

**Intervet UK Limited**

**Directors' report and financial  
statements**

**Registered number 946942**

**31 December 2004**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

The principal activities of the company are the manufacture and sale of veterinary products both to the UK and to export markets.

### Business review

The results for the year ended 31 December 2004 are reported on page 5 of the financial statements.

The entire issued share capital of the company was transferred from Poultry Biologicals Limited to Akzo Nobel NV on 11 March 2004 and was then subsequently transferred from Akzo Nobel NV to Intervet Holding BV with effect from 30 September 2004.

### Research and development

The company carries out research and development for both new products and improvements to existing products. All work is carried out on behalf of Intervet International.

During 2004 the research and development activities were re-organised. Details appear in note 4 to the financial statements.

### Proposed dividend

An interim dividend of £4,798,000 (2003: £5,933,000) was paid during the year. The directors do not recommend the payment of a final dividend.

### Directors and directors' interests

The directors who held office during the year and at the date of this report were as follows:

W Baxendale                      (resigned on 31 March 2004)  
PS Casady  
R Stolp

Mr Stolp retires by rotation and being eligible offers himself for re-election.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

The Companies (Disclosures of Director's Interests) (Exceptions) Regulations 1985 (SI No. 802) are applicable to the company.

### Employees

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

It is the policy of the company to offer equal opportunities to disabled persons in recruitment, training and career development, having due regard to their aptitudes and abilities in relation to the jobs available.

## **Directors' report** *(continued)*

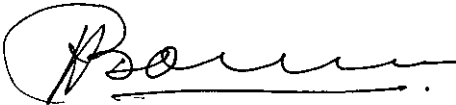
### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £nil (2003 : £nil).

### **Auditors**

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the Board

A handwritten signature in black ink, appearing to read 'A Bouw', with a horizontal line underneath.

**A Bouw**  
*Secretary*

Walton Manor  
Walton  
Milton Keynes  
MK7 7AJ

## Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG LLP

37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

### Report of the independent auditors to the members of Intervet UK Limited

We have audited the financial statements on pages 5 to 18.

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

#### Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

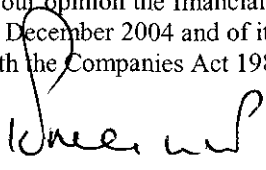
#### Basis of audit opinion

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

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

#### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG LLP  
Chartered Accountants  
Registered Auditor

20 July 2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> <b>£000</b>	2003 £000
<b>Turnover</b>	2	52,587	49,759
Cost of sales		(33,459)	(31,352)
<b>Gross profit</b>		19,128	18,407
Distribution costs		(12,625)	(11,835)
Administrative expenses		(2,206)	(2,580)
Research & Development		379	752
<b>Operating profit</b>		4,676	4,744
Profit on sale of fixed assets		-	1,227
Re-organisation of Research & Development activities	4	170	-
Other interest receivable and similar income	7	38	116
Interest payable and similar charges	8	(258)	(75)
<b>Profit on ordinary activities before taxation</b>	3-6	4,626	6,012
Tax on profit on ordinary activities	9	(915)	(1,214)
<b>Profit on ordinary activities after taxation</b>		3,711	4,798
Dividends	10	(4,798)	(5,933)
<b>Retained loss for the year</b>		(1,087)	(1,135)
<b>Retained profit brought forward</b>		4,798	5,933
<b>Retained profit carried forward</b>		3,711	4,798

All activities derive from continuing operations.

The company has no recognised gains and losses other than shown above, and therefore no separate statement of total gains and losses has been prepared.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 8 to 18 form part of these financial statements.

**Balance sheet**  
*at 31 December 2004*

	Note	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets			
Negative goodwill	11	(3,918)	(4,163)
		<u>(3,918)</u>	<u>(4,163)</u>
Tangible assets	12	37,852	30,600
Investments	13	31,920	31,920
		<u>65,854</u>	<u>58,357</u>
<b>Current assets</b>			
Stocks	14	6,226	6,253
Debtors	15	7,931	11,901
Cash at bank and in hand		9	12
		<u>14,166</u>	<u>18,166</u>
<b>Creditors: amounts falling due within one year</b>	16	(14,865)	(12,294)
		<u>(14,865)</u>	<u>(12,294)</u>
<b>Net current (liabilities) / assets</b>		<u>(699)</u>	<u>5,872</u>
<b>Total assets less current liabilities</b>		<u>65,155</u>	<u>64,229</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(23,338)	(23,338)
<b>Provisions for liabilities and charges</b>	18	(3,586)	(1,573)
		<u>(26,924)</u>	<u>(24,911)</u>
<b>Net assets</b>		<u>38,231</u>	<u>39,318</u>
<b>Capital and reserves</b>			
Called up share capital	19	34,520	34,520
Profit and loss account		3,711	4,798
		<u>38,231</u>	<u>39,318</u>
<b>Equity shareholders' funds</b>		<u>38,231</u>	<u>39,318</u>

