Abbott Laboratories Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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Registration number: 00329102

Abbott Laboratories Limited

Strategic Report for the Year Ended 31 December 2015

The Directors present their strategic report for the year ended 31 December 2015.

Principal activity
The principal activity of the company is the marketing of a range of nutritional, diagnostic and cardiovascular products in the UK.

Fair review of the business
The Company's key financial and other performance indicators during the year were as follows:

	2015	2014	Change
	£'000	£'000	%
Turnover	248,714	248,530	0%
Turnover – continuing operations	248,714	243,227	2%
Operating profit – continuing operations	8,881	13,349	-33%
Current assets as a % of current liabilities ('quick ratio')	137%	134%	3%

The company's principal activity during the year continued to be sale and distribution of a diverse range of healthcare products across nutrition, diagnostics and medical devices sectors.

On 1 January the Company sold its Established Pharmaceuticals business to BGP Products Ltd. The 2014 results for the Established Pharmaceuticals business have been shown under dis-continued operations. Turnover including discontinued operations was broadly similar to the prior year. However, if dis-continued operations are excluded, turnover increased 2%. This was driven by growth of existing products.

Operating loss of continuing operations decreased by 33%. The loss for the financial year was primarily driven by an impairment provision of £13.8m relating to the Company's investment in Murex Biotech Ltd. Murex Biotech ceased its manufacturing operations in December 2015 and so the investment in the subsidiary has been written down to its recoverable amount. The underlying profitability of the business remains consistent with that of the prior year.

The Company's quick ratio (current assets as a % of current liabilities) has increased marginally. This was mainly due to an increase in trade debtors which in turn was driven partly by increased sales and partly by some short-term delays to debt collection resulting from the implementation of a new ERP solution across the business.

Strategic Report for the Year Ended 31 December 2015 (continued)

Principal risks and uncertainties

The directors regularly review the risks to which the business is exposed. The identified risks are summarised as follows:

Competitive risks

Competitive price pressures in the UK healthcare sector could result in the Company losing sales to competitors. The same price pressures could also result in price erosion over time negatively impacting the Company's profit margin. This risk is managed through the sale of quality products that differentiate the Company from its competitors. The Company also provides various services which add value to the customer.

Financial risks and use of Derivatives

A portion of the Company's purchases are denominated in Euro and US Dollars and it is therefore exposed to in the exchange rate against Sterling. The Company takes out forward contracts to manage this risk. The Company is financed through share capital and a variable rate loan from another Abbott group company. Although this exposes the Company to interest rate risk the directors do not consider this to be a significant exposure.

Approved by the Board on 21 November 2016 and signed on its behalf by:

.....

K Gogay
Company secretary

Abbott Laboratories Limited

Directors' Report for the Year Ended 31 December 2015

The Directors present their report and the financial statements for the year ended 31 December 2015.

Directors of the Company
The directors who held office during the year were as follows:

T Freyman (resigned 15 December 2015)

M Smith (resigned 2 October 2015)

S Hudson

G Hall (appointed 2 October 2015)

B Yoor (appointed 15 December 2015)

Dividends
The directors do not recommend a final (2014 - £nil) or interim dividend (2014 - £1,750,000) for the year.

Financial instruments
Details of financial instruments are provided in the Strategic Report.

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

Employee involvement
The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and the various factors affecting the performance of the company. This is achieved through formal and informal meetings and by electronic communications. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employees participate directly in the success of the business through the company's profit sharing schemes and are encouraged to invest in the company through participation in share purchase and option schemes.

Future developments
The directors aim to maintain the management policies which have resulted in the groups growth in recent years. They consider that the next year will show a further growth in sales from continuing operations.

Going concern
After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The group have significant resources and contracts in place that will generate revenue and enable the company to manage risk. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

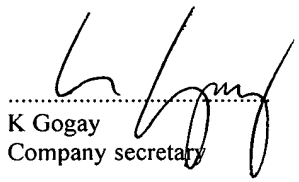
Disclosure of information to the auditors
Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Directors' Report for the Year Ended 31 December 2015 (continued)

Reappointment of auditors

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 21 November 2016 and signed on its behalf by:



K Gogay
Company secretary

Abbott Laboratories Limited

Statement of Directors' Responsibilities

The Directors are responsible 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 (United Kingdom Accounting Standards and applicable law). 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;
- state whether applicable UK Accounting Standards 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.

