Alcon Eye Care UK Limited

(formerly CIBAVISION (U.K.) Limited)

Annual report and financial statements for the year ended 31 December 2012

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Registered number: 809238

ALCON EYE CARE UK LIMITED

Annual report and financial statements for the year ended 31 December 2012

ALCON EYE CARE UK LIMITED

Directors and advisers

Directors

R Lopez
S Raetzman
S Kapadia
S Webb

Company secretary

N Maxted

Registered office

Frimley Business Park
Frimley
Camberley
Surrey
GU16 7SR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
Gatwick
RH6 0PP

ALCON EYE CARE UK LIMITED

Directors' report for the year ended 31 December 2012

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2012 These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101)

Change of Company name

Following the transfer of the business activities of its subsidiary, Alcon Laboratories (U K) Limited at 31 August 2012, the name of the Company was changed from CIBAVISION (U.K) Limited to Alcon Eye Care UK Limited. All references in the financial statements to Alcon Eye Care UK Limited refer to the business that was trading as CIBAVISION (U.K.) Limited to 31 August 2012.

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of Novartis UK Limited. The Directors have received confirmation that Novartis UK Limited intends to support the Company for at least one year after these financial statements are signed.

Principal activities

The principal activity of the Company is the sale and distribution of healthcare and consumer products for the eye, including contact lenses, contact lens solutions, medicines, and medical equipment for eye related surgery.

The Company is a limited company, domiciled and incorporated in the United Kingdom The registered office is also the principal place of business with the address as set out on page 2

Review of business and future developments

The profit after tax for the financial year amounts to £8,837,000 (2011· £3,879,000), a 131.4% growth while turnover grew 37.2% to £130,573,000 (2011. £95,159,000).

The Company focused on strategies and service to meet the needs of it's key optical customers, eye care practitioners and their patients, in turn supporting sales growth of the promoted DAILIES AquaComfort Plus® and AIR OPTIX® Aqua family of contact lenses From 1 April 2012, the Company assumed sales and distribution for the market leading OPTI-FREE® family of contact lens

Directors' report
for the year ended 31 December 2012 (continued)

Review of business and future developments (continued)

solutions. On 31 March 2012 the Company ceased distribution of the SOLCARE Aqua contact lens solution brand

With the Company's expanded portfolio of optical, medical and surgical products from 1 September, 2012, the Director's have developed plans to meet the additional needs of NHS and Private hospitals, focusing on promotion for glaucoma, dry eye, intra-ocular lenses and vitreoretinal surgery Total pharmaceutical and surgical product sales grew 6% vs. 2011 to £31,324,000 in the four months to 31 December 2012

During 2012, the Company successfully completed the steps to formally transfer the activities of Alcon Laboratories (U.K.) Limited, a wholly owned subsidiary of CIBAVISION (U.K.) Limited, with those of the Company. The company reorganisation included the move to a new, single head office location in Camberley, Surrey, completed on 30 April 2012 in line with the plans announced by the Directors on 31 August 2011. To simplify and improve operations for the customers, employees, and other stakeholders of both companies, the sale and distribution activities and net assets of Alcon Laboratories (U.K.) Limited were legally transferred to CIBAVISION (U.K.) Limited from 1 September 2012 at book value with the Company being renamed Alcon Eye Care UK Limited from 1 August 2012 All expenses in relation to these activities have been recognised in the profit and loss account, together with changes to the provisions initially recognised in 2011

As part of the Company's strategy to offer attractive employee benefits whilst reducing financial risk, and following full consultation with the employees of Alcon Laboratories (UK), the Directors also announced the closure of the Alcon UK Defined Benefit Pension scheme to future accrual from 31 December 2012. An actuarial gain of £2,031,000 in relation to the closure is recognised in the 2012 financial statements. From 2013, continuing employees with deferred membership of the Alcon UK Defined Benefit Pension scheme are able to participate in the Novartis UK Defined Contribution scheme.

Principal risks and uncertainties

Through it's business, the Company is exposed to changes in the level of UK and Irish government spending on public health, in particular, changes to the tariff for surgical procedures or to the reimbursed prices paid for medicines as the UK government introduces new proposals to manage the overall National Health Service and reform the role of payers and health care providers in England and Wales. In addition, the Company operates in a competitive

Directors' report
for the year ended 31 December 2012 (continued)

Principal risks and uncertainties (continued)

contract lens market, with both branded and private label new product launches in all categories.

Key performance indicators (KPIs)

The management use and review many indicators to monitor and adjust performance against the Company's strategy

During 2012, the Company's key performance indicators (KPIs) focused in particular on the turnover growth of strategic, promoted product lines and profit before tax margin

	2012	2011	
Growth in turnover existing business(%)	4.3	4 0	Growth in 2012 driven by new distribution of the OPTI-FREE® brand and other contact lens care products (+2 9pts total continuing operations), together with increased sales of the AIR OPTIX® brand of monthly contact lenses and of customer branded contact lens products.
Profit before tax margin (%)	8.3	5.7	Operating Profit % has increased due to cost synergies from the integration of businesses offsetting the negative impact of product mix on gross profit (+1.3pts) The one-time curtailment gain from closure of the Alcon Defined Benefit scheme added +1.5pts to Operating Profit margin

Dividends

A dividend of £nil was paid to Novartis AG in 2012 (2011: £5,000,000) The Directors have not recommended payment of a final dividend

Directors' report
for the year ended 31 December 2012 (continued)

Directors and their interests

The Directors who held office during the year and up to the date of signing these financial statements were as follows.

