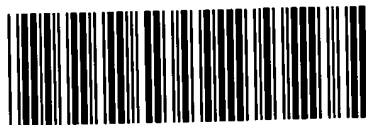


**AH UK ANIMAL HEALTH (PVT) LTD**

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

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<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**COMPANY INFORMATION**

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<b>Directors</b>	G Rhodes D Gold (appointed 21 October 2021) L Jegou (appointed 15 November 2021)
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<b>Company secretary</b>	G Rhodes
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<b>Registered number</b>	02579457
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<b>Registered office</b>	The Point 9th Floor 37 North Wharf Road London W2 1AF
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<b>Independent auditor</b>	BDO LLP 4 Atlantic Quay 70 York Street Glasgow G2 8JX
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**AH UK ANIMAL HEALTH (PVT) LTD**

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<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Introduction**

The directors present their strategic report for AH UK Animal Health (PVT) Limited, together with the audited financial statements for the year ended 31 December 2020.

**Principal activity**

The principal activity of the company is the sale and distribution of animal health products including consumables, equipment, pharmaceuticals and related services.

The company is part of the Covetrus group, a global animal-health technology and services group supporting the companion, equine, and large animal veterinary markets.

**Business Review**

2020 saw strong growth in turnover particularly with our corporate customers, despite an intensively competitive market and the challenges caused by the Covid pandemic. The company ended the year with a strong statement of financial position and significant cash reserves. The loss of distribution rights for a key supplier in late 2020 has negatively impacted results in 2021 but did not have a material impact on 2020 performance or year end position.

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Principal risks and uncertainties**

The company is subject to a number of financial and operational risks which are monitored by the company's directors. The principal risks and uncertainties are the following:

**Financial Risks**

- Price risk: The company is exposed to commodity price risk as part of its operation. This is mitigated through strategic sourcing. The company has no exposure to equity price risk.
- Liquidity risk: The company manages cash and working capital closely to ensure sufficient funds are generated by its operations to meet all obligations and to reinvest in the future. The company has access to a revolving credit facility and the resources of the wider Covetrus group.
- Credit risk: The company has exposure to credit risk in its trade debtors. Credit checks are performed on all new customers and periodically on existing customers to ensure their creditworthiness. The debtors ledger is reviewed regularly to ensure outstanding debts are paid in a timely fashion.
- Cash flow risk: The company prepares weekly rolling cash flow forecasts to identify potential cash flow issues and inform its working capital management strategy.

**Operational Risks**

- Market risk: The company operates in a highly dynamic and competitive market that is seeing an increasing level of consolidation both in its customers and suppliers. Although a challenging environment, the overall growth of the market and the quality of the company's offering means we are well placed to respond to these challenges.
- Legislative risk: The company requires various licences from various agencies in order to trade. Uncertainty exists around the renewal of these licences and the company is subject to inspections and audits to ensure it is compliant with the terms of these licences. The company ensures compliance through strict adherence to Standard Operating Procedures.

**Covid pandemic**

The Covid pandemic has brought significant disruption to the company's operations. We have managed through this period thus far by using available government schemes, by focusing on maximising cash through careful working capital management, and by reducing non-essential operating costs. While the current environment is more stable, significant uncertainty remains and should conditions deteriorate and further restrictions be imposed, this would impact not only our operational ability but may also lead to a reduction in demand for our products depending on the restrictions faced by vet practices.

**Going concern**

The ongoing pandemic of Covid-19, the loss of distribution rights for a key supplier and the ongoing corporization of vet practices have brought uncertainties to the market the company operates in and does provide challenges to the company going forward. Despite these pressures, the directors have prepared cashflows for the next 12 months which indicate the company has sufficient resources to continue to trade for the foreseeable future. Emphasis has been placed on working capital requirements with various stressed scenarios considered. There were no scenarios which indicated the entity would require to increase its borrowing in order to have sufficient cash to meet its liabilities as they fall due. The directors also have confidence in the success of the new senior leadership team and a return to growth for the business going forward. Finally, the company is part of a large Group and would have access to the Group's resources should they be required.

