

ABBOTT LABORATORIES LIMITED

Report & Accounts

30 November 2003

Registered Number 329102 England and Wales



ABBOTT LABORATORIES LIMITED

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DIRECTORS' REPORT

For the year ended 30 November 2003

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 November 2003.

BOARD OF DIRECTORS:

The following were directors of the company throughout the year :

M. Haywood (Chairman)
T. Freyman
L. Iglesias-Fernandez

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

- a) The company manufactures and markets a range of hospital equipment and pharmaceutical, nutritional and chemical products.
- b) During the year turnover decreased by £3,378,000 or 0.6%, reflecting difficult market conditions in the UK and the rest of the world.

RESULTS:

The audited accounts for the year ended 30 November 2003 are set out on pages 4 to 12 .

The profit after tax for the year was £20,267,000 (2002 : £14,866,000).

Interim dividends of £8,500,000 (2002: £9,000,000) were paid during the year.

The directors recommend that no further dividend be paid (2002 : £nil) and that retained earnings of £11,767,000 at 30 November 2003 be transferred to reserves.

FUTURE DEVELOPMENTS:

The broad direction of the company's business will continue for 2004 .

DIRECTORS' RESPONSIBILITIES:

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

EMPLOYEE CONSULTATION:

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

DISABLED EMPLOYEES:

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

FIXED ASSETS:

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

CHARITABLE DONATIONS:

Charitable donations amounted to £20,000 (2002 : £25,000).

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting. Deloitte & Touche have informed the directors that they have transferred their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. The directors have used the company's statutory power to give consent to the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP.

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

Date: 7 June 2004

Queenborough,
Kent, ME11 5EL



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ABBOTT LABORATORIES LIMITED

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We have audited the financial statements of Abbott Laboratories Limited for the year ended 30 November 2003 which comprise the profit and loss account, the balance sheet and related notes 1 to 21.

These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 November 2003 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

Date: *7 June 2004*

Profit and Loss Account for the year ended 30 November 2003

	Notes	<u>2003</u>		<u>2002</u>	
		<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Turnover	(2)		544,529		547,907
Change in stocks of finished goods and work-in-progress			1,697		(7,701)
Raw materials and consumables		(373,303)		(370,873)	
Other external charges		<u>(38,849)</u>		<u>(32,952)</u>	
			(412,152)		(403,825)
Staff Costs:					
Wages and salaries		(51,835)		(53,458)	
Social security costs		(4,527)		(4,211)	
Other pension costs	(20)	<u>(5,998)</u>		<u>(4,966)</u>	
			(62,360)		(62,635)
Depreciation			(12,234)		(12,228)
Other operating charges			<u>(24,119)</u>		<u>(29,860)</u>
Operating profit			35,361		31,658
Interest receivable and similar income	(3)		79		84
Interest payable and similar charges	(4)		<u>(5,869)</u>		<u>(5,920)</u>
Profit on ordinary activities before taxation	(5)		29,571		25,822
Tax on profit on ordinary activities	(7)		<u>(9,304)</u>		<u>(10,956)</u>
Profit for the financial year	(16)		20,267		14,866
Dividends paid	(8)		<u>(8,500)</u>		<u>(9,000)</u>
Retained profit for the financial year			<u><u>11,767</u></u>		<u><u>5,866</u></u>

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

Note 17 shows the movement of reserves during the year.

There were no recognised gains or losses in either 2003 or 2002 other than the result for the financial year .

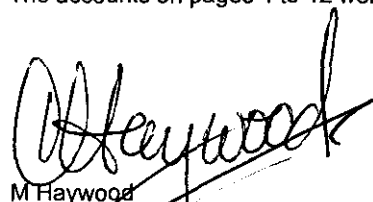
ABBOTT LABORATORIES LIMITED

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Balance Sheet as at 30 November 2003

	Notes	<u>2003</u>	<u>2002</u>
		<u>£000's</u>	<u>£000's</u>
TANGIBLE FIXED ASSETS	(9)	<u>65,810</u>	<u>66,758</u>
CURRENT ASSETS			
Stocks	(10)	69,677	64,500
Debtors	(11)	94,865	80,525
Cash at bank and in hand		<u>10,785</u>	<u>10,994</u>
		175,327	156,019
CREDITORS: Amounts falling due within one year	(12)	<u>(112,748)</u>	<u>(106,045)</u>
NET CURRENT ASSETS		<u>62,579</u>	<u>49,974</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		128,389	116,732
CREDITORS: Amounts falling due after more than one year	(13)	(75,000)	(75,000)
PROVISIONS FOR LIABILITIES AND CHARGES	(14)	(2,895)	(3,005)
NET ASSETS		<u>50,494</u>	<u>38,727</u>
CAPITAL AND RESERVES			
Called-up share capital	(18)	540	540
Profit and loss account	(17)	49,954	38,187
EQUITY SHAREHOLDERS' FUNDS	(16)	<u>50,494</u>	<u>38,727</u>

The accounts on pages 4 to 12 were approved by the board of directors on 7 June 2004 and signed on its behalf by:


M Haywood

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

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES:

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

a) Basis of Accounting

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

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

b) Tangible Fixed Assets

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

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

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

c) Stocks and Work-In-Progress

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

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

d) Taxation

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

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

e) Foreign Currency

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

f) Turnover

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

g) Pension Costs

The company operates a defined benefit pension scheme for all permanent employees under which contributions by employees and the company are held by a separately administered trustee company. Actuarial valuations are carried out at two year intervals (note 20). The amount charged to the profit and loss in respect of current pension costs is based on the most recent actuarial valuation.

