

Intervet UK Limited

**Directors' report and financial
statements**

Registered number 946942

31 December 2014

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Contents

Strategic report	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report to the members of Intervet UK Limited	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Strategic report

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 2014 and balance sheet are reported on pages 6 and 7 of the financial statements.

Results

The Company's profit for the financial year is £4,580,000 (2013: £2,276,000).

Principal risks and uncertainties

The Company operates in the animal healthcare industry which is characterised by long lead times in developing and obtaining approval for new products.

The research and development pipeline and intellectual property rights are managed by the Intervet/Schering-Plough Animal Health unit, a part of Merck & Co. Inc., the Company's ultimate parent Company.

The Company's activities expose it to a number of financial risks including foreign currency exchange rates, credit risks and liquidity risks. The foreign currency exchange rate risks are managed by the Intervet/Schering-Plough Animal Health unit, a sub group of Merck & Co. Inc.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts. The Company has some concentration of credit risk with significant exposure to a small number of customers. The risk is mitigated by tight credit control and by regular monitoring.

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments the Company has access to a cash pooling facility operated by Merck & Co. Inc.

Research and development


The Company carries out research and development for both new products and improvements to existing products. All such work is carried out on behalf of Intervet International BV, a group Company incorporated in The Netherlands, and the majority of these costs are consequently recharged to that Company.

The Company's directors believe that key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business.

On behalf of the Board



A. Costa
Director


Date: December 2015

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

Dividend payable

The directors do not recommend the payment of a dividend (2013: nil).

Going concern

The directors have prepared the financial statements on a going concern basis. The directors consider that based on the current and future level of trading activity and the financial resources in place, that the Company has the ability to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of preparation.

Directors and their interests

The directors who held office throughout the year and to the date of signing this report were:

A. Bolcskei (resigned 1 October 2015)
A. Costa (appointed 11 December 2014)
K. Meisloch (resigned 11 December 2014)
M Varvella (appointed 1 October 2015)
A Harberg

Employee consultation

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. This is achieved through the group newsletter, annual face to face meeting between the directors and employees and other internal communications.

Disabled employees

Applications by disabled persons for employment are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Supplier payment policy

The Company does not follow any code of practice or standard regarding the payment of suppliers but seeks to agree the terms of payment with suppliers prior to the placing of purchase orders and it is the Company's policy to settle those liabilities by the due date.

On behalf of the Board



A. Costa
Director

29th
Date: December 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then 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.

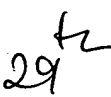
Statement of disclosure of information to auditors

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as the directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board of Directors



A. Costa
Director


Date: 29 December 2015

Independent auditors' report to the members of Intervet UK Limited

Report on the financial statements

Our opinion

In our opinion, Intervet UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

What we have audited

The financial statements comprise:

- the Balance sheet as at 31 December 2014;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Intervet UK Limited *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Robert Girdlestone (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans, United Kingdom

30 December 2015

Profit and loss account
for the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Turnover	2	117,795	117,812
Cost of sales		(82,568)	(87,940)
Gross profit		35,227	29,872
Distribution costs		(12,726)	(14,942)
Administrative expenses		(17,871)	(11,138)
Other operating income	3	548	633
Operating profit		5,178	4,425
Interest receivable and similar income	6	6	4
Interest payable and similar charges	7	(314)	(365)
Profit on ordinary activities before taxation	3	4,870	4,064
Tax on profit on ordinary activities	8	(290)	(1,788)
Profit for the financial year	17	4,580	2,276

All results reported above derive from continuing operations.

The Company has no gains or losses other than those reported above and, accordingly, no separate statement of total recognised gains and losses has been presented in the current or preceding year.

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents in the current or preceding year.

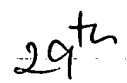
Balance sheet
at 31 December 2014

	<i>Note</i>	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	9		(1,468)		(1,713)
Tangible assets	10		14,433		14,811
Investments	11		47,074		47,074
			<u>60,039</u>		<u>60,172</u>
Current assets					
Stocks	12	20,674		25,579	
Debtors	13	32,874		33,375	
Cash at bank and in hand		7,499		1,034	
		<u>61,047</u>		<u>59,988</u>	
Creditors: amounts falling due within one year	14	<u>(32,606)</u>		<u>(36,230)</u>	
Net current assets			<u>28,441</u>		<u>23,758</u>
Total assets less current liabilities			<u>88,480</u>		<u>83,930</u>
Creditors: amounts falling due after more than one year	15		(13,653)		(13,653)
Provision for liabilities	19		(105)		(135)
Net assets			<u>74,722</u>		<u>70,142</u>
Capital and reserves					
Called up share capital	16		34,520		34,520
Share Premium Account	17		18,047		18,047
Profit and loss account	17		22,155		17,575
Total shareholders' funds	18		<u>74,722</u>		<u>70,142</u>

The financial statements on pages 6 to 18 were approved by the board of directors on **29** December 2015, and were signed on its behalf by:



A. Costa
Director


Date: December 2015

Registered number 946942

Notes to 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

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The principal accounting policies are set out below and they have been applied consistently in both the current and prior year.