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Financial key performance indicators**

Key performance indicators for the continuing operations of the company are turnover, gross profit margin and operating profit.

The company's turnover from continuing animal health operations increased by £26m (6.5%). Growth is higher than in previous years due to gains in new customer categories and customers building stock holdings due to Brexit.

Gross profit margin reduced by 1.1% (7.9% v 9.0%) due to impact of Brexit and the Covid pandemic on UK market demand.

Administrative expenses increased by £4.5m. This includes restructuring costs and investment in facilities and system infrastructure. The effect of this is partly mitigated by operating income of group recharges.

Operating profit of £5.4m is lower than the prior year due to the above factors and also a profit on group reconstruction of £57.8m in 2019.

Cash at bank and in hand increased by £8.4m largely through cash generated from operations.

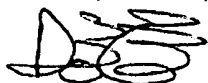
**Financial instruments**

A portion of the company's purchases are in currencies other than GBP. The company's policy is to consider hedging currency exposures where goods are to be purchased in any other currency in order to minimise the currency risk.

In respect of interest rate risk and liquidity risk the company's policy is to maintain a mixture of short term debt finance and cash held in readily accessible bank accounts to ensure there are sufficient funds for operations.

Credit risk is managed by detailed credit checks carried out on new customers with authorisation required by management of new accounts. Alongside this regular reviews are carried out of existing customers credit terms.

This report was approved by the board and signed on its behalf.



**D Gold**  
Director

Date: 21/12/2021

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

**Directors' responsibilities statement**

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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 for the company's financial statements 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 to 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.

**Results and dividends**

The profit for the year, after taxation, amounted to £4,589,063 (2019 - £66,479,911).

The directors do not recommend a dividend (2019 - £131,695,000 paid via transfer of the dental assets).

**Directors**

The directors who served during the year were:

M Ellis (resigned 19 October 2021)  
G Rhodes  
T Tattersfield (resigned 31 October 2021)  
W Bright (resigned 5 November 2021)

**Future developments**

2021 has been a difficult year for the company, with the loss of a key supplier and ongoing corporatization in the vet market leading to some customer attrition. However, a new senior leadership team appointed in the second half of the year, focused on future growth, and a plan for returning the business to growth will be implemented from Q1 2022.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Disabled employees**

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

**Engagement with employees**

The company and directors have taken steps to ensure that employees are engaged with, and have a chance to ask questions about, the direction of the organisation. This includes a robust onboarding programme, regular employee engagement on an individual and wider organisational level and cascades of key business updates including summaries of financial performance. There is an annual anonymous staff survey which collects data on a range of factors, including employee engagement, and this has been used to get further insight and an understanding of future areas for improvement.

**S172 Statement**

The directors, in line with their duties under s172 of the Companies Act, act individually and collectively in the way they consider, in good faith, would be the most likely to promote the success of the company for the overall benefit of its members and in doing so have regard, amongst other matters, to the:

- Likely consequences of any decision in the long term
- Interests of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's operations on the community and the environment
- Desirability of the company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the company.

The board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through monthly business performance and other information provided by management and also by direct engagement with stakeholders themselves. The directors ensure that decisions that will potentially affect the business in the long term are fully assessed taking account of impact on business performance and cash flows.

Our employees remain fundamental to the achievement of our business plan and we continue to engage with all employees on a regular basis. The directors have introduced an employee survey to measure and assess the improvements being undertaken to improve employee communication, engagement and understanding of the company's strategy.

We continue to work closely with our customers supporting them with products and services that animal care professionals rely on, day in and day out. Our team of sales and marketing experts help to empower each customer to build their practice and advance the world of veterinary medicine.

We value our suppliers as partners and our aim is to develop and enter into strong stable working relationships. The board takes sustainability and environmental responsibility very seriously and continues to support national and local causes in the areas that we operate in.