Independent Auditor's Report

We have audited the financial statements of Abbott Laboratories Limited for the year ended 31 December 2015, set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Ernst & Young LLP

David Hales (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
United Kingdom

Date: 23-11-2016

Abbott Laboratories Limited

Profit and Loss Account for the Year Ended 31 December 2015

	Note	2015 Continuing operations £ 000	2015 Discontinued operations £ 000	2015 Total £ 000	2014 Continuing operations £ 000	2014 Discontinued operations £ 000	Restated 2014 Total £ 000
Turnover	3	248,714	-	248,714	243,227	5,303	248,530
Cost of sales		(166,525)	-	(166,525)	(161,210)	(3,415)	(164,625)
Gross profit		82,189	-	82,189	82,017	1,888	83,905
Distribution costs		(15,409)	-	(15,409)	(13,941)	(1,000)	(14,941)
Administrative expenses		(57,899)	-	(57,899)	(54,727)	-	(54,727)
Operating profit	5	8,881	-	8,881	13,349	888	14,237
Impairment of investment in subsidary	14	(13,815)	-	(13,815)	-	-	-
Other interest receivable and similar income	6	4,313	-	4,313	3,708	-	3,708
Interest payable and similar charges	7	(879)	-	(879)	(777)	-	(777)
		(10,381)	-	(10,381)	2,931	-	2,931
(Loss)/profit before tax		(1,500)	-	(1,500)	16,280	888	17,168
Taxation	11	(2,623)	-	(2,623)	(7,836)	-	(7,836)
(Loss)/profit for the financial year		(4,123)	-	(4,123)	8,444	888	9,332

The above results were derived from continuing operations.

Abbott Laboratories Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
(Loss)/profit for the year		(4,123)	9,332
Unrealised gain/(loss) on cash flow hedges		(1,903)	3,431
Movement on deferred tax relating to cash flow hedges		362	(686)
Remeasurement (loss) / gain on defined benefit pension scheme		(8,400)	16,300
Movement on deferred tax relating to defined benefit pension scheme		1,380	(3,740)
		(8,561)	15,305
Total comprehensive (loss) / income for the year		(12,684)	24,637

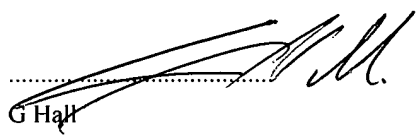
The notes on pages 12 to 35 form an integral part of these financial statements.

Abbott Laboratories Limited

(Registration number: 00329102)
Balance Sheet as at 31 December 2015

	Note	2015 £ 000	Restated 2014 £ 000
Fixed assets			
Intangible assets	12	1,290	1,418
Tangible assets	13	28,951	30,783
Investments	14	45,607	59,422
		75,848	91,623
Current assets			
Stocks	15	6,574	9,315
Debtors	16	199,669	180,854
Cash at bank and in hand		17,075	20,271
		223,318	210,440
Creditors: Amounts falling due within one year	17	(164,053)	(158,631)
Net current assets		59,265	51,809
Total assets less current liabilities		135,113	143,432
Provisions for liabilities		(11,500)	(13,534)
Net assets excluding pension asset/(liability)		123,613	129,898
Net pension asset	18	67,998	74,898
Net assets		191,611	204,796
Capital and reserves			
Called up share capital	19	76,144	76,144
Share premium reserve	20	21,501	21,501
Other reserves	20	18,576	20,618
Profit and loss account	20	75,390	86,533
Total equity		191,611	204,796

Approved and authorised by the Board on 21 November 2016 and signed on its behalf by:



G Hall
Director

Abbott Laboratories Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Other reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2015	76,144	21,501	20,618	86,533	204,796
Loss for the year	-	-	-	(4,123)	(4,123)
Other comprehensive (loss) / income	-	-	(1,541)	(7,020)	(8,561)
Total comprehensive income	-	-	(1,541)	(11,143)	(12,684)
Share based payment transactions	-	-	(501)	-	(501)
At 31 December 2015	76,144	21,501	18,576	75,390	191,611

