

Company Registration No. 2454226 (England and Wales)

**IDEXX LABORATORIES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

# IDEXX LABORATORIES LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr W Blanche Jr Mr J D Chadbourne Ms L J Lu
<b>Secretary</b>	Ms L J Lu
<b>Company number</b>	2454226
<b>Registered office</b>	Grange House Sandbeck Way Wetherby West Yorkshire United Kingdom LS22 7DN
<b>Auditor</b>	Azets Audit Services The Mill House Boundary Road Loudwater High Wycombe Buckinghamshire United Kingdom HP10 9QN

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# **IDEXX LABORATORIES LIMITED**

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# **IDEXX LABORATORIES LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2020***

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The directors present the strategic report for the year ended 31 December 2020.

IDEXX Laboratories UK Ltd. ("the Company") is a fully owned subsidiary of IDEXX Europe BV, and the ultimate parent Company is IDEXX Laboratories Inc.

The Company's main activities include sales & marketing of veterinary diagnostic products, veterinary laboratory services and water diagnostic products.

#### **Fair review of the business**

Net sales for 2020 were £74,178,909 or a decrease of 5% compared to 2019.

The Companion Animal Group (CAG) veterinary diagnostics business was impinged by the effect of the COVID-19 and reported a decline of its growth by 4%.

In our In-House diagnostics business, we experienced challenges to place instruments with the lockdowns, but we noticed a higher utilization of our instruments along the year which partially compensated this below-average performance.

Our Lab division has been more heavily impacted by the health crisis with a decrease of its sales of 10% even though we noticed a recovery of our volumes in Q3 and Q4 especially in the microbiology and the pathology. Another impact has been a reduction of revenue due to changes in the contracts with large Corporate Accounts.

The Livestock, Poultry and Dairy (LPD) segment demonstrated a resilience to the crisis with a stabilization of its revenue (i.e.: -1 %) and it still represents around 5% of the total revenue with among others an increase of the market share with Alerthys and a strong demand on the Ruminant tests.

Our water diagnostics business has been the more severely impacted by the COVID pandemic with a drop of the revenue by 21% (i.e.: Coliform test). This is the consequence of the successive lockdowns and their consequences on the volume activity of the non-compliant testing.

Despite this difficult situation, we noticed a dynamic recovery in the first half year (i.e.: 29%) and new opportunities with the New European Drinking Water Directive (EU-DWD).

The profitability in 2019 was favorable impacted by the sale of licenses of LYNXX software for £3,000,000, which is a non-recurring event.

Net profit (after tax) went down from a profit of £2,652,242 in 2019 to a loss of £91,290 in 2020.

The Company has increased the number of personnel in 2020, from 297 in 2019 to a total of 312.

#### **Principal risks and uncertainties**

The Directors have assessed the Company's price, credit and liquidity risks. The solvability and liquidity of the company is monitored through a global process of corporate finance and treasury management.

The company is part of the group of IDEXX Inc. and has global processes in place for risk management. To mitigate business continuity risks, the company has established global IT securities and protocols for software changes, with disaster recovery plans in place in case of a major incident.

For mitigating risks to the complete and accurate financial accounting and reporting, the group has established internal controls in compliance with the Sarbanes Oxley act.

# **IDEXX LABORATORIES LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2020***

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### **Future Developments and COVID 19**

In 2020 we have experienced the global pandemic of COVID-19 which created overall uncertainty. In response to COVID-19 we have changed some aspects of our business practices (i.e.: access to our facilities, employee remote work locations, and employee travel), and we may take further actions based on government's guidance. Such actions did not result in significant disruptions to our supply chain, operations, facilities, and employee workforce.

The impact of the COVID-19 pandemic on our business, results of operations, liquidity, financial condition depends on future developments is still unpredictable and outside of our control, including the duration and scope of the pandemic, related governmental advisories and restrictions to contain COVID-19 and how quickly economic conditions improve once the COVID-19 pandemic subsides.

There can be no assurance that we will be able to prevent or mitigate any or all of the COVID-19 near-or longterm adverse impacts, which could be material.

After a temporary decline in our revenue, we rebounded to our long-term revenue growth trend, which we expect to continue for the remainder for 2020.

For 2021 we are expecting to report a revenue growth as we leverage the expanded commercial organization and our ongoing product innovation, while the continue high demand for our diagnostic products and service in the veterinary industry.

On behalf of the board

Mr J D Chadbourne  
**Director**

28 September 2021

# IDEXX LABORATORIES LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### Principal activities

The principal activity of the company continued to be that of the distribution and marketing of veterinary diagnostics produces, veterinary laboratory services and water diagnostic products.

#### Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr W Blanche Jr  
Mr J D Chadbourne  
Mr P Tye  
Ms L J Lu

(Resigned 28 July 2020)

#### Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the 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 to that of other employees.

#### Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

#### Auditor

The auditor, Azets Audit Services, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### Energy and carbon report

	2020	2019
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year	1,358,617	-

## IDEXX LABORATORIES LIMITED

### DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 metric tonnes	2019 metric tonnes
<i>Emissions of CO2 equivalent</i>		
Scope 1 - direct emissions		
- Gas combustion	44.41	-
- Fuel consumed for owned transport	90.49	-
	<hr/>	<hr/>
	134.90	-
Scope 2 - indirect emissions		
- Electricity purchased	191.98	-
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	19.76	-
	<hr/>	<hr/>
Total gross emissions	346.64	-
	<hr/>	<hr/>
<i>Intensity ratio</i>		
Tonnes of CO2e per full-time employee	0.996	
	<hr/>	<hr/>

#### *Quantification and reporting methodology*

We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2020 UK Government's Conversion Factors for Company Reporting.

#### *Intensity measurement*

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per employee, the recommended ratio for the sector.

#### *Measures taken to improve energy efficiency*

Over the last several years we have undertaken LED lighting upgrades and implemented an AC Replacement Program for the Wetherby Lab. There are a number of existing DX Mini Split Ceiling Cassette Units that provide sensible cooling for the various lab & office spaces. These older existing AC units are ageing and nearing the end of their useful life and will need to be replaced. Our Replacement Program is focused on installing the newer more efficient DX AC Units that are available on the market from several manufacturers. Our Program is targeting the older units and we typically will replace 5-6 AC Units per year. The replacement AC units also utilize the newer types of eco-friendly refrigerants as well.

#### *Renewable energy strategy*

The company strategy has been to purchase renewable energy backed by Renewable Electricity Guarantees of Origin (REGO) certificates. Through this strategy, within the above 2020 total energy consumption, the company has sourced a total of 192,524.00 kWh of REGO backed (zero emission) electricity equating to 22.24% of total electricity use.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**IDEXX LABORATORIES LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2020***

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On behalf of the board

Mr J D Chadbourne  
**Director**

28 September 2021



## **IDEXX LABORATORIES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2020***

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The directors are responsible for preparing the annual 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 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;
- 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.

# IDEXX LABORATORIES LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF IDEXX LABORATORIES LIMITED

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#### Opinion

We have audited the financial statements of IDXX Laboratories Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 state of the company's affairs as at 31 December 2020 and of its loss 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 our 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 the directors' report have been prepared in accordance with applicable legal requirements.

# **IDEXX LABORATORIES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF IDEXX LABORATORIES LIMITED**

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#### **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 and the directors' report.

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

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

#### **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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **IDEXX LABORATORIES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF IDEXX LABORATORIES LIMITED**

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##### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## **IDEXX LABORATORIES LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF IDEXX LABORATORIES LIMITED**

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#### **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.

**Paul Laird FCCA (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

29 September 2021

**Chartered Accountants**  
**Statutory Auditor**

The Mill House  
Boundary Road  
Loudwater  
High Wycombe  
Buckinghamshire  
United Kingdom  
HP10 9QN

# IDEXX LABORATORIES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	74,178,909	78,240,358
Cost of sales		(56,876,557)	(54,927,652)
<b>Gross profit</b>		<b>17,302,352</b>	<b>23,312,706</b>
Administrative expenses		(17,496,961)	(19,759,502)
<b>Operating (loss)/profit</b>	<b>5</b>	<b>(194,609)</b>	<b>3,553,204</b>
Interest receivable and similar income	8	3	905
Interest payable and similar expenses	9	(51,035)	(60,738)
<b>(Loss)/profit before taxation</b>		<b>(245,641)</b>	<b>3,493,371</b>
Tax on (loss)/profit	10	154,351	(841,128)
<b>(Loss)/profit for the financial year</b>		<b>(91,290)</b>	<b>2,652,243</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# IDEXX LABORATORIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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	2020	2019
	£	£
(Loss)/profit for the year	(91,290)	2,652,243
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(91,290)</u>	<u>2,652,243</u>

