AbbVie Ltd

Registration Number: 8004972

Annual Report and Financial Statements

for the Year Ended 31 December 2019

Company Information

Directors	R A Michael A E Butler T D Manning
Company secretary	K A Poots
Registered office	AbbVie House Vanwall Business Park Vanwall Road Maidenhead Berkshire SL6 4UB
Bankers	Deutsche Bank AG London 6 Bishopsgate London EC2N 4DA
Auditors	Ernst & Young LLP Apex Plaza Forbury Road Reading Berkshire RG1 1YE

Contents

Strategic Report

The directors present their Strategic Report for the year ended 31 December 2019.

Business review

Fair review of the business

The principal activities of AbbVie Ltd (hereafter referred to as "the Company") continued to be the supply of research based pharmaceutical products. The key financial indicators during the year were as follows:

	2019 £ 000	**2018 £ 000**	**Change %**
Turnover	155,383	553,979	-72%
Operating profit	6,114	25,289	-76%
Profit after tax	30,254	24,280	+25%
Net assets	346,886	337,200	+3%

Turnover of £155,383,000 represented a decrease of 72% on prior year. In October 2018 the HUMIRA® composition of matter patent expired in many parts of Europe, including the UK. This led to the introduction of new biosimilar competition in the UK market, having a downward effect on sales which has impacted 2019 revenue.

Operating profit decreased by 76% in line with the reduction in revenue.

Profit after tax has increased 25% to £30,254,000 after receiving a dividend of £22,396,000 from the Company's subsidiary AbbVie Australasia Holdings Limited.

In immunology, SKYRIZI® (risankizumab) was granted European Commission approval for the treatment of moderate to severe plaque psoriasis in April 2019, and the first patient was initiated on SKYRIZI® during 2019. In December 2019, RINVOQ® (upadacitinib) was granted EU Marketing Authorisation for the treatment of moderate to severe rheumatoid arthritis (RA). RINVOQ® is licensed for those who have responded inadequately or are intolerant to one or more disease modifying therapies.

In oncology, late 2018 saw approval for the combination of VENCLYXTO® plus rituximab to treat certain patients with chronic lymphocytic leukemia (CLL), a second indication for this medicine. This approval makes VENCLYXTO® plus rituximab the first chemotherapy-free combination with a 24-month fixed duration for the treatment of patients with CLL who have received at least one prior therapy.

In virology, during 2018 NHS England announced plans to eliminate Hepatitis C Virus (HCV) in England by 2025. In early 2019 the Company was awarded a market allocation allowing patients throughout England access to MAVIRET®, the Company's HCV medicine. Together with other companies awarded in the tender, the Company is contributing to HCV elimination activities in England and the devolved nations.

The Company routinely assesses its portfolio and approach to ensure an operating model that is most optimum to the UK environment and the continued provision of innovative medicines in areas of unmet patient need. A thorough assessment led to the proposal of reducing the number of employees in the UK to ensure success for the organisation in the longer term. The new organisational structure took effect 1 May 2019. This will enable the Company to preserve its presence and expertise in the UK whilst keeping its customer focus, meet patient needs and prepare for successful new product launches.

Strategic Report (continued)

Future developments

The Company is part of the AbbVie Inc. Group (hereafter referred to as "the Group"), which continues to invest in key therapeutic areas including immunology, oncology, virology and neuroscience as it strives to bring innovative new treatments to patients and improve outcomes.

In oncology, this is evidenced by the European Commission approval in early 2020 for the combination of VENCLYXTO® (venetoclax) with obinutuzumab as a chemotherapy-free combination regimen with a 12-month fixed treatment duration for adult patients with previously untreated chronic lymphocytic leukaemia (CLL). This is the third indication approval for VENCLYXTO® by the European Commission.

In immunology, following the EU Marketing Authorisation in late 2019 the first patients were initiated on RINVOQ® in early 2020.

On 8 May 2020, AbbVie Inc. announced that it had completed its acquisition of Allergan plc following receipt of regulatory approval from all government authorities required by the transaction agreement and approval by the Irish High Court.

COVID-19

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Whilst we have not seen a significant impact on our business to date, the outbreak could interfere with general activity levels within the community, the economy and the activities of our customers. Potential reduced product demand inputs may result in a reduction in revenue and operating cashflows. It is not possible to estimate the impact of the outbreak's near-term and longer effects, if any, or governments' varying efforts to combat the outbreak and support businesses.

Brexit

On 31 January 2020, the UK left the European Union (EU) and entered a transition period whereby it will continue to follow all EU rules and the trading relationship will remain the same. The transition period is scheduled to end on 31 December 2020. The Company has been undertaking robust contingency planning to ensure preparedness for post-transition period scenarios adopting UK and EU guidance as appropriate. The Company's primary aim is to maintain supply of medicines to patients in the UK and the EU. In light of any reasonable worst case scenario, the Company is ensuring that all products will be stock-piled at their third-party warehouse based in England to ensure sufficient supplies and no interruption to patient demand.

The Company continues to engage with Government, regulatory and other public bodies to ensure preparedness in line with latest recommendations, including in regulatory and supply fields. The situation will continue to be reviewed; however, the Company is well prepared and foresees no significant impact on its future viability as a result of Brexit.