R Lopez	
S Kohout	(resigned 24 May 2012)
T Jose	(resigned 6 March 2012)
S Webb	
S Kapadia	(appointed 6 March 2012)
L Attias	(appointed 24 May 2012, resigned 12 February 2013)
S Raetzman	(appointed 12 February 2013)

Political and charitable donations

Charitable donations totalled £1,100 (2011:£353) of which £1,100 relates to Optometry Giving Sight as matching donation. The Company made no political donations during 2012 (2011· £nil)

To help fulfil its social responsibility, many of the Company's employees actively support Optometry Giving Sight through the annual World Sight Day challenge held in October. CIBA VISION Inc , a member of the Novartis group of companies, is the Global Founding Corporate Sponsor of Optometry Giving Sight, a charity founded in 2003.

Employees

The Company gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities and wherever possible the Company continues the employment of, and arranges for the appropriate training of, employees who become disabled persons whilst employed by the Company. Disabled employees are treated no differently from other employees as regards training, career development and promotion opportunities This policy was operated by the Company, throughout the year

The Company recognises the importance of keeping employees informed of the progress of the business During the year employees were regularly provided with information regarding the financial and economic factors affecting the performance of the Company and on other matters of concern to them as employees Regular consultations take place with employee representatives The employee share scheme introduced in 2002 continued to be available in 2012 to encourage employee involvement in the Company's performance. The share

Directors' report
for the year ended 31 December 2012 (continued)

Employees (continued)

scheme relates to shares in Novartis AG, the ultimate parent company of Alcon Eye Care UK Limited

Creditors

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the Company's practice is to:

- agree the terms of payment at the start of business with the supplier;
- ensure that those suppliers are made aware of the terms of payment,
- pay in accordance with its contractual and other legal obligations.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to·

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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

ALCON EYE CARE UK LIMITED

Directors' report for the year ended 31 December 2012 (continued)

Statement of Directors' responsibilities (continued)

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.

Directors' statement on disclosure of information to auditors

Each of the Directors in office at the date the Directors' report is approved confirms that·

(a) so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) they have taken all the 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.

Independent auditors

An elective resolution has been passed to maintain PricewaterhouseCoopers LLP as Independent auditors until such time as the Board decides otherwise.

Post balance sheet event

A post balance sheet event has been noted within note 22 of the financial statements

On behalf of the Board

S Kapadia
Director

Date: 11|09|13

Independent auditors' report to the members of Alcon Eye Care UK Limited

We have audited the financial statements of Alcon Eye Care UK Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, the Reconciliation of movements in shareholders' funds and the related notes. 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), including Financial Reporting Standard 101 *Reduced Disclosure Framework*

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities on page 6, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 2012 and of its profit for the year then ended;

Independent auditors' report to the members of Alcon Eye Care UK Limited (continued)

Opinion on financial statements (continued)

- 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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.

Other matters

The Company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

Date: 12 September 2013

ALCON EYE CARE UK LIMITED

Profit and loss account
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover – continuing operations	3	99,249	95,159
Turnover - acquired company	3	31,324	-
Total turnover		130,573	95,159
Cost of sales		(95,969)	(66,950)
Gross profit		34,604	28,209
Selling and marketing costs		(22,753)	(20,618)
Administrative expenses		(775)	(2,214)
Operating profit	4	11,076	5,377
Interest payable and similar charges	5	(208)	(39)
Interest receivable and similar income	5	32	39
Profit on ordinary activities before taxation		10,900	5,377
Tax on profit on ordinary activities	6	(2,063)	(1,498)
Profit for the financial year		8,837	3,879

All of the results in 2012 and 2011 relate to those of continuing operations.

Statement of total recognised gains and losses
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Profit for the financial year		8,837	3,879
Actuarial gain/(loss) on pension obligation	18	3,474	(8,776)
Deferred tax on actuarial (gain) /loss	6	(854)	2,617
Net gains/(losses) not recognised in the profit and loss account		2,620	(6,159)
Total recognised gains and losses relating to the year		11,457	(2,280)

ALCON EYE CARE UK LIMITED

Balance sheet at 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Fixed assets			
Tangible assets	8	6,011	32
Investments	9	9,436	11,500
		15,447	11,532
Current assets			
Stocks	10	16,217	291
Debtors	11	42,483	11,822
Deferred tax (including £nil (2011:£205,000) due after one year)	15	-	387
Cash at bank and in hand		5,087	351
		63,787	12,851
Creditors – amounts falling due within one year			
Bank and other borrowings	13	26,564	3,500
Creditors	12	47,951	15,675
		74,515	19,175
Net current liabilities		(10,728)	(6,324)
Total assets less current liabilities		4,719	5,208
Creditors – amounts falling due after more than one year			
Provisions for other liabilities and charges	14	1,444	1,294
Deferred tax liability	15	2,056	-
Total assets excluding pension asset		1,219	3,914
Pension asset	18	11,903	1,205
Net assets including pension asset		13,122	5,119
Capital and reserves			
Ordinary shares	16	550	550
Share option recharge		(174)	(88)
Profit and loss reserve		12,746	4,657
Total shareholders' funds		13,122	5,119