# IDEXX LABORATORIES LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	12		143,705		203,306
Tangible assets	13		7,401,049		9,093,348
Investments	14		1		1
			<u>7,544,755</u>		<u>9,296,655</u>
<b>Current assets</b>					
Debtors	16	13,982,855		11,530,378	
Cash at bank and in hand		25,782		112,649	
		<u>14,008,637</u>		<u>11,643,027</u>	
<b>Creditors: amounts falling due within one year</b>	17	(13,156,593)		(12,237,990)	
<b>Net current assets/(liabilities)</b>			<u>852,044</u>		<u>(594,963)</u>
<b>Total assets less current liabilities</b>			<u>8,396,799</u>		<u>8,701,692</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(336,185)		(528,532)
<b>Provisions for liabilities</b>					
Deferred tax liability	19	-		21,256	
		<u>-</u>	<u>-</u>	<u>21,256</u>	<u>(21,256)</u>
<b>Net assets</b>			<u><u>8,060,614</u></u>		<u><u>8,151,904</u></u>
<b>Capital and reserves</b>					
Called up share capital	21		2		2
Profit and loss reserves			<u>8,060,612</u>		<u>8,151,902</u>
<b>Total equity</b>			<u><u>8,060,614</u></u>		<u><u>8,151,904</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2021 and are signed on its behalf by:

Mr J D Chadbourne  
Director

Company Registration No. 2454226



# IDEXX LABORATORIES LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
<b>Balance at 1 January 2019</b>		2	9,499,659	9,499,661
<b>Year ended 31 December 2019:</b>				
Profit and total comprehensive income for the year		-	2,652,243	2,652,243
Dividends	11	-	(4,000,000)	(4,000,000)
<b>Balance at 31 December 2019</b>		2	8,151,902	8,151,904
<b>Year ended 31 December 2020:</b>				
Loss and total comprehensive income for the year		-	(91,290)	(91,290)
<b>Balance at 31 December 2020</b>		2	8,060,612	8,060,614

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1 Accounting policies**

#### **Company information**

IDEXX Laboratories Limited is a private company limited by shares incorporated in England and Wales. The registered office is Grange House, Sandbeck Way, Wetherby, West Yorkshire, United Kingdom, LS22 7DN.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of IDEXX Laboratories Inc. These consolidated financial statements are available from its registered office, One Idexx Drive, Westbrook, Maine 04092, USA.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The COVID-19 pandemic and the ensuing economic shutdown has not had a significant impact on the company's operations. In response to the COVID-19 pandemic, the Directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact.

Based on these assessments and having regard to the resources available to the entity, the Directors have concluded that there is no material uncertainty and that they can continue to adopt the going concern basis in preparing the accounts.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised on the effective transfer of control for goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 2 to 20 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Straight line over 7 - 40 years
Leasehold land and buildings	Over the period of the lease
Fixtures and fittings	At varying rates on cost
Computers	Straight line over 2 -7 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

#### 1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.12 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The fair value of options granted is measured by a Black-Scholes pricing model. The fair value of Restricted Stock Units (RSU's) is measured at the market price at the grant date.

#### 1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. During the year there were no key judgements or sources of estimation uncertainty.

### 3 Turnover and other revenue

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Veterinary diagnostic products	38,996,090	34,972,535
Veterinary laboratory services	26,710,674	30,027,608
Water diagnostic products	5,907,772	7,504,213
Lynxx license fees	-	2,996,244
Intercompany cross charges	2,564,373	2,739,758
	<u>74,178,909</u>	<u>78,240,358</u>
	2020	2019
	£	£
<b>Other significant revenue</b>		
Interest income	3	905
	<u>3</u>	<u>905</u>

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

### 4 Auditor's remuneration

	2020	2019
	£	£
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<u>25,975</u>	<u>28,061</u>
<b>For other services</b>		
Taxation compliance services	<u>-</u>	<u>4,300</u>



# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 Operating (loss)/profit

	2020	2019
	£	£
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(33,088)	29,076
Depreciation of owned tangible fixed assets	2,429,489	2,374,954
(Profit)/loss on disposal of tangible fixed assets	-	467
Amortisation of intangible assets	59,601	79,874
Operating lease charges	653,043	846,176
	<u>          </u>	<u>          </u>

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020	2019
	Number	Number
Directors	1	1
Supply and marketing diagnostic products	83	81
Veterinary laboratory	228	215
	<u>          </u>	<u>          </u>
Total	312	297
	<u>          </u>	<u>          </u>

Their aggregate remuneration comprised:

	2020	2019
	£	£
Wages and salaries	15,075,555	14,038,145
Social security costs	1,555,517	1,372,218
Pension costs	1,201,119	1,107,791
	<u>          </u>	<u>          </u>
	17,832,191	16,518,154
	<u>          </u>	<u>          </u>

### 7 Directors' remuneration

	2020	2019
	£	£
Remuneration for qualifying services	753,502	737,246
Company pension contributions to defined contribution schemes	13,108	19,190
	<u>          </u>	<u>          </u>
	766,610	756,436
	<u>          </u>	<u>          </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 1).

