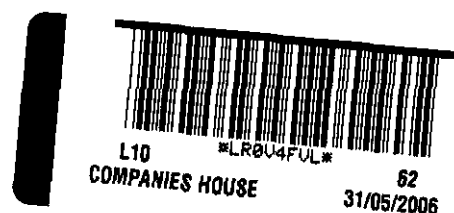


ABBOTT LABORATORIES LIMITED

Report and Accounts

30 November 2005



Registered Number 329102 England and Wales

DIRECTORS' REPORT
For the year ended 30 November 2005

The directors present their annual report on the affairs of the company, together with the accounts and independent auditors' report, for the year ended 30 November 2005.

BOARD OF DIRECTORS

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

T. Freyman
L. Iglesias-Fernandez (Resigned 30/11/2005)
D. Mark (Resigned 13/12/2004)
A. Forrest (Appointed 13/12/2004)
S. Brown (Appointed 30/11/2005 and Resigned 2/2/2006)
J. Coulter (Appointed 2/2/2006)

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 £79,005,000 or 12.8%, increased sales of existing products throughout Europe.
- c) During November 2005 the ultimate parent company, Abbott Laboratories, commenced a reorganisation of its subsidiaries. The effect of the reorganisation on the company is that the entire issued share capital of Abbott Diabetes Care Limited and IMTC Holdings (UK) Limited, both formerly held by Abbott (UK) Holdings Limited, were transferred to the company in exchange for the issue of 1 share of Abbott Laboratories Limited ordinary share capital. Abbott Diabetes Care Limited and IMTC Holdings (UK) Limited and the subsidiaries of these companies are now subsidiaries of Abbott Laboratories Limited.

RESULTS

The audited accounts for the year ended 30 November 2005 are set out on pages 4 to 11.
The profit after tax for the year was £48,843,000 (2004: £28,762,000).
Interim dividends of £11,000,000 (2004: £11,500,000) were paid during the year.
The directors recommend that no further dividend be paid (2004: £nil) and that retained earnings of £37,843,000 (2004: £17,262,000) be transferred to reserves.

FUTURE DEVELOPMENTS

The broad direction of the company's business will continue for 2006.

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 2005

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 17 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.

RESEARCH & DEVELOPMENT

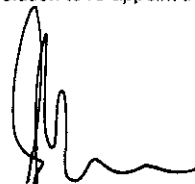
The company carries out a clinical and marketing research for its pharmaceutical and nutritional products.

CHARITABLE DONATIONS

Charitable donations amounted to £12,000 (2004: £25,000).

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.



BY ORDER OF THE BOARD,
S. BROWN
Company Secretary.

Date: 22/5/06

Queenborough,
Kent, ME11 5EL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ABBOTT LABORATORIES LIMITED

3

We have audited the financial statements of Abbott Laboratories Limited for the year ended 30 November 2005 which comprise the profit and loss account, the balance sheet and related notes 1 to 24. 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 is not disclosed.

We read the directors' 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 financial statements give a true and fair view of the state of affairs of the company as at 30 November 2005 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: *25th May 2006*

