Registration number: 00329102

Abbott Laboratories Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Abbott Laboratories Limited

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Abbott Laboratories Limited

Company Information

Directors	N Harris J McCoy M Clayton
Company Secretary	K Gogay
Registered office	Abbott House Vanwall Business Park Vanwall Road Maidenhead Berkshire SL6 4XE
Registered number	00329102
Bankers	BNP Paribas 10 Harewood Avenue London NW1 6AA
Auditor	Ernst & Young Chartered Accountants Harcourt Centre Harcourt Street Dublin 2 Ireland

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Principal activity
The principal activity of the Company is the sale and distribution of a diverse range of healthcare products across nutrition, diagnostics and medical devices sectors in the United Kingdom (UK). There have not been any significant changes in the Company's principal activities in the year under review.

Results and performance
The results of the Company for the year, as set out on pages 13 to 14, show an operating profit on continuing operations of £14,459,000 (2021: £13,954,000). The net assets of the Company, as presented on page 15, are £732,019,000 (2021: £580,382,000).

The performance of the Company during 2022 has been strong driven by growth across multiple business units and led by the Diabetes Care division where Abbott's ground-breaking flash glucose monitoring system, FreeStyle Libre, is used by more patients than ever before. As anticipated, revenue from sales of COVID-19 tests has decreased in 2022. However, sales across the remainder of the diagnostic portfolio have shown growth over the prior year.

The Directors consider the results for the financial year and the position of the Company at the balance sheet date to be satisfactory.

As discussed in more detail in note 29 to the accompanying financial statements, the Company has adopted Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101') in the preparation of the financial statements in the current year. The transition to FRS 101 has not had a material impact on the Company's financial results or equity as previously reported under FRS 102. The discussion of the Company's financial performance and position in the section below reflects the effects of the transition to FRS 101.

Key Performance Indicators (KPIs)
The Board monitors the progress of the Company through the following KPIs.

	2022 £ 000	2021 £ 000	
Turnover	479,308	443,189	Ongoing growth across multiple business units led by FreeStyle Libre within the Diabetes Care business (part of the medical devices sector).
Operating profit	14,459	13,954	Increase in gross profit in line with revenue.
Current ratio	120%	122%	Current ratio of 120% as at 31 December 2022 is consistent with the current ratio as at 31 December 2021 (122%).

	2022 No.	2021 No.	
Average employee numbers	582	570	Increase driven by additional activities throughout the business in all areas of operations resulting in increased turnover.

Future Developments
The Directors aim to maintain the management policies which have resulted in the Company's growth in recent years. The Directors anticipate that, despite a challenging environment for the healthcare industry, the strong growth in sales and operating profit seen in recent years will continue into 2023 driven by key products such as FreeStyle Libre and Alinity.

Principal Risks and Uncertainties
The process of risk assessment and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to management approval at an appropriate level and a regular review cycle is in place. Compliance with regulatory, legal and ethical standards is a high priority for the Company and the compliance team and finance teams take on an important oversight role in this regard. The Company is also subject to an internal audit on a regular basis.

The principal risks to which the business is exposed are described below.

Competitive risks: Competitive price pressures in the UK Healthcare sector could result in the Company losing sales to competitors. A significant proportion of sales are based on tenders which vary in length from around one year up to seven years or longer. Because of this, the outcome of a tender will potentially impact sales for an extended period. The same price pressure could also result in an erosion of prices over time thereby negatively impacting the Company's margin. This risk is managed through the constant development and refinement of products, new technologies and new ways of adding value for the customer.

Political risks: The Company has a Government Affairs function that actively monitors political developments that may impact on the business.

Financial risks: A portion of the Company's purchases are denominated in Euro and US Dollars (USD) and it is therefore exposed to fluctuations in those currencies against the Pound Sterling. The Company hedges its foreign currency balance sheet position to minimise this risk. The Company also hedges its currency exposure to USD intra-group purchases over a time horizon of approximately 18 months via Abbott's centrally managed currency hedge programme.

Liquidity risk: The Company actively manages working capital and is in a strong net current assets position. The Company is not reliant upon external funding or group support. In addition to this, it is consistently in a cash generative position. It is not anticipated that this is likely to change in the foreseeable future given the market share, established product portfolio along with strong customer relationships that have been established.

Credit risk: The Company continually monitors credit exposure with all customers through the setting and monitoring of credit limits. A significant proportion of the Company's sales is from the public sector with any credit loss risk considered to be very low.

Legal and compliance risk: The Company operates in several areas of the highly regulated Healthcare sector. Additionally, government regulation imposes increasing demands on companies to demonstrate that they are 'doing the right thing'. A failure to properly manage these requirements would expose the Company to the risk of reputational damage, fines, penalties and competitive disadvantage. This risk is managed through the setting of appropriate policies and through the collaboration of various compliance-related functions across the business.

Commercial execution risk: The Company operates within a dynamic and competitive industry. Effective communication and engagement with customers are critical to the long-term success of the business. A failure to execute the right priorities and structures on a timely basis will compromise the ability of the Company to remain ahead of competitors in key market sectors. Commercial execution is tracked in detail within each divisional team and reported to senior management.

Investment risk: The Company holds investments in various subsidiary companies. It is therefore exposed to the risk that these entities do not perform as expected and an impairment of the investment in shareholdings will become necessary. The Directors monitor this risk through their roles as directors of the subsidiary companies where that is the case and through regular business updates provided by subsidiary company management where it is not. The need for an impairment is assessed annually.

Section 172(1) Statement

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the Directors' statement required under section 414CZA, of The Companies Act 2006.

Stakeholder Engagement

Abbott is an active participant in the global dialogue on health and the broader role of business. We know that listening to our stakeholders is vital to our success. It enables us to respond with relevant, local solutions that meet people's changing needs and tackle the world's most important health challenges.

Our stakeholder engagement is conducted formally, through the many associations and partnerships of which we are members. We also seek to engage with stakeholders more informally, through networks and organisations in which we participate.

Our core values of Pioneering, Achieving, Caring and Enduring are the foundation of our identity as a company. They define how we do our work and serve our stakeholders. Aligning our organisation around this cohesive set of values is critical to the fulfilment of our mission and the achievement of our business goals.

- Pioneering: Bringing life-changing health technologies to the people who need it
- Achieving: Delivering customer-focused outcomes and world-class execution
- Caring: Helping people live fuller lives through better health
- Enduring: Managing the company to ensure its long-term success

Our local country businesses play an important role in forming relationships with stakeholders. We have defined a stakeholder engagement methodology to be used by each Abbott business and affiliate, which guides Abbott leaders in setting their local engagement strategies. We also require our local teams to review their stakeholder engagement strategies on a regular basis. We report the outcomes of local stakeholder engagement in country-level citizenship reports or at local stakeholder forums. Through our engagement, we aim to stay well informed on the major issues of concern to all stakeholders, wherever we operate.

During the year the Directors undertook a variety of activities to engage with stakeholders at a local level and bring their voice into the boardroom.

Customers

Customers are at the heart of everything we do. During the year, the Directors received regular updates on key customer issues through a variety of channels, including direct attendance at customer meetings, key account reporting through individual divisional lines of management and relevant metrics in relation to the customer service and support teams. This interaction provides important intelligence regarding customer issues and challenges and informs all aspects of business strategy development.

Stakeholder Engagement (continued)

Employees

Abbott is committed to helping employees to build a fulfilling life and a rewarding career. The Directors gather feedback from employees through regular town hall meetings, employee surveys and via the Joint Consultative Forum, an elected representative body. The Company regularly participates in the Great Places to Work survey and the Directors use this feedback to shape Human Resources strategies over the short, medium and long-term.

Abbott seeks to communicate with its employees through elected representative bodies, team briefs, internet, intranet and site-wide emails. Communication is viewed as critical to the success of the organisation to ensure employees understand the Company's business and Abbott Values. Abbott uses a range of channels internally and externally to communicate with employees and external stakeholders, including prospective employees. Internally, employees can find information on Abbott via its intranet site, Abbott World and aLIVE; and externally, Abbott utilises Twitter, LinkedIn and Facebook to share news and interesting stories.