These financial statements were approved by the board of directors on its behalf by:

R Stulp  
Director

6 June 2005 and were signed

The notes on pages 8 to 18 form part of these financial statements.



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2004*

	2004 £000	2003 £000
Profit for the financial year	3,711	4,798
Dividends	(4,798)	(5,933)
Net movement in shareholders' funds	(1,087)	(1,135)
Opening shareholders' funds	39,318	40,453
Closing shareholders' funds	38,231	39,318

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Intangible fixed assets and amortisation*

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably. Fair values are restricted to an amount that does not create, or increase, any negative goodwill.

Negative goodwill arising on business combinations in respect of acquisitions since 1 January 1998 is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	5 - 25 years
Plant and machinery	-	4 - 10 years

No depreciation is provided on freehold land.

Cost of buildings includes interest capitalised over the construction period.

#### *Fixed asset investments*

Fixed asset investments are stated at cost less amounts written off in respect of any impairment.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Cash flow statement*

The cash flows of the company are included in the consolidated cash flow statement of the ultimate parent company, Akzo Nobel NV (see note 23). As Akzo Nobel NV is incorporated in the Netherlands, an EC member state, and its financial statements are drawn up in accordance with the provisions of the seventh directive, the company is exempt under the terms of Financial Reporting Standard No. 1 (revised 1996) from publishing a cash flow statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Pensions*

The company participates in the Akzo Nobel UK pension scheme which is a defined benefit pension scheme which covers the majority of employees. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives within the group.

#### *Related party transactions*

Related party transactions with members of the group controlled by Akzo Nobel NV are not disclosed in accordance with the exemption allowed under FRS 8, as the company is a wholly owned subsidiary of that company.

#### *Research and development expenditure*

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the sale of veterinary products to customers during the year. Invoices are raised, and revenue recognised, on delivery of products to the customer.

### 2 Turnover

	2004 £000	2003 £000
<i>By destination</i>		
UK	52,299	49,421
Rest of Europe	288	338
	<hr/> 52,587	<hr/> 49,759

In the opinion of the directors, the company operates in only one business segment, being the sale of veterinary products.

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	2004 £000	2003 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	30	28
Other services	5	2
Depreciation and other amounts written off tangible fixed assets:		
Owned	3,324	3,353
Amortisation and other amounts written off intangible assets:		
Goodwill	(245)	(245)
Hire of plant and machinery - rentals payable under operating leases	19	25
Hire of other assets - operating leases	457	466
Rent of buildings	275	46
	<u>          </u>	<u>          </u>

### 4 Re-organisation of research and development activities

The investment in a new research and development facility on the Milton Keynes site was completed during 2004. As a result the existing facility in Cambridgeshire was sold resulting in a capital gain. The relocation to Milton Keynes resulted in a number of redundancies at the Cambridgeshire site. Further redundancies in the Milton Keynes research staff was the result of a global R & D reorganisation.

	2004 £000
Profit on sale of the Elms	1,266
Relocation of business	(52)
Redundancy costs	(1,044)
	<u>          </u>
Net profit	170
	<u>          </u>

### 5 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	237	436
	<u>          </u>	<u>          </u>

The aggregate of emoluments of the highest paid director was £232,177 (2003: £302,493).

	Number of directors 2004	2003
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1
	<u>          </u>	<u>          </u>

The amount of accrued pension of the highest paid director was £nil (2003 : £nil).

