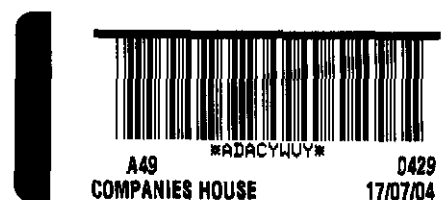


Registration number 2454226

Idexx Laboratories Limited
Directors' report and financial statements
for the year ended 31 December 2003



Idexx Laboratories Limited

Company information

Directors	P Tye J W Ayers S R McPartlan	Appointed - 28/03/2003
Secretary	P Baldwin	
Company number	2454226	
Registered office	Ground Floor, Milton Court Churchfield Road Chalfont St. Peter Nr. Gerrards Cross Bucks. SL9 9EW	
Auditors	Fish Partnership LLP The Mill House Boundary Road Loudwater High Wycombe Bucks. HP10 9QN	

Idexx Laboratories Limited

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Idexx Laboratories Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the financial statements for the year ended 31 December 2003.

Principal activity and review of the business

The principal activity of the company continued to be that of the supply and marketing of diagnostic products.

The directors consider the results for the year to be satisfactory, and anticipate this satisfactory performance to continue.

Results and dividends

The results for the year are set out on page 5.

The directors have paid an interim dividend amounting to £5,000,000 and they do not recommend payment of a final dividend.

Payments of creditors

It is company policy, in respect of all of its suppliers, to settle the terms of payment when agreeing the terms of each transaction; to ensure that suppliers are made aware of the terms of payment; and to abide by the terms of payment.

For the year ended 31 December 2003, the average payment period for trade creditors was 30 days (2002 : 30 days).

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

		Ordinary shares	
		31/12/03	01/01/03
		or date of appointment	
P Tye		-	-
J W Ayers		-	-
Y Van Kuijk	Resigned - 28/03/2003	-	-
S R McPartlan	Appointed - 28/03/2003	-	-

The Directors have no direct beneficial interests in the issued ordinary share capital of the company which is wholly held by Idexx Europe BV, incorporated in the Netherlands.

Idexx Laboratories Limited

Directors' report for the year ended 31 December 2003

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

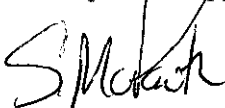
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 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.

Auditors

The company has by elective resolution under Section 386(1) of the Companies Act 1985 dispensed with the annual reappointment of the auditors. *Fish Partnership LLP* were appointed auditors to the company during the year.

This report was approved by the Board on 30 June 2004 and signed on its behalf by



S R McPartlan
Director

Idexx Laboratories Limited

Independent auditors' report to the shareholders of Idexx Laboratories Limited

We have audited the financial statements of Idexx Laboratories Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors' 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

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Idexx Laboratories Limited

Independent auditors' report to the shareholders of Idexx Laboratories Limited continued

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Fish Partnership LLP
Registered Auditor**

1 July 2004

**The Mill House
Boundary Road
Loudwater
High Wycombe
Bucks. HP10 9QN**

Idexx Laboratories Limited

**Profit and loss account
for the year ended 31 December 2003**

		Continuing operations	
		2003	2002
	Notes	£	£
Turnover	2	20,744,937	19,419,814
Cost of sales		(15,045,028)	(13,736,395)
Gross profit		<u>5,699,909</u>	<u>5,683,419</u>
Administrative expenses		(3,082,514)	(3,372,563)
Operating profit	3	<u>2,617,395</u>	<u>2,310,856</u>
Other interest receivable and similar income	4	219,446	158,161
Interest payable and similar charges	5	<u>(35,556)</u>	<u>-</u>
Profit on ordinary activities before taxation		2,801,285	2,469,017
Tax on profit on ordinary activities	8	<u>(905,530)</u>	<u>(768,809)</u>
Profit on ordinary activities after taxation		1,895,755	1,700,208
Dividends	9	<u>(5,000,000)</u>	<u>-</u>
(Loss)/retained profit for the year		<u>(3,104,245)</u>	<u>1,700,208</u>
Retained profit brought forward		7,002,133	5,301,925
Retained profit carried forward		<u><u>3,897,888</u></u>	<u><u>7,002,133</u></u>
Statement of total recognised gains and losses			
Total recognised gains relating to the year		1,895,755	1,700,208
Prior year adjustment		<u>-</u>	<u>48,898</u>
Total recognised gains since last annual report		<u><u>1,895,755</u></u>	<u><u>1,749,106</u></u>

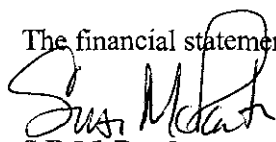
The notes on pages 7 to 15 form an integral part of these financial statements.