Each division at Abbott has a clear and compelling business strategy. How an employee can contribute to business outcomes is captured in the performance management process during the annual goal setting process referred to as setting expectations, which is the driving force behind the process. This leads to an intentional discussion regarding development plans around the competencies needed to achieve these goals. Various aspects of remuneration, including the pay increase an employee receives, are closely linked to their performance.

Employees are also involved in the performance of the global Abbott corporation through participation in a UK employee share scheme. The scheme is available to all employees with a current participation rate of over 70%.

We ensure colleagues have a common awareness of the financial and economic factors affecting the Company's performance through quarterly presentations made by the UK and Ireland Finance Director to the Joint Consultative Forum. The minutes of these meetings, including the slides presented, are published to all employees. Additionally, similar presentations, which also include a summary of the performance of the global Abbott corporation, are made quarterly as part of town hall meetings at various Abbott locations around the UK.

Employee development is crucial to the success of the business. Each business unit holds Talent Management Reviews twice a year where development opportunities for all critical roles are discussed. Development plans are implemented to ensure vacancies are filled internally wherever possible.

Government

The Directors recognise the importance of active engagement with government. A dedicated Government Affairs team co-ordinates interactions with government officials ensuring Abbott maintains the highest possible ethical and professional standards. The Government Affairs team works closely with the Directors, including the attendance of local board meetings, to identify areas in which Abbott's interests and those of the government and of patients naturally align.

Suppliers

The Directors recognise the significant contribution that suppliers make to Abbott's business, notably in the area of service delivery to customers. Abbott's dedicated Procurement function is delegated responsibility for key supplier relationships at a country level and where the supplier supports the business on a regional or global basis. The Procurement team regularly meets with senior representatives of key suppliers to monitor performance and to identify further opportunities to develop long-lasting and mutually beneficial partnerships.

The Directors also engage directly with the most critical suppliers whose role is vital in ensuring the Company can meet its customer commitments.

Community and Environment

As a healthcare leader, we strive to make a positive social impact on helping people live longer and better. We apply our unique strengths to identify and invest in life-changing innovations, design new business models to meet emerging healthcare needs, and find measurable ways to address social challenges through our scientific and technical expertise.

Stakeholder Engagement (continued) ***Community and Environment (continued)***
The Directors align to Abbott's environmental governance and management systems, which are driven by Abbott globally and exist as part of an integrated Environmental, Health and Safety (EHS) approach. Our EHS strategy focuses on identifying and mitigating EHS-related risk, ensuring business continuity and addressing our stakeholders' expectations that Abbott is a responsible corporate citizen. At the global level, our strategy includes systems and targets for reducing our greenhouse gas (GHG) emissions, our water use, and the volume and impact of our waste. Our EHS management and governance systems ensure that we incorporate environmental considerations into our day-to-day planning and business processes, with clear lines of accountability and senior-level leadership and support.

At a local level, the Directors acknowledge the importance of EHS as an integral part of Abbott's business operation. EHS is a standing agenda item at local board meetings and every Director takes an active role in promoting the importance of EHS matters within their organisations.

How Stakeholder Interests Have Influenced Decision Making
The Directors recognise the importance of engaging with stakeholders to help inform their strategy and decision-making. Through our engagement, we aim to stay well-informed of the major issues of concern to stakeholders wherever we operate. Relevant stakeholder interests, including those of customers, employees, suppliers and others are considered by the Directors when they take decisions. We define principal decisions as those that are material, or of strategic importance to the Company, and those that are significant to any of our key stakeholder groups. In making their decisions, the Directors consider the outcomes of relevant stakeholder engagement and are mindful of their duties under the Companies Act including the specific requirements of section 172(1). The Directors also consider the need to maintain a reputation for high standards of business conduct, the need to act fairly between the members of the Company and the long-term consequences of their decisions.

Approved by the Board on 2 August 2023 and signed on its behalf by:

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K Gogay
Company Secretary

Abbott Laboratories Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Directors of the Company

The directors, who held office during the year and up to the date of approval of the financial statements, were as follows:

N Harris

J McCoy

M Clayton

Dividends

During the year the Company paid a dividend of £87,315,000 (2021: £Nil). The Directors do not recommend the payment of a final dividend.

Schedule 7 requirements

Applicable content per Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the Strategic Report in accordance with provisions in s414C (11) of the Companies Act 2006.

Employment of disabled persons

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 if required. Company policy and practice ensure that there is no discrimination against disabled people regarding training, career development and promotion opportunities.

Going concern

The Company generated a net profit of £101,989,000 (2021: £8,942,000), has net assets of £732,019,000 (2021: £580,382,000) and current assets of the Company exceed its current liabilities by £30,215,000 (2021: £31,479,000). Trading profits are expected to continue in the foreseeable future. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least twelve months to 2 August 2024.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Disclosure of information to the auditor

Each Director in office at the time the Directors' Report and financial statements are approved has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditor

The auditor Ernst & Young, Chartered Accountants and Statutory Audit Firm will continue in office in accordance with section 487(2) of the Companies Act 2006.

Post Balance Sheet events

There were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Company, which require disclosure.

Non-financial and sustainability information

Environmental report

Streamlined energy and carbon reporting
The table below sets out the Company's emissions and energy consumption

Name and description	Metric and / or KPI	Unit of measurement	2022	2021
Company vehicles, grey fleet, natural gas and purchased electricity	GHG emissions scope 1 and 2	tCO2e	844.00	732.00
Company vehicles, grey fleet, natural gas and purchased electricity	tCO2e/£M	tCO2e/£M	1.49	1.65
Company vehicles, grey fleet, natural gas and purchased electricity	Total energy	KWh gross CV	4,082,477.00	3,442,836.00

Energy Efficiency Action
To achieve a healthier planet and operate as a responsible corporate citizen, Abbott remains committed to helping address climate-related issues by reducing energy consumption and air emissions in our direct operations and throughout our value chain. The nature of our business includes a range of carbon emission sources: Scope 1 (direct) and Scope 2 (indirect) emissions from warehousing and office activities, and from our vehicle fleets.

Through our global value chain, we also indirectly contribute to carbon emissions through the sourcing and distribution of products, as well as the ways in which consumers and health professionals use and dispose of these products and their packaging. These are known as Scope 3 emissions.

We also are committed to minimizing the impact of our global fleet of Abbott-owned, Abbott-leased and personally owned vehicles used by employees. As an example, to reduce our environmental impact, we are solely ordering electric vehicles and are accelerating our replacement cycle of traditionally fuelled vehicles. Abbott's UK operations have also upgraded plant and machinery in order to achieve greater energy efficiency.

Methodology
The data was compiled using the reporting methodology of calculating carbon emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

The Company's energy use and emissions reported relate to premises where the Company has financial responsibility for energy supply and Abbott-owned, Abbott-leased and personally owned vehicles, used by employees.

The 2022 UK Government GHG Conversion Factors for Company Reporting published by the Department of Business, Energy and Industrial Strategy and the Department for Environment, Food and Rural Affairs were applied to convert energy use to emissions of CO2e.

Approved by the Board on 2 August 2023 and signed on its behalf by:

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K Gogay
Company Secretary

Abbott Laboratories Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council and United Kingdom law), including Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- in respect of the financial statements, state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' report that comply with that law and those regulations.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED

Opinion

We have audited the financial statements of Abbott Laboratories Limited for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED (Continued)

Other information (Continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABBOTT LABORATORIES LIMITED (Continued)

Auditor's responsibilities for the audit of the financial statements (Continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework", the Companies Act 2006 and relevant tax compliance regulations in the UK.
- We understood how Abbott Laboratories Limited is complying with those frameworks by making enquiries of management and those charged with governance. We corroborated our enquiries through reading the board minutes of the Company and we noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by enquiry of management, those charged with governance and others within the entity, as to whether they have knowledge of any actual or suspected fraud. Where this risk was considered higher, we performed audit procedures to address the fraud risk. These procedures included testing manual journal entries and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved reading board minutes to identify any non-compliance with laws and regulations, analysing legal expenses, and making enquiries of management and those charged with governance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young

Feargal De Freine (Senior statutory auditor)
for and on behalf of
Ernst & Young, Chartered Accountants and Statutory Auditor

Dublin, Ireland

4 August 2023

Abbott Laboratories Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	4	479,308	443,189
Cost of sales		(359,144)	(319,248)
Gross profit		120,164	123,941
Distribution costs		(19,994)	(17,357)
Administrative expenses		(85,711)	(92,630)
Operating profit	5	14,459	13,954
Other interest receivable and similar income	6	92,800	2,030
Interest payable and similar expenses	7	(1,109)	(1,133)
		91,691	897
Profit before tax		106,150	14,851
Tax on profit	11	(4,161)	(5,909)
Profit for the year		101,989	8,942

Abbott Laboratories Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	2022 £ 000	2021 £ 000
Profit for the year	101,989	8,942
Items that will not be reclassified subsequently to profit or loss		
Actuarial gain or loss on defined benefit pension schemes	182,500	190,100
Movement on deferred tax relating to defined benefit pension scheme	(45,850)	(54,172)
	136,650	135,928
Items that may be reclassified subsequently to profit or loss		
Unrealised gain on cash flow hedges	417	8,252
Movement on deferred tax relating to cash flow hedges	(104)	(1,796)
	313	6,456
Total comprehensive income for the year	238,952	151,326

The notes on pages 17 to 60 form an integral part of these financial statements.