The financial statements and notes of Alcon Eye Care UK Limited (registered no. 809238) on pages 11 to 43 were approved by the Board of Directors on 11 | 09 | , 2013 and were signed on its behalf by:

S Kapadia
Director

Reconciliation of movements in shareholders' funds

	Ordinary shares £'000	Share option recharge £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2011	550	(76)	**11,937**	**12,411**
Profit for the year	-	-	3,879	3,879
Dividends	-	-	(5,000)	(5,000)
Actuarial loss on pension scheme	-	-	(8,776)	(8,776)
Deferred tax on actuarial loss on pension scheme	-	-	2,617	2,617
Share options	-	(12)	-	(12)
At 31 December 2011	550	(88)	**4,657**	**5,119**
Profit for the year	-	-	8,837	8,837
Actuarial gain on pension scheme	-	-	3,474	3,474
Deferred tax on actuarial gain on pension scheme	-	-	(854)	(854)
Share options	-	(86)	-	(86)
Adjustment re transfer of assets from subsidiary	-	-	(1,304)	(1,304)
Write down of investment (note 9)	-	-	(2,064)	(2,064)
At 31 December 2012	550	(174)	**12,746**	**13,122**

The share option reserve represents shares and options purchased on behalf of qualifying employees, from either the open market or the ultimate parent company, which are still to vest in future years The share options granted are expensed to the profit and loss account over the vesting period of the options with the corresponding amount being credited to the share option reserve. Any recharges made by the parent company in respect of options are debited directly to the share option reserve.

ALCON EYE CARE UK LIMITED

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

The principal accounting policies adopted 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. These financial statements were prepared on a going concern basis.

Basis of preparation

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The Company has adopted the intermediate parent exemption under section 400 of the Companies Act 2006, whereby it is not required to prepare consolidated financial statements as the ultimate parent company prepares publicly available consolidated financial statements in accordance with IFRS.

These are the first financial statements of the Company prepared in accordance with FRS 101. The Company's date of transition to FRS 101 is 1 January 2011 The Company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

FRS 101 sets out amendments to EU – adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with EU – adopted IFRS was not material on the shareholders' equity as at the date of transition and as at 31 December 2011 and on the profit or loss for the year ended 31 December 2011.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Basis of preparation (continued)

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows.

- Statement of cash flows
- Capital risk management
- Related party transactions
- Accounting policies issued but not yet effective
- Reduced disclosures in relation to share options

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below
The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates The critical accounting policies of the Company pertain primarily to pensions and investments which are described in further detail below.

Going concern

The Directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of Novartis UK Limited. The Directors have received confirmation that Novartis UK Limited intends to support the Company for at least one year after these financial statements are signed

New and amended standards adopted by the Company:

FRS101 *Reduced Disclosure Framework* has been early adopted and the standard has been applied for the first time for the financial year beginning 1 January 2012.

Turnover

Turnover represents amounts received and receivable for goods and services invoiced in the UK and overseas net of value added tax and other related taxes. All turnover is recognised at the date of delivery and client acceptance. All turnover is recognised after the netting off of discounts and rebates

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Research and development

Research and development costs are written off to the profit and loss account in the year in which they are incurred unless the development project meets the recognition criteria specified in IAS 38 in which case these costs are capitalised.

Tangible assets

All tangible assets are carried at historical purchase cost less accumulated depreciation and impairment losses. No provision is made for depreciation on freehold land. Depreciation is calculated so as to write off the cost less estimated residual value of the assets on a straight line basis over the expected useful economic lives, commencing when the assets are first brought into use.

The principal useful lives of assets used for this purpose are:

Leasehold building improvements	period of the lease
Plant and machinery	10 years

The residual values and the remaining useful economic lives are reviewed on an annual basis, by management.

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Stocks

Stock is valued at the lower of cost and net realisable value on a first in first out basis

Costs include expenditure which is incurred in the normal course of business in bringing the product or service to its present location and condition and a due proportion of overhead expenses. Net realisable value is the estimated selling price less all further costs to completion and estimated selling costs Provision is made for obsolescent, slow moving and defective stock recorded in cost of sales.

Debtors

Debtors are recognised initially at fair value less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Debtors (continued)

to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the debtor is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within 'selling and marketing costs'.

When a debtor is uncollectible, it is written off against the allowance account for trade debtors. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the profit and loss account.

Cash at bank and in hand

Cash at bank and in hand comprise deposits with banks and bank and cash balances. In the balance sheet, bank overdrafts are included in borrowings in current liabilities

Leases

Costs in respect of operating leases, that is, those where risks and rewards of ownership remain with the lessor, are charged on a straight line basis over the term of the lease in arriving at the operating profit for the year.

Pension costs

The Company contributes to the group defined benefit pension scheme and defined contribution schemes which are operated by Novartis UK Limited and the Company.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date, together with adjustments for any actuarial gains or losses and unrecognised past service costs

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Pension costs (continued)

The Company recognises in full, in accordance with IAS 19, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions as they arise outside of the profit and loss account, these being presented in the statement of total recognised gains and losses, with the exception of gains and losses arising from changes in the benefits relating to past services, which are recognised in the profit and loss account.

Past service costs are recognised immediately in the profit and loss account unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight line basis over the vesting period.