Strategic Report (continued)

Competitive risks

The markets for the Company's products are highly competitive. The Company competes with other research-based pharmaceuticals and biotechnology companies that market and sell proprietary pharmaceutical products and biologics. For example, HUMIRA® competes with anti-TNF products and other competitive products intended to treat a number of disease states and the Company's virology products compete with other available HCV treatment options.

The search for technological innovations in pharmaceutical products is a significant aspect of competition. The introduction of new products by competitors and changes in medical practices and procedures is inherent in the pharmaceutical operating environment.

Price is also a competitive factor. In addition, the substitution of generic pharmaceutical products for branded pharmaceutical products creates competitive pressures on the Company's products that do not have patent protection. New products or treatments brought to market by the Company's competitors could cause revenues for the Company's products to decrease due to price reductions and sales volume decreases.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The Company's policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debt. At 31 December 2019, the number of third party debtors who breached their credit limits was approximately 0.05% on a value basis.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company minimises liquidity risk by managing cash generation through its operations and applying cash target collections.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability. The Company manages this risk, where significant, through use of derivatives, which are managed at group level.

Financing risk

The Company is financed by share capital and consequently does not have any financing risk.

Financial instrument risk

The Company is part of the AbbVie Inc. Group which manages foreign exchange risk and exposure on behalf of the Company. The Group uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments in a foreign currency.

Strategic Report (continued)

Statement by the directors in performance of their statutory duties in accordance with s172 of the Companies Act 2006

The directors of AbbVie Ltd consider in good faith that they have acted in a way that would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have had regard (amongst other matters) to factors set out in s172(1) (a) to (f) of the Companies Act 2006 (hereafter s172) in respect of the decisions taken during the fiscal year.

Matters for regard are:

(a) the likely consequences of any decision in the long term,

(b) the interests of the company's employees,

(c) the need to foster the company's business relationships with suppliers, customers and others,

(d) the impact of the company's operations on the community and the environment,

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly between members of the company.

Board Meetings are held at regular intervals throughout the year. At the beginning of each Board Meeting the directors are reminded of their duties under s172. When a new director joins the Board, they are briefed on their duties by the Company's outside legal counsel, this professional advice is accessible throughout the year.

The below statement gives an overview as to how the directors have discharged their duties in respect of s172. The statement has been prepared to the necessary level of detail in light of the deemed complexities of the business and its relationship with, and governance from the wider AbbVie Group.

Business strategy and long term decision making

The cross-functional UK Leadership Team is led by the UK General Manager who also sits on the Company Board of Directors. The UK Leadership Team is central in deciding business critical decisions on all aspects of Company operations and have been delegated day to day decision making by the directors, subject to defined limits. The Company has a number of strategic priorities which are aligned to wider Group priorities. These are actively monitored throughout the year. Operational success is managed and reported via the annual planning processes and the 5 year long range plan process which is approved at Group level.

The UK Leadership Team is also responsible for ensuring a robust control environment is in operation to ensure compliance to wider Group policies.

Dividend policy is governed by Group Treasury. Dividend proposals are reviewed and approved by the Company directors.

Strategic Report (continued)

Employee engagement and culture

The employee experience at AbbVie and the culture that has been built is critically important and central to the business strategy. Underpinning AbbVie are The Ways We Work values which embody our working culture. They are a core set of behaviours for all employees, which make clear that how we achieve results is equally as important as achieving them.

An annual All UK Conference is traditionally held to act as a company wide teambuilding event acting as an opportunity to align employees on Group and local Company strategy.

The General Manager conducts Town Halls to provide a platform to update employees on business performance, wider industry or national matters and other relevant topics. Regular culture surveys act as key temperature checks for the Company. Employee engagement is sought on a continual basis via the Joint Consultative Forum, facilitating a mechanism to resolve employee concerns.

2019 saw the Company, for the 2nd year in a row, awarded a top 15 place in the Great Place to Work survey. 2019 has also seen AbbVie placed in the UK Best Workplaces for Women rankings, an award recognising organisations that provide the best employee experience for all and fostering development among female employees.

Equality, diversity and inclusion

Embracing equality, diversity and inclusion is fundamental. AbbVie Group is proud to offer an environment that allows our colleagues to achieve their full potential. At AbbVie, Equality, Diversity & Inclusion means:

Equality is appreciating differences and treating people with dignity and respect. It is the fair treatment of people regardless of their visible or less visible characteristics such as gender, race, physical or mental disability, religion, nationality, sexual orientation or age.

Diversity is valuing and sharing an infinite range of ideas, viewpoints and backgrounds to broaden our perspectives. The Company seeks to build diverse teams at every level of the organisation.

Inclusion is actively accepting each person as an important part of our organisation,and encouraging collaboration between individuals and teams with different points of view. Inclusion enables a sense of belonging and it is how we create the most value from a diverse team.

Business relationships

Delivering our strategy requires strong mutually beneficial relationships with suppliers and customers.

The Company operates in a manner that promote fair and positive supplier relationships. Operating through their Purchasing and Supplier Management division it upholds rigorous policies which govern interactions with suppliers to ensure Enhanced Due Diligence screening is performed on certain new vendors to ensure integrity and ethical compliance in our supply chain.