## Notes (continued)

### 6 Staff numbers and costs

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

	Number of employees	
	2004	2003
Administration	47	44
Sales and distribution	79	75
Production	92	85
Research and development	75	80
	<u>293</u>	<u>284</u>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	9,695	10,041
Social security costs	973	876
Other pension costs	1,505	1,153
	<u>12,173</u>	<u>12,070</u>

### 7 Other interest receivable and similar income

	2004	2003
	£000	£000
Receivable from group undertakings	37	116
Receivable from third parties	1	-
	<u>38</u>	<u>116</u>

### 8 Interest payable and similar charges

	2004	2003
	£000	£000
On bank loans and overdrafts	15	13
On all other loans	243	62
	<u>258</u>	<u>75</u>

## Notes (continued)

### 9 Taxation

#### Analysis of charge in the year

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(548)	1,402
Adjustments in respect of previous periods	-	9
	<hr/>	<hr/>
Total current tax	(548)	1,411
<i>Deferred tax</i>		
Timing differences	1,463	(197)
	<hr/>	<hr/>
Tax on profit on ordinary activities	915	1,214
	<hr/>	<hr/>

#### Factors affecting tax charge for the year

The current tax charge for the year is lower (2003: lower) than the standard rate of corporation tax in the UK (30%, 2003 : 30%). The differences are explained below:

	2004 £000	2003 £000
Profit on ordinary activities before tax	4,626	6,012
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	1,388	1,804
<i>Effects of:</i>		
Expenses not deductible for tax purposes	227	116
Capital allowances for period (greater than) / less than depreciation	(1,463)	197
Negative goodwill	(73)	(73)
R&D super deduction	(256)	(274)
Profit on sale of fixed assets subject to rollover relief	(371)	(368)
Adjustment to tax charge in respect of previous period	-	9
	<hr/>	<hr/>
Total current tax (credit) / charge (see above)	(548)	1,411
	<hr/>	<hr/>

#### Factors that may affect future tax charge

Based on current capital investment plans, the company expects the depreciation charge to be in excess of capital allowances for the next two to three years.

## Notes (continued)

### 9 Taxation (continued)

#### Provision for deferred tax

	2004 £000	2003 £000
Accelerated capital allowances	2,966	1,503
Other timing differences	-	-
	<u>2,966</u>	<u>1,503</u>
Provision at start of year	1,503	1,700
Deferred tax charge/(credit) in profit and loss account for the year	1,463	(197)
	<u>2,966</u>	<u>1,503</u>
Provision at end of year (note 18)	<u>2,966</u>	<u>1,503</u>

The capital gain on the sale of land and warehouse has been offset against capital losses elsewhere in the group. The sale of the former R&D premises in Houghton does give rise to a potential capital gain of £1,266,000, however because of roll-over relief no tax is payable and in accordance with FRS 19 deferred tax of £379,800 has not been provided for.

### 10 Dividends and other appropriations

	2004 £000	2003 £000
Equity shares:		
Interim dividend paid	4,798	5,933
	<u>4,798</u>	<u>5,933</u>

**Notes (continued)**

**11 Intangible fixed assets**

	<b>Negative goodwill £000</b>
<i><b>Cost</b></i>	
At beginning and end of year	(4,897)
<i><b>Amortisation</b></i>	
At beginning of year	734
Charged in year	245
At end of year	979
<i><b>Net book value</b></i>	
<b>At 31 December 2004</b>	<b>(3,918)</b>
At 31 December 2003	(4,163)

Negative goodwill arose on the acquisition of the trade and assets of Intervet UK Production Limited in 2000. It represents the excess of the fair value of the non-monetary assets acquired over the consideration paid. Negative goodwill is being released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired, whether through depreciation or sale.



## Notes (continued)

### 12 Tangible fixed assets

	Freehold land and buildings £000	Plant and Machinery £000	Total £000
<b>Cost</b>			
At beginning of year	28,035	29,030	57,065
Additions	7,150	3,583	10,733
Disposals	(1,525)	(6,518)	(8,043)
Reclassifications	786	(786)	-
At end of year	34,446	25,309	59,755
<b>Depreciation</b>			
At beginning of year	5,610	20,855	26,465
Charge for year	1,061	2,263	3,324
On disposals	(1,464)	(6,422)	(7,886)
Reclassifications	(136)	136	-
At end of year	5,071	16,832	21,903
<b>Net book value</b>			
At 31 December 2004	29,375	8,477	37,852
At 31 December 2003	22,425	8,175	30,600

Included in land and buildings is £6,476,487 (2003: £6,506,607) of land which is not subject to depreciation.