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Directors' remuneration

(Continued)

The number of directors who exercised share options during the year was 1 (2019 - 1).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 1 (2019 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	753,502	737,246
Company pension contributions to defined contribution schemes	13,108	19,190
	<u>          </u>	<u>          </u>

The highest paid director has exercised share options during the year.

The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

### 8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	3	905
	<u>          </u>	<u>          </u>

### 9 Interest payable and similar expenses

	2020 £	2019 £
Other interest on financial liabilities	51,035	60,738
	<u>          </u>	<u>          </u>

### 10 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(49,856)	819,872
	<u>          </u>	<u>          </u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(104,495)	21,256
	<u>          </u>	<u>          </u>
Total tax (credit)/charge	<u>(154,351)</u>	<u>841,128</u>

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020 £	2019 £
(Loss)/profit before taxation	(245,641)	3,493,371
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(46,672)	663,740
Tax effect of expenses that are not deductible in determining taxable profit	9,211	11,199
Group relief	-	(41,068)
Permanent capital allowances in excess of depreciation	-	6,787
Depreciation on assets not qualifying for tax allowances	34,164	-
Under/(over) provided in prior years	(46,559)	179,214
Deferred taxation movement	(104,495)	21,256
Taxation (credit)/charge for the year	(154,351)	841,128

### 11 Dividends

	2020 £	2019 £
Final paid	-	4,000,000

### 12 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	2,248,942
<b>Amortisation and impairment</b>	
At 1 January 2020	2,045,636
Amortisation charged for the year	59,601
At 31 December 2020	2,105,237
<b>Carrying amount</b>	
At 31 December 2020	143,705
At 31 December 2019	203,306

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 Tangible fixed assets

	Freehold land and buildings	Leasehold land and buildings	Fixtures and fittings	Computers	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2020	3,871,208	616,254	5,388,380	14,683,206	24,559,048
Additions	56,000	-	432,424	83,447	571,871
Disposals	-	-	-	(32,908)	(32,908)
Transfers	-	-	315,650	-	315,650
At 31 December 2020	3,927,208	616,254	6,136,454	14,733,745	25,413,661
<b>Depreciation and impairment</b>					
At 1 January 2020	1,365,017	511,958	3,323,635	10,265,090	15,465,700
Depreciation charged in the year	120,207	44,471	479,919	1,784,892	2,429,489
Eliminated in respect of disposals	-	-	-	(32,908)	(32,908)
Transfers	-	-	150,331	-	150,331
At 31 December 2020	1,485,224	556,429	3,953,885	12,017,074	18,012,612
<b>Carrying amount</b>					
At 31 December 2020	2,441,984	59,825	2,182,569	2,716,671	7,401,049
At 31 December 2019	2,506,191	104,296	2,064,745	4,418,116	9,093,348

### 14 Fixed asset investments

	Notes	2020 £	2019 £
Investments in subsidiaries	15	1	1

### 15 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct	Indirect
Vet Med Lab (UK) Limited	UK	Ordinary	100.00	100.00

# **IDEXX LABORATORIES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

### **16 Debtors**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	11,828,070	10,043,271
Corporation tax recoverable	31,373	-
Amounts owed by group undertakings	61,644	46,424
Other debtors	25,999	25,010
Prepayments and accrued income	710,663	531,748
	<u>12,657,749</u>	<u>10,646,453</u>
Deferred tax asset (note 19)	83,239	-
	<u>12,740,988</u>	<u>10,646,453</u>

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due after more than one year:</b>		
Prepayments and accrued income	1,241,867	883,925
	<u>1,241,867</u>	<u>883,925</u>
<b>Total debtors</b>	<u>13,982,855</u>	<u>11,530,378</u>

### **17 Creditors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Trade creditors	361,249	92,385
Amounts owed to group undertakings	4,289,387	4,191,067
Corporation tax	-	79,455
Other taxation and social security	2,304,508	2,072,879
Other creditors	1,569,040	1,313,131
Accruals and deferred income	4,632,409	4,489,073
	<u>13,156,593</u>	<u>12,237,990</u>

### **18 Creditors: amounts falling due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Accruals and deferred income	336,185	528,532
	<u>336,185</u>	<u>528,532</u>

# IDEXX LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
<b>Balances:</b>				
Accelerated capital allowances	-	21,256	83,239	-
<b>Movements in the year:</b>				2020 £
Liability at 1 January 2020				21,256
Credit to profit or loss				(104,495)
Asset at 31 December 2020				(83,239)