At Covetrus, we believe that an important part of "helping health happen" is protecting the health of planet earth. Committed to doing our part, Covetrus embraces environmental stewardship as a pillar of our corporate social responsibility efforts. The company complies with environmental legislation and is committed to reducing its environmental impact through a process of continuous improvement via its internal auditing and corrective action systems which are currently in place for its Quality Management System and in order to meet



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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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environmental objectives.

A dedicated team review the business's environmental impacts with the intention of setting objectives for reducing the impact and communicates regularly to all its employees on the importance of environmental issues and the part that we all play in reducing the impact.

We have a clear responsibility to engage with shareholders of our business and their views are an important driver of our strategy. We keep our shareholders regularly informed.

The directors intentions are to act responsibly and to ensure that the management team operates the business in a responsible manner, acting with high standards of business conduct and good governance expected of our nature and size and in alignment with legal requirements. In doing so, we believe we will achieve our long term business strategy and further develop our reputation in our sector.

## AH UK ANIMAL HEALTH (PVT) LTD

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

#### Energy and carbon report

*GHG emissions and energy use data for year ended 31 December 2020*

	2020
Energy consumption used to calculate emissions	
Electricity	760,719 kWh
Gas	543,880 kWh
Diesel	8,550,378 kWh
Petrol	45,723 kWh
Emissions from all business activities	
Electricity	177 tCO <sub>2</sub> e
Gas	100 tCO <sub>2</sub> e
Diesel	2,335 tCO <sub>2</sub> e
Petrol	12 tCO <sub>2</sub> e
Intensity ratio: tCO <sub>2</sub> e gross figure / average number of employees in the reporting period	2,624 tCO <sub>2</sub> e / 441 = 5.95
Methodology	GHG Reporting Protocol - Corporate Standard

#### *Energy efficient action*

In the period covered by the report the Company has:

- Refitted one warehouse with energy efficient sensor LED lighting
- Continued to replace any old inefficient lights with LED lighting
- Continued to replace fluorescent lighting with LED equivalents
- Serviced and deep cleaned the HVAC and the refrigeration twice yearly to improve the efficiency of the equipment
- Continued to upgrade monitors with energy efficient replacements
- Reduced occupied office space during the pandemic
- Reduced network routes throughout the UK and reduced HGV movements throughout the UK
- Replaced single use cardboard and plastics with reusable totes
- Replaced heating equipment with energy efficient heating in the warehouse
- Changed waste providers to bio waste for new energy

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**Auditor**

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**D Gold**  
Director

Date: 21/12/2021

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<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AH UK ANIMAL HEALTH (PVT) LTD**

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**Opinion on the financial statements**

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 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.

We have audited the financial statements of AH UK Animal Health (PVT) Ltd ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

**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 auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

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.

**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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. 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

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<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AH UK ANIMAL HEALTH (PVT) LTD  
(CONTINUED)**

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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.

**Other Companies Act 2006 reporting**

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept by the company, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AH UK ANIMAL HEALTH (PVT) LTD  
(CONTINUED)**

**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.

Extent to which the audit was 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, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The procedures that we designed and executed included:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud. Areas of identified risk are then tested substantively;
- reading minutes of meetings of senior management; reviewing correspondence with regulatory bodies and from legal advisors to identify indications of non-compliance with laws and regulations;
- assessing the design and implementation of the control environment, including IT general controls and automated application controls, to focus the design of our testing. Where possible we tested the operating effectiveness of relevant controls;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)
- identifying whether there are instances of potential bias in areas with significant degrees of judgement such as carrying value of assets subject to impairment reviews;
- addressing the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- assessing the risk of fraud in revenue recognition by testing the key controls which support the recording of revenue and topping this up with substantive audit procedures;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 December 2020; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at:

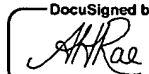
**AH UK ANIMAL HEALTH (PVT) LTD**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AH UK ANIMAL HEALTH (PVT) LTD  
(CONTINUED)**

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members 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 for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:  
  
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Alastair Rae (Senior Statutory Auditor)  
For and on behalf of  
BDO LLP, statutory auditor  
Edinburgh, UK

