ABBOTT LABORATORIES LIMITED

Report & Accounts

30 November 2001

Registered Number 329102 England

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ABBOTT LABORATORIES LIMITED

DIRECTORS' REPORT

For the year ended 30 November 2001

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 2001

BOARD OF DIRECTORS:

The following were directors of the company during the year :

M.Haywood (Chairman)
G.P.Coughlan (Resigned 31/03/01)
J. Schueler (Resigned 16/01/01)
K.Branighan (Appointed 16/01/01)
T. Freyman (Appointed 02/04/01)

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 hospital equipment and pharmaceutical, nutritional and chemical products.

b) On 2 March 2001, Abbott (UK) Holdings Ltd. acquired the share capital of Knoll Ltd. From 1 October 2001 the operations of Knoll Ltd. have been integrated into the business of Abbott Laboratories Ltd. Consideration for the trade and assets of Knoll Ltd. was £18,428,000 a sum equal to the book value.

c) During the year turnover increased by £110,139,000 or 31.2%, reflecting an improved performance in the domestic and export business, new products launched during the year and the integration of Knoll Ltd.

RESULTS:

The audited accounts for the year ended 30 November 2001 are set out on pages 4 to 13 .
The profit after tax for the year was £12,403,000 (2000 : £14,889,000).
Interim dividends of £12,000,000 (2000: £10,000,000) were paid during the year.
The directors recommend that no further dividend be paid and that retained earnings of £403,000 at 30 November 2001 be transferred to reserves.

FUTURE DEVELOPMENTS:

The broad direction of the company's business will continue for 2002 .

DIRECTORS' RESPONSIBILITIES:

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, 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, subject to any material departures disclosed and explained in the accounts; and

- prepare the accounts 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 safeguarding the assets of the company and hence 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 . The employee share scheme has been running successfully since its inception in 1986. The major feature of the scheme is that all permanent employees with a minimum of one years service may acquire shares up to the maximum of one month's salary.

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 compnay continues and that appropriate training is arranged . It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees .

FIXED ASSETS:

Information relating to tangible fixed assets is given in notes 1 c), 9 and 16 to the accounts.

CHARITABLE DONATIONS:

Charitable donations amounted to £16,000 (2000 £25,000).

BY ORDER OF THE BOARD,
P.G.C.BEATTIE
Company Secretary.

Date: 27 . 8 . 02

Queenborough,
Kent, ME11 5EL

AUDITORS' REPORT

To the Shareholders of Abbott Laboratories Limited:

We have audited the accounts of Abbott Laboratories Ltd for the year ended 30 November 2001, which comprise the profit and loss account and balance sheet and the related notes on pages 6 to 13.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

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

ARTHUR ANDERSEN
Chartered Accountants and Registered Auditors
180 Strand
London
WC2R 1BL

Arthur Andersen

Date: 27 May 2002

ABBOTT LABORATORIES LIMITED

Profit and Loss Account for the year ended 30 November 2001

	Notes	2001		2000	
		£000's	£000's	£000's	£000's
Turnover : existing operations			457,551		353,244
Turnover : acquisitions			5,832		-
Turnover from continuing operations	(2)		463,383		353,244
Change in stocks of finished goods and work-in-progress			21,411		5,868
Raw materials and consumables		(361,937)		(234,342)	
Other external charges		(20,231)		(28,213)	
			(382,168)		(262,555)
Staff Costs:					
Wages and salaries		(40,277)		(35,718)	
Social security costs		(3,618)		(3,072)	
Other pension costs	(21)	(3,941)		(3,425)	
			(47,836)		(42,215)
Depreciation			(10,808)		(10,228)
Other operating charges			(21,528)		(17,685)
Operating Profit from existing operations		21,292		26,429	
Operating profit from acquisitions		1,161		-	
Operating profit			22,453		26,429
Interest receivable and similar income	(3)		131		100
Interest payable and similar charges	(4)		(6,550)		(4,818)
Profit on ordinary activities before taxation	(5)		16,033		21,711
Tax on profit on ordinary activities	(7)		(3,630)		(6,822)
Profit for the financial year	(17)		12,403		14,889
Dividends paid	(8)		(12,000)		(10,000)
Retained profit for the financial year			403		4,889

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

Note 18 shows the movement of reserves during the year.

Turnover and operating profit are derived from continuing operations, which includes the acquisition made on 1 October 2001.

There were no recognised gains or losses in either 2001 or 2000 other than the result for the financial year .