	Share capital £ 000	Share premium £ 000	Other reserve £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2014	76,144	21,501	19,884	66,391	183,920
Profit for the year	-	-	-	9,332	9,332
Other comprehensive income	-	-	2,745	12,560	15,305
Total comprehensive income	-	-	2,745	21,892	24,637
Dividends	-	-	-	(1,750)	(1,750)
Share based payment transactions	-	-	(2,011)	-	(2,011)
At 31 December 2014	76,144	21,501	20,618	86,533	204,796

The notes on pages 12 to 35 form an integral part of these financial statements.

Abbott Laboratories Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The company is a private company limited by share capital incorporated in England & Wales.

The address of its registered office is:
Abbott House
Vanwall Business Park
Vanwall Road
Maidenhead
Berkshire
SL6 4XE

These financial statements were authorised for issue by the Board on 21 November 2016.

2 Accounting policies

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.

Key estimates and judgements are discussed on page 13.

Summary of disclosure exemptions
The company has used exemptions from the following disclosure requirements of FRS102:
Statements of Cash Flows section 3.17 (d)
Basic Financial Instruments sections 11.39 to 11.48A
Other Financial Instrument Issues sections 12.26 to 12.29
Share based Payments sections 26.18(b), 26.19 to 26.21, 26.23
Related Party Disclosures sections 33.1A and 33.7

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Going concern
After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

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 USA.

2 Accounting policies (continued)

Judgements

The directors have assessed the carrying value is recoverable based on the underlying asset value of the subsidiary company.

The company has entered into commercial property leases as a lessee to obtain the use of the properties. The classification of such leases as operating or finance leases requires the company to determine, based on evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the financial statements.

Prior period errors

Errors in the prior years financial statements have been corrected. Share based payments have been correctly calculated using the cliff vesting valuation technique, rather than on a straight line method over the 3 years vesting period. This has resulted in a prior year's adjustment of £2,011,000.

Debtors has also been restated by £5,686,000, to show them gross of customer rebates.

The prior year taxation charge has changed to reflect the adjustment made in accordance with FRS 102. This has changed the UK corpoartion tax charge from £3,696,000 to £4,669,000.

Key sources of estimation uncertainty

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 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. Further details are given in note 18. The carrying amount is £54,400,000 (2014 - £59,920,000).

Goodwill:

Positive goodwill acquired in a business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss accoun tis taken into account in determining the profit or loss on sale or discontinuance. The carrying amount is £1,290,000 (2014 - £1,418,000).

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, basd upon likely timing and level of future profits together with an assessment of the effect of future tax planning strategies. Further details are include in note 11. The carrying amount is £2,550,000 (2014 - £2,132,000).

2 Accounting policies (continued)

Revenue recognition
Turnover from product sales is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the goods are delivered to the customer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Turnover is reported net of a provision for customer rebates. Within Abbott's diagnostics division, the selling arrangement includes multiple products. Revenue is recognised upon delivery of the product or performance of the service and allocates the reveune based on the relative selling price of each deliverable, which is based primarily on vendor specific objective evidence.

Discontinued operations
All income and costs related to a business segment that is discontinued, either by sale or closure, are seperately identified in the company accounts and disclosed accordingly on the face of the profit and loss account.

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 retransalated at the closing rate at the balance sheet date or, where appropriate, at the rates of exchange in a related forward exchange contract. All exchange differences are included in the profit and loss account.

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.

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 different periods 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.

Tangible assets
Tangible assets is stated in the statement of financial position 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
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 improvements	Straight line 5 -10 %
Plant and equipment	Straight line 8 - 50%

2 Accounting policies (continued)

Intangible assets
Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	Straight line 5%

Trade debtors
Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks
Finished goods stocks are stated at the lower of cost or net realisable value. Net realisable value is based on the 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.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2 Accounting policies (continued)

Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms or their useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital payments outstanding.

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

Lease payments receivable are apportioned between repayments of capital and interest so as to give a constant periodic rate of return on the net cash investment in the lease.

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 employee are held within the Legal and General Master Trust which is administered by separate trustees.