Abbott Laboratories Limited

(Registration number: 00329102)
Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Fixed assets			
Intangible assets	12	2,796	1,854
Tangible assets	13	76,525	63,320
Right of use assets	14	12,559	15,318
Investments	15	255,463	255,463
		347,343	335,955
Current assets			
Stocks	16	23,696	29,329
Trade and other debtors	17	151,392	130,962
Cash at bank and in hand	18	7,903	6,507
		182,991	166,798
Creditors: Amounts falling due within one year	19	(152,776)	(135,319)
Net current assets		30,215	31,479
Total assets less current liabilities		377,558	367,434
Creditors: Amounts falling due after more than one year	20	(16,026)	(19,447)
Provisions for liabilities	11	(131,213)	(85,905)
Net assets excluding pension asset		230,319	262,082
Net pension asset	24	501,700	318,300
Net assets		732,019	580,382
Capital and reserves			
Called up share capital	22	106,842	106,842
Share premium reserve	23	-	138,403
Other reserves	23	71,517	20,116
Profit and loss account	23	553,660	315,021
Shareholders' funds		732,019	580,382

Approved by the Board on 2 August 2023 and signed on its behalf by:

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N Harris
Director

Abbott Laboratories Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital (Note 22) £ 000	Share premium (Note 23) £ 000	Other reserves (Note 23) £ 000	Retained earnings (Note 23) £ 000	Total £ 000
At 1 January 2022	106,842	138,403	20,116	315,021	580,382
Profit for the year	-	-	-	101,989	101,989
Other comprehensive income	-	-	313	136,650	136,963
Total comprehensive income	-	-	313	238,639	238,952
Dividends paid	-	-	(87,315)	-	(87,315)
Share capital reduction	-	(138,403)	138,403	-	-
At 31 December 2022	106,842	-	71,517	553,660	732,019

	Called up share capital (Note 22) £ 000	Share premium (Note 23) £ 000	Other reserves (Note 23) £ 000	Retained earnings (Note 23) £ 000	Total £ 000
At 1 January 2021	106,842	30,403	13,660	170,151	321,056
Profit for the year	-	-	-	8,942	8,942
Other comprehensive income	-	-	6,456	135,928	142,384
Total comprehensive income	-	-	6,456	144,870	151,326
Issue of new shares	-	108,000	-	-	108,000
At 31 December 2021	106,842	138,403	20,116	315,021	580,382

The notes on pages 17 to 60 form an integral part of these financial statements.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The registered number is 00329102 and the address of its registered office is:
Abbott House
Vanwall Business Park
Vanwall Road
Maidenhead
Berkshire
SL6 4XE
United Kingdom

These financial statements were authorised for issue by the Board on 2 August 2023.

2 Accounting policies

Basis of preparation and first time adoption of FRS 101
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

These are the Company's first financial statements prepared in accordance with FRS 101. In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 30.

IFRS 1 grants certain exemptions from the full requirements of UK-adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations - Business combinations that took place prior to 1 January 2021 have not been restated.
- Employee benefits - All cumulative actuarial gains and losses on defined benefit plans have been recognised in equity at 1 January 2021.
- Share-based payments - IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2021.

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

Summary of disclosure exemptions
The Company's ultimate parent undertaking, Abbott Laboratories includes the Company in its consolidated financial statements. The consolidated financial statements of Abbott Laboratories are prepared in accordance with United States Generally Accepted Accounting Principles ('U.S. GAAP') Standards and are available to the public and may be obtained from 100 Abbott Park Road, Abbott Park, Illinois 60064-6400, USA.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

2 Accounting policies (continued)

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Abbott Laboratories include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of group settled share-based payments; and
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Going concern
The Company generated a net profit of £101,989,000 (2021: £8,942,000), has net assets of £732,019,000 (2021: £580,382,000) and current assets of the Company exceed its current liabilities by £30,215,000 (2021: £31,479,000). Trading profits are expected to continue in the foreseeable future. Therefore, after making enquiries, the Directors have a reasonable expectation that the Company will continue in operational existence for a period of at least twelve months to 2 August 2024.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Exemption from preparing group accounts
The financial statements contain information about Abbott Laboratories Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Abbott Laboratories, a company incorporated in the United States of America ('USA'). The consolidated financial statements may be obtained from 100 Abbott Park Road, Abbott Park, Illinois, IL 60064-6400, United States of America.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated and in preparing an opening FRS 101 balance sheet at 1 January 2021 for the purposes of the transition to FRS 101.

Changes in accounting policy
The Company has adopted the following IFRSs in these financial statements:

2 Accounting policies (continued)

- *Amendments to IAS 37:* Onerous Contracts-Cost of Fulfilling a Contract (effective 1 January 2022). This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.
- *Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022).* The amendment refers to the Conceptual Framework issued in 2018 under which the definition of liabilities is broader than that in the previous versions. There is no material effect of this amendment as the Company has not made any new acquisitions during the year.
- *Amendments to IAS 16: Property, Plant and Equipment* - Proceeds before Intended Use (effective date 1 January 2022). The amendments prohibit a Company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use. There is no material effect of this amendment on the items of PPE recorded during the year.
- *Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):*
  - IFRS 1 - Subsidiary as a first- time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. There is no impact from this annual improvement as the Company's ultimate parent does not prepare its financial statements in accordance with IFRS.
  - IFRS 9 - Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. There is no impact from this annual improvement on the Company's financial statements as no such derecognitions of financial liabilities occurred during the year.
  - IFRS 16 - Leases - Lease incentives. The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. There is no impact on the Company's financial statements from this annual improvement.

Measurement convention

The financial statements are prepared on the historical cost basis except that certain financial assets and financial liabilities (including derivatives) are measured at fair value.

Revenue recognition

Recognition

The Company earns revenue from the sale of goods, the sale of equipment and related consumable goods, software licencing and managed service contracts. Turnover is recognised net of VAT.

2 Accounting policies (continued)

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Sale of goods

The Company enters into contracts with its customers for the sale of goods which encompass Blood Glucose Monitoring (BGM) goods, Flash Glucose Monitoring (FGM) goods, POC diagnostic products and medical nutrition products.

For the sale of goods, a contract between the Company and the customer exists in various forms including formal written agreements, purchase orders from the customer or other similar correspondence.

The Company has a contractual obligation to deliver the goods to the customer's specified location and the control of goods sold passes to the customer at the time of delivery. On this basis the Company has concluded that contracts for the sale of goods contain a single performance obligation as the delivery of the goods to the customer's premises is not considered to be a distinct performance obligation.

The transaction price is agreed under the contract with the customer and includes an agreed purchase price and variable consideration including rebates. Rebates represent amounts payable to the customer on achievement of agreed aggregate levels of purchases or another metric during the specified contractual period. Management estimates the quantum of rebates payable to the customer taking into account various assumptions including:

- Target sales volume or growth
- Expansion of a product portfolio
- Expansion of market share or other key performance indicators
- Established rebate rates; and
- Historical level of purchases.

As there is a single performance obligation, the transaction price is wholly allocated to the sale of the specified goods.

As the control of goods transfers to the customer at a point in time, revenue from the sale of goods is recognised at the point in time at which the control of the goods has been transferred to the customer i.e., on delivery of the goods at the customer's specified location.