Date: 22 December 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**AH UK ANIMAL HEALTH (PVT) LTD**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
Turnover	4	421,538,539	395,843,276
Cost of sales		(388,389,644)	(360,417,361)
<b>Gross profit</b>		<b>33,148,895</b>	<b>35,425,915</b>
Distribution costs		(13,795,728)	(13,242,145)
Administrative expenses		(18,141,048)	(14,174,636)
Profit on group reconstruction	14	-	57,848,547
Other operating income	5	4,184,094	2,610,714
<b>Operating profit</b>	6	<b>5,396,213</b>	<b>68,468,395</b>
Interest receivable and similar income	10	405,940	470,273
Interest payable and similar expenses	11	(34,389)	(10,598)
<b>Profit before tax</b>		<b>5,767,764</b>	<b>68,928,070</b>
Tax on profit	12	(1,178,701)	(2,448,159)
<b>Profit for the financial year</b>		<b>4,589,063</b>	<b>66,479,911</b>
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b>4,589,063</b>	<b>66,479,911</b>

The notes on pages 18 to 41 form part of these financial statements.



**AH UK ANIMAL HEALTH (PVT) LTD**  
**REGISTERED NUMBER: 02579457**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	15	2,256,417	-
Tangible assets	16	4,534,567	4,237,550
		<u>6,790,984</u>	<u>4,237,550</u>
<b>Current assets</b>			
Stocks	17	56,083,587	111,750,820
Debtors: amounts falling due within one year	18	81,538,867	70,841,676
Cash at bank and in hand	19	59,104,083	50,660,337
		<u>196,726,537</u>	<u>233,252,833</u>
Creditors: amounts falling due within one year	20	(96,846,796)	(135,276,926)
<b>Net current assets</b>		<u>99,879,741</u>	<u>97,975,907</u>
<b>Total assets less current liabilities</b>		<u>106,670,725</u>	<u>102,213,457</u>
Creditors: amounts falling due after more than one year	21	(181,250)	(398,683)
<b>Provisions for liabilities</b>			
Deferred tax	22	(224,761)	(139,123)
		<u>(224,761)</u>	<u>(139,123)</u>
<b>Net assets</b>		<u><u>106,264,714</u></u>	<u><u>101,675,651</u></u>
<b>Capital and reserves</b>			
Called up share capital	23	62,744,225	62,744,225
Share premium account	24	683,433	683,433
Capital contribution reserve	24	16,684,970	16,684,970
Profit and loss account	24	26,152,086	21,563,023
		<u><u>106,264,714</u></u>	<u><u>101,675,651</u></u>

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**AH UK ANIMAL HEALTH (PVT) LTD**  
**REGISTERED NUMBER: 02579457**

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**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2020**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**D Gold**  
Director

Date: 21/12/2021

The notes on pages 18 to 41 form part of these financial statements.

**AH UK ANIMAL HEALTH (PVT) LTD**

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

	<b>Called up share capital</b>	<b>Share premium account</b>	<b>Capital contribution reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2020	62,744,225	683,433	16,684,970	21,563,023	101,675,651
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	4,589,063	4,589,063
<b>Other comprehensive income for the year</b>	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	4,589,063	4,589,063
<b>Total transactions with owners</b>	-	-	-	-	-
<b>At 31 December 2020</b>	<b>62,744,225</b>	<b>683,433</b>	<b>16,684,970</b>	<b>26,152,086</b>	<b>106,264,714</b>

The notes on pages 18 to 41 form part of these financial statements.

**AH UK ANIMAL HEALTH (PVT) LTD**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital contribution reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 December 2018	62,744,225	683,433	15,488,608	86,778,112	165,694,378
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	66,479,911	66,479,911
<b>Other comprehensive income for the year</b>	-	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	66,479,911	66,479,911
Dividends: Equity capital	-	-	-	(131,695,000)	(131,695,000)
Capital contribution - intercompany loan waiver	-	-	1,196,362	-	1,196,362
<b>Total transactions with owners</b>	-	-	1,196,362	(131,695,000)	(130,498,638)
<b>At 31 December 2019</b>	<b>62,744,225</b>	<b>683,433</b>	<b>16,684,970</b>	<b>21,563,023</b>	<b>101,675,651</b>

The notes on pages 18 to 41 form part of these financial statements.