2 Accounting policies (continued)

Defined benefit pension obligation

The company operates a 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 occur 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 other finance revenue or cost.

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 and therefore the company has recognised the entire net defined benefit cost and relevant net defined benefit asset of the scheme in its individual financial statements.

The company has restated the 2014 pension note 18 to reflect the adoption of FRS102 in the current year. This has resulted in a £2,400,000 impact on the Profit & loss and a £59,918,000 asset on the balance sheet.

2 Accounting policies (continued)

Share based payments

The company has applied the requirements of FRS102"Share-based payments". 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.

Derivatives

Abbott Laboratories inc. enters into foreign currency forward exchange contracts on behalf of Abbott Laboratories Limited, to manage currency exposures for foreign currency intercompany loans receivable or payable which are denominated in a currency other than the functional currency of the entity.

Provisions for liabilities

A provision is recognised when the group 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.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2015 £ 000	2014 £ 000
Sale of goods - UK	248,714	248,530

4 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2015 £ 000	2014 £ 000
Loss on disposal of property, plant and equipment	(314)	(504)

5 Operating profit

Arrived at after charging/(crediting)

5 Operating profit (continued)

	2015 £ 000	2014 £ 000
Depreciation expense	8,646	9,407
Amortisation expense	128	128
Impairment loss	13,815	-
Foreign exchange losses	(691)	(686)
Operating lease expense - plant and machinery	1,323	991
Operating lease expense - other	2,347	3,621
Loss on disposal of property, plant and equipment	314	504

6 Other interest receivable and similar income

	2015 £ 000	2014 £ 000
Interest income on defined benefit pension	3,500	2,900
Interest income on bank deposits	70	85
Other finance income	743	723
	4,313	3,708

7 Interest payable and similar charges

	2015 £ 000	2014 £ 000
Interest on bank overdrafts and borrowings	10	14
Interest payable on loans from group undertakings	869	763
	879	777

8 Staff costs

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

	2015 £ 000	2014 £ 000
Wages and salaries	41,183	40,652
Social security costs	3,780	4,263
	44,963	44,915

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

	2015 No.	2014 No.
Administration and support	511	529
Distribution	32	35
	543	564

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £ 000	2014 £ 000
Remuneration	918	752

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

	2015 No.	2014 No.
Received or were entitled to receive shares under long term incentive schemes	3	2
Exercised share options	1	2
Accruing benefits under defined benefit pension scheme	3	2

In respect of the highest paid director:

	2015 £ 000	2014 £ 000
Remuneration	488	384
Defined benefit accrued pension entitlement at the end of the period	20	17

10 Auditors' remuneration

	2015 £ 000	2014 £ 000
Audit of the financial statements	24	16
Taxation services	198	80
	222	96

11 Taxation

Tax charged/(credited) in the income statement

	2015 £ 000	Restated 2014 £ 000
Current taxation		
UK corporation tax	2,616	4,669
UK corporation tax adjustment to prior periods	298	1,040
	2,914	5,709
Deferred taxation		
Arising from origination and reversal of timing differences	(291)	2,127
Tax expense in the income statement	2,623	7,836

The UK corporation tax rate reduced from 21% to 20% on 1 April 2015. On 26 October 2015 The Summer Finance Bill 2015, which reduces the main rate of corporation tax to 19% from April 2017 and 18% from April 2020 were substantively enacted. As these reductions to the rate were substantively enacted at the balance sheet date, the deferred tax assets and liabilities have been calculated at 19% in line with when the company anticipates temporary differences to unwind.

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2014 - the same as the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
(Loss)/profit before tax	(1,500)	17,168
Corporation tax at standard rate	(304)	3,691
Effect of expense not deductible in determining taxable profit (tax loss)	2,503	666
Deferred tax expense (credit) relating to changes in tax rates or laws	126	2,439
Increase in UK and foreign current tax from adjustment for prior periods	298	1,040
Total tax charge	2,623	7,836

11 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

2015	Asset £ 000	Liability £ 000
Accelerated tax depreciation	1,781	-
Other timing differences	319	-
Pension asset	-	13,600
	2,100	13,600

2014	Asset £ 000	Liability £ 000
Accelerated tax depreciation	1,669	-
Other timing differences	-	223
Pension asset	-	14,980
	1,669	15,203

12 Intangible assets

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2015	2,579	2,579
At 31 December 2015	2,579	2,579
Amortisation		
At 1 January 2015	1,161	1,161
Amortisation charge	128	128
At 31 December 2015	1,289	1,289
Carrying amount		
At 31 December 2015	1,290	1,290
At 31 December 2014	1,418	1,418

Goodwill is being amortised over 20 years, which is supported by the projected future product sales related to the goodwill.