We work in partnership with the UK government, the NHS, healthcare professionals, patient organisations and other stakeholders to create sustainable healthcare solutions that will improve outcomes for people living with illness not only now, but in years to come. We want to have more profound connections with our partners than a simple, transactional client-customer relationship. We want to build an excellent reputation as an ethical, responsible company and to be seen as a trusted partner. This will be good for our culture, good for our business and - ultimately - good for patients.

The UK General Manager sits on the Board of the Association of the British Pharmaceutical Industry (ABPI) helping to form the strategy and direction for the industry.

Strategic Report (continued)

The community and environment

AbbVie is committed to having a remarkable impact by going beyond medicines. The UK Grants and Donations Committee oversee a process for Healthcare Organisations or Charitable Institutions to apply for funding to support the delivery of their work that delivers education or health based projects, subject to transparently available criteria.

Patients at Heart is AbbVie's Corporate Social Responsibility Program. The Week of Possibilities is AbbVie's signature global employee volunteer event which benefits underserved populations in communities where AbbVie employee's live.

AbbVie provides up to 2 days each year to take part in volunteer activities that align with AbbVie's commitments of building strong communities, sustainable healthcare and effective educational programs.

We strive to find safer, smarter, more sustainable ways to run our business. We seek innovative ways to improve the health of patients, operate responsibly, be stewards of the environment, and actively engage the communities where we work and live. We recognise the environmental risks associated with our operations both locally and globally and put in place programs to address such risks. We focus on key areas of environmental stewardship - energy, water, waste, pharmaceuticals in the environment and environmentally responsible procurement.

Our reputation and Business Conduct

The Company provides life-saving medicines and therapies to patients and so operates in a highly regulated environment.

The Code of Business Conduct, issued by AbbVie Group, sets forth core guidelines and requirements for ethical behaviour. Employees read and certify adherence to the Code annually.

In addition to the Code, we have policies and procedures that guide employees as they conduct their day-to-day activities. They take into account industry best practices, including provisions of the International Federation of Pharmaceutical Manufacturers & Associations (IFPMA) Code of Pharmaceutical Marketing Practices and the Association of the British Pharmaceutical Industry (ABPI) Code of Practice for the Pharmaceutical Industry, as well as other applicable industry codes. We regularly update our policies to incorporate changes to the law and industry codes, including rules regarding gifts, meals and education we provide to health care professionals.

AbbVie also complies with legal, industry and relevant institutions' requirements regarding the interaction of our employees with health care professionals and organisations. We comply with all rules regarding transparency about our relationships with individuals and entities involved in providing health care. As required, we track and report payments and transfers of value provided to health care professionals and organisations.

Fairness between Shareholders

We as directors are committed to acting equitably and fairly across all shareholders, internal and external. Operating as one AbbVie team, we care deeply for our patients, their families, our employees, and our communities. We strive to always do the right thing, pursuing the highest standards in quality, compliance, safety, and performance. In everything we do, we invest and innovate relentlessly to tackle unmet needs, creating new medicines and healthcare approaches for a healthier world.

Approved by the Board on 28/10/20 and signed on its behalf by:

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T D Manning
Director

Directors' Report

The directors present their report and the financial statements for the year ended 31 December 2019.

Dividend

A dividend of £22,396,000 was paid during the year *(2018: £nil)*.

Directors of the Company

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

W J Chase (resigned 1 April 2019)

G M White (resigned 1 September 2019)

J M Bouyer (resigned 1 September 2019)

R A Michael (appointed 1 April 2019)

A E Butler (appointed 1 September 2019)

T D Manning (appointed 1 September 2019)

Research and development

Research and innovation are the cornerstones of the Group's business as a global biopharmaceutical company. The Group's long-term success depends to a great extent on its ability to continue to discover and develop innovative pharmaceutical products and acquire or collaborate on compounds currently in development by other biopharmaceutical companies.

Directors' liabilities

The Company has made qualifying third party indemnity provisions for the benefit of its directors throughout the period which remain in force at the date of this report.

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit and liquidity and cash flow risk are described in the Strategic Report on pages 1 to 6. The Company has considerable financial resources together with long term contracts with a number of customers. As a consequence, the directors believe that the Company is well placed to manage its business successfully despite the current uncertain economic outlook.

The potential impact of COVID-19 has been considered in preparation of the financial statements and the expected impact on the Company's ability to continue as a going concern. See note 23 for further details.

Based on the above the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

Employment of disabled persons

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

Directors' Report (continued)

Employee involvement

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as an employee and the various factors affecting the performance of the Company. This is achieved by formal and informal meetings and company 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 incentive schemes and are able to invest in the Company through participation in the share purchase and RSU schemes.

Events after the financial period

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Whilst the Company has not seen a significant impact on its business to date, the outbreak could interfere with general activity levels within the community, the economy and the activities of its customers. Potential reduced product demand inputs may result in a reduction in revenue and operating cashflows. It is not possible to estimate the impact of the outbreak's near-term and longer effects, if any, or governments' varying efforts to combat the outbreak and support businesses. This being the case, the Company does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time. No adjustments have been made to the financial statements as at 31 December 2019 related to COVID-19.