The contributions to defined contribution plans are recognised as an expense as the costs are incurred Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date

Provisions for other liabilities and charges

Provisions, in particular for restructuring costs and leasehold restorations, are recognised when the Company has a present legal or constructive obligation as a

1 Principal accounting policies (continued)

Provisions for other liabilities and charges (continued)

result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Deferred taxation

Provision is made for deferred tax liabilities, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with IAS 12 Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date

A net deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Share-based payments

The senior management share plans (further details of which are set out in note 17) are accounted for as equity-settled. The fair value is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the estimate of shares and options that will eventually vest with a corresponding credit recorded in equity. In the case of options granted, fair value is measured by use of the trinomial model.

In accordance with IFRS 2 the fair value of the equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the estimate of shares and options that will eventually vest. In the case of options granted, fair value is measured by use of the trinomial model.

The recharges, net of any attributable transaction costs, made by the parent company in respect of options granted are recorded as a debit to the share

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Principal accounting policies (continued)

Share-based payments (continued)

option reserve account. The share option reserve account is credited when the options are exercised

Foreign currencies

Foreign currency transactions during the year are translated into sterling at the rates of exchange in force at the time they arise. Both the functional and presentational currency is sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date Translation differences are taken to the profit and loss account.

2 Critical accounting estimates

The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the actual related results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are addressed below

Pensions

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions The assumptions used in determining the net cost for pensions include the discount rate Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high quality (AA rated) bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Notes to the financial statements for the year ended 31 December 2012 (continued)

2 Critical accounting estimates (continued)

Pensions (continued)

Other key assumptions for pension obligations are based in part on current market conditions, additional information is disclosed in note 18.

Investments

The Directors have reviewed the cost of investment as stated in the financial statements in respect of the underlying assets and cash flows. They believe it is stated at a fair value and that no impairment is required.

3 Turnover

The Directors consider that the operations of the Company fall into one business class, being the sale and distribution of consumer products for the eye and medical equipment for eye related surgery.

The analysis of turnover by geographical destination is as follows:

	2012 £'000	2011 £'000
United Kingdom (including acquired company (2011-£nil)	124,982	89,747
Continental Europe	5,591	5,412
Total turnover	130,573	95,159

Notes to the financial statements for the year ended 31 December 2012 (continued)

4 Operating profit

	2012 £'000	2011 £'000
The following items have been charged / (credited) in arriving at operating profit:		
Employee benefit expenses (note 17)	6,049	5,319
Depreciation of tangible assets (note 8)	285	140
Write down of tangible assets	-	30
Other operating lease rentals payable		
- plant and machinery	346	248
- other assets	474	197
Repairs and maintenance expenditure on property, plant and equipment	98	61
Exchange (gain) / loss	(31)	213
Fees payable to the Company's auditor for the audit pursuant legislation	78	41

5 Interest payable and similar charges and Interest receivable and similar income

	2012 £'000	2011 £'000
Interest payable and similar charges		
Interest payable on bank overdraft and other loans	(28)	(32)
Interest payable on inter-company loans	(180)	(7)
	(208)	(39)
Interest receivable and similar income		
Interest income on inter-company deposits	32	39
	32	39
Net interest payable	(176)	-

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on profit on ordinary activities

Analysis of charge in the year	2012 £'000	2011 £'000
Current tax		
- UK corporation tax on profits of the year	1,207	956
- Adjustments in respect of prior years	(314)	14
Total current tax	893	970
Deferred tax		
Origination and reversal of timing differences (accelerated capital allowances and other)	1,166	525
Adjustment in respect of prior years	4	3
Tax charge	2,063	1,498

Tax on items charged/(credited) to equity	2012 £'000	2011 £'000
Deferred tax charged/(credited) on actuarial gains/(losses)	854	(2,617)

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2012 £'000	2011 £'000
Profit before income tax	10,900	5,377
Profit on ordinary activities multiplied by rate of corporation tax in the UK of 24 5% (2011: 26.5%)	2,671	1,425
Effects of:		
Expenses not deductible for tax purposes	51	73
Adjustment in respect of rate changes	(349)	(17)
Adjustments in respect of prior years – deferred tax	4	3
Adjustments in respect of prior years – income tax	(314)	14
Tax charge for the year	2,063	1,498

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Tax on profit on ordinary activities (continued)

Factors that may affect future tax charge.

The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 17 July 2012 As this rate was substantively enacted prior to 31 December 2012, it has been reflected in the deferred tax asset at 31 December 2012

The UK Government has also indicated that it intends to enact further reductions in the main tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These changes to the main tax rate have not been substantively enacted at the Balance Sheet date, and, therefore, are not included in these financial statements.

7 Dividends

		2012		2011
	Per share (p)	£'000	Per share(p)	£'000
Dividend paid	-	-	909	5,000

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tangible assets

	Freehold land	Freehold buildings	Leasehold buildings improvements	Plant and equipment	Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 January 2012	-	-	477	1,048	-	1,525
Additions at cost	-	-	-	232	149	381
Transfer from subsidiary undertaking	2,284	3,082	-	449	70	5,885
Disposals	-	-	(477)	(1,000)	-	(1,477)
At 31 December 2012	**2,284**	**3,082**	**-**	**729**	**219**	**6,314**
Accumulated depreciation						
At 1 January 2012	-	-	473	1,020	-	1,493
Charge for the year	-	45	4	228	8	285
Disposals	-	-	(477)	(998)	-	(1,475)
At 31 December 2012	**-**	**45**	**-**	**250**	**8**	**303**
Net book value						
31 December 2012	**2,284**	**3,037**	**-**	**479**	**211**	**6,011**
31 December 2011	-	-	4	28	-	32

Included in tangible assets are assets amounting to £1,168,515 (2011: £1,033,395) which are fully depreciated but still in use.