13 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Properties under construction £ 000	Total £ 000
Cost or valuation				
At 1 January 2015	4,398	83,573	620	88,591
Additions	208	7,347	345	7,900
Disposals	-	(15,433)	-	(15,433)
At 31 December 2015	4,606	75,487	965	81,058
Depreciation				
At 1 January 2015	989	56,819	-	57,808
Charge for the year	368	8,278	-	8,646
Eliminated on disposal	-	(14,347)	-	(14,347)
At 31 December 2015	1,357	50,750	-	52,107
Carrying amount				
At 31 December 2015	3,249	24,737	965	28,951
At 31 December 2014	3,409	26,754	620	30,783

14 Investments in subsidiaries, joint ventures and associates

	2015 £ 000	2014 £ 000
Investments in subsidiaries	45,607	59,422

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2015	59,422
Provision	
Charge for the year	13,815
Carrying amount	
At 31 December 2015	45,607
At 31 December 2014	59,422

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2015	2014
Subsidiary undertakings				
Abbott Diabetes Care Ltd	England and Wales	Ordinary	100%	100%
Murex Biotech Ltd	England and Wales	Ordinary	100%	100%
Abbott Laboratories Trusteee Company Ltd	England and Wales	Ordinary	100%	100%

The principal activity of Abbott Diabetes Care Ltd is healthcare

The principal activity of Murex Biotech Ltd is healthcare and the provision of adminsitrative services to group companies and third parties. The healthcare business closed in December 2015.

The principal activity of Abbott Laboratories Trusteee Company Ltd is acting as a pension trustee

The major part of the trade of Murex Biotech Ltd ceased in December 2015. Accordingly, a provision has been made to reduce the investment in subsidiary to the recoverable amount.

15 Stocks

	2015 £ 000	2014 £ 000
Finished goods and goods for resale	6,574	9,315

16 Debtors

	Note	2015 £ 000	Restated 2014 £ 000
Trade debtors		47,760	39,450
Amounts owed by related parties		131,253	128,049
Other debtors		19,043	11,919
Prepayments		1,613	1,436
Total current trade and other debtors		199,669	180,854

17 Creditors

	Note	2015 £ 000	Restated 2014 £ 000
Due within one year			
Trade creditors		11,812	1,796
Amounts due to related parties		119,352	122,999
Social security and other taxes		3,643	5,782
Accrued expenses		26,832	24,283
Income tax liability	11	2,414	3,771
		164,053	158,631

18 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 £Nil (2014 - £Nil).

Defined benefit pension schemes

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.
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. Contributions paid in the year relate to that portion of annual contributions due from the company

The date of the most recent comprehensive actuarial valuation was 31 March 2013. The figures below are based on the latest full actuarial valuation as updated to the balance sheet date by a qualified actuary.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £7,497,000 (2014 - £7,438,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2014 - £-).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2015 £ 000	Restated 2014 £ 000
Fair value of scheme assets	575,100	538,500
Present value of defined benefit obligation	(507,100)	(463,600)
Defined benefit pension scheme surplus	68,000	74,900

18 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2015 £ 000
Present value at start of year	463,600
Current service cost	15,900
Interest cost	18,400
Actuarial gains and losses	16,600
Benefits paid	(7,600)
Contributions by scheme participants	200
Present value at end of year	507,100

Fair value of scheme assets

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

	2015 £ 000
Fair value at start of year	538,500
Interest income	21,900
Return on plan assets, excluding amounts included in interest income/(expense)	7,100
Employer contributions	15,000
Contributions by scheme participants	200
Benefits paid	(7,600)
Fair value at end of year	575,100