In accordance with FRS 2 'Accounting for Subsidiary Undertakings' and the Companies Act 2006, group financial statements have not been prepared because the Company is a wholly owned subsidiary of a body corporate, incorporated in England and Wales. These financial statements therefore present information about the Company as an individual undertaking

Going Concern

The directors have prepared the financial statements on a going concern basis. The directors consider that based on the current and future level of trading activity and the financial resources in place, that the Company has the ability to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of preparation.

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.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historic purchase cost less accumulated 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 land and buildings	-	5 - 25 years
Plant and machinery	-	3 - 10 years

No depreciation is provided on freehold land or assets under construction.

Investments

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Operating leases

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 Company has taken advantage of the exemption from preparing a cash flow statement under FRS 1 (revised 1996) "Cash flow statements", since the cash flows of the Company are included in the consolidated cash flow statement in the financial statements of its ultimate parent Company which are publicly available.

Pensions

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period (see note 22).

With effect from 1 January 2005 the Company also participates in a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period (see note 22).

Related party transactions

As all of the Company's voting rights are controlled within the group headed by Merck & Co Inc., the Company has taken advantage of the exemption contained in FRS 8 "Related party disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Merck & Co Inc., within which this Company is included, can be obtained from the address given in note 23.

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 Company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Any stock considered to be obsolete is provided for in full.

Taxation

Current tax, including UK corporation tax, is provided at the amount expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured on an undiscounted basis.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be derived.

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.

There is no material difference between sale of product by operating location and by destination of sale.

2 Turnover

	2014 £000	2013 £000
<i>By destination:</i>		
UK	115,969	114,207
Rest of Europe	1,826	3,605
	<u>117,795</u>	<u>117,812</u>

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

3 Profit on ordinary activities before taxation

	2014 £000	2013 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
Fees payable for the audit of the Company's financial statements	25	25
Depreciation of tangible fixed assets	1,006	1,346
Credit relating to amortisation of negative goodwill	(245)	(245)
Hire of plant and machinery – operating leases	34	13
Hire of other assets – operating leases	679	774
Rent of buildings	9	11
Other operating income:		
Research and development income	(548)	(633)
Other operating expenses:		
Pension deficit payment (note 23)	-	3,672
	<u>-</u>	<u>3,672</u>

Notes to the financial statements *(continued)*

4 Remuneration of directors

	2014	2013
Number of directors remunerated by the Company	2	2
	<u>2</u>	<u>2</u>
	2014	2013
	£000	£000
Directors' emoluments (excluding pension contributions)	450	457
	<u>450</u>	<u>457</u>

The emoluments of the highest paid director were £239,110 (2013: £256,815). The highest paid director received no pension fund contributions from the Company.

5 Staff numbers and costs

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

	Number of employees 2014	2013
Administration	15	16
Sales and distribution	145	154
Research and development	54	58
	<u>214</u>	<u>228</u>

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	11,722	10,155
Social security costs	1,399	1,288
Other pension costs (note 22)	2,141	5,868
	<u>15,262</u>	<u>17,312</u>

6 Interest receivable and similar income

	2014 £000	2013 £000
Receivable from third parties	6	4
	<u>6</u>	<u>4</u>

7 Interest payable and similar charges

	2014 £000	2013 £000
Bank overdrafts	314	365
	<u>314</u>	<u>365</u>

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities

Analysis of charge in the year:

	2014 £000	2013 £000
<i>UK corporation tax</i>		
Current tax on income for the year	943	1,665
Adjustments in respect of previous years	(460)	162
	<hr/>	<hr/>
Total current tax charge	483	1,827
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination/reversal of timing differences – current year	56	(106)
Adjustments in respect of previous years	(249)	85
Adjustments resulting from change in deferred tax rate	-	(18)
	<hr/>	<hr/>
Deferred tax credit	(193)	(39)
	<hr/>	<hr/>
Tax charge on ordinary activities	290	1,788
	<hr/> <hr/>	<hr/> <hr/>

The adjustments in respect of prior years arise as a result of recent agreement with HMRC to the return for 2013 and the final settlement amounts outstanding for this year.