On 8 May 2020, AbbVie Inc. announced that it has completed its acquisition of Allergan plc following receipt of regulatory approval from all government authorities required by the transaction agreement and approval by the Irish High Court. The impact on AbbVie Ltd has not yet been determined. No adjustments have been made to the financial statements as at 31 December 2019 related to the Allergan acquisition.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report are aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP are deemed to be reappointed as auditors of the Company.

Approved by the Board on 28/10/20 and signed on its behalf by:

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T D Manning
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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 have 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 TO THE MEMBERS OF ABBVIE LTD.

Opinion

We have audited the financial statements of AbbVie Ltd. for the year ended 31/12/2019 which comprise the Profit and Loss Account, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31/12/2019 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Paul Etherington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date: 2 November 2020

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	2	155,383	553,979
Cost of sales		(55,955)	(406,531)
Gross profit		99,428	147,448
Distribution costs		(11,728)	(23,152)
Administrative expenses		(81,586)	(99,007)
Operating profit	3	6,114	25,289
Interest receivable and similar income	6	3,820	3,552
Interest payable and similar charges	7	(18)	(15)
Income from shares in group undertakings	8	22,396	-
Profit before tax		32,312	28,826
Taxation	9	(2,058)	(4,546)
Profit for the financial year		30,254	24,280
Other Comprehensive Income			
Currency translation differences on foreign currency net investment		(121)	132
Remeasurement of the net defined benefit asset	18	18,400	1,200
Deferred tax arising on gains in the pension scheme		(4,546)	(204)
Unrealised (loss)/gain on cash flow hedges		(15,919)	32,527
Deferred tax arising on derivatives		3,267	(5,862)
Total comprehensive income for the year		31,335	52,073

All amounts relate to continuing operations.

The notes on pages 16 to 38 form an integral part of these financial statements.

(Registration number: 8004972)
Statement of Financial Position as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Investments	10	82,512	82,512
Intangible assets	11	1,765	1,906
Tangible assets	12	3,867	4,486
		88,144	88,904
Current assets			
Stocks	13	27,689	87
Debtors	14	166,869	258,285
Cash at bank and in hand		836	994
		195,394	259,366
Creditors: Amounts falling due within one year	15	(29,988)	(83,875)
Net current assets		165,406	175,491
Total assets less current liabilities		253,550	264,395
Creditors: Amounts falling due after more than one year	15	(1,029)	(4,057)
Pension asset	18	94,365	76,862
Net assets		346,886	337,200
Capital and reserves			
Called up share capital	20	129,206	129,206
Share premium		39	39
Capital contribution		67	(680)
Unrealised gain on cash flow hedges before tax		-	15,919
Profit and loss account		217,574	192,716
Shareholders' funds		346,886	337,200

Approved and authorised by the Board on 28/10/20 and signed on its behalf by:

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T D Manning
Director

The notes on pages 16 to 38 form an integral part of these financial statements.

Statement of Changes in Equity for the Year Ended 31 December 2019

	Called-up share capital £ 000	Share premium £ 000	Capital contribution £ 000	Profit and loss account £ 000	Cash flow hedge reserve £ 000	Total equity £ 000
At 1 January 2019	129,206	39	(680)	192,716	15,919	337,200
Profit for the year	-	-	-	30,254	-	30,254
Other comprehensive income	-	-	-	17,000	(15,919)	1,081
Total comprehensive income	-	-	-	47,254	(15,919)	31,335
Dividends	-	-	-	(22,396)	-	(22,396)
FRS 102 deemed capital contribution	-	-	3,997	-	-	3,997
Parent undertaking charge for share based payments	-	-	(3,250)	-	-	(3,250)
At 31 December 2019	129,206	39	67	217,574	-	346,886

	Called-up share capital £ 000	Share premium £ 000	Capital contribution £ 000	Profit and loss account £ 000	Cash flow hedge reserve £ 000	Total equity £ 000
At 1 January 2018	129,206	-	1,350	173,170	(16,608)	287,118
Profit for the year	-	-	-	24,280	-	24,280
Other comprehensive income	-	-	-	(4,734)	32,527	27,793
Total comprehensive income	-	-	-	19,546	32,527	52,073
Other share premium reserve movements	-	39	-	-	-	39
FRS 102 deemed capital contribution	-	-	4,165	-	-	4,165
Parent undertaking charge for share based payments	-	-	(6,195)	-	-	(6,195)
At 31 December 2018	129,206	39	(680)	192,716	15,919	337,200

The notes on pages 16 to 38 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2019

1 Accounting policies

Summary of key accounting policies
AbbVie Ltd (the "Company") is a private company limited by shares and incorporated and domiciled in England (no. 8004972). The address of the registered office is AbbVie House, Vanwall Business Park, Vanwall Road, Maidenhead, Berkshire, SL6 4UB, UK.

The Company is exempt by virtues of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, AbbVie Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of 31 December 2019 are prepared in accordance with US Generally Accepted Accounting Practice and are available to the public and may be obtained from abbvie.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

• Cash Flow Statement and related notes; and

• Key Management Personnel compensation.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

• Certain disclosures required by FRS 102.26 *Share Based Payments*; and,

The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company is exempt from disclosing related party transactions as all of them are with other companies that are wholly owned within the same group.