Analysis of assets

The major categories of scheme assets are as follows:

	2015 £ 000	Restated 2014 £ 000
Cash and cash equivalents	-	700
Equity instruments	316,000	296,900
Debt instruments	173,400	165,700
Property	29,600	26,200
Derivatives	56,100	49,000
	575,100	538,500

Return on scheme assets

18 Pension and other schemes (continued)

	2015 £ 000	Restated 2014 £ 000
Return on scheme assets	30,100	53,800

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.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2015 %	Restated 2014 %
Mortality rate	100.00	100.00
Discount rate	3.90	4.00
Future salary increases	4.15	4.05
Future pension increases	2.94	2.84
Inflation	2.85	2.75

18 Pension and other schemes (continued)

Post retirement mortality assumptions

	2015 Years	2014 Years
Current UK pensioners at retirement age - male	23.00	23.00
Current UK pensioners at retirement age - female	26.00	26.00
Future UK pensioners at retirement age - male	21.00	21.00
Future UK pensioners at retirement age - female	24.00	24.00

19 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each of £1 each	76,144	76,144	76,144	76,144

20 Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

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.

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2015 £ 000	2014 £ 000
Not later than one year	2,577	2,577
Later than one year and not later than five years	10,310	10,310
Later than five years	17,945	20,522
	30,832	33,409

22 Share-based payments

Share Options

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 share options. Options are granted at an exercise price equal to the market value of the shares on the day of grant. The options vest over three years beginning one year from the date of grant and have a maximum contractual term of 10 years. Share options are forfeited if the employee leaves the company for reasons other than retirement, death or disability.

The options outstanding at the end of the period had a weighted average exercise price of US$26.01 and a weighted average remaining contractual life of 1.57 years. In the current and prior year year no options were granted. The weighted average share values of options granted are measured using the Black-Sholes Option Pricing Model.

The movements in the number of share options during the year were as follows:

	2015 Number	2014 Number
Outstanding, start of period	45,596	441,618
Forfeited during the period	(8,239)	(160,604)
Exercised during the period	(15,721)	(113,762)
Expired during the period	-	(121,656)
Outstanding, end of period	21,636	45,596
Exercisable, end of period	21,636	45,596

The movements in the weighted average exercise price of share options during the year were as follows:

	2015 US$	2014 US$
Outstanding, start of period	25.20	28.81
Forfeited during the period	28.68	25.69
Exercised during the period	23.52	29.01
Expired during the period	-	40.11
Outstanding, end of period	26.01	25.20
Exercisable, end of period	26.01	25.20

Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £84,000 (2014 - £267,000).

22 Share-based payments (continued)

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 parents company's subsidiairies 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 comapny before the awards vest.

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

	2015 Number	2014 Number
Outstanding, start of period	109,370	164,740
Granted during the period	63,494	62,781
Forfeited during the period	(16,479)	(46,887)
Exercised during the period	(44,918)	(71,264)
Outstanding, end of period	111,467	109,370
Exercisable, end of period	111,467	109,370

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

	2015 US$	2014 US$
Outstanding, start of period	56.48	42.36
Granted during the period	46.52	38.98
Forfeited during the period	39.31	41.31
Exercised during the period	46.64	39.22
Outstanding, end of period	42.40	46.48

Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £1,393,000 (2014 - £1,571,000).

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 £150 per month.

Effect of share-based payments on profit or loss and financial position

The total expense recognised in profit or loss for the year was £465,000 (2014 - £310,000).

23 Dividends

	2015 £ 000	2014 £ 000
Final dividend of £Nil (2014 - £Nil) per ordinary share	-	-
Interim dividend of £Nil (2014 - £0.023) per ordinary share	-	1,750
	-	1,750

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,354,000 (2014 - £1,177,000).

25 Parent and ultimate controlling party

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

The ultimate parent is Abbott Labortories, incorporated in Illinois, USA.