Factors affecting tax charge for the year

The current tax charge for the year differs (2013: differs) from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	4,870	4,064
	<hr/>	<hr/>
Current tax at 21.5% (2013: 23.25%)	1,047	945
<i>Effects of:</i>		
Expenses not deductible for tax purposes	337	358
Differences between depreciation and capital allowances	122	280
Other timing differences	7	854
Amortisation of negative goodwill, not taxable	(53)	(57)
Research and development tax credit	(517)	(715)
Adjustment to tax charge in respect of previous years	(460)	162
	<hr/>	<hr/>
Total current tax charge (see above)	483	1,827
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the current year

Based on current capital investment plans the Company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting future tax charges

A reduction in the main rate of corporation tax was substantially enacted in the Finance Act 2013 on 17 July 2013 lowering the rate of corporation tax to 20% with effect from 1 April 2015. As this reduction was substantially enacted before 31 December 2014, the deferred tax balances at this date have been measured at 20%.

Deferred tax asset

	2014 £000	2013 £000
Accelerated capital allowances	311	118
	<u>311</u>	<u>118</u>
At start of year	118	79
Deferred tax credit for the year	193	39
	<u>311</u>	<u>118</u>
At end of year	<u>311</u>	<u>118</u>

9 Intangible assets

	Negative Goodwill £000
<i>Cost</i>	
At beginning and end of year	(4,897)
	<u>(4,897)</u>
<i>Amortisation</i>	
At beginning of year	(3,184)
Credited to profit and loss account in year	(245)
	<u>(3,429)</u>
At end of year	<u>(3,429)</u>
<i>Net book value</i>	
At 31 December 2014	(1,468)
	<u>(1,468)</u>
At 31 December 2013	<u>(1,713)</u>

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 over a period of 20 years (commensurately with the recovery of the non-monetary assets acquired whether through depreciation or sale).

Notes to the financial statements (continued)

10 Tangible assets

	Assets under construction £000	Freehold land and buildings £000	Plant and Machinery £000	Total £000
<i>Cost</i>				
At beginning of year	617	29,151	8,849	38,617
Additions	628	-	-	628
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,245	29,151	8,849	39,245
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation</i>				
At beginning of year	-	15,662	8,144	23,806
Charge for year	-	827	179	1,006
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	-	16,489	8,323	24,812
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2014	1,245	12,662	526	14,433
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	617	13,489	705	14,811
	<hr/>	<hr/>	<hr/>	<hr/>

Included in land and buildings is an amount of £6,476,487 (2013: £6,476,487) of land which is not subject to depreciation.

11 Investments

	2014 £000	2013 £000
Mycofarm UK Limited	1,040	1,040
Intervet UK Production Limited	46,034	46,034
	<hr/>	<hr/>
	47,074	47,074
	<hr/>	<hr/>

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 Limited	Great Britain	Non-trading	100% ordinary shares
Intervet UK Production Limited	Great Britain	Production and sale of veterinary products	100% ordinary shares

The directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements *(continued)*

12 Stocks

	2014 £000	2013 £000
Raw materials and consumables	10	11
Finished goods and goods for resale	20,664	25,568
	<u>20,674</u>	<u>25,579</u>

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

13 Debtors

	2014 £000	2013 £000
Trade debtors	18,613	17,435
Amounts owed by group undertakings	12,765	15,050
Corporation tax	541	223
Deferred tax asset (note 8)	311	118
Other debtors	173	329
Prepayments and accrued income	471	220
	<u>32,874</u>	<u>33,375</u>

14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank overdraft (note 21)	3,098	10,582
Trade creditors	2,817	2,192
Amounts owed to group undertakings	7,453	11,653
Other taxation and social security	2,499	1,430
Other creditors	16,739	10,373
	<u>32,606</u>	<u>36,230</u>

15 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed to group undertakings	13,653	13,653

All amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

Notes to the financial statements (continued)

16 Called up share capital

	2014 £000	2013 £000
<i>Authorised</i> 50,000,000 (2013: 50,000,000) ordinary shares of £1 each	50,000	50,000
<i>Allotted, called up and fully paid</i> 34,520,101 (2013: 34,520,101) ordinary shares of £1 each	34,520	34,520

17 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	18,047	17,575
Profit for the financial year	-	4,580
At end of year	18,047	22,155

18 Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Profit for the financial year	4,580	2,276
Net movement in shareholders' funds	4,580	2,276
Opening shareholders' funds	70,142	67,866
Closing shareholders' funds	74,722	70,142

19 Provision for liabilities

	£000
At 1 January 2014	135
Utilised in the year	(30)
At 31 December 2014	105

The lease provision represents amounts provided for dilapidations and rent exposure on vacant premises for which Intervet UK Limited is liable. The provision was created in 2008 when a sub-lessee defaulted on their agreement for such premises and increased in 2012 for an additional site which has now been vacated. The provision will be utilised through to 2015 on the expiry of the leases to which it relates.

