

**ABBOTT LABORATORIES LIMITED**

## **Report and Accounts**

**30 November 2004**



Registered Number 329102 England and Wales

**DIRECTORS' REPORT**  
**For the year ended 30 November 2004**

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 November 2004.

**BOARD OF DIRECTORS**

The directors who served the company throughout the period, except as noted, were as follows:

M. Haywood (Resigned 30/7/2004)  
T. Freyman  
L. Iglesias-Fernandez  
D. Mark (Appointed 22/7/2004, resigned 13/12/2004)  
A. Forrest (Appointed 13/12/2004)

None of the above have any interests in the shares or debentures of group companies required to be disclosed under Schedule 7 of the Companies Act 1985.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

- a) The company manufactures and markets a range of pharmaceutical, nutritional, chemical and diagnostic products.
- b) During the year turnover increased by £73,557,000 or 13.5%, reflecting sales of new products in the UK and increased sales of existing products throughout Europe.
- c) On 1 May 2004 most of Abbott Laboratories hospital products business was spun off to a new company, Hospira Inc. The business has been treated as discontinued and financial information reported in the Profit and Loss Accounts and note 2.

**RESULTS**

The audited accounts for the year ended 30 November 2004 are set out on pages 4 to 11.

The profit after tax for the year was £28,762,000 (2003: £20,267,000).

Interim dividends of £11,500,000 (2003: £8,500,000 ) were paid during the year.

The directors recommend that no further dividend be paid (2003: £nil) and that retained earnings of £17,262,000 (2003: £11,767,000) be transferred to reserves.

**FUTURE DEVELOPMENTS**

The broad direction of the company's business will continue for 2005.

**DIRECTORS' RESPONSIBILITIES**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

In preparing those 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 accounting standards have been followed; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**EMPLOYEE CONSULTATION**

The company places considerable value on the involvement of its employees and has continued to keep them informed on the matters affecting them as employees and the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

**DIRECTORS' REPORT ( continued )**  
**For the year ended 30 November 2004**

**DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. Company policy and practice ensures that there is no discrimination against disabled people regarding training, career development and promotion opportunities.

**FIXED ASSETS**

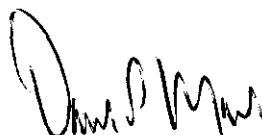
Information relating to tangible fixed assets is given in notes 1 b), 9 and 15 to the accounts. In the opinion of the directors there is no material difference between the book value and current market value of interests in land and buildings.

**CHARITABLE DONATIONS**

Charitable donations amounted to £25,000 (2003: £20,000).

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.



20/5/05

Date:

Queenborough,  
Kent, ME11 5EL

BY ORDER OF THE BOARD,  
D.MARK  
Company Secretary.

We have audited the financial statements of Abbott Laboratories Limited for the year ended 30 November 2004 which comprise the profit and loss account, the balance sheet and related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report and other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 November 2004 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche LLP*

DELOITTE & TOUCHE LLP  
Chartered Accountants and Registered Auditors  
London

Date: *20 May 2005*

Profit and Loss Account for the year ended 30 November 2004

	Notes	<u>2004</u>		<u>2003</u>	
		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Turnover from continuing operations	(2)		614,747		536,384
Turnover from discontinued operations	(2)		3,339		8,145
			<u>618,086</u>		<u>544,529</u>
Change in stocks of finished goods and work-in-progress			25,398		1,697
Raw materials and consumables		(445,937)		(373,303)	
Other external charges		<u>(46,570)</u>		<u>(38,849)</u>	
			(492,507)		(412,152)
Staff Costs:					
Wages and salaries		(55,882)		(51,835)	
Social security costs		(4,881)		(4,527)	
Other pension costs	(20)	<u>(6,401)</u>		<u>(5,998)</u>	
			(67,164)		(62,360)
Depreciation			(12,501)		(12,234)
Other operating charges			<u>(23,576)</u>		<u>(24,119)</u>
Operating profit from continuing operations		46,777		34,738	
Operating profit from discontinued operations		<u>959</u>		<u>623</u>	
			47,736		35,361
Interest receivable and similar income	(3)		61		79
Interest payable and similar charges	(4)		<u>(5,711)</u>		<u>(5,869)</u>
Profit on ordinary activities before taxation	(5)		42,086		29,571
Tax on profit on ordinary activities	(7)		<u>(13,324)</u>		<u>(9,304)</u>
Profit for the financial year	(16)		28,762		20,267
Dividends paid	(8)		<u>(11,500)</u>		<u>(8,500)</u>
Retained profit for the financial year			<u>17,262</u>		<u>11,767</u>

The accompanying notes are an integral part of this profit and loss account.