The Company proposed to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Going concern
The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposure to price, credit and liquidity and cash flow risk are described in the Strategic Report on pages 1 to 6. The Company has considerable financial resources together with long term contracts with a number of customers. As a consequence, the directors believe that the Company is well placed to manage its business successfully despite the current uncertain economic outlook.

The potential impact of COVID-19 has been considered in preparation of the financial statements and the expected impact on the Company's ability to continue as a going concern. See note 23 for further details.

Based on the above and the continuing support of the ultimate parent the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

Foreign currency transactions and balances
Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The differences arising from the translation of net interests in overseas branches are dealt with through reserves as are differences between profits translated at average and closing rates.

Fixed assets investments
Fixed assets investments are stated at historical cost less provision for any diminution in value.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as hedge of variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of derivative are recognised immediately in profit and loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income ("OCI"). Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Tangible assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation
Depreciation methods and useful lives are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Asset class	***Depreciation method and rate***
Leasehold improvements	10 - 20 years
Plant and machinery	4 - 10 years

Intangible assets

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. Goodwill has no residual value.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with Section 27 "Impairment of Assets" when there is an indication that goodwill may be impaired.

Asset class	***Amortisation method and rate***
Goodwill	Amortised over a period of 20 years

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment the impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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

Defined contribution pension obligation

The Company operates a defined contribution pension scheme. A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Defined benefit pension obligation

The Company operates a defined benefit pension scheme under which contributions by employees and the Company are held in a separately administrated trustee company. A defined benefit plan is defined as a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the rate equivalent to the current rate of return on high quality corporate bonds of equivalent currency and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed by a qualified actuary using the projected unit credit method at three year intervals and is updated at each balance sheet date. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. The defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

Changes in the net defined benefit asset arising from employee service rendered during the period, net interest on net defined benefit asset, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit asset is recognised in other comprehensive income in the period in which it occurs.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, all expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date cancellation, and any cost not yet recognised in the profit and loss account for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account. The financial effort of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements, in particular the parent company records an increase in its investment in subsidiaries with a credit to equity equivalent to the FRS 102 cost to the subsidiary undertaking.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Provisions
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.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Revenue recognition
Turnover represents the invoiced value of goods supplied, excluding VAT, after making allowance for discounts and returns. Turnover is recognised on the date that goods are delivered to the customer.

Leases

Operating leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable
Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Interest receivable is due to the Company from cash deposits with affiliated companies or third party banks. Interest payable is due from the Company from cash deposits with affiliated companies. Interest receivable and interest payable are calculated on a daily basis and accrued monthly.

Tax
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Research and development
For accounting purposes, research expenses are defined as expenses incurred as a result of experimental, theoretical or other work aimed at the discovery of new knowledge, or the advancement of existing knowledge. Development expenditure is defined as the application of such work and substantially improving products. For the Company, research and development expenditure comprise the costs of local clinical studies. Such expenditure is written off to the profit and loss account in the year incurred.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

1 Accounting policies (continued)

Key sources of estimation uncertainty

Pension assumptions

The Company has an obligation to pay pension benefits to the employees. The Directors have provided certain assumptions to be used for the purposes of the pension disclosures report prepared by the external provider. These include both the financial and demographic assumptions. The cost of benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate. Management estimates these factors in determining the net pension obligation in the statement of financial position. It is requirement of the standard that any assumptions that are affected by economic conditions shall be based on market expectations, at the balance sheet date, for the period over which the obligations are settled. The directors believe that the assumptions adopted are reasonable as reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

Operating lease commitments

The Company has entered into commercial property leases and as a lessee it obtains use of tangible assets. The classification of such leases as operating or finance lease required the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquired the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognized in the statement of financial position. See note 21 for the disclosure relating to the operating lease commitments.

2 Turnover

An analysis of turnover by geographical location is given below:

	2019 **£ 000**	**2018** **£ 000**
Sale of goods - United Kingdom	155,383	553,979

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

3 Operating profit

Included in profit are the following:

	2019 £ 000	2018 £ 000
Amortisation of goodwill (see note 11)	141	144
Depreciation of owned assets (see note 12)	1,085	1,011
Research and development expense as incurred	1,467	2,282
Foreign exchange differences	(2,465)	2,119
Operating lease rentals - land and buildings	1,497	1,392
Operating lease rentals - plant and machinery	1,110	1,206
Loss on disposal of fixed assets	103	50

Auditor's remuneration:

	2019 £ 000	2018 £ 000
Audit of these financial statements	104	102
Audit related assurance services	18	18
Taxation and advisory services	12	12
	134	132

4 Staff costs

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

	2019 No.	2018 No.
Administration and support	319	331
Sales, marketing and distribution	238	291
	557	622

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

	2019 £ 000	2018 £ 000
Wages and salaries	54,710	59,997
Social security costs	5,754	7,408
Expenses related to pension schemes	9,072	14,222
	69,536	81,627

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £ 000	2018 £ 000
Directors' remuneration	1,839	1,657
Contributions paid to a pension scheme in respect of directors' qualifying services	122	116
	1,961	1,773

The aggregate of remuneration of the highest paid director is £1,217,247 *(2018: £1,375,000).*

The accrued pension at the end of the year of the highest paid director is £ nil *(2018: £ nil).*

During current year, two directors (prior year: one) did not receive any emoluments from the Company. These directors' services to the Company do not occupy a significant amount of their time and are considered incidental. These directors are remunerated by a different company within the Group.

