

ABBOTT LABORATORIES LIMITED

Report & Accounts

30 November 2000

Registered Number 329102 England



DIRECTORS' REPORT

For the year ended 30 November 2000

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 2000

BOARD OF DIRECTORS:

The following were directors of the company during the year :

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

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW:

- a) The company manufactures and markets a range of hospital equipment and pharmaceutical, nutritional and chemical products.
- b) During the year turnover increased by £34,734,000 or 10.9%, reflecting an improved performance in the domestic and export business.

RESULTS:

The audited accounts for the year ended 30 November 2000 are set out on pages 4 to 13 .
The profit after tax for the year was £14,889,000 (1999 : £22,904,000).
Interim dividends of £10,000,000 (1999: £21,000,000) were paid during the year.
The directors recommend that no further dividend be paid and that retained earnings of £4,889,000 at 30 November 2000 be transferred to reserves.

FUTURE DEVELOPMENTS:

The broad direction of the company's business will continue for 2001 .

DIRECTORS' RESPONSIBILITIES:

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to :

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

EMPLOYEE CONSULTATION:

The company places considerable value on the involvement of its employees and has continued to keep them informed on the matters affecting them as employees and the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception in 1986.

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

FIXED ASSETS:

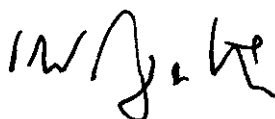
Information relating to tangible fixed assets is given in notes 1 b), 9 and 15 to the accounts.

CHARITABLE DONATIONS:

Charitable donations amounted to £25,000 (1999 £17,000).

AUDITORS:

The company's auditors, Arthur Andersen, have indicated their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next Annual General Meeting in accordance with s.385 of the Companies Act 1985.



Date: 15.05.2001

Queenborough,
Kent, ME11 5EL

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



AUDITORS' REPORT

To the Shareholders of Abbott Laboratories Limited:

We have audited the accounts on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7 .

Respective responsibilities of directors and auditors

As described on pages 1 and 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards . Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance .

Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 November 2000 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ARTHUR ANDERSEN
Chartered Accountants and Registered Auditors

1 SURREY STREET

LONDON WC2R 2PS

Date: 15-05-2001

Profit and Loss Account for the year ended 30 November 2000

	Notes	2000		1999	
		£000's	£000's	£000's	£000's
Turnover	(2)		353,244		318,510
Change in stocks of finished goods and work-in-progress			5,868		(6,680)
Raw materials and consumables		(234,342)		(179,083)	
Other external charges		<u>(28,213)</u>		<u>(27,413)</u>	
			(262,555)		(206,496)
Staff Costs:					
Wages and salaries		(35,718)		(33,441)	
Social security costs		(3,072)		(2,669)	
Other pension costs	(19)	<u>(3,425)</u>		<u>(3,218)</u>	
			(42,215)		(39,328)
Depreciation			(10,228)		(11,526)
Other operating charges			<u>(17,685)</u>		<u>(15,945)</u>
Operating profit			26,429		38,535
Interest receivable and similar income	(3)		100		157
Interest payable and similar charges	(4)		<u>(4,818)</u>		<u>(4,965)</u>
Profit on ordinary activities before taxation	(5)		21,711		33,727
Tax on profit on ordinary activities	(7)		<u>(6,822)</u>		<u>(10,823)</u>
Profit for the financial year	(16)		14,889		22,904
Dividends paid	(8)		<u>(10,000)</u>		<u>(21,000)</u>
Retained profit for the financial year			<u>4,889</u>		<u>1,904</u>

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

Note 17 shows the movement of reserves during the year.

Turnover and operating profit are derived from continuing operations.

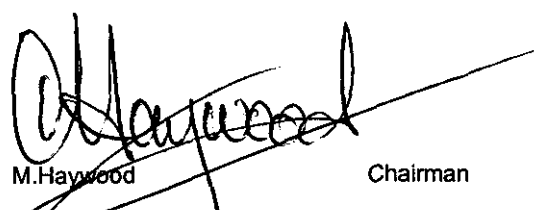
Statement of Total Recognised Gains and Losses

There were no recognised gains or losses in either 2000 or 1999 other than the result for the financial year .