### 20 Retirement benefit schemes

	2020 £	2019 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	1,201,119	1,107,791

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 21 Share capital

	2020 Number	2019 Number	2020 £	2019 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary of £1 each	2	2	2	2

## **IDEXX LABORATORIES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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##### **22 Share-based payment transactions**

IDEXX Laboratories Inc. provide for various forms of share-based compensation awards to our employees and non-employee directors. The share-based compensation plans allow for the issuance of a mix of stock options, restricted stock, stock appreciation rights, employee stock purchase rights and other stock unit awards. With the exception of stock options, the fair value of our awards is equal to the closing stock price of IDEXX common stock on the date of grant. The fair value of the stock option awards is calculated using the Black-Scholes-Merton option-pricing model. For stock options, restricted stock units (RSUs), and deferred stock units (DSUs), share-based compensation expense is recognized net of estimated forfeitures, on a straight-line basis over the requisite service period of the award for stock options. For performance-based restricted stock units (PBRsUs), share-based compensation expense is recognized net of estimated forfeitures, on a grade-vesting methodology over the requisite service period.

Stock options permit a holder to buy IDEXX stock upon vesting at the stock's price on the date the option was granted. An RSU is an agreement to issue shares of IDEXX stock at the time of vesting. A PBRsUs is an agreement to issues shares of IDEXX stock at the time of vesting upon successful completion of certain performance goals. DSUs are granted under our Executive Deferred Compensation Plan (the Executive Plan) and non-employee Director Deferred Compensation Plan (the Director Plan). DSUs may or may not have vesting conditions depending on the plan under which they are issued.

IDEXX Laboratories Inc. primarily issue shares of common stock to satisfy stock option exercises and employee stock purchase rights and to settle RSUs, PBRsUs, and DSUs. IDEXX Laboratories Inc. issue shares of treasury stock to settle certain RSUs and upon the exercise of certain stock options. The number of shares of common stock and treasury stock issued are equivalent to the number of awards exercised or settled. With the exception of employee stock purchase rights, equity awards are issued to employees and non-employee directors under the 2018 Stock Incentive Plan (the "2018 Stock Plan"). IDEXX Laboratories Inc. Board of Directors has authorised the issuance of 7.5 million shares of our common stock under the 2018 Stock Plan. Any shares that are subject to awards of stock options or stock appreciation rights will be counted against the share limit as one share for every share granted. Any shares that are issued other than stock options and stock appreciation rights will be counted against the share limit as 2.4 shares for every share granted. If any shares issued under our prior plans are forfeited, settled for cash, or expire, these shares, to the extent of such forfeiture, cash settlement or expiration, will again be available for issuance under the 2018 Stock Plan.

Prior to December 4, 2019, all options granted to employees primarily vest ratably over five years on each anniversary of the date of grant. Options granted to non-employee directors vest fully on the first anniversary of the date of grant. Employee grants after December 4, 2019, will vest ratably over 4 years. Vesting of option awards issued is conditional based on continuous service. Options granted after May 8, 2013 have a contractual term of ten years and options granted between January 1, 2006 and May 8, 2013 have contractual terms of seven years. Upon any change in control of the IDEXX Laboratories Inc. 25% of the unvested stock options then outstanding will vest and become exercisable. However, if the acquiring entity does not assume outstanding options, then all options will vest immediately prior to the change in control. Prior to December 4, 2019, the majority of RSUs, including our PBRsUs, granted to employees vest ratably over five years on each anniversary of the date of grant. Employee grants after December 4, 2019, will vest ratably over 4 years. PBRsUs granted to employees vest based on meeting performance goals set on the day of grant. RSUs granted to non-employee directors vest fully on the first anniversary of the date of grant. Vesting as it relates to RSUs and PBRsUs issued is conditional based on continuous service. Upon any change in control of the company, 25 percent of the unvested RSUs and PBRsUs then outstanding will vest, provided, however, that if the acquiring entity does not assume the RSUs and PBRsUs, then all such units will vest immediately prior to the change in control. At time of grant, it is assumed all PBRsUs will meet performance goals to vest.

The total value of the existing options and RSU's held by employees of IDEXX Laboratories Limited are not considered to be material and hence have not been recognised in the financial statements.

## IDEXX LABORATORIES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 23 Operating lease commitments

##### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	484,432	363,612
Between two and five years	686,058	722,584
	<u>1,170,490</u>	<u>1,086,196</u>

#### 24 Ultimate controlling party

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 result of the company are available from IDEXX Laboratories Inc. One Idexx Drive, Westbrook, Maine 04092, USA.



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