9 Investments

Shares in group undertaking	**Subsidiary** £'000
Cost	
At 1 January 2012	11,500
Impairment charge	(2,064)
At 31 December 2012	9,436

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Investments (continued)

At 31 August 2012, all of the assets and liabilities (excluding deferred tax related pension assets and current tax liabilities) of Alcon Eye Care UK Limited's wholly owned subsidiary, Alcon Laboratories (U.K) Limited, were transferred to the Company. The book value of the assets of Alcon Laboratories (U K.) Limited at that date was £9,436,000

As a result of the transfer of trade and assets and the remaining net asset value retained in the subsidiary, the Directors have made a charge for impairment £2,064,000 at 31 December 2012

Subsidiary

Name	Ownership	Country of Incorporation	Principal Activity
Alcon Laboratories (U.K) Limited	100%	Great Britain	Trading
Cusi (UK) Limited	100%	Great Britain	Dormant

10 Stocks

	2012 £'000	2011 £'000
Finished goods	18,178	291
Stock provision	(1,961)	-
	16,217	291

The Company consumed £95,387k (2011: £66,950k) of stocks as an expense during the year.

The stock valuation provision amounted to £1,961k as at 31 December 2012 (2011: £nil).

ALCON EYE CARE UK LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Debtors

Current	2012 £'000	2011 £'000
Trade debtors	24,158	11,386
Less Provision for impairment of trade debtors	(148)	(18)
Trade debtors – net	24,010	11,368
Amounts owed by related parties	17,669	279
Prepayments	804	175
Total debtors	42,483	11,822

All debtors are stated at book value which approximates to their fair value. Trade debtors include amounts of £1,700k that are due after more than one year.

Concentrations of credit risk with respect to trade debtors are monitored closely in line with the Company's credit policy, at the balance sheet date there was no known significant risk. Due to this, management believe there is no further credit risk provision required in excess of normal provision for doubtful debtors

The carrying amounts of the Company's trade debtors are denominated in the following currencies:

	2012 £'000	2011 £'000
Pounds	22,541	11,210
Euros	1,469	437
Trade debtors	24,010	11,647

The creation and release of provision for impaired debtors have been included in selling and marketing costs in the profit and loss account.

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 Creditors – amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	4,435	2,358
Amounts owed to related parties	29,259	6,513
Other tax and social security payable	9,153	3,966
Accruals	5,104	2,838
	47,951	15,675

No security has been given by the Company in respect of the creditors detailed above

The Company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the Company's practice is to:

- agree the terms of payment at the start of business with the supplier;
- ensure that those suppliers are made aware of the terms of payment;
- pay in accordance with its contractual and other legal obligations.

13 Bank and other borrowings

Current Amounts falling due within one year:	2012 £'000	2011 £'000
Unsecured loan from group undertakings	26,564	3,500
	26,564	3,500

Loans from group undertakings consist of interest bearing loans with group undertakings These loans bear interest at the HSBC rate plus 1% and have no fixed expiry date.

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The note above analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not considered significant.

Notes to the financial statements for the year ended 31 December 2012 (continued)

14 Provisions for other liabilities and charges

	2012 £'000	2011 £'000
1 January	1,294	-
Transfer from Alcon Laboratories (U.K.) Limited	1,735	-
Additions in the year-charge to profit and loss account	222	1,294
Released- credit to profit and loss account	(522)	-
Utilised	(1,285)	-
31 December	1,444	1,294

Following the transfer of trade and assets agreement and purchase of Alcon Laboratories (U.K.) Limited, the above provisions were set up in both Alcon Eye Care UK Limited and Alcon Laboratories (U.K.) Limited to cover the restructuring activities of both companies. It is expected to be utilised in the next 12 months.

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Deferred tax

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior year. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23% (2011: 25%)

Movement on deferred taxation asset/(liability) in the year	2012	2011
	£'000	£'000
At 1 January	387	(1,702)
Profit and loss account charged	(1,170)	(528)
Tax (charged)/credited directly to equity	(854)	2,617
Amounts transferred from subsidiary undertaking	(419)	-
At 31 December	(2,056)	387

	2012	2011
	£'000	£'000
Depreciation in excess of capital allowances claimed	136	120
Retirement benefit obligations	(2,355)	205
Share based payments	163	62
Other short term timing difference	-	-
Total deferred tax	(2,056)	387

	2012	2011
	£'000	£'000
Deferred tax assets	299	387
Deferred tax liability	(2,355)	-
Net deferred (liability)/asset	(2,056)	387

16 Ordinary shares

Authorised	2012	2011
	£'000	£'000
750,000 (2011: 750,000) ordinary shares of £1 each	750	750
	750	750

Issued and fully paid		2012		2011
	Shares	£'000	Shares	£'000
Ordinary shares of £1 each	550,000	550	550,000	550

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Employees and directors

Employee benefit expenses during the year	2012 £'000	2011 £'000
Wages and salaries	7,296	5,887
Share based payments	93	25
Social security costs	864	532
Other pension credit (note 18)	(2,204)	(1,125)
	6,049	5,319

Average monthly number of people (including executive directors) employed	2012 Number	2011 Number
By activity :		
Sales & distribution	186	102
Administration	25	21
	211	123

Directors	2012 £'000	2011 £'000
Aggregate emoluments	107	306
	107	306

The above details include 1 director.

