Going concern

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

Statement of accounting policies (continued)

for the year ended 30 November 2019

Measurement convention

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

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.

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

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.

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.

Statement of accounting policies (continued)

for the year ended 30 November 2019

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 payments discounted at a market rate of interest.

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

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

Offsetting

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

Statement of accounting policies (continued)

for the year ended 30 November 2019

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.

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.

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.

Statement of accounting policies (continued)

for the year ended 30 November 2019

Taxation (continued)

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.

Share capital

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

Profit and loss account and other comprehensive income

for the year ended 30 November 2019

	Note	**2019**	2018
		£'000	£'000
Turnover	*1*	**34,735**	43,580
Administrative expenses		**(9,502)**	(10,138)
Operating profit		**25,233**	33,442
Interest receivable and similar income	*2*	**729**	814
Interest payable and similar charges	*3*	**(10)**	—
Finance expense	*4*	**(88)**	(8,763)
Other income	*5*	**36,000**	—
Profit on ordinary activities before taxation	*6*	**61,864**	25,493
Tax charge on profit on ordinary activities	*9*	**(4,916)**	(5,006)
Profit after taxation and for the financial year		**56,948**	20,487
Other comprehensive income			
Actuarial gain recognised in the pension scheme		**10,975**	6,055
Deferred tax arising on gains in the pension scheme		**(1,866)**	(1,029)
Total comprehensive income		**66,057**	25,513

All activities relate to continuing operations.

The notes on pages 19 to 29 and the accounting policies on pages 11 to 15 form part of these financial statements.

Statement of financial position

as at 30 November 2019

Registered number: 00506792

	Note	2019 £'000	2018 £'000
Fixed asset			
Financial fixed assets	*10*	**13,735**	13,735
Current assets			
Debtors: all due within one year	*11*	**327,429**	270,631
Creditors: amounts falling due within one year	*12*	**(40,881)**	(41,104)
Deferred tax liability	*15*	**(11,969)**	(10,118)
Net current assets		**274,579**	219,409
Net assets excluding pension asset		**288,314**	233,144
Pension asset	*13*	**70,407**	59,520
Net assets including pension asset		**358,721**	292,664
Capital and reserves			
Called up share capital	*16*	**2,395**	2,395
Share premium account		**39,325**	39,325
Profit and loss account		**317,001**	250,944
Shareholders' funds		**358,721**	292,664

The notes on pages 19 to 29 and the accounting policies on pages 11 to 15 form part of these financial statements.

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

DocuSigned by:

Ian Franklin

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IE Franklin Date: 17 August 2020

Director

Pharmacia Limited

Statement of changes in equity

for the year ended 30 November 2019

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	**£'000**	**£'000**	**£'000**
At 1 December 2017	**2,395**	**39,325**	**572,431**	**614,151**
Profit for the year	—	—	20,487	20,487
Other comprehensive income	—	—	5,026	5,026
Total comprehensive income for the year	—	—	25,513	25,513
Dividends	—	—	(347,000)	(347,000)
At 30 November 2018	**2,395**	**39,325**	**250,944**	**292,664**
Profit for the year	—	—	56,948	56,948
Other comprehensive income	—	—	9,109	9,109
Total comprehensive income for the year	—	—	66,057	66,057
Balance at 30 November 2019	**2,395**	**39,325**	**317,001**	**358,721**

The notes on pages 19 to 29 and the accounting policies on pages 11 to 15 form part of these financial statements.

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. Interest receivable and similar income

	2019	2018
	£'000	£'000
Receivable from group undertakings	**729**	812
Net exchange gain on foreign currency borrowings	—	2
	729	814

3. Interest payable and similar charges

	2019	2018
	£'000	£'000
Net exchange loss on foreign currency borrowings	**10**	—

4. Finance expense

	2019	2018
	£'000	£'000
Net return of Monsanto pension plan (note 13)	**(88)**	(8,763)

Notes (continued)

forming part of the financial statements

5. Other income

	2019	2018
	£'000	£'000
Gain on disposal of business operations	**36,000**	—

On 1 April 2019 the company disposed of a portion of its business (including residual rights with respect to certain pharmaceutical products) to a fellow group undertaking, Upjohn UK Limited, for consideration of £36,000,000.