Profit and Loss Account for the year ended 30 November 2005

| | Notes | 2005 | | 2004 | |
|---|-------|-----------------|----------------------|-----------------|----------------------|
| | | £000's | £000's | £000's | £000's |
| Turnover from continuing operations | (2) | | 697,091 | | 614,747 |
| Turnover from discontinued operations | (2) | | - | | 3,339 |
| | | | <u>697,091</u> | | <u>618,086</u> |
| Change in stocks of finished goods and work-in-progress | | | 13,517 | | 25,398 |
| Other operating income | (5) | | 11,900 | | - |
| Raw materials and consumables | | (519,486) | | (445,937) | |
| Other external charges | | <u>(20,142)</u> | | <u>(46,570)</u> | |
| | | | (539,628) | | (492,507) |
| Staff Costs: | | | | | |
| Wages and salaries | | (59,408) | | (55,882) | |
| Social security costs | | (5,022) | | (4,881) | |
| Other pension costs | (22) | <u>(6,590)</u> | | <u>(6,401)</u> | |
| | | | (71,020) | | (67,164) |
| Depreciation | | | (13,220) | | (12,501) |
| Other operating charges | | | <u>(25,127)</u> | | <u>(23,576)</u> |
| Operating profit from continuing operations | | 73,513 | | 46,777 | |
| Operating profit from discontinued operations | | - | | <u>959</u> | |
| | | | 73,513 | | 47,736 |
| Interest receivable and similar income | (3) | | 751 | | 61 |
| Interest payable and similar charges | (4) | | <u>(5,440)</u> | | <u>(5,711)</u> |
| Profit on ordinary activities before taxation | (5) | | 68,824 | | 42,086 |
| Tax on profit on ordinary activities | (7) | | <u>(19,981)</u> | | <u>(13,324)</u> |
| Profit for the financial year | (18) | | 48,843 | | 28,762 |
| Dividends paid | (8) | | <u>(11,000)</u> | | <u>(11,500)</u> |
| Retained profit for the financial year | | | <u><u>37,843</u></u> | | <u><u>17,262</u></u> |

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

Note 19 shows the movement of reserves during the year.

There were no recognised gains or losses in either 2005 or 2004 other than the result for the financial year .

Balance Sheet as at 30 November 2005

| | Notes | <u>2005</u> | <u>2004</u> |
|---|-------|------------------|------------------|
| | | <u>£000's</u> | <u>£000's</u> |
| TANGIBLE ASSETS | | | |
| Tangible Fixed Assets | (9) | 70,141 | 67,976 |
| Investments | (10) | 3,037 | - |
| | | <u>73,178</u> | <u>67,976</u> |
| CURRENT ASSETS | | | |
| Stocks | (11) | 96,570 | 81,877 |
| Debtors | (12) | 149,410 | 104,030 |
| Investments | (13) | 18,464 | - |
| Cash at bank and in hand | | <u>6,763</u> | <u>11,985</u> |
| | | 271,207 | 197,892 |
| CREDITORS: Amounts falling due within one year | (14) | <u>(109,846)</u> | <u>(119,912)</u> |
| NET CURRENT ASSETS | | 161,361 | 77,980 |
| | | <u>161,361</u> | <u>77,980</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 234,539 | 145,956 |
| CREDITORS: Amounts falling due after more than one year | (15) | (102,988) | (75,000) |
| PROVISIONS FOR LIABILITIES AND CHARGES | (16) | (4,451) | (3,200) |
| NET ASSETS | | <u>127,100</u> | <u>67,756</u> |
| | | <u>127,100</u> | <u>67,756</u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | (20) | 540 | 540 |
| Share Premium | (18) | 21,501 | - |
| Profit and loss account | (19) | 105,059 | 67,216 |
| EQUITY SHAREHOLDERS' FUNDS | (18) | <u>127,100</u> | <u>67,756</u> |
| | | <u>127,100</u> | <u>67,756</u> |

The accounts on pages 4 to 11 were approved by the board of directors on 22 May 2006 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 2005

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding 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 the ultimate parent company, Abbott Laboratories, which prepares consolidated accounts that are publicly available (see note 23).

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 21).

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.

i) Research and development

Research and development costs are charged to the profit and loss account as incurred.

j) Fixed asset investments

Fixed asset investments are shown at cost less provision for any impairment. Current asset investments are stated at the lower of cost and net realisable value.