	2019	2018
Retirement benefits are accruing to the following number of directors under defined benefit schemes	2	1

6. Other interest receivable and similar income

	2019 £ 000	2018 £ 000
Net interest income on net defined benefit plan assets	2,800	2,500
Interest receivable from group undertakings	1,018	1,052
Other interest receivable	2	-
	3,820	3,552

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Other interest payable	18	15

8 Income from shares in group undertaking

	2019 £ 000	2018 £ 000
Dividends received from AbbVie Australasia Holdings Limited	22,396	-

A dividend of £22,396,000 was received from AbbVie Australasia Holdings Limited. This was then distributed in 2019 to the parent company of AbbVie Ltd.

9 Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	2019 £ 000	2018 £ 000
Current taxation		
Current tax on income for the year	799	4,714
Adjustments in respect of prior periods	(1,025)	(1,708)
	(226)	3,006
Deferred taxation		
Origination and reversal of timing differences	55	77
Change in tax rate	2,197	-
Adjustments in respect of prior periods	32	1,463
Deferred tax on pension scheme	4,546	204
Deferred tax arising on derivatives	(3,267)	5,862
Total deferred taxation	3,563	7,606
Tax expense	3,337	10,612

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

9 Taxation (continued)

	2019 £000 Current tax	2019 £000 Deferred tax	2019 £000 Total tax	2018 £000 Current tax	2018 £000 Deferred tax	2018 £000 Total tax
Recognised in profit and loss	(226)	2,284	2,058	3,006	1,540	4,546
Recognised in other comprehensive income	-	1,279	1,279	-	6,066	6,066
Total tax	(226)	3,563	3,337	3,006	7,606	10,612

Analysis of total tax recognised in profit and loss

	2019 £ 000	2018 £ 000
UK Corporation Tax	2,058	4,546

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK *(2018 - higher than the standard rate of corporation tax in the UK)* of 19% *(2018 - 19%)*.

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit	30,254	24,280
Income tax expense	2,058	4,546
Profit before tax	32,312	28,826
Corporation tax at standard rate	6,139	5,477
Adjustments to tax charge in respect of previous periods	(993)	(245)
Effect of expense not deductible in determining taxable profit	(4,036)	176
Effect of change in tax rate	2,197	(14)
R&D tax credit	(345)	-
Increase in value of unvested RSU etc	(904)	(848)
Total tax charge	2,058	4,546

Factors affecting the tax charge for the current period

A stepped reduction in the UK corporation tax rate of 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the UK government substantively enacted a reduction to 19% effective 1 April 2017 and 18% effective 1 April 2020. In the budget 2016 the UK government announced a further reduction to the corporation tax rate for the year starting 1 April 2020, setting the rate at 17%. The deferred tax asset at 31 December 2018 had been calculated based on the rate of 17% on the assumption that the tax benefits were long term. However, in the budget on 11 March 2020, the UK government announced that the corporation tax rate would remain at 19% and would not decrease. Therefore, the deferred tax assets have been increased to reflect the 19% tax rate.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Investments in subsidiaries, joint ventures and associates

Shares in group undertakings and participating interests.

	£ 000
Cost or valuation	
At 1 January 2019	82,512
Carrying amount	
At 31 December 2019	82,512
At 31 December 2018	82,512

Details of undertakings

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

Undertaking	Registered office	Nature of business	Proportion of voting rights and shares held 2019	2018
AbbVie Australasia Holdings Limited	UK	Holding	100%	100%

Fixed asset investments comprise shares in AbbVie Australasia Holdings Limited which is not publicly traded. The Company acquired these shares on 22 December 2016 as a part of internal legal restructuring.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

11 Intangible assets

	Goodwill £ 000
Cost or valuation	
At 1 January 2019	2,823
At 31 December 2019	2,823
Amortisation	
At 1 January 2019	917
Amortisation charge	141
At 31 December 2019	1,058
Carrying amount	
At 31 December 2019	1,765
At 31 December 2018	1,906

12 Tangible assets

	Leasehold improvements £ 000	Plant and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation				
At 1 January 2019	3,026	4,732	29	7,787
Additions	98	491	-	589
Disposals	-	(805)	-	(805)
Foreign exchange movements	(14)	(6)	-	(20)
At 31 December 2019	3,110	4,412	29	7,551
Depreciation				
At 1 January 2019	964	2,320	17	3,301
Charge for the year	308	765	12	1,085
Eliminated on disposal	-	(702)	-	(702)
At 31 December 2019	1,272	2,383	29	3,684
Carrying amount				
At 31 December 2019	1,838	2,029	-	3,867
At 31 December 2018	2,062	2,412	12	4,486

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Stocks

	2019 £ 000	2018 £ 000
Goods	27,689	87

The cost of stocks recognised as an expense in the year amounted to £55,955,000 *(2018: £406,531,000)*.