6. Profit on ordinary activities before taxation

	Note	2019	2018
		£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Foreign exchange loss/(gain) – net		**10**	(2)
Auditor's remuneration for the audit of these financial statements		**46**	39

The company's auditor also received fees of £22,930 (2018: £27,945) 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 2019 (2018: none).

Eight of the directors received shares under long term incentive schemes (2018: eight) and two of the directors exercised share options in the ultimate holding company Pfizer Inc. during the period (2018: one).

8. Staff numbers and costs

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

Notes (continued)

forming part of the financial statements

9. Tax charge on profit on ordinary activities

	2019	2018
	£'000	£'000
Current tax		
Current tax on income for the period	**4,931**	6,402
Adjustments in respect of prior periods	**—**	(1)
Total current tax	**4,931**	6,401
Deferred tax		
Origination and reversal of timing differences	**(17)**	(1,559)
Change in tax rate	**2**	164
Total deferred tax	**(15)**	(1,395)
Tax charge on profit on ordinary activities	**4,916**	5,006

		2019			**2018**	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Current tax	**Deferred tax**	**Total tax**	**Current tax**	**Deferred tax**	**Total tax**
Recognised in profit and loss account	4,931	(15)	4,916	6,401	(1,395)	5,006
Recognised in other comprehensive	—	1,866	1,866	—	1,029	1,029
Total tax	**4,931**	**1,851**	**6,782**	**6,401**	**(366)**	**6,035**

Analysis of current tax recognised in profit and loss

	2019	2018
	£'000	£'000
UK corporation tax	**4,931**	6,401
Total current tax recognised in profit and loss	**4,931**	6,401

Notes (continued)

forming part of the financial statements

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

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Profit for the year	**56,948**	20,487
Total tax expense	**4,916**	5,006
	61,864	25,493
Tax using the UK corporation tax rate of 19% (2018: 19%)	**11,754**	4,843
Reduction in tax rate on deferred tax balances	**2**	164
Non-taxable income	**(6,840)**	—
Adjustments in respect of prior years	—	(1)
Total tax expense included in profit or loss	**4,916**	5,006

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

Post year-end a reversal of these reductions, maintaining the existing UK corporation tax rate of 19% (effective 1 April 2020), was substantively enacted on 17 March 2020.

10. Financial fixed assets

Shares in group undertakings

	2019 £'000	2018 £'000
At beginning of year	**13,735**	13,735
At end of year	**13,735**	13,735

Notes (continued)

forming part of the financial statements

10. Financial fixed assets (continued)

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

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: all due within one year

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	**327,429**	270,631

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

All debtors fall due within one year.

12. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Amounts owed to group undertakings	**35,950**	34,702
Corporation tax payable	**4,931**	6,402
	40,881	41,104

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 within one year.

Notes (continued)

forming part of the financial statements

13. Pension scheme

Pension scheme asset

	2019 £'000	2018 £'000
At beginning of year	**59,520**	61,668
Profit and loss	**(88)**	(8,763)
Credit/(charge) recognised in the statement of other comprehensive income	**10,975**	6,055
Contributions	**—**	560
At end of year	**70,407**	59,520

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 2017 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 2019. Scheme assets are stated at their bid value at 30 November 2019.

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

Net pension asset:	2019 £'000	2018 £'000
Defined benefit obligation	**(447,200)**	(420,631)
Plan assets	**517,607**	480,151
Net pension asset	**70,407**	59,520

Notes (continued)

forming part of the financial statements

13. Pension scheme (continued)

Movements in present value of defined benefit obligation

	2019 £'000	2018 £'000
At beginning of year	**420,631**	456,244
Current service cost	**1,500**	1,500
Interest expense	**9,864**	10,112
Remeasurement actuarial loss/(gain)	**35,868**	(32,776)
Plan introductions, changes, curtailments & settlements	**—**	8,652
Benefits paid	**(20,663)**	(23,101)
	447,200	420,631