2. SEGMENT INFORMATION

The total turnover of £697,091,000 (2004: £618,086,000) 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>2005</u> | <u>2004</u> |
|----------------|----------------|----------------|
| | <u>£000's</u> | <u>£000's</u> |
| United Kingdom | 264,215 | 274,673 |
| Europe | 417,039 | 302,820 |
| North America | 14,063 | 18,345 |
| Rest of World | 1,774 | 22,248 |
| | <u>697,091</u> | <u>618,086</u> |

NOTES TO THE ACCOUNTS (Continued)
For the year ended 30 November 2005

2. SEGMENT INFORMATION (continued)

The costs of the discontinued operation are as follows:

| | <u>2005</u> | | | <u>2004</u> | | |
|--|-----------------------|-------------------------|----------|-----------------------|-------------------------|----------|
| | 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 | (13,517) | - | (13,517) | (25,105) | (293) | (25,398) |
| Raw materials and consumables | 519,486 | - | 519,486 | 443,551 | 2,386 | 445,937 |
| Other external charges | 20,142 | - | 20,142 | 46,534 | 36 | 46,570 |
| Staff costs | 71,020 | - | 71,020 | 67,164 | - | 67,164 |
| Depreciation | 13,220 | - | 13,220 | 12,436 | 65 | 12,501 |
| Other operating charges | 25,127 | - | 25,127 | 23,389 | 187 | 23,576 |

3. INTEREST RECEIVABLE AND SIMILAR INCOME

| | <u>2005</u> | <u>2004</u> |
|--------------------------------|-------------|-------------|
| | £000's | £000's |
| Bank interest | 96 | 61 |
| Loans to other group companies | 655 | 0 |
| | <u>751</u> | <u>61</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>2005</u> | <u>2004</u> |
|-------------------------------------|--------------|--------------|
| | £000's | £000's |
| Bank loans & overdrafts | 24 | 26 |
| Loans from other group undertakings | 5,416 | 5,685 |
| | <u>5,440</u> | <u>5,711</u> |

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

| | <u>2005</u> | <u>2004</u> |
|---|-------------|-------------|
| | £000's | £000's |
| Rental income | (73) | (47) |
| Operating lease rentals -plant and machinery | 176 | 256 |
| -other | 1,123 | 631 |
| Research and Development current year expenditure | 3,422 | 3,606 |
| Auditors' remuneration -audit fees | 99 | 99 |
| -other services | 86 | 98 |

Other operating income arises from an agreement with a third party supplier for the early termination of a co-marketing agreement. In consideration of the early termination the third party paid the company £11,900,000. The company has accounted for taxation to the sum of £3,570,000. The effect of this income on operating profit after tax is an increase in profit of £8,330,000.

6. STAFF COSTS

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

| | <u>2005</u> | <u>2004</u> |
|-----------------------------|--------------|--------------|
| | No. | No. |
| Production and Distribution | 633 | 651 |
| Administration | 871 | 858 |
| | <u>1,504</u> | <u>1,509</u> |

b) The remuneration of directors was:

| | <u>2005</u> | <u>2004</u> |
|------------|-------------|-------------|
| | £000's | £000's |
| Emoluments | 441 | 469 |

Included in the above are emoluments of the highest paid director of £270,740 (2004: £187,050).

Pensions

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

| | <u>2005</u> | <u>2004</u> |
|-------------------------|-------------|-------------|
| | No. | No. |
| Defined benefit schemes | 5 | 4 |

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 November 2005 was £3,223 (2004: £22,342) and the accrued lump sum entitlement at 30 November 2005 was £nil (2004: £nil)

NOTES TO THE ACCOUNTS (Continued)
For the year ended 30 November 2005

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2005 £000's | 2004 £000's |
|---|----------------|----------------|
| The tax charge is based on the profit for the year and comprises: | | |
| Corporation tax at 30% (2004: 30%) | 20,004 | 13,090 |
| Overprovision for prior years | (1,274) | (71) |
| Current tax charge for the year | <u>18,730</u> | <u>13,019</u> |
| Deferred Tax | | |
| Current year - origination of and reversal of timing differences | 623 | (135) |
| Over provision for prior year | <u>628</u> | <u>440</u> |
| | <u>19,981</u> | <u>13,324</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:

| | 2005 £000's | 2004 £000's |
|---|----------------|----------------|
| Profit on ordinary activities before tax | <u>68,824</u> | <u>42,086</u> |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%) | 20,647 | 12,626 |
| Expenses not deductible for tax purposes | 653 | 1,247 |
| Capital allowances in excess of depreciation | 17 | 138 |
| Other timing differences | (640) | (3) |
| Group relief surrendered from other group companies | (673) | (918) |
| Overprovision for prior years | <u>(1,274)</u> | <u>(71)</u> |
| Current tax charge for the year | <u>18,730</u> | <u>13,019</u> |