### 13 Investments

	2004 £000	2003 £000
Mycofarm UK Ltd	1,040	1,040
Intervet UK Production Ltd	30,880	30,880
	31,920	31,920

The undertakings in which the company holds an investment are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
Mycofarm UK Ltd	Great Britain	Non-trading	100% ordinary shares
Intervet UK Production Ltd	Great Britain	Production and sale of veterinary products	100% ordinary shares

## Notes (continued)

### 14 Stocks

	2004 £000	2003 £000
Raw materials and consumables	299	109
Work in progress	465	395
Finished goods and goods for resale	5,462	5,749
	<u>6,226</u>	<u>6,253</u>

### 15 Debtors

	2004 £000	2003 £000
Trade debtors	6,193	6,286
Amounts owed by group undertakings	1,421	5,318
Other debtors	64	28
Prepayments and accrued income	253	269
	<u>7,931</u>	<u>11,901</u>

### 16 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	512	594
Amounts owed to group undertakings	8,030	1,737
Taxation and social security	1,173	2,684
Other creditors	4,521	4,954
Dividend proposed	1	1
Corporation tax	628	2,324
	<u>14,865</u>	<u>12,294</u>

## Notes (continued)

### 17 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts owed to group undertakings	23,338	23,338

### 18 Provisions for liabilities and charges

	Deferred taxation (note 9) £000	Other Provisions £000	Total £000
At beginning of year	1,503	70	1,573
Additional provision	1,463	550	2,013
<b>At end of year</b>	<b>2,966</b>	<b>620</b>	<b>3,586</b>

Other provision relates mainly to the re-organisation of research and development activities and the redundancy of a senior manager within the Intervet group.

### 19 Called up share capital

	2004 £000	2003 £000
<b>Authorised</b>		
Equity: Ordinary shares of £1 each	50,000	50,000
<b>Allotted, called up and fully paid</b>		
Equity: Ordinary shares of £1 each	34,520	34,520

### 20 Contingent liabilities

At 31 December 2004, the group was contingently liable to the extent of indemnities of £40,000 re HM Customs & Excise guarantee of VAT (2003: £40,000).

The company participates in a cash pooling arrangement with certain other group companies. This arrangement allows the company to draw upon or credit amounts to a separately designated facility within the cash pool account in the name of Akzo Nobel Limited. The company operates the facility as if it were the company's own bank account, however the company has no legal title.

All parties to the arrangement are jointly and severally liable to the bank for any overdraft thereon. At 31 December 2004 the overdraft was £2,157,000 (2003: £nil). Included within amounts payable to inter-group companies is £7,113,313 (2003: £1,657,145 receivable) in respect of the company's share of the account.

## Notes (continued)

### 21 Commitments and contingencies

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

	2004		2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	46	-	45
In the second to fifth years inclusive	-	390	-	332
Over five years	275	-	275	-
	<u>275</u>	<u>436</u>	<u>275</u>	<u>377</u>

### 22 Pension scheme

The company is a member of the group-wide Akzo Nobel UK pension scheme ("the scheme") providing benefits based on final pensionable pay. Because the company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement benefits", the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2003 by a qualified independent actuary. At this valuation the market value of the scheme assets were sufficient to cover 78% of the benefits that had accrued to members at that date.

The contribution for the year was £1,505,000 (2003: £1,153,000).

The employer contribution rates which applied were 17.6%, 17.5% and 13.5% of pensionable pay for members of the Organon closed section, the HR Vet closed section and open section respectively. In the light of the deficit revealed by the valuation, additional employer contributions, currently equivalent to 7.6% of pensionable pay, are being paid on all sections from 1 April 2004. This brings the total employer contribution to 25.2%, 25.1% and 21.1% on the Organon closed section, the HR Vet closed section and open section respectively.

### 23 Ultimate parent company

The company's immediate parent company is Intervet Holding BV, a company registered in The Netherlands.

The company's ultimate parent company is Akzo Nobel NV, which is a public company incorporated in The Netherlands. Akzo Nobel NV represents the only group of undertakings for which group accounts are drawn up and of which the company is a member.

Copies of the group accounts are available from the office address of Akzo Nobel NV, Velperweg 76, PO Box 9300, 6800 SB Arnhem, The Netherlands.