Notes to the financial statements (continued)

20 Commitments

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

	2014		2013	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	140	-	73
In the second to fifth years inclusive	-	389	-	197
	<hr/>	<hr/>	<hr/>	<hr/>
	-	529	-	270
	<hr/>	<hr/>	<hr/>	<hr/>

21 Contingent liabilities

At 31 December 2014, the group was contingently liable to the extent of guarantees of £40,000 (2013: £40,000) given in favour of HM Revenue & Customs regarding VAT.

Bank facilities

During the year the Company continued to participate in a designated cash pooling arrangement operating since 21 November 2007 with certain other group companies. This arrangement allowed the Company as a subsidiary of Merck & Co. Inc, to legal title and manage locally its working capital efficiently by drawing upon, depositing or borrowing amounts through the cash pool facility through control as if it were its own bank account. This account is now in the name of Citibank (2013: *Bank Mendes Gans*) and is denominated in local currency. Therefore the Company is not exposed to foreign exchange risk.

Bank interest is applied to the account balance based on a single daily base rate adjusted for the determined margin of 0.25% minus or in addition, to debit and credit balances respectively in the local currency by BMG's Treasury. The cash pool system compensates debit interest margins with credit interest margins for compensated balances and refunds these margins at the end of each month.

The Merck & Co. Inc Treasury, as Principal Customer retaining ultimate control, manages daily the pool within the designated facility to meet expected shortfalls and excesses.

All subsidiaries party to the arrangement are jointly and severally liable to the bank for any overdraft thereon.

22 Pension schemes

The Company is a member of the SP/OBS (UK) Pension Scheme ("the scheme") providing benefits based on final pensionable salary. This scheme is a multi-employer scheme in which the Company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS 17: "Retirement benefits", the scheme has been accounted for in these financial statements as if the scheme were a defined contribution scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme.

An actuarial valuation of the SP/OBS (UK) Pension Scheme was carried out at 31 December 2013 by a qualified independent actuary. The valuation revealed a funding shortfall relating to technical provisions minus the market value of assets, amounting to £1.1 million. Trustees of the scheme and the Principal Employers (Merck Sharp & Dohme Limited and Intervet (UK) Limited) have agreed a recovery plan to eliminate the funding shortfall.

Under the agreed recovery plan Merck Sharp & Dohme Limited and Intervet UK Limited paid a total of £5,920,000 on 31 March 2015 and agreed to pay further amounts up to £5,920,000 each year based upon the re-assessed funding position as at 31 December 2015 and 31 December 2016 on 31 March 2016 and 31 March 2017 respectively. The Intervet UK Limited share of these payments amounts to £1,836,000.

Notes to the financial statements *(continued)*

22 Pension schemes *(continued)*

During 2013, the pension scheme Trustees requested a further payment of £5.92 million to be made under section 75 of the Pensions Act 1995 following the decision to remove Organon Laboratories Limited as a participating employer. The Intervet element again totalled £1,836,000 and is to be allowed to stand in lieu of the deemed payment for 2014.

The contribution rate is generally reviewed every three years following each full actuarial valuation of the scheme. However in view of the changes to the scheme structure as a result of the sale of Organon Biosciences Limited (effective in October 2007), from November 2007 onwards employer contributions have been 25% of pensionable pay for all members. In January 2011 the Company introduced pension salary sacrifice, which has the effect of increasing employer's ordinary contributions to 30% of pensionable salary less any contributions paid by members.

With effect from January 2005 the Company was a member of the Akzo Nobel (CPS) Pension Scheme Defined Contribution Section ("the scheme") providing benefits based on contributions made. Following the separation from Akzo Nobel, membership of this scheme ceased in May 2008 and it was replaced by the Schering-Plough Stakeholder Plan.

The regular pension cost charge for the year represents contributions payable by the Company to the schemes and amounted to £2,042,102 (2013: £1,972,388). No pension contribution positions existed at the end of the financial year.

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 and controlling party is Merck & Co. Inc., which is a public company incorporated in the United States of America. Merck & Co. Inc. represents the only group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of the group financial statements are available from the office address of Merck & Co. Inc., One Merck Drive, Whitehouse Station, New Jersey 08889-0100.