8. DIVIDENDS

| | 2005 £000's | 2004 £000's |
|--|----------------|----------------|
| Equity interim dividend paid of 20.4p (2004: 21.3p) per ordinary share | <u>11,000</u> | <u>11,500</u> |

9. TANGIBLE FIXED ASSETS

| | Freehold land and buildings £000's | Leasehold improve- ments £000's | Plant & equipment £000's | Motor vehicles £000's | Leased motor vehicles £000's | Construc- tion in progress £000's | Total £000's |
|------------------------------------|---|--|--------------------------------|-----------------------------|---------------------------------------|--|-----------------|
| Cost - | | | | | | | |
| At 30 November 2004 | 44,997 | 231 | 109,255 | 9,189 | 430 | 3,385 | 167,487 |
| Additions | 2,879 | - | 12,867 | (7) | 2,467 | 5,382 | 23,588 |
| Disposals | (183) | - | (5,905) | (3,390) | (34) | (5,149) | (14,661) |
| At 30 November 2005 | <u>47,693</u> | <u>231</u> | <u>116,217</u> | <u>5,792</u> | <u>2,863</u> | <u>3,618</u> | <u>176,414</u> |
| Depreciation - | | | | | | | |
| At 30 November 2004 | 23,834 | 10 | 71,840 | 3,813 | 14 | - | 99,511 |
| Charge for the year | 2,169 | 15 | 9,210 | 1,508 | 318 | - | 13,220 |
| Disposals | (178) | - | (4,090) | (2,184) | (6) | - | (6,458) |
| At 30 November 2005 | <u>25,825</u> | <u>25</u> | <u>76,960</u> | <u>3,137</u> | <u>326</u> | <u>-</u> | <u>106,273</u> |
| Net book value at 30 November 2005 | <u>21,868</u> | <u>206</u> | <u>39,257</u> | <u>2,655</u> | <u>2,537</u> | <u>3,618</u> | <u>70,141</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> |

Freehold land of £3,683,000 (2004: £3,683,000) included in the above is not depreciated.

NOTES TO THE ACCOUNTS (Continued)
For the year ended 30 November 2005

10. INVESTMENT IN SUBSIDIARIES

The following are included in the company's net book value of fixed asset investments :

| | <u>£000's</u> |
|---|---------------|
| Subsidiary undertakings: cost at 30 November 2004 | - |
| Additions | <u>3,037</u> |
| Subsidiary undertakings: cost at 30 November 2005 | <u>3,037</u> |

The company has investments in the following subsidiaries:

| | <u>Country of incorporation</u> | <u>Principal Activity</u> | <u>Holding</u> |
|---|-------------------------------------|-------------------------------|----------------|
| Abbott Diabetes Care Limited | United Kingdom | Healthcare | 100% |
| IMTC Holdings (UK) Limited | United Kingdom | Healthcare | 100% |
| Abbott Laboratories Trustee Company Limited | United Kingdom | Pension Trustee | 100% |

Abbott Laboratories Trustee Company Limited is a dormant company that acts as trustee for Abbott Laboratories Pension Fund (1966).

11. STOCKS

| | <u>2005 £000's</u> | <u>2004 £000's</u> |
|-------------------------------------|------------------------|------------------------|
| Raw materials and consumables | 7,323 | 6,147 |
| Work-in-progress | 44,259 | 40,416 |
| Finished goods and goods for resale | <u>44,988</u> | <u>35,314</u> |
| | <u>96,570</u> | <u>81,877</u> |

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

12. DEBTORS

| | <u>2005 £000's</u> | <u>2004 £000's</u> |
|---|------------------------|------------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 34,090 | 46,832 |
| Due from other group undertakings | 96,904 | 41,195 |
| Other debtors | 8,066 | 5,430 |
| Prepayments and accrued income | 1,328 | 1,020 |
| Pension fund prepayment | <u>531</u> | <u>531</u> |
| | 140,919 | 95,008 |
| Amounts falling due after more than one year: | | |
| Pension fund prepayment | <u>8,491</u> | <u>9,022</u> |
| | <u>149,410</u> | <u>104,030</u> |

The pension fund prepayment relates to an additional contribution made to the pension fund in 2003 (see Note 22).