Variable consideration agreed under the contract with the customer i.e., rebates payable is estimated and recorded as a reduction from revenue at the time of transfer of control of goods to the customer.

Sale of equipment and related consumable goods

The Company enters into contracts with its customers for the provision of glucose meters and compatible glucose strips.

For the sale of equipment and related consumable goods, a contract between the Company and the customer exists in various forms including formal written agreements, purchase orders from the customer or other similar correspondence.

2 Accounting policies (continued)

Glucose testing strips supplied by the Company can only be used with the Company's glucose testing meters. The Company typically does not sell the meters to customers separately and therefore in assessing the performance obligations in the contract, the Company has determined that the provision of the glucose meters and compatible glucose strips represent a single distinct performance obligation.

The transaction price is agreed under the contract with the customer and includes an agreed purchase price for the compatible glucose strips. As there is only a single performance obligation, an allocation of the transaction price is not applicable for this revenue stream.

Control of the glucose testing strips transfers to the customer at a point in time, being the delivery of the testing strips at the customer's specified location. Therefore, revenue is recognised from the sale of the glucose testing strips at the point of delivery to the customer.

Software licensing

For software licensing, a contract between the Company and the customer exists in the form of written agreements. The Company's identified obligations under the software licensing contract include the licensing of the software, the installation of the software, training to operate the software, and servicing and maintenance.

The Company has determined that there are two distinct performance obligations in the contract (i) servicing and maintenance of the software and (ii) the licensing of the software. Training to operate the software and installation of the software can only be performed by the Company's personnel given its specialised nature, and in addition, these services are not sold separately by the Company and therefore are not considered to be distinct from the performance obligation to license the software..

The transaction price is agreed under the contract with the customer and typically includes an agreed purchase price for licensing, installation and training to operate the software and a separate purchase price is agreed for the servicing and maintenance. As the consideration for the two distinct performance obligations are agreed separately under the contact and are representative of the fair value of the consideration charged under similar arrangements on a standalone basis, a further manual allocation of the transaction price is not required.

Revenue recognition for software licensing is determined on the basis of whether the licensing arrangement provides the right to access or the right to use the software for the customer.

A right to access the software exists if all of the below criteria are met:

- The Company expects to undertake activities which directly impact the software;
- The customer is directly exposed to the positive or negative effects of the activities undertaken by the Company; and
- The activities undertaken by the Company do not result in the transfer of goods and services to the customer;

In the case that any of the above criteria are not met, the Company provides its customer with a right to use the software.

Where the customer is granted a right to access the Company's software, revenue is recognised over the period of the license. Where the customer is granted a right to use the Company's software, revenue is recognised at the point that the software is installed and training to operate the software has been completed. Revenue recognition in respect of the servicing and maintenance is on a straight line basis over the term of the contract.

Managed service contracts

The Company enters into managed service contracts with its customers to provide them with all required products and equipment to enable pathology laboratories to operate and allow them to perform a variety of agreed tests to aid in the diagnosis, treatment and prevention of disease.

2 Accounting policies (continued)

A contract between the Company and the customer exists in the form of written agreements. Identified performance obligations in the contract include (i) the supply of laboratory equipment and granting the right of use of the equipment for the contractual term (ii) delivery of the equipment, (iii) installation of the equipment (iv) training to operate the equipment, (v) servicing and maintenance of the equipment, (vi) sale of consumables and (vii) delivery of consumables.

In assessing the contracts identified performance obligations, the Company has concluded that there are two distinct performance obligations being (i) the provision of capital equipment in the fit out of the pathology laboratory and (ii) the provision and sale of consumables for use in the pathology laboratory. The provision of capital equipment in the fit out of the pathology laboratory performance obligation includes the provision, delivery, installation and training to operate the equipment (as the delivery, installation and training are not considered to be individually distinct performance obligations).

In those contracts whereby capital equipment and related consumables are sourced by the Company from a third-party supplier, an additional performance obligation has been identified in respect of contract management services for which a management fee is charged to the customer.

The transaction price is agreed under the contract with the customer and includes either;

- Standard contracts which include a separate selling price for consumables and consideration for use of the equipment; or
- A Cost Per Reportable (CPR) unit model.

Revenue from the sale of consumables is variable as the customer determines the volume purchased. Under the CPR model specifically, revenue is further dependent on the number of successful tests performed.

Variable consideration under both the CPR model and Standard model is subjective and uncertain as the consideration is susceptible to factors outside the Company's influence i.e. for CPR based contracts the number of successful tests is dependent on the number of tests the customer needs to complete in order to meet local demand (and additionally whether or not these tests are successful). Similarly, for Standard contracts, the number of reagents ordered by the customer is also dependent on patient demands. Therefore, for both Standard and CPR contracts, the Company is subject to constraints for estimating variable consideration and recognises revenue only once the uncertainty surrounding the consideration is resolved, i.e. on provision of the consumables (under the standard contracts) and completion of a successful test (under the CPR based contracts).

As noted above, in certain circumstances Abbott will charge a separate management fee for the sourcing and provision of third-party capital equipment and consumables. This fee represents variable consideration.

The use of equipment is considered to constitute an operating lease as the Company retains title to the equipment at the end of the lease term i.e. title does not transfer to the customer; and the Company is responsible for the servicing and maintenance of the equipment.

Principal versus agent

The Company has arrangements whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer. The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Company has in establishing the price for the specified good or service, whether the Company has inventory risk and whether the Company is primarily responsible for fulfilling the promise to deliver the service or good.

Where the Company is acting as a principal, revenue is recorded on a gross basis. Where the Company is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

2 Accounting policies (continued)

Capitalisation of costs to obtain or fulfil a contract

The incremental costs of obtaining and fulfilling a contract with a customer are recognised as an asset if the Company expects to recover them. The Company incurs costs such as sales commissions to obtain a contract.

Judgement is applied by the Company when determining what costs qualify to be capitalised in particular when considering whether these costs are incremental and whether these are expected to be recoverable.

Costs to obtain a contract are included in the balance sheet as a separate class of asset. These assets are subsequently charged to the profit and loss account over the expected contract period.

The amortisation charge is included in the profit and loss account in administration expenses.

Interest receivable
Interest income is due to the Company from loans to affiliated group companies, or cash deposits with affiliated group companies or third party banks and is calculated daily and accrued monthly.

Interest payable
Interest payable by the Company to third parties is accrued in line with agreed rates when it is known that a liability will arise.

Foreign currency transactions and balances
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at the balance sheet date. Exchange differences are included in the profit and loss account. The Company also enters into cash flow hedge transactions. To the extent that the hedge is considered to be effective the cumulative gain or loss on the forward contract is recognised in other comprehensive income. Amounts are transferred to the profit and loss account in the period in which the hedged cash flows impact profit or loss.

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

2 Accounting policies (continued)

Deferred tax

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 financial statements that arise from the inclusion of gains and losses in tax assessments in different periods from those in which they are recognised in the financial statements. 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.

Intangible assets

Software assets are stated in the statement of financial position at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses. The cost of software assets includes directly attributable incremental costs incurred in their acquisition and implementation.

Amortisation

Amortisation is calculated, using the straight-line method, to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

Asset class	Amortisation method and rate
Software	5 years

Tangible assets

Tangible assets is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold land and buildings	Straight line 5 - 10 %
Furniture, fittings and equipment	Straight line 8 - 50%
Right-of-use assets	Straight line over the life of the lease

Investments

Investments in subsidiaries are initially recognised at fair value, which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss). Subsequently, investments in subsidiaries are carried at cost less provision for impairment.

Impairment of non-financial assets excluding stocks and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

2 Accounting policies (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Stocks
Stocks are stated at the lower of cost and net realisable value. The cost is based on the latest purchase price. Net realisable value is based on nominal selling price, less anticipated applicable selling costs. Provision is made for slow moving or obsolete stock, where appropriate.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Provisions
A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

2 Accounting policies (continued)

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate initially measured using the index or rate as at the commencement date.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Tangible Assets. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy for Impairment of non-financial assets excluding stocks and deferred tax assets.

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the profit and loss account.

Sale and leaseback transactions entered into by the Company that result in a finance lease are accounted for as finance leases as set out above. Any excess of sales proceeds over the carrying amount arising from such transactions is deferred and amortised over the lease term.