A capital contribution arose on the waiver of an intercompany creditor of £1,196,362

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<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**1. General information**

AH UK Animal Health (PVT) Limited is a private limited company incorporated in England and Wales under the Companies Act 2006.

The registered address is given on the company information page and the nature of the company's operations and its principal activities are set out in the Strategic Report.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Covetrus Inc. as at 31 December 2020 and these financial statements may be obtained from Custom House Square, 7, Custom House St, Portland, Maine 04101.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**2.3 Going concern**

The directors have reviewed the financial position of the company and forecasted performance.

At the statement of financial position date the company had net current assets of £99,879,741, net assets of £106,264,714, after a profit before tax of £5,767,764. Current assets were £196,726,537 and turnover was £421,538,539.

Cash balances (net of overdrafts) were £36,963,257.

The current and future financial position of the company, its cash flows and liquidity have been reviewed by the directors. The directors are confident that the existing funding facilities will provide sufficient headroom to meet forecast cash requirement having considered any additional requirements that would be contingent on a downturn in activity over the same period. The Company is part of a large Group and would have access to the Group's resources should they be required.

**2.4 Foreign currency translation**

**Functional and presentation currency**

The company's functional and presentational currency is GBP.

The financial statements are rounded to the nearest pound.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**2.5 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.6 Operating leases: the company as lessee**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 31 December 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**2.7 Leased assets: the company as lessee**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2.8 Management charges receivable**

Costs incurred on behalf of other group entities which are then recharged out. These transactions are recharged at an arm's length margin.

**2.9 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme (Furlough).

**2.10 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.11 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.12 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.13 Pensions**

**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**2.14 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

**2.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)****2.16 Reserves**

The called up share capital reserve represents the nominal value of the shares issued.

The share premium account includes the premium on issue of equity shares, net of any issue costs.

The capital contribution reserve represents a contribution of capital, in the form of funds, to the company by the ultimate parent.

The profit and loss account represents cumulative profits and losses, net of dividends paid and other adjustments.

**2.17 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

**2.18 Intangible assets****Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Software	-	7 years
Goodwill	-	10 years

**2.19 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)**

**2.19 Tangible fixed assets (continued)**

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 40 years
Short-term leasehold property	- 3-15 years
Plant and machinery	- 2-10 years
Motor vehicles	- 4-5 years
Fixtures and fittings	- 4-10 years
Computer equipment	- 3-10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.20 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.21 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.22 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.23 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**2. Accounting policies (continued)**

**2.24 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**2. Accounting policies (continued)**

**2.25 Financial instruments**

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

**2.26 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements the directors have made the following judgements:

Determine whether leases entered into by the company as a lessor or lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been passed from the lessor or lessee on a lease by lease basis.

Tangible and intangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

The carrying amount of trade debtors is reduced by a bad debt provision that reflects management's best estimate of the amounts that will not be collected. The provision for trade debtors is comprised of a provision for doubtful accounts and sales returns. Management consider many factors in estimating the bad debt and sales return provision, including historical data, experience, customer types, credit worthiness and economic trends.

The carrying amount of stock is reduced by a provision that reflects management's best estimate of the value of any impairment. Stocks consist primarily of finished goods and are valued at the lower of cost or net realisable value. In accordance with our policy for stock provision, we consider many factors including the condition of the stock, historical sales, forecasted sales and market trends.

**4. Turnover**

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sale of veterinary products and associated services	421,538,539	395,843,276
	<u>421,538,539</u>	<u>395,843,276</u>

All turnover arose in the UK.