13. CURRENT ASSET INVESTMENTS

As part of the reorganisation of the Abbott Laboratories group of companies, Abbott (UK) Holdings Limited's 100% investment in Knoll Unlimited (formerly Knoll Limited) was transferred to the company. In December 2005, Knoll Unlimited made a dividend payment equal to all its distributable reserves and after receipt of this final dividend the company's investment in Knoll Unlimited is £nil.

The current asset investment of £18,464,000 is held at cost and is equal to the value of Knoll Unlimited's final dividend received by Abbott Laboratories Limited in December 2005.

14. CREDITORS: Amounts falling due within one year

| | <u>2005 £000's</u> | <u>2004 £000's</u> |
|------------------------------------|------------------------|------------------------|
| Trade creditors | 2,713 | 2,547 |
| Due to other group undertakings | 71,157 | 89,106 |
| Corporation tax payable | 12,288 | 10,627 |
| Other taxation and social security | 4,747 | 3,079 |
| Accruals and deferred income | <u>18,941</u> | <u>14,553</u> |
| | <u>109,846</u> | <u>119,912</u> |

NOTES TO THE ACCOUNTS (Continued)
For the year ended 30 November 2005

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

| | 2005 | 2004 |
|--|----------------|---------------|
| | £000's | £000's |
| Loans from other group undertakings - repayable after five years | 102,988 | 75,000 |
| | <u>102,988</u> | <u>75,000</u> |

The loan is re-payable in June 2010 and interest is calculated at a variable rate between 4.5% and 5.5%.

16. PROVISIONS FOR LIABILITIES AND CHARGES

a) The provision for liabilities and charges comprises:

| | 2005 | 2004 |
|----------------------|--------------|--------------|
| | £000's | £000's |
| Deferred Taxation - | | |
| At 1 December | 3,200 | 2,895 |
| Movement in the year | 1,251 | 305 |
| At 30 November | <u>4,451</u> | <u>3,200</u> |

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

| | 2005 | 2004 |
|--------------------------------|--------------|--------------|
| | £000's | £000's |
| Accelerated capital allowances | 3,014 | 3,262 |
| Other timing differences | 1,437 | (62) |
| | <u>4,451</u> | <u>3,200</u> |

17. CAPITAL COMMITMENTS

At 30 November 2005, the company had authorised and contracted for capital expenditure of £1,098,000 (2004: £1,889,000).

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

| | 2005 | 2004 |
|------------------------------|----------------------------|----------------------------|
| | Land & Buildings £000's | Land & Buildings £000's |
| Expiry date: | | |
| - within one year | 258 | 95 |
| - between two and five years | - | 163 |
| - after five years | 574 | 574 |
| | <u>832</u> | <u>832</u> |

18. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

| | 2005 | 2004 |
|--|----------------|---------------|
| | £000's | £000's |
| Profit for the financial year | 48,843 | 28,762 |
| Dividends | (11,000) | (11,500) |
| Share premium on the issue of 1 ordinary share | 21,501 | - |
| Net addition to equity shareholders' funds | <u>59,344</u> | <u>17,262</u> |
| Opening equity shareholders' funds | 67,756 | 50,494 |
| Closing equity shareholders' funds | <u>127,100</u> | <u>67,756</u> |

Share premium arises on the transfer of shareholdings in subsidiary companies from Abbott (UK) Holdings Limited in exchange for the issue of 1 ordinary share of Abbott Laboratories Limited.