Share capital

Share capital represents the nominal (par) value of ordinary shares that have been issued. These shares are classified as equity. Direct costs of issuing equity instruments are immaterial and are therefore not deducted.

2 Accounting policies (continued)

Dividends
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Dividend income from subsidiary companies is recognised on the date the directors of the subsidiary declare the dividend.

Defined contribution pension obligation
Contributions to the defined contribution scheme are recognised in the profit and loss account in the period in which they become payable. Contributions by the Company and the employees are held within the Legal and General Master Trust which is administered by separate trustees.

Defined benefit pension obligation
The Company participates in the Abbott Laboratories Pension Fund (1966), a multi-employer defined benefit pension scheme for employees under which contributions by employees and the Company are held by a separately administered trustee company. The scheme was closed to new entrants in June 2015 from which time membership of a defined contribution scheme was available.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or curtailment occurs the change in the present value of the scheme liabilities and the fair value of the scheme assets reflects the gain or loss which is recognised in the income statement during the period in which it occurs.

The net interest element is determined by multiplying the defined benefit net pension asset by the discount rate at the start of the period taking into account any changes in the defined benefit net asset during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as interest receivable or interest payable.

Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit asset (excluding amounts included in net interest) are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

The defined benefit net asset or liability in the balance sheet comprises the total value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of scheme assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is recognised to the extent that it can be recovered through reduced future contributions or a refund.

Abbott Laboratories Limited is the sponsoring employer of the defined benefit scheme as it is the principal employer. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual group entities. Therefore, the Company has recognised the entire net defined benefit cost less those contributions paid by other group companies participating in the scheme and the relevant net defined benefit asset of the scheme in its individual financial statements.

2 Accounting policies (continued)

Share based payments

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments. The ultimate parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations, including forfeiture. The Company also provides employees with the ability to purchase the ultimate parent company's ordinary shares at the current market value via a deduction from gross pay. The Company operates a matching arrangement under which additional shares are purchased and held for the employee. The Company records an expense of the actual cost of matching shares purchased. The Company makes payments to the ultimate parent company in relation to restricted stock units granted to its employees. The Company records a deemed capital contribution where the value of such restricted stock units granted exceeds the payments made to the ultimate parent company. In cases where the value of the payments made to the ultimate parent company exceeds the value of such restricted stock units granted, these payments are recorded in the profit and loss account.

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, excluding tangible assets, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets (unless trade receivables without significant financing component) are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability. A trade receivable without a significant financing component is initially measured at transaction price.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

2 Accounting policies (continued)

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria are not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:-
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

2 Accounting policies (continued)

Subsequent measurement and gains and losses
Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The Company derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

2 Accounting policies (continued)

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit and loss account.

Financial liabilities

If the terms of a financial liability are modified, the company evaluates whether the cash flows of the modified liability are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liability is deemed to expire. In this case the original financial liability is derecognised and new financial liability is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit and loss account.

Impairment of financial assets

Measurement of Expected Credit Losses

The company recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

The company classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the company recognises an allowance based on the 12-month ECL.

Stage 2: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the company recognises an allowance for the lifetime ECL.

Stage 3: for credit-impaired financial instruments, the company recognises the lifetime ECL.

2 Accounting policies (continued)

The Company measures loss allowances at an amount equal to the lifetime ECL, except for the following, for which they are measured as a 12-month ECL:

- debt securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments on which the credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

A 12-month ECL is the portion of the ECL that results from default events on a financial instrument that are probable within 12 months from the reporting date.

Provisions for credit-impairment are recognised in the statement of income and are reflected in accumulated provision balances against each relevant financial instruments balance.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:
- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2 Accounting policies (continued)

Derivative financial instruments
Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the balance sheet at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

Derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities in the balance sheet.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

Hedge accounting
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The Company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the company formally documents the relationship between the hedging instruments and hedge items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

These hedging relationships are discussed below.

Cash flow hedges

The company makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within capital and reserves. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimations and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. There are no areas of judgement that would create a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

Key sources of estimation uncertainty

Impairment of investments in subsidiaries
At the end of each reporting period, the carrying amounts of the Company's equity investments are reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss account.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset in prior years. A reversal of impairment is recognised immediately in the profit or loss account.

Pension and other post employment benefits
The cost of the defined benefit pension plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Taxation
The Company establishes provisions based on reasonable estimates, for possible consequences of audits by the UK tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Management estimation is required to determine the amounts of deferred tax assets that can be recognised, based upon likely timing and level of future profits together with an assessment of the effect of future tax planning strategies.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Provision for expected credit losses

Provision for expected credit losses is determined using a combination of factors to ensure that trade debtors are not overstated due to uncertainty of recoverability. The allowance for estimated irrecoverable debtors for all customers is based on a variety of factors, including the overall quality and ageing of receivables and continuing credit evaluation of the customer's financial conditions. Also, specific allowances for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations.

Provision for stock allowance

The Company's product range is subject to changing consumer demands, expiries and technological changes. As a result, it is necessary to consider the recoverability of the cost of stock and associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2022 £ 000	2021 £ 000
Sale of goods	403,609	375,690
Software licencing	2,397	955
Managed service contracts	73,302	66,544
	479,308	443,189

The total turnover of the Company for the financial year has been derived from its principal activities wholly undertaken in the United Kingdom.

5 Operating profit

Arrived at after charging/(crediting)

	2022 £ 000	2021 £ 000
Depreciation expense	11,424	10,782
Depreciation of assets held under finance leases	1,725	1,725
Depreciation on right of use assets	4,488	5,370
Amortisation expense	640	407
Foreign exchange (gains)/losses	(718)	27
(Profit)/loss on disposal of tangible assets	(88)	9

6 Interest receivable and similar income

	Note	2022 £ 000	2021 £ 000
Interest income on defined benefit pension (net)	24	6,300	2,000
Dividend income		86,193	-
Other finance income - interest income on loans to group entities	17	307	30
		92,800	2,030

7 Interest payable and similar expenses

	Note	2022 £ 000	2021 £ 000
Interest on corporation tax		8	55
Interest paid to group undertakings	19	233	-
Interest expense on leases		868	1,078
		1,109	1,133

8 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	Note	2022 £ 000	2021 £ 000
Wages and salaries		49,513	47,208
Social security costs		6,277	6,101
Pension costs, defined contribution scheme	24	3,710	3,232
Pension costs, defined benefit scheme	24	4,200	10,800
Share-based payment expenses		3,801	3,439
		67,501	70,780

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Administration and support	555	541
Distribution	27	29
	582	570

9 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2022 £ 000	2021 £ 000
Remuneration	564	521
Pensions - defined contribution scheme	40	32
Pensions - defined benefit scheme	69	66
Benefits under long-term incentive schemes	325	392
	998	1,011

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Received or were entitled to receive shares under long term incentive schemes	2	2
Accruing benefits under defined benefit pension scheme	1	1
Accruing benefits under money purchase pension scheme	1	1

In respect of the highest paid Director:

	2022 £ 000	2021 £ 000
Remuneration	318	258
Benefits under long-term incentive schemes	160	202
Pensions - defined contribution scheme	40	32

During the year the highest paid Director received or was entitled to receive shares under a long term incentive scheme.

10 Auditor's remuneration

	2022 £ 000	2021 £ 000
Audit of the financial statements	30	30
Other fees to the auditor		
Taxation services	33	33

11 Taxation

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 £ 000
Current taxation		
UK corporation tax	-	193
UK corporation tax adjustment to prior periods	633	2,611
	633	2,804
Deferred taxation		
Arising from origination and reversal of temporary differences	3,639	3,714
Arising from changes in tax rates and laws	-	(609)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(111)	-
Total deferred taxation	3,528	3,105
Tax expense in the profit and loss account	4,161	5,909

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	106,150	14,851
Corporation tax at standard rate	20,169	2,822
Increase in current tax from adjustment for prior periods	522	2,611
Increase from effect of expenses not deductible in determining taxable profit	-	196
Difference in CT and DT rate	874	300
Effect of non-taxable dividend income	(16,377)	-
Increase/(decrease) from change in basis adjustment for adoption of IFRS 16	13	(20)
Decrease from adjustment in respect of additional 30% super deduction	(1,562)	-
Effect of expenses not deductible in determining taxable profit	522	-
Total tax charge	4,161	5,909

Factors that may affect future tax charges

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery. These included an increase to the UK's main corporation tax rate to 25%, which became effective on 1 April 2023. These changes were substantively enacted on 24 May 2021.