Note 17 shows the movement of reserves during the year.

There were no recognised gains or losses in either 2004 or 2003 other than the result for the financial year .

**ABBOTT LABORATORIES LIMITED**

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**Balance Sheet as at 30 November 2004**

	Notes	<u>2004</u>	<u>2003</u>
		<u>£000's</u>	<u>£000's</u>
TANGIBLE FIXED ASSETS	(9)	<u>67,976</u>	<u>65,810</u>
CURRENT ASSETS			
Stocks	(10)	81,877	69,677
Debtors	(11)	104,030	94,865
Cash at bank and in hand		<u>11,985</u>	<u>10,785</u>
		197,892	175,327
CREDITORS: Amounts falling due within one year	(12)	<u>(119,912)</u>	<u>(112,748)</u>
NET CURRENT ASSETS		<u>77,980</u>	<u>62,579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>145,956</u>	<u>128,389</u>
CREDITORS: Amounts falling due after more than one year	(13)	(75,000)	(75,000)
PROVISIONS FOR LIABILITIES AND CHARGES	(14)	(3,200)	(2,895)
NET ASSETS		<u><u>67,756</u></u>	<u><u>50,494</u></u>
CAPITAL AND RESERVES			
Called-up share capital	(18)	540	540
Profit and loss account	(17)	67,216	49,954
EQUITY SHAREHOLDERS' FUNDS	(16)	<u><u>67,756</u></u>	<u><u>50,494</u></u>

The accounts on pages 4 to 11 were approved by the board of directors on 20 May 2005 and signed on its behalf by:

  
A. Forrest  
Director

The accompanying notes are an integral part of this balance sheet.

**NOTES TO THE ACCOUNTS**  
**For the year ended 30 November 2004**

**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceeding year, is set out below:

**a) Basis of accounting**

The accounts have been prepared on the historical cost basis and have been prepared in accordance with applicable United Kingdom law and accounting standards.

The company has taken advantage of the exemption from the requirement of FRS 1(revised) "Cash Flow Statements" to present a cash flow statement because it is a wholly-owned subsidiary of Abbott Laboratories which prepares consolidated accounts that are publicly available (see note 21).

**b) Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided over the assets' estimated economic lives on a straight-line basis at the following annual rates:

Freehold Buildings	2% - 4%
Leasehold improvements	10%
Plant and Equipment	8% - 50%
Motor Vehicles	20%

**c) Stocks and work-in-progress**

Stocks and work-in-progress are stated at the lower of cost and net realisable value.

Cost includes materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

**d) Taxation**

UK corporation tax is provided at amounts expected to be paid, or recovered, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts. A net deferred tax asset is recognised as recoverable only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not discounted.

**e) Foreign currency**

Foreign currency transactions are translated into sterling at the rates ruling at the transaction date. Amounts payable or receivable in foreign currency are translated into sterling at the rate ruling at the balance sheet date, or where appropriate, at the rate of exchange in a related forward exchange contract. Any gains or losses are reported as exchange differences in the profit and loss account.

**f) Turnover**

Turnover represents the invoiced value of goods supplied excluding VAT, after making an allowance for discounts and returns.

**g) Pension costs**

The company operates a defined benefit pension scheme for all permanent employees under which contributions by employees and the company are held by a separately administered trustee company. Actuarial valuations are carried out at two year intervals (note 20).

The amount charged to the profit and loss in respect of current pension costs is based on the most recent actuarial valuation.

The additional contribution made in 2003, to reduce a fund deficit, is treated as a prepayment and amortised over the average remaining service lives of employees in the scheme, which is 20 years.