<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**5. Other operating income**

	2020 £	2019 £
Government grants receivable - Furlough	463,496	-
Management charges receivable	3,720,598	2,610,714
	4,184,094	2,610,714

**6. Operating profit**

The operating profit is stated after charging:

	2020 £	2019 £
Fees payable to company's auditor	73,500	104,500
Depreciation of tangible assets	1,040,487	627,073
Amortisation of intangible assets	103,124	-
Exchange differences	41,661	(69,036)
Operating lease rentals	827,358	276,838
	2,086,130	939,375

**7. Auditor's remuneration**

**Fees payable to the company's auditor in respect of:**

Audit services	73,500	104,500
	73,500	104,500

**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	14,988,050	12,168,897
Social security costs	1,395,237	1,063,167
Cost of defined contribution pension scheme	477,542	418,997
	<u>16,860,829</u>	<u>13,651,061</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Sales, marketing and distribution	332	345
Administration	86	86
Management	23	6
	<u>441</u>	<u>437</u>

**9. Directors' remuneration**

	2020 £	2019 £
Directors' emoluments	1,357,025	1,052,111
Amounts receivable under long-term incentive schemes	60,572	80,263
Company contributions to defined contribution pension schemes	38,345	35,047
	<u>1,455,942</u>	<u>1,167,421</u>

During the year retirement benefits were accruing to 3 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £624,691 (2019 - £478,966).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2019 - £NIL).

During the year 4 directors received shares under the long term incentive schemes (2019 -3)

There are no key management personnel aside from the directors. The total compensation paid to key management personnel for services provided to the company was £1,642,820 (2019 £1,315,615).



**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. Interest receivable**

	2020 £	2019 £
Interest receivable from group companies	405,940	470,273
	<u>405,940</u>	<u>470,273</u>

**11. Interest payable and similar expenses**

	2020 £	2019 £
Bank interest payable	1,922	5,786
Finance leases and hire purchase contracts	32,467	4,812
	<u>34,389</u>	<u>10,598</u>

**12. Taxation**

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	1,093,063	1,886,659
Adjustments in respect of previous periods	-	214,432
	<u>1,093,063</u>	<u>2,101,091</u>
<b>Total current tax</b>	<u>1,093,063</u>	<u>2,101,091</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	85,638	377,107
Adjustments in respect of prior periods	-	(30,039)
	<u>85,638</u>	<u>347,068</u>
<b>Total deferred tax</b>	<u>85,638</u>	<u>347,068</u>
<b>Taxation on profit on ordinary activities</b>	<u>1,178,701</u>	<u>2,448,159</u>

# AH UK ANIMAL HEALTH (PVT) LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 12. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year/period is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	5,767,764	68,928,070
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	1,095,875	13,096,333
<b>Effects of:</b>		
Expenses not deductible for tax purposes	293,128	196,940
Fixed asset differences	-	17,673
Income not taxable for tax purposes	-	(10,991,224)
Adjustments to brought forward values	-	58,351
Other permanent differences	(48,802)	-
Group relief surrendered/(claimed)	(161,500)	-
Payment/(receipt) for group relief	-	(68,315)
Adjustment to tax charge in respect of previous periods	-	214,432
Adjustments to tax charge in respect of previous periods - deferred tax	-	(30,039)
Differences relating to assets transferred out	-	(45,992)
<b>Total tax charge for the year</b>	<b>1,178,701</b>	<b>2,448,159</b>

#### Factors that may affect future tax charges

The Finance Act 2020 enacted legislation that the UK corporation tax main rate will remain at 19% from 1 April 2020, cancelling the previously enacted reduction. Therefore, for the Company, the tax rate applied as at 31 December 2020 was 19%. The Finance Act 2021 enacted legislation that the UK corporation tax main rate will increase from 19% to 25% with effect from 1st April 2023.