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

h) Operating Leases

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

2. SEGMENT INFORMATION:

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

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
United Kingdom	250,551	253,539
Europe	237,025	229,176
North America	23,578	27,901
Rest of World	33,375	37,291
	<u>544,529</u>	<u>547,907</u>

3. INTEREST RECEIVABLE AND SIMILAR INCOME:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Bank interest	<u>79</u>	<u>84</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Bank loans & overdrafts	244	79
Loans from other group undertakings	5,625	5,841
	<u>5,869</u>	<u>5,920</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Rental income	(70)	(63)
Operating lease rentals - plant and machinery	335	572
- other	447	511
Research and Development current year expenditure	2,645	2,602
Auditors' remuneration - audit fees	92	85
- other services	42	84

6. STAFF COSTS:

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

	<u>2003</u>	<u>2002</u>
	<u>No.</u>	<u>No.</u>
Production and Distribution	634	667
Administration	911	924
	<u>1,545</u>	<u>1,591</u>

6. STAFF COSTS (continued):

b) The remuneration of directors was:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Emoluments	462	519

Included in the above are emoluments of the highest paid director of £ 269,298 (2002 : £300,086).

Pensions

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

	<u>2003</u>	<u>2002</u>
	<u>No.</u>	<u>No.</u>
Defined benefit schemes	3	4

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 November 2003 was £18,611 (2002 : £14,995) and the accrued lump sum entitlement at 30 November 2003 was £nil (2002 : £nil).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
The tax charge is based on the profit for the year and comprises:		
Corporation tax at 30% (2002 - 30%)	9,414	7,995
Underprovision for prior years	-	1,546
Current tax charge for the year	<u>9,414</u>	<u>9,541</u>
Deferred Tax		
Current year - origination of and reversal of timing differences	(47)	496
Underprovision for prior year	(63)	919
	<u>9,304</u>	<u>10,956</u>

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

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Profit on ordinary activities before tax	<u>29,571</u>	<u>25,822</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002 - 30%)	8,871	7,747
Expenses not deductible for tax purposes	1,248	1,761
Capital allowances in excess of depreciation	44	138
Other timing differences	3	(634)
Group relief surrendered from other group companies	(752)	(1,017)
Underprovision for prior years	0	1,546
Current tax charge for the year	<u>9,414</u>	<u>9,541</u>

8. DIVIDENDS:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Equity dividend paid of 15.74p (2002: 16.67p) per ordinary share	<u>8,500</u>	<u>9,000</u>

9. TANGIBLE FIXED ASSETS:

	Freehold land and buildings	Plant & equip- ment	Motor vehicles	Construc- tion in progress	Total
	£000's	£000's	£000's	£000's	£000's
Cost -					
At 30 November 2002	40,788	101,518	9,207	3,274	154,787
Additions	1,578	8,873	2,654	665	13,770
Disposals	(79)	(6,085)	(2,365)	-	(8,529)
At 30 November 2003	42,287	104,306	9,496	3,939	160,028
Depreciation -					
At 30 November 2002	20,860	64,342	2,827	-	88,029
Charge for the year	1,687	8,606	1,941	-	12,234
Disposals	(79)	(4,376)	(1,590)	-	(6,045)
At 30 November 2003	22,468	68,572	3,178	-	94,218
Net book value at 30 November 2003	19,819	35,734	6,318	3,939	65,810
Net book value at 30 November 2002	19,928	37,176	6,380	3,274	66,758

Freehold land of £3,683,000 (2002 : £3,683,000) included in the above is not depreciated .

10. STOCKS:

	2003	2002
	£000's	£000's
Raw materials and consumables	19,345	15,865
Work-in-progress	30,759	21,828
Finished goods and goods for resale	19,573	26,807
	<u>69,677</u>	<u>64,500</u>

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

11. DEBTORS:

	2003	2002
	£000's	£000's
Amounts falling due within one year:		
Trade debtors	37,768	43,686
Due from other group undertakings	41,927	32,688
Other debtors	3,444	2,737
Prepayments and accrued income	1,643	1,414
Pension fund prepayment	531	-
	<u>85,313</u>	<u>80,525</u>
Amounts falling due after more than one year:		
Pension fund prepayment	9,552	-
	<u>94,865</u>	<u>80,525</u>

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

12. CREDITORS: Amounts falling due within one year

	2003	2002
	£000's	£000's
Trade creditors	3,085	3,318
Due to other group undertakings	88,891	67,377
Corporation tax payable	5,492	7,255
Other taxation and social security	2,399	6,573
Accruals and deferred income	12,881	21,522
	<u>112,748</u>	<u>106,045</u>