**h) Leases**

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

**2. SEGMENT INFORMATION**

The total turnover of £618,086,000 (2003: £544,529,000) relates to the company's range of health care products. This turnover represents the aggregate of home and export sales which are divided as follows:

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
United Kingdom	274,673	250,551
Europe	302,820	237,025
North America	18,345	23,578
Rest of World	22,248	33,375
	<u>618,086</u>	<u>544,529</u>

**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 30 November 2004**

2. SEGMENT INFORMATION (continued)

The costs of the discontinued operation are as follows:

	2004			2003		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Changes in stocks of finished goods and work-in-progress	(25,105)	(293)	(25,398)	(1,816)	119	(1,697)
Raw materials and consumables	443,551	2,386	445,937	367,328	5,975	373,303
Other external charges	46,534	36	46,570	38,124	725	38,849
Staff costs	67,164	-	67,164	62,360	-	62,360
Depreciation	12,436	65	12,501	12,056	178	12,234
Other operating charges	23,389	187	23,576	23,594	525	24,119

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2004	2003
	£000's	£000's
Bank interest	61	79

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£000's	£000's
Bank loans & overdrafts	26	244
Loans from other group undertakings	5,685	5,625
	5,711	5,869

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2004	2003
	£000's	£000's
Rental income	(47)	(70)
Operating lease rentals - plant and machinery	256	335
- other	631	447
Research and Development current year expenditure	3,606	2,645
Auditors' remuneration - audit fees	99	92
- other services	98	42

6. STAFF COSTS

a) The average monthly number of persons employed by the company during the year (including directors) was as follows:

	2004	2003
	No.	No.
Production and Distribution	651	634
Administration	858	911
	1,509	1,545

b) The remuneration of directors was:

	2004	2003
	£000's	£000's
Emoluments	469	462

Included in the above are emoluments of the highest paid director of £187,050 (2003: £269,298).

Pensions

The number of directors who were members of pension schemes was as follows:

	2004	2003
	No.	No.
Defined benefit schemes	4	3

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 November 2004 was £22,342 (2003: £18,611) and the accrued lump sum entitlement at 30 November 2004 was £nil (2003: £nil)



**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 30 November 2004**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 30% (2002 - 30%)	13,090	9,414
Overprovision for prior years	(71)	-
Current tax charge for the year	<u>13,019</u>	<u>9,414</u>
Deferred Tax		
Current year - origination of and reversal of timing differences	(135)	(47)
Over/(under) provision for prior year	440	(63)
	<u>13,324</u>	<u>9,304</u>

The difference between the current tax amount shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
Profit on ordinary activities before tax	<u>42,086</u>	<u>29,571</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2003 - 30%)	12,626	8,871
Expenses not deductible for tax purposes	1,247	1,248
Capital allowances in excess of depreciation	138	44
Other timing differences	(3)	3
Group relief surrendered from other group companies	(918)	(752)
Overprovision for prior years	(71)	-
Current tax charge for the year	<u>13,019</u>	<u>9,414</u>

**8. DIVIDENDS**

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
Equity interim dividend paid of 21.3p (2002: 15.74p) per ordinary share	<u>11,500</u>	<u>8,500</u>

**9. TANGIBLE FIXED ASSETS**

	Freehold land and buildings <u>£000's</u>	Leasehold improve- ments <u>£000's</u>	Plant & equipment <u>£000's</u>	Motor vehicles <u>£000's</u>	Leased motor vehicles <u>£000's</u>	Construc- tion in progress <u>£000's</u>	Total <u>£000's</u>
Cost -							
At 30 November 2003	42,287	-	104,306	9,496	-	3,939	160,028
Additions	3,164	231	11,647	1,833	430	(554)	16,751
Disposals	(454)	-	(6,698)	(2,140)	-	-	(9,292)
At 30 November 2004	<u>44,997</u>	<u>231</u>	<u>109,255</u>	<u>9,189</u>	<u>430</u>	<u>3,385</u>	<u>167,487</u>
Depreciation -							
At 30 November 2003	22,468	-	68,572	3,178	-	-	94,218
Charge for the year	1,804	10	8,711	1,962	14	-	12,501
Disposals	(438)	-	(5,443)	(1,327)	-	-	(7,208)
At 30 November 2004	<u>23,834</u>	<u>10</u>	<u>71,840</u>	<u>3,813</u>	<u>14</u>	<u>-</u>	<u>99,511</u>
Net book value at 30 November 2004	<u>21,163</u>	<u>221</u>	<u>37,415</u>	<u>5,376</u>	<u>416</u>	<u>3,385</u>	<u>67,976</u>
Net book value at 30 November 2003	<u>19,819</u>	<u>-</u>	<u>35,734</u>	<u>6,318</u>	<u>-</u>	<u>3,939</u>	<u>65,810</u>

Freehold land of £3,683,000 (2003: £3,683,000) included in the above is not depreciated.