### 13. Dividends

	2020 £	2019 £
Dividends	-	131,695,000
	-	131,695,000

**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**14. Exceptional items**

	2020 £	2019 £
Profit on group reconstruction	-	57,848,547
	<u>-</u>	<u>57,848,547</u>

On 31 December 2018, (the previous period ran from 30th December 2018 to 31st December 2019) the operations of the dental, medical and pharmaceutical division, together with the share holdings in all subsidiary companies were transferred to Henry Schein UK Holdings Limited (previously known as AH UK Animal Health (PVT) Limited) with registration number 11584480. The proceeds generated a profit on the group reorganisation which has been shown as an exceptional item.

**15. Intangible assets**

	Computer software £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2020	-	1,025,000	1,025,000
Additions	2,359,541	-	2,359,541
At 31 December 2020	<u>2,359,541</u>	<u>1,025,000</u>	<u>3,384,541</u>
<b>Amortisation</b>			
At 1 January 2020	-	1,025,000	1,025,000
Charge for the year on owned assets	103,124	-	103,124
At 31 December 2020	<u>103,124</u>	<u>1,025,000</u>	<u>1,128,124</u>
<b>Net book value</b>			
At 31 December 2020	<u>2,256,417</u>	<u>-</u>	<u>2,256,417</u>
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>

**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**16. Tangible fixed assets**

	Freehold property £	Short-term leasehold property £	Plant & machinery, fixtures & fittings £	Motor vehicles £	Computer equipment £
<b>Cost or valuation</b>					
At 1 January 2020	1,066,242	-	4,110,545	1,837,838	2,256,505
Additions	212,507	450,171	234,078	-	473,531
Disposals	-	-	(643,296)	(167,500)	(867,413)
Transfers between classes	(167,971)	260,025	(92,054)	-	-
At 31 December 2020	1,110,778	710,196	3,609,273	1,670,338	1,862,623
<b>Depreciation</b>					
At 1 January 2020	173,466	-	2,940,662	567,103	1,352,349
Charge for the year	51,064	32,146	234,644	303,603	419,030
Disposals	-	-	(643,296)	(134,717)	(867,413)
Transfers between classes	(123,670)	123,670	-	-	-
At 31 December 2020	100,860	155,816	2,532,010	735,989	903,966
<b>Net book value</b>					
At 31 December 2020	1,009,918	554,380	1,077,263	934,349	958,657
At 31 December 2019	892,776	-	1,169,883	1,270,735	904,156

<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**16. Tangible fixed assets (continued)**

	Total £
<b>Cost or valuation</b>	
At 1 January 2020	9,271,130
Additions	1,370,287
Disposals	(1,678,209)
Transfers between classes	-
At 31 December 2020	<u>8,963,208</u>
<b>Depreciation</b>	
At 1 January 2020	5,033,580
Charge for the year	1,040,487
Disposals	(1,645,426)
Transfers between classes	-
At 31 December 2020	<u>4,428,641</u>
<b>Net book value</b>	
At 31 December 2020	<u><u>4,534,567</u></u>
At 31 December 2019	<u><u>4,237,550</u></u>

The net book value of assets held on finance or under hire purchase agreements at the year end was £541,093 (2019 - £670,321). Depreciation charged in the year for these assets totalled £129,228 (2019 £36,155).

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**17. Stocks**

	2020 £	2019 £
Finished goods and goods for resale	56,083,587	111,750,820
	<u>56,083,587</u>	<u>111,750,820</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £145,690 (2019 - £322,595) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

<p align="center"><b>AH UK ANIMAL HEALTH (PVT) LTD</b></p>
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**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Debtors**

	2020 £	2019 £
Trade debtors	68,770,616	57,953,591
Amounts owed by group undertakings	10,848,290	9,216,924
Other debtors	1,622,915	3,350,614
Prepayments and accrued income	297,046	320,547
	<u>81,538,867</u>	<u>70,841,676</u>

**19. Cash and cash equivalents**

	2020 £	2019 £
Cash at bank and in hand	59,104,083	50,660,337
Less: bank overdrafts	(22,140,826)	(20,281,156)
	<u>36,963,257</u>	<u>30,379,181</u>