19. RESERVES

| | Share Premium £000's | Profit and loss account £000's | Total £000's |
|---------------------|-------------------------|-----------------------------------|-----------------|
| At 30 November 2004 | - | 67,216 | 67,216 |
| Share issues | 21,501 | - | 21,501 |
| Profit for the year | - | 48,843 | 48,843 |
| Dividends | - | (11,000) | (11,000) |
| At 30 November 2005 | <u>21,501</u> | <u>105,059</u> | <u>126,560</u> |

20. CALLED-UP SHARE CAPITAL

| | 2005 | 2004 |
|--|------------|------------|
| | £000's | £000's |
| Authorised | | |
| 540,001 (2004: 540,000) ordinary shares of £1 each | <u>540</u> | <u>540</u> |
| Allotted, called-up and fully-paid | | |
| 540,001 (2004: 540,000) ordinary shares of £1 each | <u>540</u> | <u>540</u> |

NOTES TO THE ACCOUNTS (Continued)
For the year ended 30 November 2005

21. 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 2005 will give rise to liabilities which will materially affect the results disclosed in these accounts.

22. 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 (2004: £531,000).

Normal contributions to the scheme for the year were £6,059,000 (2004 £5,870,000), being 15% of pensionable salaries in both the current and prior year.

The total pension charge for the year £6,590,000 (2004 £6,401,000) is the total normal contribution and amortisation.

As stated in the Abbott UK Holdings Limited group financial statements for the year ended 30 November 2005, the full actuarial valuation at 29 February 2004 was updated to 30 November 2005 by a qualified actuary and showed that the market value of the assets was £226,416,000 and that the actuarial value of these assets representing 91% of the benefits that had accrued to members.

The assets in the scheme and the expected rates of return at 30 November 2005 were:

| | 2005 <u>Long term rate of return expected</u> | 2005 <u>Value £m</u> | 2004 <u>Long term rate of return expected</u> | 2004 <u>Value £m</u> | 2003 <u>Long term rate of return expected</u> | 2003 <u>Value £m</u> |
|-------------------------------------|--|-----------------------------|--|-----------------------------|--|-----------------------------|
| Equities | 6.2% | 171,044 | 6.6% | 132,099 | 7.0% | 115,420 |
| Other | 4.2% | 55,372 | 4.6% | 49,206 | 5.0% | 37,661 |
| Total market value of assets | | <u>226,416</u> | | <u>181,305</u> | | <u>153,081</u> |
| Present value of scheme liabilities | | (249,866) | | (208,914) | | (187,114) |
| Related deferred tax | | 7,035 | | 8,283 | | 10,210 |
| Deficit in scheme | | <u>(16,415)</u> | | <u>(19,326)</u> | | <u>(23,823)</u> |

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

| | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|---|-------------|-------------|-------------|
| Discount rate | 4.9% | 5.3% | 5.6% |
| Rate of increase in salaries | 4.8% | 4.8% | 4.8% |
| Rate of increase in deferred pensions | 2.5% | 2.5% | 2.8% |
| Rate of increase in pensions in payment | 2.5% | 2.5% | 2.5% |
| Inflation assumption | <u>2.8%</u> | <u>2.8%</u> | <u>2.8%</u> |

23. ULTIMATE HOLDING COMPANY AND GROUP STRUCTURE

a) The company is exempt under the Companies Act 1985 from the obligation to prepare and deliver group accounts. The smallest group into which the results of Abbott Laboratories Limited are consolidated is Abbott UK Holdings Limited, incorporated in the UK, and the largest group into which the results are consolidated is the ultimate parent 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, 100 Abbott Park Road, Abbott Park, IL 60064-6400, USA.

b) 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).

24. POST BALANCE SHEET EVENTS

In December 2005 Knoll Limited converted to an unlimited company, Knoll Unlimited, and undertook a capital reduction by cancelling the shares that were no longer required. The cancelled share capital was added to distributable reserves and a dividend paid equal to the distributable reserves. These transactions will be treated as a repayment of the investment in Knoll Unlimited and reduce the current assets investment in Knoll Unlimited to £nil.