Balance Sheet as at 30 November 2000

	Notes	2000 £000's	1999 £000's
TANGIBLE FIXED ASSETS	(9)	<u>56,207</u>	<u>56,207</u>
CURRENT ASSETS			
Stocks	(10)	45,777	45,498
Debtors	(11)	62,384	44,212
Cash at bank and in hand		<u>6,160</u>	<u>8,564</u>
		114,321	98,274
CREDITORS: Amounts falling due within one year	(12)	<u>(53,313)</u>	<u>(46,815)</u>
NET CURRENT ASSETS		<u>61,008</u>	<u>51,459</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		117,215	107,666
CREDITORS: Amounts falling due after more than one year	(13)	(81,000)	(76,000)
PROVISIONS FOR LIABILITIES AND CHARGES	(14)	(3,757)	(4,097)
NET ASSETS		<u>32,458</u>	<u>27,569</u>
CAPITAL AND RESERVES			
Called-up share capital	(17)	540	540
Profit and loss account	(17)	31,918	27,029
EQUITY SHAREHOLDERS' FUNDS	(16)	<u>32,458</u>	<u>27,569</u>

The accounts on pages 4 to 13 were approved by the board of directors on 15.05.2001 and signed on its behalf by:


 M. Haywood Chairman
 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 as follows:-

a) Basis of Accounting

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

The company has taken advantage of the exemption from the requirement of FRS 1 to present a cashflow statement because it is a wholly owned subsidiary of Abbott Laboratories which prepares consolidated accounts that are publicly available (see note 20) .

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 .

d) Taxation

Corporation tax payable is provided on taxable profits at the current rate. Deferred tax (which arises from differences in timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

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 value added tax) 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 19). The amount charged to the profit and loss account in respect of pension costs is based on the most recent actuarial valuation.

h) Operating Leases

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

2.SEGMENT INFORMATION:

The total turnover of £353,244,000 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>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
United Kingdom	172,739	162,875
Europe	122,350	102,566
North America	22,643	21,207
Rest of World	35,512	31,862
	<u>353,244</u>	<u>318,510</u>

3.INTEREST RECEIVABLE AND SIMILAR INCOME:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Bank interest	<u>100</u>	<u>157</u>

4.INTEREST PAYABLE AND SIMILAR CHARGES:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Bank loans & overdrafts	14	24
Loans from other group undertakings	4,804	4,941
	<u>4,818</u>	<u>4,965</u>

5.PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

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

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Rental income	(120)	(18)
Operating lease rentals - plant and machinery	111	75
- other	255	291
Research and Development current year expenditure	3,000	2,924
Auditors' remuneration - audit fees	79	81
- other services	148	58

6.STAFF COSTS:

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

	<u>2000</u>	<u>1999</u>
Production and Distribution	607	606
Administration	603	592
	<u>1,210</u>	<u>1,198</u>

b) The remuneration of directors was:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Emoluments	442	413

Included in the above are emoluments of the highest paid director of £ 229,736 (1999 : £223,512)

Pensions

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

	<u>2000</u>	<u>1999</u>
Defined benefit schemes	3	3

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 30 November 2000 was £48,496 (1999 : £35,713) and the accrued lump sum entitlement at 30 November 2000 was £176,123 (1999 : £295,752).

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

	<u>2000</u>	<u>1999</u>
The tax charge is based on the profit for the year and comprises:	<u>£000's</u>	<u>£000's</u>
Corporation tax at 30% (1999 - 30.33%)	7,162	11,108
Deferred tax	(340)	(285)
	<u>6,822</u>	<u>10,823</u>

8. DIVIDENDS:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Dividends paid to parent company	<u>10,000</u>	<u>21,000</u>

9. TANGIBLE FIXED ASSETS:

a) The movement in the year was as follows:

	Freehold land and buildings	Plant & equip- ment	Motor vehicles	Construc- tion in progress	Total
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
Cost -					
Beginning of year	34,382	84,673	7,613	3,849	130,517
Additions/transfers	1,264	9,599	1,331	336	12,530
Disposals	(2)	(5,325)	(1,049)	-	(6,376)
End of year	<u>35,644</u>	<u>88,947</u>	<u>7,895</u>	<u>4,185</u>	<u>136,671</u>
Depreciation -					
Beginning of year	15,634	56,553	2,123	-	74,310
Charge	1,653	6,987	1,588	-	10,228
Disposals	(2)	(3,483)	(589)	-	(4,074)
End of year	<u>17,285</u>	<u>60,057</u>	<u>3,122</u>	<u>-</u>	<u>80,464</u>
Net book value at 30 November 2000	<u>18,359</u>	<u>28,890</u>	<u>4,773</u>	<u>4,185</u>	<u>56,207</u>
Net book value at 30 November 1999	<u>18,747</u>	<u>28,120</u>	<u>5,491</u>	<u>3,849</u>	<u>56,207</u>

Freehold land of £3,685,000 (1999 - £3,685,000) included in the above is not depreciated .