The smallest and largest group into which the results of the company are consolidated is the ultimate parent entity Abbott Laboratories. These financial statements are available upon request from 100 Abbott Park Road, Abbott Park, Illionois 60064-6400, USA

26 Transition to FRS 102

Defined benefit pension scheme

The group operates a multi-employer Defined Benefit Pension Scheme which was previously treated as a defined contribution scheme as the individual group employers were unable to identify their share of the assets and liabilities of the fund. Although the individual group employers continue to be unable to identify their share of the assets and laibilities of the fund, the entire fund has now been accounted for in the company accounts and a Pension Asset of £74,898,000 has been accounted for accordingly. A deferred taxation provision has been calculated relating to this asset of £14,980,000, which is shown in the provisions for liabilities.

Under FRS102 the 'expected return on assets' is now effectively calculated using a discount rate, so that no credit is taken for the expected outperformance on the assets. Operating costs in administration expenses are no longer included as a deduction from the expected returns on assets, but are now included as an operating cost alongside service cost. In the prior period an additional £2,900,000 pension interest was charged and a £500,000 service credit, to the profit and loss account.

26 Transition to FRS 102 (continued)

Taxation
The 2014 FRS 102 adjustments have lead to an increase in the prior year corporation tax charge of £948,000.

Derivatives
Forward foreign currency contracts are recorded on the balance sheet at fair value and accounted for as fair value through profit and loss. Under previous UK GAAP, these were recognised on an accruals basis or at contracted rates. The amount remeasured relating to the derivatives amounts to a £3,957,000 adjustment on the balance sheet, and a £3,431,000 gain on the statement of Comprehensive Income. Deferred taxation of £686,000 has been calculated on the movement, and is also shown in the statement of Comprehensive Income.

Operating lease commitments
The operating lease note has been amended to reflect the requirements of FRS 102, to disclose the minimuim total future lease payments.

Reclassification
Errors in the prior year's financial statements have been corrected as "reclassifications". Share based payments have been correctly caculated using the cliff vesting valuation technique rather that on a straight line method over the 3 years vesting period. This has resulted in a prior year's adjustment of £2,011,000.

Debtors have been restated by £5,686,000, to show them gross of customer rebates. Deferred taxation of £2,132,000, which was previously shown as debtors, has now been netted off against the deferred taxation liability provision.

26 Transition to FRS 102 (continued)

Balance Sheet at 31 December 2014

	Note	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets					
Intangible assets		1,418	-	-	1,418
Tangible assets		30,783	-	-	30,783
Investments		59,422	-	-	59,422
		91,623	-	-	91,623
Current assets					
Stocks		9,315	-	-	9,315
Debtors		173,343	3,554	3,957	180,854
Cash at bank and in hand		20,271	-	-	20,271
		202,929	3,554	3,957	210,440
Creditors: Amounts falling due within one year		(151,997)	(5,686)	(948)	(158,631)
Net current assets/(liabilities)		50,932	(2,132)	3,009	51,809
Total assets less current liabilities		142,555	(2,132)	3,009	143,432
Provisions for liabilities		-	2,132	(15,666)	(13,534)
Net assets/(liabilities) excluding pension asset/(liability)		142,555	-	(12,657)	129,898
Pension asset		-	-	74,898	74,898
Net assets		142,555	-	62,241	204,796
Capital and reserves					
Called up share capital		(76,144)	-	-	(76,144)
Share premium reserve		(21,501)	-	-	(21,501)
Other reserves		(19,358)	2,011	(3,271)	(20,618)
Profit and loss account		(25,552)	(2,011)	(58,970)	(86,533)
Total equity		(142,555)	-	(62,241)	(204,796)

26 Transition to FRS 102 (continued)

Profit and Loss Account for the year ended 31 December 2014

	Note	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Turnover		248,530	-	-	248,530
Cost of sales		(164,625)	-	-	(164,625)
Gross profit		83,905	-	-	83,905
Distribution costs		(14,941)	-	-	(14,941)
Administrative expenses		(56,238)	2,011	(500)	(54,727)
Operating profit/(loss)		12,726	2,011	(500)	14,237
Other interest receivable and similar income		808	-	2,900	3,708
Interest payable and similar charges		(777)	-	-	(777)
		31	-	2,900	2,931
Profit before tax		12,757	2,011	2,400	17,168
Taxation		(6,888)	-	(948)	(7,836)
Profit for the financial year		5,869	2,011	1,452	9,332