Idexx Laboratories Limited

**Balance sheet
as at 31 December 2003**

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	10		199,353		215,632
Tangible assets	11		817,139		801,836
			<u>1,016,492</u>		<u>1,017,468</u>
Current assets					
Debtors	12	3,952,292		4,310,870	
Cash at bank and in hand		2,762,801		5,362,598	
		<u>6,715,093</u>		<u>9,673,468</u>	
Creditors: amounts falling due within one year	13	(3,833,695)		(3,688,801)	
Net current assets			2,881,398		5,984,667
Net assets			<u>3,897,890</u>		<u>7,002,135</u>
Capital and reserves					
Called up share capital	15		2		2
Profit and loss account			3,897,888		7,002,133
Equity shareholders' funds	16		<u>3,897,890</u>		<u>7,002,135</u>

The financial statements were approved by the Board on 30 June 2004 and signed on its behalf by


S R McPartlan
Director

The notes on pages 7 to 15 form an integral part of these financial statements.

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 20 years.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Straight line over 40 years
Leasehold properties	-	Straight line over the life of the lease
Computer equipment	-	33% Straight Line
Fixtures, fittings and equipment	-	15% - 20% Straight Line

1.5. Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

1.7. Deferred taxation

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.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK and Southern Ireland.

	2003 £	2002 £
Class of business		
Supply and Marketing Diagnostic Products	14,225,878	13,579,697
Veterinary Laboratory	6,519,059	5,840,117
	<u>20,744,937</u>	<u>19,419,814</u>

3. Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	16,279	16,279
Depreciation and other amounts written off tangible assets	194,194	179,703
Operating lease rentals		
- Plant and machinery	91,072	92,842
- Land and buildings	102,950	94,700
Auditors' remuneration	12,782	18,200
	<u> </u>	<u> </u>
and after crediting:		
Profit on foreign currencies	(562)	4,948
	<u> </u>	<u> </u>

4. Interest receivable and similar income

	2003 £	2002 £
Bank interest	218,912	138,801
Other interest	534	19,360
	<u>219,446</u>	<u>158,161</u>

5. Interest payable and similar charges

	2003 £	2002 £
On overdue tax	35,556	-
	<u> </u>	<u> </u>

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

6. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2003	2002
Directors	1	1
Supply and Marketing Diagnostic Products	20	21
Veterinary Laboratory	93	88
	<u>114</u>	<u>110</u>

Employment costs

	2003 £	2002 £
Wages and salaries	2,843,198	2,743,728
Social security costs	260,487	344,212
Other pension costs	114,006	98,707
	<u>3,217,691</u>	<u>3,186,647</u>

6.1. Directors' emoluments

	2003 £	2002 £
Remuneration and other emoluments	122,007	104,474
Pension contributions	3,675	2,316
	<u>125,682</u>	<u>106,790</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	1	1
Number of directors who exercised share options	<u>1</u>	<u>1</u>

Certain directors are remunerated by other fellow group companies as they are also directors and officers of other companies within the group. These directors services to the company do not occupy a significant amount of their time. As such these directors do not consider that they have received any remuneration for the incidental services to the company for the year ended 31 December 2003 or 31 December 2002.

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

7. Pension costs

The company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £114,006 (2002 - £98,707).

8. Tax on profit on ordinary activities

Analysis of charge in period	2003 £	2002 £
Current tax		
UK corporation tax at 30.00% (2002 - 30.00%)	829,107	764,679
Prior period adjustments	31,655	-
	<u>860,762</u>	<u>764,679</u>
Total current tax charge	860,762	764,679
Deferred tax		
Timing differences, origination and reversal	44,768	4,130
Total deferred tax	<u>44,768</u>	<u>4,130</u>
Tax on profit on ordinary activities	<u>905,530</u>	<u>768,809</u>

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30.00 per cent). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>2,801,285</u>	<u>2,469,017</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30.00% (31 December 2002 : 30.00%)	840,386	740,705
Effects of:		
Expenses not deductible for tax purposes	22,346	28,104
Capital allowances for period in excess of depreciation	(2,354)	(4,130)
Adjustments to tax charge in respect of previous periods	31,655	-
Other timing differences	(14,400)	-
Other differences	<u>(16,871)</u>	<u>-</u>
Current tax charge for period	<u>860,762</u>	<u>764,679</u>