There is no significant difference between the replacement cost of the inventory and its carrying amount.

14 Debtors

	2019 £ 000	2018 £ 000
Due within one year		
Trade debtors	28,550	82,912
Amounts owed by group undertakings (a)	9,515	1,137
Intercompany loan (b)	121,259	138,739
Other debtors	81	13,440
Prepayments and accrued income	786	165
Corporation taxation	6,678	5,969
Derivative financial instruments	-	15,923
	166,869	258,285

(a) This amount relates to trade balances with the Company's parent and fellow subsidiaries and is unsecured and does not bear interest. These are payable on demand.

(b) Intercompany loan is unsecured, has no fixed date of repayment, is repayable on demand and interest bearing at UK Bank of England Official Bank Rate plus 7.0 basis point margin.

Trade debtors are stated after provisions for impairment of £22,000 *(2018: £81,000)*.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

15 Creditors

	2019 £ 000	2018 £ 000
Due within one year		
Trade creditors	6,020	8,961
Amounts due to group undertakings	3,798	46,097
Social security and other taxes	3,056	2,559
Accruals	17,114	26,253
Other current financial liabilities	-	5
	29,988	83,875
Due after one year		
Other non-current financial liabilities	929	1,122
Deferred tax liabilities	100	2,935
	1,029	4,057

Amounts owed to group undertakings are unsecured and do not bear interest. These are payable on demand.

16 Financial instruments

	2019 £ 000	2018 £ 000
Financial assets at fair value through profit or loss - Derivative financial instruments	-	16,318
Financial liabities at fair value through profit or loss - Derivative financial instruments	-	(5)
	-	16,313

The Company enters into foreign currency forward contracts to manage its exposure to foreign currency denominated intercompany loans and cash portfolio positions. The Company hedges balance sheet exposure internally with AbbVie Finance B.V., subsequently AbbVie Finance B.V. hedges net foreign exchange balance sheet exposure with the third party banks. All outstanding (having future value date) foreign exchange contracts are revalued at month-end to fair market value. Revaluation postings accumulate until a maturity date of a specific contract and are reversed upon the contract settlement and posted to profit or loss via realised income/loss account in other comprehensive income.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

17 Deferred tax and other provisions

Deferred tax assets and liabilities are attributable to the following:

	Asset 2019 £ 000	Asset 2018 £ 000	Liabilites 2019 £ 000	Liabilities 2018 £ 000	Net 2019 £ 000	Net 2018 £ 000
Accelerated capital allowances	-	-	(313)	(206)	(313)	(206)
Employee share aquisition relief	1,424	1,130	-	-	1,424	1,130
Other	3	151	-	-	3	151
Tax assets	1,427	1,281	-	-	1,427	1,281
Net of tax liabilities	-	-	(313)	(206)	(313)	(206)
Net tax assets (see note 14 and 15)	1,427	1,281	(313)	(206)	1,114	1,075
Deferred tax on pension scheme (see note 18)	-	-	(22,135)	(15,738)	(22,135)	(15,738)
Deferred tax arising on derivatives	-	-	(1,214)	(4,010)	(1,214)	(4,010)
	1,427	1,281	(23,662)	(19,954)	(22,235)	(18,673)

	2019 £ 000
At 1 January	(18,673)
Adjustment in respect of prior years	(32)
Deferred tax charge	(3,530)
At 31 December	(22,235)

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Pension and other schemes

The Company operates a defined benefit and a defined contribution pension scheme and all employees are eligible for one of these schemes.

Defined benefit pension schemes

Under the defined benefit scheme the employees are entitled to maximum retirement benefits of 60% of final salary on attainment of a retirement age of 65. No other post-retirement benefits are provided. The scheme is a funded scheme. With effect from 1 April 2016 the Fund is closed to new members unless an individual group of individuals or a category of individuals had at 1 April 2016 had been offered employment with the Company on the basis of Fund membership.

Defined contribution scheme

The defined contribution scheme is based on three rates of contributions:

Option	Employee pays	AbbVie pays	Total monthly savings
1	4%	10%	14%
2	5%	11%	16%
3	6%	12%	18%

Under optional Additional Voluntary Contributions (AVCs) part of the scheme, employees may pay an additional percentage of their basic salary each month as an AVC if they wish to, but the Company will not pay any more. The total contribution payable by the Company is capped at 12%.

Contributions payable to the defined contribution pension scheme at the end of the year is £167,595 *(2018: £ nil)*.

Contributions payable to the defined benefit pension scheme at the end of the year is £ nil *(2018: £ nil)*.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Pension and other schemes (continued)

Net pension assets

	2019 £ 000	2018 £ 000
Defined benefit obligation	(391,200)	(342,600)
Plan assets	507,700	435,200
Net pension asset	116,500	92,600
Related deferred tax liability	22,135	15,738
Net pension asset in the statement of financial position	94,365	76,862

	Assets £000	Liabilities £000	Total £000
At 1 January 2019	435,200	(342,600)	92,600
Current service cost	-	(9,600)	(9,600)
Interest income / (expense)	12,300	(9,400)	2,900
Remeasurement gains / (losses)	59,300	(40,900)	18,400
Contributions by members	100	(100)	-
Contributions by employer	10,500	-	10,500
Benefits paid	(8,700)	8,700	-
Past service cost	-	2,700	2,700
Administration costs incured	(1,000)	-	(1,000)
At 31 December 2019	507,700	(391,200)	116,500

	2019 £ 000	2018 £ 000
Expense recognised in the profit and loss account		
Current service cost	9,600	10,400
Past service cost (including curtailments)	(2,700)	1,400
Administration expenses	1,000	900
Net interest on net defined benefit liability	(2,900)	(2,500)
Total expense recognised in profit and loss	5,000	10,200

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Pension and other schemes (continued)

In 2019, the Company implemented a new organisational structure, reducing the number of employees in the UK. A curtailment gain of £2,700,000 is recognised in respect of this.