The emoluments of all other directors are paid by other group companies for their services in the Novartis Group and no recharge is made to the Company It is not possible to make an accurate apportionment in respect of their services to the Company and other Novartis group companies and their remuneration is therefore not included in the above figures. Their remuneration is disclosed in the respective accounts of the Novartis company from which they receive their remuneration.

No director (2011: none) was accruing benefits under the defined benefit scheme

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Employees and directors (continued)

Highest paid Director	2012 £'000	2011 £'000
Aggregate emoluments	107	306
	107	306

No share options (2011. none) were exercised by the highest paid Director.

Employee share participation plans

Employee and management share participation plans can be separated into share option plans and share plans.

Share option plans

Under the current plan, tradable share options are granted annually as part of remuneration of executives and other employees, as selected by the Board's Compensation Committee In 2004, the vesting period was changed from a two year vesting period to a three year vesting period Options granted must be exercised within 10 years from grant date. Each option entitles the holder to acquire one Novartis AG share at the exercise price, being the market value of the shares on grant date.

Share plans

The Novartis Share Incentive Plan ("SIP") is an HMRC approved plan open to all UK permanent employees Eligible employees may contribute up to £125 each month and the trustee of the plan uses the money to buy shares on their behalf For every two shares purchased the Company purchases another matching share at market price on grant date. The shares received under this plan have a three year vesting period. UK based directors are eligible to participate in the SIP.

The Incentive Conversion Plan provides incentive for certain employees where 10% of the annual bonus can be converted to shares. Shares received under the plan have a three year vesting period and are matched with one share for every two shares purchased at market price on grant date In 2012 employees received 633 shares under the scheme (2011: nil).

ALCON EYE CARE UK LIMITED

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Employees and directors (continued)

Share plans (continued)

The market value of the shares held in trust at year end was £93,684 (2011: £167,664).

The following table shows the assumptions on which the valuation of share options granted during the year was based on·

	2012	2011
Valuation date	January 19, 2012	January 19, 2011
Expiration date	January 19, 2022	January 19, 2021
Closing share price on grant date	CHF 54.20	CHF 54 70
Exercise price	CHF 54.20	CHF 54.70
Volatility	14.85%	14.90%
Expected dividend yield	4.82%	4.82%
Interest rate	0.94%	2 06%
Market value of option at grant date	CHF 4.30	CHF 5 06

All options were granted at an exercise price which was equal to or greater than the market price of the Group's shares at the grant date.

The following table summarises information about the share options outstanding at 31 December 2012:

	Options outstanding			Options exercisable	
Range of exercise prices CHF	Number outstanding	Average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
50 – 59	30,297	7 71	54 92	4,204	57 45
70 – 79	26,840	4 35	72 55	26,840	72.55
Total	57,137	6.13	63 20	31,044	70.51

Notes to the financial statements for the year ended 31 December 2012 (continued)

17 Employees and directors (continued)

Share plans (continued)

The weighted average exercise prices and the fair value of options granted are quoted in Swiss Francs (CHF), the currency of issue of such options in the parent company

18 Pension commitments

The Company participated in two pension schemes, Novartis UK Limited Pension Scheme and the Alcon Laboratories (U.K.) Limited Pension Scheme. During 2012, as part of the transfer of trade and assets activities between the Company and Alcon Laboratories (U.K.) Limited, the Alcon Laboratories (U.K.) Limited pension asset was transferred to Alcon Eye Care UK Limited. The net asset in the scheme was transferred at book value and the Company received consideration equal to the net liability transferred.

(a) Novartis UK Limited pension scheme

The Company participates in defined benefit and defined contribution pension schemes operated by Novartis UK Limited for its UK employees, with assets held in a separately administered fund. Towers Watson are the advising actuaries for the Company scheme All actuarial gains and losses are recognised through the statement of total recognised gains and losses, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the profit and loss account.

In the defined benefit plan (final salary scheme) contributions over the year ended 31 December 2012 were paid by members of 4% (minimum) or 6% (voluntary) of pensionable pay per annum (2011: 4% (minimum) or 6%(voluntary)) and by the Company of 15% of pensionable pay per annum (2011: 15%)

Pension costs for defined contribution schemes are as follows·

	2012 £'000	2011 £'000
Defined contribution schemes	441	209

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans

In calculating the liabilities of the defined benefit scheme, the following financial assumptions have been used:

	2012	2011	2010	2009	2008
Discount rate	4 75%	5 00%	5 75%	5 75%	6 25%
Salary growth	n/a[2]	4 20%	4 70%	4 80%	4 10%
RPI	3 10%	3 20%	3 70%	3 80%	3 10%
Pension-in payment increases	3 10%	3 20%	3 70%	3 80%	3 10%
Post retirement mortality assumption	S1NMA/S1 NFA	S1NMA/S1 NFA	S1NMA/S1 NFA	PNMA00/ PNFA00[1]	PNMA00/ PNFA00[1]
Expected return on assets	n/a[3]	6 10%	6 90%	7 50%	7 20%

(1) These are updated versions of the PA92 standard mortality tables to allow for more recent mortality experience. The standard table has been projected forward in line with the medium cohort projection from 2000 onwards based on each member's year of birth.