Leasehold improvements relate to building works carried out on a property of which the lease was acquired during the current year.

**10. STOCKS**

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
Raw materials and consumables	6,147	19,345
Work-in-progress	40,416	30,759
Finished goods and goods for resale	35,314	19,573
	<u>81,877</u>	<u>69,677</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 30 November 2004**

**11. DEBTORS**

	<u>2004</u>	<u>2003</u>
	<u>£000's</u>	<u>£000's</u>
Amounts falling due within one year:		
Trade debtors	46,832	37,768
Due from other group undertakings	41,195	41,927
Other debtors	5,430	3,444
Prepayments and accrued income	1,020	1,642
Pension fund prepayment	531	531
	<u>95,008</u>	<u>85,312</u>
Amounts falling due after more than one year:		
Pension fund prepayment	9,022	9,553
	<u>104,030</u>	<u>94,865</u>

The pension fund prepayment relates to an additional contribution made to the pension fund during the prior year (see Note 20).

**12. CREDITORS: Amounts falling due within one year**

	<u>2004</u>	<u>2003</u>
	<u>£000's</u>	<u>£000's</u>
Trade creditors	2,547	3,085
Due to other group undertakings	89,106	88,891
Corporation tax payable	10,627	5,492
Other taxation and social security	3,078	2,399
Accruals and deferred income	14,554	12,881
	<u>119,912</u>	<u>112,748</u>

**13. CREDITORS: Amounts falling due after more than one year**

	<u>2004</u>	<u>2003</u>
	<u>£000's</u>	<u>£000's</u>
Loan from other group undertakings - repayable between one and two years	-	75,000
Loans from other group undertakings - repayable after five years	75,000	-
	<u>75,000</u>	<u>75,000</u>

**14. PROVISIONS FOR LIABILITIES AND CHARGES****a) The provision for liabilities and charges comprises:**

	<u>2004</u>	<u>2003</u>
	<u>£000's</u>	<u>£000's</u>
Deferred Taxation -		
At 30 November 2003	2,895	3,005
Movement in the year	305	(110)
At 30 November 2004	<u>3,200</u>	<u>2,895</u>

**b) Deferred taxation provided on total timing differences is as follows:**

	<u>2004</u>	<u>2003</u>
	<u>£000's</u>	<u>£000's</u>
Accelerated capital allowances	3,262	2,960
Other timing differences	(62)	(65)
	<u>3,200</u>	<u>2,895</u>

A deferred tax asset has not been recognised for the capital loss of £1,362,000 arising in 1992, the directors consider this to be appropriate as it is unlikely that the asset will be realised in the foreseeable future.

**15. CAPITAL COMMITMENTS**

At 30 November 2004, the company had authorised and contracted for capital expenditure of £1,889,000 (2003: £2,697,000).

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

	<u>2004</u>	<u>2003</u>
	<u>Land &amp; Buildings</u>	<u>Land &amp; Buildings</u>
	<u>£000's</u>	<u>£000's</u>
Expiry date:		
- within one year	95	163
- between two and five years	163	109
- after five years	574	647
	<u>832</u>	<u>919</u>

**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 30 November 2004**

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
Profit for the financial year	28,762	20,267
Dividends	(11,500)	(8,500)
Net addition to equity shareholders' funds	17,262	11,767
Opening equity shareholders' funds	50,494	38,727
Closing equity shareholders' funds	<u>67,756</u>	<u>50,494</u>

17. RESERVES

	<u>£000's</u>
Profit & Loss Account -	
At 30 November 2003	49,954
Profit for the year	28,762
Dividends	(11,500)
At 30 November 2004	<u>67,216</u>