ABBOTT LABORATORIES LIMITED

Balance Sheet as at 30 November 2001

	Notes	2001	2000
		£000's	£000's
TANGIBLE FIXED ASSETS	(9)	64,540	56,207
CURRENT ASSETS			
Stocks	(10)	83,986	45,777
Debtors	(11)	87,303	62,384
Cash at bank and in hand		2,163	6,160
		173,452	114,321
CREDITORS: Amounts falling due within one year	(12)	(95,541)	(53,313)
NET CURRENT ASSETS		77,911	61,008
TOTAL ASSETS LESS CURRENT LIABILITIES		142,451	117,215
CREDITORS: Amounts falling due after more than one year	(13)	(108,000)	(81,000)
PROVISIONS FOR LIABILITIES AND CHARGES	(14)	(1,590)	(3,757)
NET ASSETS		32,861	32,458
CAPITAL AND RESERVES			
Called-up share capital	(19)	540	540
Profit and loss account	(18)	32,321	31,918
EQUITY SHAREHOLDERS' FUNDS	(17)	32,861	32,458

The accounts on pages 4 to 13 were approved by the board of directors on 27 May 2002 and signed on its behalf by:

K. Branighan

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

NOTES TO THE ACCOUNTS

1.ACCOUNTING POLICIES:

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, excpet as disclosed in accounting policay a), is set out below:

a) Changes in accounting policies

The company adopted FRS19 (Deferred Tax) during the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those which they are recognised in the accounts.
A net deferred tax asset is regarded as recoverable and therefore recognised 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 difference can be deducted.
There is no impact from the previous policy in the prior year since deferred tax was fully provided for.

b) Basis of Accounting

The accounts have been prepared on the historical cost basis and have been prepared in accordance with applicable accounting standards.
The company has taken advantage of the exemption from the requirement of FRS 1(revised) "Cashflow Statements" to present a cashflow statement because it is a wholly owned subsidiary of Abbott Laboratories which prepares consolidated accounts that are publicly available (see note 22).

c) 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%
Plant and Equipment	8% - 50%
Motor Vehicles	20%

d) 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.

e) Taxation

UK Corporation tax payable is provided on taxable profits at the current rate.

f) 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.

g) Turnover

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

h) 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 21). The amount charged to the profit and loss account in respect of pension costs is based on the most recent actuarial valuation.

i) Operating Leases

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 £463,383,000 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:

	2001	2000
	£000's	£000's
United Kingdom	193,074	172,739
Europe	217,401	122,350
North America	25,841	22,643
Rest of World	27,067	35,512
	463,383	353,244

All turnover from the trade and assets transfer of Knoll Ltd arose in the United Kingdom.

3.INTEREST RECEIVABLE AND SIMILAR INCOME:

	2001	2000
	£000's	£000's
Bank interest	131	100

4.INTEREST PAYABLE AND SIMILAR CHARGES:

	2001	2000
	£000's	£000's
Bank loans & overdrafts	40	14
Loans from other group undertakings	6,510	4,804
	6,550	4,818

5.PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	2001	2000
	£000's	£000's
Rental income	(55)	(120)
Operating lease rentals - plant and machinery	195	111
- other	269	255
Research and Development current year expenditure	2,674	3,000
Auditors' remuneration - audit fees	82	79
- other services	184	148

6.STAFF COSTS:

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

	2001	2000
Production and Distribution	614	607
Administration	684	603
	1,298	1,210

b) The remuneration of directors was:

	2001	2000
	£000's	£000's
Emoluments	510	442

Included in the above are emoluments of the highest paid director of £ 272,317 (2000 : £229,736)

Pensions

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

	2001	2000
Defined benefit schemes	3	3

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 November 2001 was £68,696 (2000 : £48,496) and the accrued lump sum entitlement at 30 November 2001 was £257,666 (2000 : £176,123).

7.TAX ON PROFIT ON ORDINARY ACTIVITIES:

	2001	2000
The tax charge os based on the profit for the year and comprises:	£000's	£000's
Corporation tax at 30% (2000 - 30%)	5,797	7,162
Deferred Tax	(2,167)	(340)
	3,630	6,822

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:-

	2001	2000
	£000's	£000's
Profit on ordinary activities before tax	16,033	21,711
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2000 - 30%)	4,810	6,513
Expenses not deductible for tax purposes	759	469
Capital allowances in excess of depreciation	228	180
	5,797	7,162

8.DIVIDENDS:

	2001	2000
	£000's	£000's
Dividends paid to parent company	12,000	10,000

9.TANGIBLE FIXED ASSETS:

a) The movement in the year was as follows:

	Freehold land and buildings	Plant & equip-ment	Motor vehicles	Construc-tion in progress	Total
	£000's	£000's	£000's	£000's	£000's
Cost -					
Beginning of year	35,644	88,947	7,895	4,185	136,671
Additions/transfers	1,878	13,486	2,318	3,917	21,599
Disposals	(23)	(3,631)	(1,887)	-	(5,541)
End of year	37,499	98,802	8,326	8,102	152,729
Depreciation -					
Beginning of year	17,285	60,057	3,122	-	80,464
Charge	1,752	7,352	1,704	-	10,808
Disposals	(23)	(1,834)	(1,226)	-	(3,083)
End of year	19,014	65,575	3,600	-	88,189
Net book value at 30 November 2001	18,485	33,227	4,726	8,102	64,540
Net book value at 30 November 2000	18,359	28,890	4,773	4,185	56,207

Freehold land of £3,683,000 (2000 : £3,685,000) included in the above is not depreciated .