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

9.	Dividends	2003	2002
		£	£
	Dividends on equity shares:		
	Ordinary shares - interim paid	<u>5,000,000</u>	<u>-</u>
10.	Intangible fixed assets		
		Goodwill	Total
		£	£
	Cost		
	At 1 January 2003	324,324	324,324
	At 31 December 2003	<u>324,324</u>	<u>324,324</u>
	Provision for diminution in value		
	At 1 January 2003	108,692	108,692
	Charge for year	<u>16,279</u>	<u>16,279</u>
	At 31 December 2003	<u>124,971</u>	<u>124,971</u>
	Net book values		
	At 31 December 2003	<u>199,353</u>	<u>199,353</u>
	At 31 December 2002	<u>215,632</u>	<u>215,632</u>

Idexx Laboratories Limited

**Notes to the financial statements
for the year ended 31 December 2003**

..... continued

11. Tangible fixed assets	Land and buildings freehold £	Short leasehold property £	Computer equipment £	Fixtures, fittings and equipment £	Total £
Cost					
At 1 January 2003	354,412	194,956	250,954	1,184,598	1,984,920
Additions	-	-	-	209,497	209,497
At 31 December 2003	<u>354,412</u>	<u>194,956</u>	<u>250,954</u>	<u>1,394,095</u>	<u>2,194,417</u>
Depreciation					
At 1 January 2003	46,876	99,134	244,573	792,501	1,183,084
Charge for the year	12,553	14,645	3,368	163,628	194,194
At 31 December 2003	<u>59,429</u>	<u>113,779</u>	<u>247,941</u>	<u>956,129</u>	<u>1,377,278</u>
Net book values					
At 31 December 2003	<u>294,983</u>	<u>81,177</u>	<u>3,013</u>	<u>437,966</u>	<u>817,139</u>
At 31 December 2002	<u>307,536</u>	<u>95,822</u>	<u>6,381</u>	<u>392,097</u>	<u>801,836</u>

12. Debtors	2003 £	2002 £
Trade debtors	3,227,195	3,161,996
Amounts owed by group undertakings	76,624	181,490
Other debtors	549,476	794,401
Deferred tax asset	-	44,768
Prepayments and accrued income	98,997	128,215
	<u>3,952,292</u>	<u>4,310,870</u>

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

13. Creditors: amounts falling due within one year	2003 £	2002 £
Trade creditors	112,849	107,817
Amounts owed to group undertakings	303,668	747,259
Corporation tax	1,181,771	624,679
Other taxes and social security costs	649,825	615,442
Other creditors	1,092,651	1,046,542
Accruals and deferred income	492,931	547,062
	<u>3,833,695</u>	<u>3,688,801</u>

14. Deferred taxation

Deferred tax asset is analysed over the following timing differences:

	Not recognised		Recognised	
	2003 £	2002 £	2003 £	2002 £
Accelerated capital allowances	21,397	-	-	30,368
Other timing differences	-	-	-	14,400
	<u>21,397</u>	<u>-</u>	<u>-</u>	<u>44,768</u>

Movements on the provision for deferred taxation are:

	2003 £	2002 £
At 1 January 2003	44,768	48,898
Transferred from profit and loss account	(44,768)	(4,130)
At 31 December 2003	<u>-</u>	<u>44,768</u>

Idexx Laboratories Limited

Notes to the financial statements for the year ended 31 December 2003

..... continued

15. Share capital	2003 £	2002 £
Authorised equity		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid equity		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>
 16. Reconciliation of movements in shareholders' funds	 2003 £	 2002 £
Profit for the year	1,895,755	1,700,208
Dividends	(5,000,000)	-
	<u>(3,104,245)</u>	<u>1,700,208</u>
Opening shareholders' funds	7,002,135	5,301,927
Closing shareholders' funds	<u>3,897,890</u>	<u>7,002,135</u>

17. Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003 £	2002 £	2003 £	2002 £
Expiry date:				
Within one year	-	-	1,470	3,862
Between one and five years	62,000	62,000	85,317	73,590
In over five years	40,950	40,950	-	-
	<u>102,950</u>	<u>102,950</u>	<u>86,787</u>	<u>77,452</u>

18. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from disclosing related party transactions where the transactions are between group members on the grounds that details of the company are included in publicly available consolidated accounts.

Idexx Laboratories Limited

**Notes to the financial statements
for the year ended 31 December 2003**

..... continued

19. Ultimate parent undertaking

The company was controlled throughout the current and previous year by its immediate parent company, Idexx Europe BV, a company incorporated in the Netherlands. The ultimate parent company is Idexx Laboratories Inc, a company incorporated in the USA. Copies of the group accounts incorporating the results of the company are available from Idexx Laboratories Inc, One Idexx Drive, Westbrook, Maine 04092, USA.