(2) Following the closure of the scheme, pension payments are linked to RPI rather than salary growth and hence this measure is no longer applicable.

(3) Following the expected adoption of IAS 19R the return on assets will no longer be applicable with the discount rate being used to calculate interest income on plan assets.

The expected return on plan assets is a blended average of projected long term returns for the various asset classes. Asset classes are based on the forward looking building block approach Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the plan's holdings of these instruments.

Under the current pension scheme rules, retiring employees are allowed to take up to a maximum of 25% of the value of their pension fund as a lump sum. The scheme valuation has assumed a 15% (2011 15%) conversion rate since it is not expected that all employees will take the maximum cash lump sum.

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

The major categories of assets as a percentage of total plan assets are as follows:

Asset category	%	2012 £000's	%	2011 £000's
Equities and hedge funds	47%	39,881	47%	38,205
Bonds	37%	30,841	39%	31,525
Other	16%	13,773	14%	11,730
Total	100%	84,495	100%	81,460

The amounts recognised in the balance sheet are determined as follows:

	2012 £'000	2011 £'000
Fair value of plan assets	84,495	81,460
Present value of defined benefit obligation	(78,355)	(80,255)
Surplus	6,140	1,205

The amounts recognised in the profit and loss account are as follows:

	2012 £'000	2011 £'000
Current service cost	-	293
Interest cost	3,852	4,318
Expected return on plan assets	(4,497)	(5,871)
Curtailments	-	(74)
Total included within employee benefit expenses (note 17)	(645)	(1,334)

The total credit is included in administrative expenses.

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

Change in the defined benefit obligation:

	2012 £'000	2011 £'000
Present value of defined benefit obligation at start of year	80,255	78,294
Current service cost	-	293
Interest cost	3,852	4,318
Contributions by plan participants	-	85
Actuarial loss	1,191	3,598
Curtailments	-	(74)
Benefit payments	(6,943)	(6,259)
Present value of defined benefit obligation at end of year	78,355	80,255

Change in plan assets:

	2012 £'000	2011 £'000
Fair value of plan assets at start of year	81,460	85,267
Expected return on plan assets	4,497	5,871
Actuarial gain/(loss) on plan assets	3,888	(5,178)
Employer contributions	1,593	1,674
Contributions by plan participants	-	85
Benefit payments	(6,943)	(6,259)
Fair value of plan assets at end of year	84,495	81,460

Amount recognised in the statement of total recognised gains and losses:

	2012 £'000	2011 £'000
Actuarial loss on defined benefit obligation	1,191	3,598
Actuarial (gain)/loss on plan assets	(3,888)	5,178
Actuarial (gain)/loss	(2,697)	8,776
Deferred tax on actuarial gain/(loss)	675	(2,617)
Net actuarial (gains)/losses recognised in the statement of total recognised gains and losses	(2,022)	6,159

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

The history of experience (gains)/ losses.

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Experience (gains)/losses on plan assets	(3,888)	5,178	(4,021)	(1,082)	2,281
Percentage of plan assets	5%	6%	5%	10%	26%
Experience losses/(gains) on plan obligation	1,191	3,598	(4,529)	2,588	(2,049)
Percentage of plan obligation	2%	4%	6%	21%	23%
Fair value of plan assets	84,495	81,460	85,267	10,944	8,852
Present value of plan obligation	78,355	80,255	78,294	1,2432	8,899
Surplus/(deficit)	6,140	1,205	6,973	(1,488)	(47)

The Company expects to contribute £1,369,000 to the group pension scheme in 2013 (2012· £ 246,000)

(b) Alcon Laboratories (U.K.) Limited pension scheme

During 2012, the Alcon Laboratories (U.K.) Limited Pension Scheme was transferred to Alcon Eye Care UK Limited. The net asset in the scheme was transferred at book value and the Company paid consideration equal to the book value of the net asset transferred.

The Company participates in a defined benefit pension scheme with assets held in a separately administered fund. All actuarial gains and losses are recognised through the statement of total recognised gains and losses, with the exception of gains and losses arising from changes in the benefits regarding past services, which are recognised in the profit and loss account

In the defined benefit plan (final salary scheme), contributions over the year ended 31 December 2012 were paid by members at a rate of 4% (minimum) or 6% (voluntary) of pensionable pay per annum and by the Company of 15% of pensionable pay per annum

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

In calculating the liabilities of the defined benefit scheme, the following financial assumptions have been used·

	2012
Discount rate	4 75%
Salary growth	n/a[1]
RPI	3 10%
Pension-in payment increases	3 10%
Post retirement mortality assumption	S1NMA/S1 NFA
Expected return on assets	n/a[2]

[1] Following the closure of the scheme, pension payments are linked to RPI rather than salary growth and hence this measure is no longer applicable

[2] Following the expected adoption of IAS 19R the return on assets will no longer be applicable with the discount rate being used to calculate interest income on plan assets.