18. CALLED-UP SHARE CAPITAL

	<u>2004</u> <u>£000's</u>	<u>2003</u> <u>£000's</u>
<i>Authorised</i>		
540,000 ordinary shares of £1 each	<u>540</u>	<u>540</u>
<i>Allotted, called-up and fully-paid</i>		
540,000 ordinary shares of £1 each	<u>540</u>	<u>540</u>

19. COMMITMENTS AND CONTINGENCIES

In common with other pharmaceutical companies, under the terms of the Pharmaceutical Price Regulation Scheme, the company negotiates each year with the Department of Health in respect of past and future pricing. Results for the year reflect the estimates made by the directors as to the outcome of past and current negotiations. The directors do not believe the negotiations in respect of 2004 will give rise to liabilities which will materially affect the results disclosed in these accounts.

20. PENSION ARRANGEMENTS

The company participates in the Abbott Laboratories Pension Fund. This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the group. The company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme.

In April 2003 the company made an additional contribution to the pension fund of £10,614,000 to reduce the deficit identified in the February 2002 actuarial valuation of the Abbott Laboratories Pension Fund. The additional contribution will be amortised over the remaining average service lives of scheme members, which is 20 years. Amortisation of the additional contribution results in an additional pension charge in the year of £531,000.

Normal contributions to the scheme for the period were £5,870,000 (2003 £5,467,000), being 15% of pensionable salaries in both the current and prior year.

The total pension charge for the year £6,401,000 (2003 £5,998,000) is the total normal contribution and amortisation.

As stated in the Abbott (UK) Holdings Limited group financial statements for the year ended 30 November 2004, the full actuarial valuation at 29 February 2004 was updated to 30 November 2004 by a qualified actuary and showed that the market value of the assets was £181,305,000 and that the actuarial value of these assets representing 87% of the benefits that had accrued to members.

The assets in the scheme and the expected rates of return at 30 November 2004 were:

	<u>2004</u> <u>Long term rate of</u> <u>return expected</u>	<u>2004</u> <u>Value</u> <u>£m</u>	<u>2003</u> <u>Long term rate of</u> <u>return expected</u>	<u>2003</u> <u>Value</u> <u>£m</u>	<u>2002</u> <u>Long term rate of</u> <u>return expected</u>	<u>2002</u> <u>Value</u> <u>£m</u>
Equities	6.6%	132,099	7.0%	115,420	6.7%	77,677
Other	4.6%	49,206	5.0%	37,661	4.7%	29,332
Total market value of assets		<u>181,305</u>		<u>153,081</u>		<u>107,009</u>
Present value of scheme liabilities		(208,914)		(187,114)		(144,420)
Related deferred tax		8,283		10,210		11,223
Deficit in scheme		<u>(19,326)</u>		<u>(23,823)</u>		<u>(26,188)</u>

**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 30 November 2004**

**20. PENSION ARRANGEMENTS (continued):**

The figures shown above were calculated on the basis of the following assumptions:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Discount rate	5.3%	5.6%	5.7%
Rate of increase in salaries	4.8%	4.8%	4.3%
Rate of increase in deferred pensions	2.5%	2.8%	2.3%
Rate of increase in pensions in payment	2.5%	2.5%	2.2%
Inflation assumption	<u>2.8%</u>	<u>2.8%</u>	<u>2.3%</u>

**21. ULTIMATE HOLDING COMPANY AND GROUP STRUCTURE**

a) The results of Abbott Laboratories Limited are consolidated into the immediate parent company, Abbott (UK) Holdings Limited, incorporated in the UK, and into the ultimate holding company, Abbott Laboratories, incorporated in the State of Illinois, USA. The consolidated accounts are available to the public and may be obtained from Abbott Laboratories, Queenborough, Kent, ME11 5EL .

b) The company with its parent holds all the issued share capital of Abbott Laboratories Trustee Company Limited, a company incorporated in the Great Britain. The function of this company is to administer the Abbott Laboratories Pension Fund (1966).

c) A material element of the company's purchases and sales are transacted with companies in the Abbott Laboratories Group. As permitted by Financial Reporting Standard 8, details of such transactions are not provided in these accounts as the company is a wholly-owned subsidiary undertaking and the consolidated accounts of the group are available to the public (see (a) above).