10.STOCKS:

	2001	2000
	£000's	£000's
Raw materials and consumables	27,650	10,852
Work-in-progress	32,480	17,071
Finished goods and goods for resale	23,856	17,854
	83,986	45,777

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

11.DEBTORS: Amounts falling due within one year

	2001	2000
	£000's	£000's
Trade debtors	36,107	24,071
Due from other group undertakings	45,094	24,145
Other debtors	5,246	4,041
Prepayments and accrued income	856	10,127
	87,303	62,384

12.CREDITORS: Amounts falling due within one year

	2001	2000
	£000's	£000's
Trade creditors	4,795	1,480
Due to other group undertakings	66,257	33,088
U.K. corporation tax payable	1,565	4,461
Social security & PAYE	1,999	1,014
Other taxation creditors	112	1,285
Accruals and deferred income	20,813	11,985
	95,541	53,313

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

	2001	2000
	£000's	£000's
Loan from other group undertakings - repayable between one and two years	108,000	81,000

14.PROVISIONS FOR LIABILITIES AND CHARGES:

a) The provision for liabilities and charges comprises:

	2001	2000
	£000's	£000's
Deferred taxation	1,590	3,757

b) The movement on deferred taxation for the year was:

	2001	2000
	£000's	£000's
Balance, beginning of year	3,757	4,097
Movement in the year	(2,167)	(340)
Balance, end of year	1,590	3,757

c) Deferred taxation is as follows:

	2001	2000
	Taxation on total timing differences	Taxation on total timing differences
	£000's	£000's
Accelerated capital allowances	2,522	4,354
Other timing differences	(932)	(597)
	1,590	3,757

15. ACQUISITION OF KNOLL LTD.

On 1 October 2001 the assets and libilities of Knoll Ltd. were transferred from Abbott (UK) Holdings Ltd. to Abbott Laboratories Ltd. at net book value. Total consideration was £18,428,000 . The directors believe the net book values of the identifiable assets and liabilities acquired, as set out in the table below, to be equal to fair value.

	£000's	£000's
Tangible Fixed Assets		288
Current Assets		
Debtors	28,925	
Prepayment	45	
Cash	837	
		29,807
Creditors		11,667
Net Assets		18,428
Satisifed by intercompany loan		18,428

16.CAPITAL COMMITMENTS:

At 30 November 2001, the company had authorised and contracted for capital expenditure of £780,000 (2000 : £1,053,000).

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

	2001		2000	
	Land & Buildings	Other	Land & Buildings	Other
	£000's	£000's	£000's	£000's
Expiry date:				
- within one year	-	-	-	-
- between two and five years	163	-	163	-
- after five years	56	-	56	-

17.RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

	2001	2000
	£000's	£000's
Profit for the financial year	12,403	14,889
Dividends	(12,000)	(10,000)
Net addition to shareholders' funds	403	4,889
Opening shareholders' funds	32,458	27,569
Closing shareholders' funds	32,861	32,458

18.RESERVES:

	Profit & Loss Account
	£000's
Beginning of year	31,918
Profit for the year	12,403
Dividends	(12,000)
End of year	32,321

19.CALLED-UP SHARE CAPITAL

	2001	2000
	£000's	£000's
Authorised		
540,000 ordinary shares of £1 each	540	540
Allotted, called-up and fully-paid		
540,000 ordinary shares of £1 each	540	540

20.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 2001 will give rise to liabilities which will materially affect the results disclosed in these accounts.

21. PENSION ARRANGEMENTS:

The company is part of a group pension scheme available to the majority of full time employees through a defined benefit scheme administered by a trustee, with the assets held in a separate fund. The related costs are assessed in accordance with the advice of professionally qualified actuaries.

Details of the most recent actuarial valuations of the scheme, which were conducted as at 1 March 2000 using the projected unit method, are as follows:

Main assumptions (%pa):
- rate of increase of salaries (6.5)
- rate of increase in pensions in payment (2.45)
-return on scheme investments (7.5)

Results:
- market value of scheme's assets £104,497,000
- level of funding 101%

The surplus on the scheme is planned to be maintained until the next actuarial valuation.

The pension cost charge for the year for the defined benefit scheme was £3,941,000 (2000 £3,425,000) The significant change in the cost over the previous year is due to the increase in employee numbers and salaries.

Full disclosure of pension arrangements are disclosed in the accounts of the immediate parent company Abbott (UK) Holdings Ltd. (see note 22).

22.ULTIMATE HOLDING COMPANY AND GROUP STRUCTURE:

a) The results of Abbott Laboratories Limited are consolidated into Abbott (UK) Holdings Limited 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 United Kingdom). 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 is 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).