In 2018, the Company recognised a £1,400,000 pension charge, recognised as a prior service cost, in relation to GMP equalisation between males and females. This followed a High Court case within the wider pensions industry which concluded in October 2018.

The total amount recognised in the Other Comprehensive Income in respect of actuarial gains and losses is £18,400,000 (gain) *(2018: £1,200,000 (gain)).*

The fair value of the plan assets was as follows:

Fair value of plan assets	**2019 £ 000**	**2018 £ 000**
Equities	179,100	147,100
Bonds and other debt instruments	303,300	263,900
Property	25,300	24,200
	507,700	435,200

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.

The actual return on plan assets was as follows:

The actual return on plan assets	**2019 £ 000**	**2018 £ 000**
Interest income on plan assets	12,300	11,700
Gain / (loss) on plan assets	59,300	(27,100)
	71,600	(15,400)

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2019 %	**2018 %**
Discount rate	2.05	2.95
Future salary increases	3.70	3.95
Future pension increases	2.05	2.20
RPI Inflation	2.95	3.20
CPI Inflation	2.05	2.10

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Pension and other schemes (continued)

The last full actuarial valuation was performed as of 31 March 2019. In valuing the liabilities of the pension fund at 31 December 2019 mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 22.5 years (male), 24.3 years (female).

Future retiree upon reaching 65: 23.9 years (male), 26.0 years (female).

19 Share-based payments

The Company is a wholly owned, indirect subsidiary of AbbVie Inc. and the share-based payment arrangement concerns equity instruments of that group entity.

The Company has recognised a total expense of share-based payments of £3,997,000 *(2018: £4,165,000)*.

The Company has taken advantage of the exemptions contained in FRS 102 and has therefore not fulfilled the requirements of Section 26 of this FRS (26.18(b), 26.19 to 26.21 and 26.23) related to the share-based payment transactions.

Restricted Stock Units (RSUs)

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

The Company has made a payment to the ultimate parent company in relation to the cost of restricted stock units and has recognised a deemed capital contribution equal to the calculated value of restricted stock units less the amount paid to the ultimate parent company.

Employee Share Incentive Plan

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

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Share capital

Allotted, called up and fully paid shares

	2019 No.	2019 £	2018 No.	2018 £
A share class of £1 each of £1 each	124,206,000	124,206,000	124,206,000	124,206,000
B share class of £1 each of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
Ordinary of £1 each	1	1	1	1
	129,206,001	129,206,001	129,206,001	129,206,001

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to full vote (A share) or limited vote (B share) per share at meetings of the Company.

21 Capital and other commitments

Contracts for future capital expenditure not provided in the financial statements amount to £nil *(2018: £nil)*.

The Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £ 000	2018 £ 000
Due within one year	1,989	2,093
Due between one and five years inclusive	6,393	6,658
Due beyond five years	1,591	3,445
	9,973	12,196

During the year £2,607,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £2,598,000)*.

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

22 Parent and ultimate parent undertaking

The Company is a subsidiary undertaking of AbbVie Bahamas Ltd, a company registered in the Commonwealth of The Bahamas and AbbVie UK Holdco Limited, a company registered in the United Kingdom. The ultimate controlling party is AbbVie Inc., incorporated in the State of Delaware, USA. The smallest and largest group in which the results of the Company are consolidated accounts are available to the public and may be obtained from AbbVie Inc., 1 North Waukegan Road, North Chicago, IL 60064, USA.

The Company is a wholly owned subsidiary of AbbVie Inc. Accordingly, the Company has taken advantage of the exemption under FRS 102 section 33 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to transactions are wholly owned by the ultimate controlling parent. There were no other related party transactions during the year.

23 Events after the financial period

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Whilst the Company has not seen a significant impact on its business to date, the outbreak could interfere with general activity levels within the community, the economy and the activities of its customers. Potential reduced product demand inputs may result in a reduction in revenue and operating cashflows. It is not possible to estimate the impact of the outbreak's near-term and longer effects, if any, or governments' varying efforts to combat the outbreak and support businesses. This being the case, the Company does not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Company at this time. No adjustments have been made to the financial statements as at 31 December 2019 related to COVID-19.

On 8 May 2020, AbbVie Inc. announced that it has completed its acquisition of Allergan plc following receipt of regulatory approval from all government authorities required by the transaction agreement and approval by the Irish High Court. The impact on AbbVie Ltd has not yet been determined. No adjustments have been made to the financial statements as at 31 December 2019 related to the Allergan acquisition.