11 Taxation (continued)

Amounts recognised in other comprehensive income

	2022			2021		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Gain/(loss) on cash flow hedges	417	(104)	313	8,252	(1,796)	6,456
Remeasurements of post employment benefit obligations	182,500	(45,850)	136,650	190,100	(54,172)	135,928
	182,917	(45,954)	136,963	198,352	(55,968)	142,384

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2022	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	-	(8,049)	(8,049)
Pension benefit obligations	-	(125,425)	(125,425)
Other items	6,419	(4,158)	2,261
	6,419	(137,632)	(131,213)

2021	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Accelerated tax depreciation	-	(2,534)	(2,534)
Pension benefit obligations	-	(79,575)	(79,575)
Other items	4,173	(3,796)	377
	4,173	(85,905)	(81,732)

The net deferred tax liability of £131,213,000 as at 31 December 2022 is included in the Balance Sheet within Provisions for liabilities. As at 31 December 2021, the Company's gross deferred tax liabilities of £85,905,000 were included in the Balance Sheet within Provisions for liabilities and its gross deferred tax assets of £4,173,000 were included in the Balance Sheet within Debtors (Note 17).

On transition to FRS 101 on 1 January 2021, this resulted in the recognition of a deferred tax asset of £3,780,000 and a deferred tax liability of £3,813,000. The difference between the deferred tax asset and deferred tax liability recognised has been taken as an adjustment to opening reserves of £33,000.

11 Taxation (continued)

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	(2,534)	(5,515)	-	(8,049)
Pension benefit obligations	(79,575)	-	(45,850)	(125,425)
Other items	377	1,988	(104)	2,261
	(81,732)	(3,527)	(45,954)	(131,213)

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	680	(3,214)	-	(2,534)
Pension benefit obligations	(25,403)	-	(54,172)	(79,575)
Other items	2,065	108	(1,796)	377
	(22,658)	(3,106)	(55,968)	(81,732)

12 Intangible assets

	Software £ 000
Cost or valuation	
At 1 January 2022	3,017
Additions	1,582
At 31 December 2022	4,599
Amortisation	
At 1 January 2022	1,163
Amortisation charge	640
At 31 December 2022	1,803
Carrying amount	
At 31 December 2022	2,796
At 31 December 2021	1,854

12 Intangible assets (continued)

The amortisation charge relating to software assets is recognised within administrative expenses in the Profit and Loss account.

13 Tangible assets

	Leasehold, land and buildings £ 000	Furniture, fittings and equipment £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	5,234	133,739	99	139,072
Additions	-	27,042	380	27,422
Disposals	-	(8,761)	-	(8,761)
Transfers	-	99	(99)	-
At 31 December 2022	5,234	152,119	380	157,733
Depreciation				
At 1 January 2022	3,327	72,425	-	75,752
Charge for the year	348	13,214	-	13,562
Eliminated on disposal	-	(8,106)	-	(8,106)
At 31 December 2022	3,675	77,533	-	81,208
Carrying amount				
At 31 December 2022	1,559	74,586	380	76,525
At 31 December 2021	1,907	61,314	99	63,320

Included in Furniture, fittings and equipment are assets held under finance leases with a net carrying value of £6,640,000 (2021: £8,364,000).

14 Right of use assets

Right of use assets	Buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
At 1 January 2022	10,261	97	4,961	15,319
Additions	-	-	2,470	2,470
Disposals	-	-	(651)	(651)
Modifications	(27)	-	(64)	(91)
Depreciation	(2,333)	(41)	(2,114)	(4,488)
At 31 December 2022	7,901	56	4,602	12,559

Lease liability	Buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
At 1 January 2022	10,006	97	4,961	15,064
Additions	-	-	2,470	2,470
Disposals	-	-	(651)	(651)
Modifications	(27)	-	(64)	(91)
Payments	(2,863)	(44)	(2,190)	(5,097)
Interest	439	3	76	518
At 31 December 2022	7,555	56	4,602	12,213

Split as follows:

	£ 000
Current	4,553
Non-Current	7,660
At 31 December 2022	12,213

Expenses of £Nil (2021: £Nil) relating to short term leases, leases of low-value assets and variable lease payments were recognised in the statement of profit and loss.

15 Investments

	Shares in group undertakings £ 000
Cost or valuation	
At 1 January 2022	272,022
Additions	-
At 31 December 2022	272,022
Provision	
At 1 January 2022	16,559
Additions	-
At 31 December 2022	16,559
Carrying amount	
At 31 December 2022	255,463
At 31 December 2021	255,463

15 Investments (continued)

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office and country of incorporation	Holding	Proportion of ownership interest and voting rights held 2022	2021
Abbott Diabetes Care Limited	Contract manufacturer of biosensor strips and licensee of technology, engaged in the manufacture and sale of biosensing products	Windrush Park, Range Road, Witney, Oxon, OX29 0YL England and Wales	Ordinary	100%	100%
Murex Biotech Limited	Intra group lending	Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, United Kingdom, SL6 4XE England and Wales	Ordinary	100%	100%
Abbott Laboratories Trustee Company	Acting as a pension trustee	Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4XE England and Wales	Ordinary	100%	100%
Abbott Medical UK Limited	Marketing, distribution and sale of medical devices in the UK	Elder House Central Boulevard, Blythe Valley Business Park, Solihull, England, B90 8AJ England and Wales	Ordinary	100%	100%
Abbott (UK) Finance Limited	Finance company to other Abbott group companies	Abbott House Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4XE England and Wales	Ordinary	100%	100%
Lingo Technology UK Limited	Provision of marketing support to other Abbott group companies	Sovereign House, 1-2 Bingham Road, Sittingbourne, Kent, ME10 3SU, England England and Wales	Ordinary	100%	0%

15 Investments (continued)

During the year the Company established a newly incorporated subsidiary, Lingo Technology UK Limited. The Company subscribed for one Ordinary share of Lingo Technology UK Limited, with a nominal value of £1, representing 100% of the Ordinary share capital. The share subscription was settled in cash.

16 Stocks

	2022 £ 000	2021 £ 000
Finished goods and goods for resale	23,696	29,329

Finished goods and goods for resale are stated after having made provisions of £760,000 (2021: £301,000).

17 Trade and other debtors

Trade and other debtors falling due within one year	2022 £ 000	2021 £ 000
Trade debtors	83,474	89,142
Amounts owed by group entities	26,998	19,238
Prepayments	3,739	3,916
Income tax asset	17,627	2,767
Foreign currency forward exchange contracts	6,615	3,791
Other debtors	12,939	7,935
	151,392	126,789

Trade and other debtors falling due after more than one year	2022 £ 000	2021 £ 000
Deferred tax asset	-	4,173

Trade debtors are non-interest bearing, generally on 30 day terms and stated after having made provision for expected credit losses of £1,195,000 (2021: £904,000).

Amounts owed by group entities include trading balances of £14,497,000 (2021: £19,238,000) and loan balances of £12,501,000 (2021: £Nil). Trading balances owed by group entities are interest free, unsecured and repayable on demand. Loan balances owed by group entities are interest bearing, are unsecured and repayable on demand.

Due to their short maturities, the fair value of trade debtors and amounts owed by group companies approximate their book values.

18 Cash at bank and in hand

	2022 £ 000	2021 £ 000
Cash at bank	7,903	6,507

19 Creditors: amounts falling due within one year

	Note	2022 £ 000	2021 £ 000
Trade creditors		27,334	15,027
Accrued expenses		32,269	35,056
Amounts due to group entities		73,630	64,897
Social security and other taxes		11,881	13,255
Current portion of lease liabilities	14	4,554	6,084
Deferred income		700	1,000
Foreign currency forward exchange contracts		2,408	-
		152,776	135,319

Trade creditors are non-interest bearing and it is the Company's policy to pay within the stated terms which typically vary from 60 - 90 days from receipt of the invoice.

Amounts due to group entities include trading balances of £43,189,000 (2021: £34,215,000) and loan balances of £30,441,000 (2021: £30,682,000). Trading balances due to group entities are interest free, unsecured and repayable on demand. Loan balances owed to group entities are interest bearing, are unsecured and repayable on demand.