10.STOCKS:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Raw materials and consumables	10,852	16,441
Work-in-progress	17,071	16,978
Finished goods and goods for resale	17,854	12,079
	<u>45,777</u>	<u>45,498</u>

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

11.DEBTORS: Amounts falling due within one year

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Trade debtors	24,071	20,539
Due from other group undertakings	24,145	21,161
Other debtors	4,041	2,217
Prepayments and accrued income	10,127	295
	<u>62,384</u>	<u>44,212</u>

12.CREDITORS: Amounts falling due within one year

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Trade creditors	1,480	1,928
Due to other group undertakings	33,088	27,597
U.K. corporation tax payable	4,461	3,646
Social security & PAYE	1,014	903
Other taxation creditors	1,285	1,272
Accruals and deferred income	11,985	11,469
	<u>53,313</u>	<u>46,815</u>

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

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Loan from other group undertakings - repayable between one and two years	<u>81,000</u>	<u>76,000</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES:

a) The provision for liabilities and charges comprises:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Deferred taxation	<u>3,757</u>	<u>4,097</u>

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

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Balance, beginning of year	4,097	4,382
Movement in the year	(340)	(285)
Balance, end of year	<u>3,757</u>	<u>4,097</u>

c) The amount of potential deferred taxation provided in the accounts is as follows:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Taxation on total timing differences		
Accelerated capital allowances	4,354	4,531
Other timing differences	(597)	(434)
	<u>3,757</u>	<u>4,097</u>

There amount of deferred tax unprovided in 2000 and 1999 is £ nil

15. CAPITAL COMMITMENTS:

At 30 November 2000, the company had authorised and contracted for capital expenditure of £1,053,000 (1999 : £655,000).

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

	<u>2000</u>		<u>1999</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	-	-	-	2
- between two and five years	163	-	163	-
- after five years	56	-	56	-

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

	<u>2000</u>	<u>1999</u>
	<u>£000's</u>	<u>£000's</u>
Profit for the financial year	14,889	22,904
Dividends	<u>(10,000)</u>	<u>(21,000)</u>
Net addition to shareholders' funds	4,889	1,904
Opening shareholders' funds	27,569	25,665
Closing shareholders' funds	<u><u>32,458</u></u>	<u><u>27,569</u></u>

17. SHARE CAPITAL AND RESERVES:

	Profit & Loss Account
	<u>£000's</u>
Beginning of year	27,029
Profit for the year	14,889
Dividends	(10,000)
End of year	<u><u>31,918</u></u>

The company's authorised, allotted, called-up and fully-paid share capital at 30 November 2000 and 1999 comprised of 540,000 ordinary shares of £1 each.

18.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 2000 will give rise to liabilities which will materially affect the results disclosed in these accounts.

19. PENSION ARRANGEMENTS:

The company operates a pension scheme providing defined benefits based on final pensionable earnings. The assets of the scheme are held in a separate fund administered by a trustee. The level of contributions to the pension scheme is determined by a qualified actuary on the basis of biennial valuations using the projected unit method and actuarial assumptions agreed by the Trustee to be appropriate for ongoing funding policy. The most recent valuation was at 1 March 2000, which assumed an investment return of 7.5% p.a., salary increases of 6.5% p.a. and that pensions would in general increase by 2.45% in respect of benefits accrued prior to 6 April 1997 and 3.5% for benefits accrued thereafter. The valuation showed the plan to be fully funded on a current funding level basis, based on the market value of assets of £104,497,000 at that date. The actuarial value of those assets represented a surplus of 1% over the ongoing liabilities of the fund.

Employees generally contributed 4.0% of pensionable earnings to the scheme. The company contributes the required balance as calculated by the actuary.

In 2000, the company contributed £3,425,000 (1999 £3,218,000) to the scheme being 14% of the pensionable earnings as recommended by the actuary (1999 14%). The contribution of £3,425,000 in 2000 has been charged to the profit and loss account.

20.ULTIMATE HOLDING COMPANY AND GROUP STRUCTURE:

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