Movements in fair value of plan assets

	2019 £'000	2018 £'000
At beginning of year	**480,151**	517,912
Remeasurement: return on plan assets	**46,843**	(26,721)
Interest income	**11,276**	11,501
Benefits paid	**(20,663)**	(23,101)
Contributions by employer	**—**	560
At the end of year	**517,607**	480,151

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

	2019 £'000	2018 £'000
Net interest income on net defined benefit asset	**(1,412)**	(1,389)
Current service cost	**1,500**	1,500
Plan introductions, changes, curtailments & settlements	**—**	8,652
Total charge recognised in profit and loss account	**88**	8,763

Notes (continued)

forming part of the financial statements

13. Pension scheme (continued)

Scheme portfolio	Asset allocation at 30 November 2019 %	£'000	Asset allocation at 30 November 2018 %	£'000
Equity	**14.5%**	**75,157**	14.1%	67,701
Gilts	**24.1%**	**124,871**	20.9%	100,352
Bonds	**29.7%**	**153,690**	25.1%	120,518
Property	**—%**	**—**	5.3%	25,448
Other	**1%**	**5,231**	2.5%	12,004
Annuities	**30.7%**	**158,658**	32.1%	154,128
	100%	**517,607**	100%	480,151

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

Principal actuarial assumptions at the statement of financial position date

	2019 %	2018 %
Discount rate	**2.01**	2.72
Discount rate for expense	**1.73**	2.40
Inflation assumption (RPI - based)	**2.89**	3.30
Inflation assumption (CPI - based)	**1.99**	2.20
Pension increase assumption (RPI - based)	**2.82**	3.15
Pension increase assumption (CPI - based)	**2.00**	2.20

The methodology for setting the discount rate assumptions was adjusted in 2019. The yield curve utilised for these assumptions excluded non-gilt bonds and was derived from corporate bonds only. This approach is more consistent with the methodology adopted for other Pfizer plans outside the UK. The estimated impact of this change was a c. £13 million decrease in the defined benefit obligation.

Mortality assumptions

Current and future pensioners: 79% of the tables (males with pension over 20k), 105% of the tables (males with pension under 20k) and 100% 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: 24.0 years (male - pension > 20k), 21.8 (male - pension < 20k), 24.2 years (female).
- Reach age 65 in 15 years: 25.0 years (male - pension > 20k), 22.8 (male - pension < 20k), 25.4 years (female).

Notes (continued)

forming part of the financial statements

14. Financial instruments

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

Financial assets that are debt instruments measured at amortised costs:

	2019 £'000	2018 £'000
Amounts owed by group undertakings	**327,429**	270,631

Financial liabilities that are debt instruments measured at amortised costs:

	2019 £'000	2018 £'000
Amounts owed to group undertakings	**35,950**	34,702

15. Deferred tax liability

	2019			**2018**		
	Assets £'000	**Liabilities £'000**	**Net £'000**	**Assets £'000**	**Liabilities £'000**	**Net £'000**
Employee benefits	—	**(11,969)**	**(11,969)**	—	(10,118)	(10,118)
Net tax liabilities	—	**(11,969)**	**(11,969)**	—	(10,118)	(10,118)

16. Called up share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid		
Equity: 2,394,470 ordinary shares of £1 each	**2,395**	2,395

17. Contingent liability

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.

Notes (continued)

forming part of the financial statements

18. 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 19.

19. 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 parent undertaking is Pfizer Holdings International (PHIL) Sarl, a holding company. 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.

20. 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 13. 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.

Notes (continued)

forming part of the financial statements

21. Subsequent events

In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. On March 11 2020, due to the rapid increase in the number of cases outside China, the World Health Organisation characterised the COVID-19 outbreak as a pandemic. The extent to which the COVID-19 impacts both the company's and the Pfizer Inc. group operations as well as the global economy will depend on future developments, which are highly uncertain and cannot be predicted with confidence. The company and Pfizer Inc. group is monitoring the situation to ensure the safety of Pfizer staff as well as to adapt its services and operations.

The directors have considered the impact on the group of COVID-19, which is a non-adjusting post balance sheet event. The directors do not consider that there have been material adverse changes to the carrying value of the Company's assets nor material adjustments to liabilities subsequent to the year-end which require disclosure in these financial statements.