The expected return on plan assets is a blended average of projected long term returns for the various asset classes Asset classes are based on the forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with the yield on government bonds. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the plan's holdings of these instruments

Under the current pension scheme rules, retiring employees are allowed to take up to a maximum of 25% of the value of their pension fund as a lump sum. The scheme valuation has assumed a 15% (2011 15%) conversion rate since it is not expected that all employees will take the maximum cash lump sum.

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

The major categories of assets as a percentage of total plan assets are as follows:

		2012		2011
Asset category	%	£000's	%	£000's
Equities and hedge funds	60%	30,497	-	-
Bonds	39%	19,905	-	-
Other	1%	768	-	-
Total	100%	51,170	-	-

The amounts recognised in the balance sheet are determined as follows:

	2012	2011
	£'000	£'000
Fair value of plan assets	51,170	-
Present value of defined benefit obligation	(45,407)	-
Surplus	5,763	-

The amounts recognised in the profit and loss account are as follows:

	2012	2011
	£'000	£'000
Current service cost	265	-
Interest cost	742	-
Expected return on plan assets	(976)	-
Curtailments	(2,031)	-
Total included within employee benefit expenses (note 17)	(2,000)	-

The total credit is included in administrative expenses.

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

Change in the defined benefit obligation:

	2012 £'000	2011 £'000
Present value of defined benefit obligation at start of year	-	-
Transfer from Alcon Laboratories (U K.) Limited	46,839	
Current service cost	265	-
Interest cost	742	-
Contributions by plan participants	424	-
Actuarial loss	1,433	-
Curtailments	(2,031)	-
Benefit payments	(2,265)	-
Present value of defined benefit obligation at end of year	45,407	-

Change in plan assets:

	2012 £'000	2011 £'000
Fair value of plan assets at start of year	-	-
Transfer from Alcon Laboratories (U K) Limited	49,039	
Expected return on plan assets	976	-
Actuarial gain on plan assets	2,210	-
Employer contributions	786	-
Contributions by plan participants	424	-
Benefit payments	(2,265)	-
Fair value of plan assets at end of year	51,170	-

Notes to the financial statements for the year ended 31 December 2012 (continued)

18 Pension commitments (continued)

Defined benefit plans (continued)

Amount recognised in the statement of total recognised gains and losses:

	2012 £'000	2011 £'000
Actuarial loss on defined benefit obligation	1,433	-
Actuarial gain on plan assets	(2,210)	-
Actuarial gain	(777)	-
Deferred tax on actuarial gain	179	-
Net actuarial gains recognised in the statement of total recognised gains and losses	(598)	-

The history of experience (gains)/ losses

	2012 £'000
Experience gains on plan assets	(2,210)
Percentage of plan assets	4%
Experience losses on plan obligation	1,433
Percentage of plan obligation	3%
Fair value of plan assets	51,170
Present value of plan obligation	45,407
Surplus	5,763

The Company expects to contribute £nil to the group pension scheme in 2013.

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 Operating lease commitments

Commitments under non-cancellable operating leases expiring

	2012 £'000	2011 £'000
Plant, machinery and equipment		
- within one year	436	145
- two to five years	565	49
Other assets		
- within one year	-	65
	1,001	259

The lease agreements for plant and machinery have various terms, escalation clauses and renewal rights.

20 Contingent liabilities

The Company is party to a composite cross-undertaking to its principal banker (HSBC plc) to secure the liabilities to the bank of its fellow UK group companies. The contingent liability is limited to the net cash position of the Company's own bank account of £69,000 (2011. £114,000), to the extent that it is required to cover the total liabilities of the group companies who are party to the cross guarantee.

The maximum potential liability for the total UK group is limited to the overdraft position of the UK companies bank accounts, calculated on cleared funds As at 31 December 2012 the net borrowing and overdraft position of the UK companies was £655,000 (2011: net deposit and cash position £75,231,000).

The total facility for the total UK group is a £6m overdraft facility (2011. £65million borrowing facility and £35m overdraft)

21 Parent undertakings

The Directors regard Novartis AG, a company incorporated in Switzerland, as the Company's parent undertaking and controlling party. Copies of the group financial statements can be obtained from Novartis AG, Building S-210, CH-4002, Basel, Switzerland.

Notes to the financial statements for the year ended 31 December 2012 (continued)

21 Parent undertakings (continued)

Novartis AG, a company incorporated in Switzerland, is the Company's ultimate parent undertaking and controlling party Copies of the group financial statements can be obtained from Novartis AG, Building S-210, CH-4002, Basel, Switzerland.

Novartis AG is the parent undertaking of the largest and smallest group of which Alcon Eye Care UK Limited is a member and for which group financial statements are drawn up.

Novartis AG is the immediate parent undertaking and the parent undertaking of the smallest group of which Alcon Eye Care UK Limited is a member

22 Post balance sheet event

On 3 April 2013 it was decided by the Board and communicated that the Company planned to exit and sell its land and buildings in Hemel Hempstead The Directors have obtained external valuations, by Lambert Smith Hampton, of the site for the process of selling the site which indicates a sale value between £2.5 to £4 0m Based on the mid-point range of £3 3m this would result in an impairment of £2.0m based on the current book value of the land and buildings which will be recorded in the financial statements for the year ended 31 December 2013.