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

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Loan from other group undertakings - repayable between one and two years	75,000	-
Loan from other group undertakings - repayable between two and five years	-	75,000
	<u>75,000</u>	<u>75,000</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES:

a) The provision for liabilities and charges comprises:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Deferred Taxation -		
At 30 November 2002	3,005	1,590
Movement in the year	(110)	1,415
At 30 November 2003	<u>2,895</u>	<u>3,005</u>

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

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Accelerated capital allowances	2,960	3,300
Other timing differences	(65)	(295)
	<u>2,895</u>	<u>3,005</u>

A deferred tax asset has not been recognised for the capital loss of £439,000 arising in 1992, the directors consider this to be appropriate as it is unlikely that the asset will be realised in the foreseeable future.

15. CAPITAL COMMITMENTS:

At 30 November 2003, the company had authorised and contracted for capital expenditure of £2,697,000 (2002 : £1,226,000).

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

	<u>2003</u>		<u>2002</u>	
	Land & Buildings	Other	Land & Buildings	Other
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Expiry date:				
- within one year	163	-	152	-
- between two and five years	109	-	163	-
- after five years	647	-	305	-
	<u>919</u>	<u>-</u>	<u>620</u>	<u>-</u>

During the year, a property lease that was previously the responsibility of the affiliated company Knoll Pharmaceuticals Limited has been assigned to Abbott Laboratories Limited.

16. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS:

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
Profit for the financial year	20,267	14,866
Dividends	<u>(8,500)</u>	<u>(9,000)</u>
Net addition to equity shareholders' funds	11,767	5,866
Opening equity shareholders' funds	38,727	32,861
Closing equity shareholders' funds	<u>50,494</u>	<u>38,727</u>

17. RESERVES:

	<u>£000's</u>
Profit & Loss Account -	
At 30 November 2002	38,187
Profit for the year	20,267
Dividends	(8,500)
At 30 November 2003	<u>49,954</u>

18. CALLED-UP SHARE CAPITAL

	<u>2003</u>	<u>2002</u>
	<u>£000's</u>	<u>£000's</u>
<i>Authorised</i>		
540,000 ordinary shares of £1 each	540	540
<i>Allotted, called-up and fully-paid</i>		
540,000 ordinary shares of £1 each	540	540

19. COMMITMENTS AND CONTINGENCIES:

In common with other pharmaceutical companies, under the terms of the Pharmaceutical Price Regulation Scheme, the company negotiates each year with the Department of Health in respect of past and future pricing. Results for the year reflect the estimates made by the directors as to the outcome of past and current negotiations. The directors do not believe the negotiations in respect of 2003 will give rise to liabilities which will materially affect the results disclosed in these accounts.

20. PENSION ARRANGEMENTS:

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

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

Normal contributions to the scheme for the period were £5,467,000 (2002 £4,966,000), being 15% of pensionable salaries (2002: 14%).

The total pension charge for the year £5,998,000 (2002 £4,966,000) is the total normal contribution and amortisation.

As stated in the Abbott (UK) Holdings Limited group financial statements for the year ended 30 November 2003, the full actuarial valuation at 28 February 2002 was updated to 30 November 2003 by a qualified actuary and showed that the market value of the assets was £153,081,000 and that the actuarial value of these assets represented 82% of the benefits that had accrued to members.

The assets in the scheme and the expected rates of return at 30 November 2003 were:

	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	<u>Long term rate of</u>	<u>Value</u>	<u>Long term rate of</u>	<u>Value</u>
	<u>return expected</u>	<u>£m</u>	<u>return expected</u>	<u>£m</u>
Equities	7.0%	115,420	6.7%	77,677
Other	5.0%	37,661	4.7%	29,332
		<hr/>		<hr/>
Total market value of assets		153,081		107,009
Present value of scheme liabilities		(187,114)		(144,420)
		<hr/>		<hr/>
Deficit in scheme		<u>(34,033)</u>		<u>(37,411)</u>

20. PENSION ARRANGEMENTS (continued):

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

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

21. ULTIMATE HOLDING COMPANY AND GROUP STRUCTURE:

- a) The results of Abbott Laboratories Limited are consolidated into the immediate parent company, Abbott (UK) Holdings Limited, incorporated in the UK, and into the ultimate holding company, Abbott Laboratories, incorporated in the State of Illinois, USA. The consolidated accounts are available to the public and may be obtained from Abbott Laboratories, Queenborough, Kent, ME11 5EL .
- b) The company with its parent holds all the issued share capital of Abbott Laboratories Trustee Company Limited, a company incorporated in the Great Britain. The function of this company is to administer the Abbott Laboratories Pension Fund (1966).
- c) A material element of the company's purchases and sales are transacted with companies in the Abbott Laboratories Group. As permitted by Financial Reporting Standard 8, details of such transactions are not provided in these accounts as the company is a wholly-owned subsidiary undertaking and the consolidated accounts of the group are available to the public (see (a) above).