Foreign currency forward exchange contracts are measured at fair value.

Due to their short maturities, the fair value of trade creditors and amounts owed to group companies approximate their book values.

20 Creditors: amounts falling due after more than one year

	2022 £ 000	2021 £ 000
Long term lease liabilities	14,817	17,819
Deferred income	1,209	1,628
	16,026	19,447

21 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £3,000 (2021 - £118,000).

22 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	106,842,142	106,842,142	106,842,142	106,842,142

23 Reserves

Share premium reserve
This reserve records the amount above the nominal value received for shares issued, less transaction costs. The opening reserve recorded the amount above the nominal value received for shares issued, less transaction costs. During the year the share premium reserve was eliminated and transferred to the distributable profit and loss reserve.

Other reserves
Other reserves includes the cash flow hedge reserve, which is used to record transactions arising from the Company's cash flow hedging arrangements. In addition, it includes the capital contribution reserve which records the share based payment transactions. The Company makes payments to the ultimate parent company in relation to restricted stock units granted to its employees. The Company records a deemed capital contribution where the value of such restricted stock units granted exceeds the payments made to the ultimate parent company. In cases where the value of the payments made to the ultimate parent company exceeds the value of such restricted stock units granted, these payments are recorded in the profit and loss account.

Profit and Loss Account
The profit and loss account holds the retained earnings of the Company, after the deduction of any dividends paid.

24 Pension and other schemes

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3,710,000 (2021 - £3,232,000).

Defined benefit pension schemes
Abbott Laboratories Pension Fund

The Company participates in the Abbott Laboratories Pension Fund. This is a multi-employer defined benefit scheme for companies in the Abbott Laboratories group of companies, the assets and liabilities of which are held independently from the group.

24 Pension and other schemes (continued)

The data provided for scheme assets and liabilities relates to the entire pension fund and does not relate to the share of each individual company that participates in the scheme. Furthermore, all costs and contributions disclosed in this note relate to the entire pension fund unless otherwise stated. The date of the most recent comprehensive actuarial valuation was 31 March 2022. The figures in this note are based on the latest full actuarial valuation as updated to the balance sheet date by a qualified actuary. The total actuarial cost of the defined benefit scheme was £10,700,000 (2021: £18,100,000). The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £4,200,000 (2021: £10,800,000). This represents the actuarial cost of the entire defined benefit scheme less those contributions paid by other group companies participating in the scheme. The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2021: £Nil).

Risks

The most significant risks to which the plan exposes the Company are:

Interest risk
A decrease in corporate bond yields would result in an increase to plan liabilities although this effect would be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk
A rise in inflation rates will lead to higher plan liabilities as a large proportion of the defined benefit obligation is indexed in line with price inflation. This effect will be limited due to caps on inflationary increases to protect the plan against extreme inflation.

Life expectancy risk
An increase in life expectancy would result in an increase to plan liabilities as a significant proportion of the Pension Scheme's obligations are to provide benefit for the life of the member.

24 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2022 £ 000	2021 £ 000
Fair value of scheme assets	974,900	1,146,000
Present value of scheme liabilities	(473,200)	(827,700)
Defined benefit pension scheme surplus	501,700	318,300

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Fair value at start of year	1,146,000	1,032,600
Interest income	22,300	15,000
Actuarial (loss) / gain on scheme assets, excluding amounts included in interest income / (expense)	(187,800)	99,800
Employer contributions	11,500	12,600
Contributions by scheme participants	100	100
Benefits paid	(15,600)	(12,800)
Administrative expenses paid	(1,600)	(1,300)
Fair value at end of year	974,900	1,146,000

Analysis of assets

The major categories of scheme assets are as follows:

	2022 £ 000	2021 £ 000
Cash and cash equivalents	1,300	1,500
Equity instruments	509,600	580,600
Debt instruments	427,500	520,500
Real estate	36,500	43,400
	974,900	1,146,000

Actuarial (loss) / gain on scheme's assets

	2022 £ 000	2021 £ 000
Actuarial (loss) / gain on scheme's assets	(165,500)	114,800

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

24 Pension and other schemes (continued)

Defined benefit obligation

Changes in the present value of the defined benefit obligation are as follows:

	2022 £ 000	2021 £ 000
Present value at start of year	827,700	898,900
Current service cost	15,300	18,800
Actuarial gains arising from changes in demographic assumptions	(300)	(1,200)
Actuarial gains arising from changes in financial assumptions	(407,800)	(80,000)
Interest cost	16,000	13,000
Benefits paid	(15,600)	(12,800)
Contributions by scheme participants	100	100
Actuarial (gains)/losses on scheme liabilities arising from experience	37,800	(9,100)
Present value at end of year	473,200	827,700

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2022 %	2021 %
Discount rate	4.75	1.95
Future salary increases	4.00	4.00
Future pension increases	3.00	3.00
RPI Inflation	3.00	3.00
CPI Inflation	2.20	2.25

Post retirement mortality assumptions

	2022 Years	2021 Years
Current UK pensioners at retirement age - male	22.80	22.70
Current UK pensioners at retirement age - female	24.70	24.60
Future UK pensioners at retirement age - male	23.90	23.90
Future UK pensioners at retirement age - female	26.10	26.10

24 Pension and other schemes (continued)

Sensitivity disclosures

The measurement of the defined obligation is sensitive to changes in the discount rate and inflation assumptions applied. The tables presented below indicate the level of sensitivity for a given increase and decrease in those assumption:

Following a 0.5% p.a. decrease in the discount rate...

	Change	New value
	£ 000	£ 000
Assets of the scheme at 31 December 2022	-	974,900
Defined benefit obligation at 31 December 2022	(50,200)	(523,400)
Surplus/ (deficit) at 31 December 2022	(50,200)	451,500

Following a 0.5% p.a. increase in the discount rate...

	Change	New value
	£ 000	£ 000
Assets of the scheme at 31 December 2022	-	974,900
Defined benefit obligation at 31 December 2022	44,300	(428,900)
Surplus/ (deficit) at 31 December 2022	44,300	546,000

Following a 0.5% p.a. decrease in the inflation assumption...

	Change	New value
	£ 000	£ 000
Assets of the scheme at 31 December 2022	-	974,900
Defined benefit obligation at 31 December 2022	42,400	(430,800)
Surplus/ (deficit) at 31 December 2022	42,400	544,100

Following a 0.5% p.a. increase in the inflation assumption...

	Change	New value
	£ 000	£ 000
Assets of the scheme at 31 December 2022	-	974,900
Defined benefit obligation at 31 December 2022	(44,900)	(518,100)
Surplus/ (deficit) at 31 December 2022	(44,900)	456,800

25 Share-based payments

Restricted Stock Units

Scheme details and movements

The Company's ultimate parent company maintains an equity-settled share-based payment arrangement under which certain employees of the ultimate parent company's subsidiaries are awarded grants of restricted stock units. Restricted stock units vest over three years beginning one year from the date of grant. Restricted stock units are forfeited if the employee leaves the Company before the awards vest.

The movements in the number of restricted stock units during the year were as follows:

	2022 Number	2021 Number
Outstanding, start of period	86,636	98,544
Granted during the period	44,141	43,616
Forfeited during the period	(3,293)	(3,740)
Exercised during the period	(37,153)	(51,975)
Transferred during the period	(13,019)	191
Outstanding, end of period	77,312	86,636

The movements in the weighted average exercise price of restricted stock units during the year were as follows:

	2022 £	2021 £
Outstanding, start of period	99.56	74.19
Granted during the period	114.75	120.13
Forfeited during the period	110.74	92.32
Exercised during the period	91.68	69.30
Transferred during the period	96.47	82.82
Outstanding, end of period	111.59	99.56

Charge/credit arising from share-based payments

The total charge for the year for share-based payments was £3,801,000 (2021 - £3,439,000).

Employee share scheme

Scheme details and movements

The Company operates a Share Incentive Plan for all employees. Employees purchase shares in the ultimate parent company at market value by means of a deduction from gross salary. The Company matches the employee purchase at a ratio of 1:1 subject to a limit of 1.75% of pensionable salary or £125 per month.

Charge/(credit) arising from share-based payments

The total charge/(credit) for the year for share-based payments was £422,000 (2021 - £416,000).

26 Contingent liabilities

HMRC holds a guarantee against the Company's cash at bank amounting to £5,000,000. The purpose of this guarantee is to allow for import duty and VAT to be paid on a timely basis to ensure smooth flows of stocks into the United Kingdom where import duty and VAT payments are required.

The Company responds to HMRC enquiries in the normal course of business. Such enquiries can take a considerable period of time to reach conclusion and the ultimate outcome contains an element of uncertainty. The Directors believe that there are no contingent liabilities of this nature which could have a significant adverse effect on the Company's financial statements.

27 Related party transactions

The Company is a wholly owned subsidiary of Abbott Laboratories. Accordingly, the Company has taken advantage under FRS 101 paragraph 8 (k) not to disclose related party transactions with wholly owned group companies. There were no other related party transactions during the year.

28 Parent and ultimate parent undertaking

The company's immediate parent is Abbott (UK) Holdings Limited incorporated in England and Wales.

The ultimate parent is Abbott Laboratories incorporated in Illinois, USA. These financial statements are available upon request from Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400, USA.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Abbott Laboratories.

The address of Abbott Laboratories is:
Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-6400, USA

The parent of the smallest group in which these financial statements are consolidated is Abbott Rapid Diagnostics Holdings Limited incorporated in Malta.

The address of Abbott Rapid Diagnostics Holdings Limited incorporated in Malta is:
Office 32, Verdala Business Centre, Level 2, LM Complex, Brewery Street, Zone 3, Central business disctrict, Birkirkara CBD 3040, Malta.

29 Post balance sheet events

There were no significant events between the Balance Sheet date and the date of signing of the financial statements, affecting the Company, which require disclosure.

30 Transition to FRS 101

As stated in note 2, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies are set out in note 2 and have been applied in preparing the financial statements for the year ended 31 December 2022, the comparative information presented in these financial statements for the year ended 31 December 2021 and in the preparation of an opening FRS 101 balance sheet at 1 January 2021 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position and financial performance is set out in the following tables and the notes accompanying those tables.

30 Transition to FRS 101 (continued)

Reconciliation of equity

	1 January 2021				31 December 2021			
	FRS 102 £ 000	Effect of transition to FRS 101 £ 000	Adjustment Notes	FRS 101 £ 000	FRS 102 £ 000	Effect of transition to FRS 101 £ 000	Adjustment Notes	FRS 101 £ 000
Fixed assets								
Tangible assets	59,242	17,993	(A), (C)	77,235	64,789	13,849	(A), (C)	78,638
Intangible assets	-	1,580	(C)	1,580	384	1,470	(C)	1,854
Investments in subsidiaries	87,463	-		87,463	255,463	-		255,463
	146,705	19,573		166,278	320,636	15,319		335,955
Current assets								
Stock	22,076	-		22,076	29,329	-		29,329
Debtors	142,733	3,780	(B)	146,513	127,196	3,766	(B)	130,962
Cash and cash equivalents	4,795	-		4,795	6,507	-		6,507
	169,604	3,780		173,384	163,032	3,766		166,798
Creditors: Amounts falling due within one year	(92,796)	(5,175)	(A)	(97,971)	(130,916)	(4,403)	(A)	(135,319)
Net current assets	76,808	(1,395)		75,413	32,116	(637)		31,479
Creditors: Amounts falling due after more than one year	(10,886)	(14,232)	(A)	(25,118)	(8,786)	(10,661)	(A)	(19,447)
Provision for liabilities	(25,403)	(3,813)	(B)	(29,216)	(82,109)	(3,796)	(B)	(85,905)

30 Transition to FRS 101 (continued)

	1 January 2021				31 December 2021			
	FRS 102 £ 000	Effect of transition to FRS 101 £ 000	Adjustment Notes	FRS 101 £ 000	FRS 102 £ 000	Effect of transition to FRS 101 £ 000	Adjustment Notes	FRS 101 £ 000
Net assets excluding pension asset	187,224	133		187,357	261,857	225		262,082
Net pension asset	133,700	-		133,700	318,300	-		318,300
Net assets	320,924	133		321,057	580,157	225		580,382
Capital and reserves								
Called up share capital	106,842	-		106,842	106,842	-		106,842
Share premium reserve	30,403	-		30,403	138,403	-		138,403
Other reserves	13,661	-		13,661	20,116	-		20,116
Profit and loss account	170,019	132	(A), (B)	170,151	314,796	225	(A), (B)	315,021
Shareholder's funds	320,925	132		321,057	580,157	225		580,382

30 Transition to FRS 101 (continued)

(A) Leases: The Company is party to a number of lease arrangements, as a lessee, which were previously classified as operating leases under FRS 102. Under FRS 102, payments made under operating leases are expensed to the profit and loss account on a straight line basis over the lease term. As set out in further detail in the Accounting Policies in Note 2, under FRS 101, there is a single accounting model for lessees, whereby operating lease commitments are brought on balance sheet and result in the recognition of both a Right of Use (ROU) asset and lease liability. The effect of the transition resulted in the recognition on 1 January 2021 of a ROU asset of £19,572,000, a current lease liability of £5,175,000 and a non-current lease liability of £14,232,000. The difference between the value of the ROU asset recognised and the lease liability of £165,000 has been recorded as an adjustment to opening reserves.

(B) Deferred tax: The Company has early adopted the amendments to IAS 12 Income taxes with respect to the recognition and measurement of deferred tax related to assets and liabilities arising from a single transaction. The amendments narrow the scope of the Initial Recognition Exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, the Company has recognised a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of the lease adjustments, noted above in (A). On transition to FRS 101 on 1 January 2021, this resulted in the recognition of a deferred tax asset of £3,780,000 and a deferred tax liability of £3,813,000. The difference between the deferred tax asset and deferred tax liability recognised has been taken as an adjustment to opening reserves of £33,000.

(C) Intangible assets: The Company reclassified its software assets from tangible assets to intangible assets in line with IAS 38 Intangible assets presentation requirements. This resulted in an increase in intangible assets of £1,580k and an equal and opposite decrease in tangible assets on the transition date of 1 January 2021.

30 Transition to FRS 101 (continued)

Reconciliation of profit for the year ended 31 December 2021

	FRS 102 £ 000	Effect of transition to FRS 101 £ 000	Adjustment notes	FRS 101 £ 000
Turnover	443,189	-		443,189
Cost of sales	(319,248)	-		(319,248)
Gross profit	123,941	-		123,941
Distribution costs	(17,357)	-		(17,357)
Administrative expenses	(93,378)	748	(D)	(92,630)
Operating profit	13,206	748		13,954
Interest receivable and similar income	2,030	-		2,030
Interest payable and similar expenses	(475)	(658)	(D)	(1,133)
Non operating income	1,555	(658)		897
Profit/(loss) before tax	14,761	90		14,851
Income tax expense	(5,912)	3	(E)	(5,909)
Profit for the financial year	8,849	93		8,942
Other comprehensive income/(expense)				
Movement on pension asset	190,100	-		190,100
Deferred tax on pension asset movement	(54,172)	-		(54,172)
Movement on cashflow hedge	8,252	-		8,252
Deferred tax on cashflow hedge	(1,796)	-		(1,796)
Total comprehensive income for the year	151,233	93		151,326

(D) Leases: As set out in Note (A) above, as part of the transition from FRS 102 to FRS 101, the Company applied the recognition and measurement requirements of IFRS 16 to its operating lease arrangements. Under FRS 102 the Company recognised a straight line lease charge expense of £6,118,000, recorded within the general and administrative expenses financial statement caption. Under FRS 101, the Company recognises both a depreciation charge arising on the ROU asset of £5,370,000 and a finance charge of £658,000 relating to the unwind of the discount on the associated lease liabilities. The depreciation charge is recorded within the general and administrative expenses financial statement caption, and the finance charge is recorded within the finance costs financial statement caption. This adjustment therefore results in an increase in operating profit and an increase in finance costs recognised in the year.

(E) Tax: As set out in Note (B), the Company has recognised a deferred tax asset and a deferred tax liability relating to the lease arrangements which have been recognised on balance sheet on transition to FRS 101. The net adjustment of £3,000 to the income tax expense line reflects the unwinding of both the deferred tax asset and deferred tax liability on the IFRS 16 lease liability and ROU asset respectively from date of transition to 31 December 2021.