**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**20. Creditors: Amounts falling due within one year**

	2020 £	2019 £
Bank overdrafts	22,140,826	20,281,156
Trade creditors	50,059,831	100,497,233
Amounts owed to group undertakings	3,189,656	3,768,638
Corporation tax	139,980	254,917
Other taxation and social security	9,323,359	-
Obligations under finance lease and hire purchase contracts	230,653	227,819
Accruals and deferred income	11,762,491	10,247,163
	<u>96,846,796</u>	<u>135,276,926</u>

The following liabilities were secured:

	2020 £	2019 £
Obligations under finance lease and hire purchase contracts	230,653	227,819
	<u>230,653</u>	<u>227,819</u>

Details of security provided:

The loans in respect of the finance lease and hire purchase agreements are secured against the assets to which they relate.

AH UK and a number of group entities participate in a net overdraft & global solution facility, as part of this, an unlimited multilateral guarantee is granted by all entities which participate in the facility.



**AH UK ANIMAL HEALTH (PVT) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Creditors: Amounts falling due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Net obligations under finance leases and hire purchase contracts	<b>181,250</b>	<b>398,683</b>
	<b>181,250</b>	<b>398,683</b>

There were no amounts falling due later than 5 years regarding obligations under finance leases or hire purchase contracts.

The following liabilities were secured:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Obligations under finance lease and hire purchase contracts	<b>181,250</b>	<b>398,683</b>
	<b>181,250</b>	<b>398,683</b>

Details of security provided:

The loans in respect of the finance lease and hire purchase agreements are secured against the assets to which they relate.

<b>AH UK ANIMAL HEALTH (PVT) LTD</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**22. Deferred taxation**

	2020 £
At beginning of year	(139,123)
Charged to profit or loss	(85,638)
<b>At end of year</b>	<b>(224,761)</b>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(296,040)	(136,202)
Short term timing differences	71,279	(2,921)
	<u>(224,761)</u>	<u>(139,123)</u>

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**23. Share capital**

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
62,744,225 (2019 - 62,744,225) Ordinary shares of £1.00 each	<u><b>62,744,225</b></u>	<u><b>62,744,225</b></u>

**24. Reserves**

**Share premium account**

This reserve represents any premiums received on issue of share capital.

**Capital contribution reserve**

Capital reserve represents the capital contributions made by the shareholders arising as described in the statement of changes in equity.

**Profit and loss account**

This reserve represents cumulative profits and losses.

**25. Share based payments**

The number of shares in the parent company granted in the year was 473,377 (2019 4,111). The number of shares vested in the year was 14,000 (2019 4,111) at a weighted average exercise price (pence) of 1,123. The number of shares outstanding at the year end was 459,377 (2019 NIL) at a weighted average exercise price (pence) of 1,123.

There was also a restricted stock plan for Covetrus Inc. A welcome grant was granted to all employees in May 2019. They are vested over 4 years based on recipients continued service.

The number of shares granted in the year was Nil (2019 36,620). The number of shares vested in the year was 6,981 (2019 Nil) at a weighted average exercise price (pence) of 1,123. The number of shares forfeited in the year was 5,660 (2019 4,280) at a weighted average price (pence) of 1,123. The number of shares outstanding at the year end was 19,699 at a weighted average exercise price (pence) of 1,123.

**26. Pension commitments**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £477,542 (2019 - £418,997). Contributions totalling £82,235 (2019 - £71,353) were payable to the fund at the reporting date and are included in creditors.

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**AH UK ANIMAL HEALTH (PVT) LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**27. Commitments under operating leases**

At 31 December the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	836,537	827,358
Later than 1 year and not later than 5 years	1,797,354	2,575,148
Later than 5 years	34,480	60,340
	<u>2,668,371</u>	<u>3,462,846</u>

**28. Related party transactions**

The company is a member of the Covetrus, Inc. group and, during the year, was under the control of Animal Health Holding (Netherlands) BV.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 102, 33.1, "Related Party Transactions", not to disclose any transactions with any wholly owned entities that are included in the consolidated financial statements of Covetrus, Inc. as these financial statements are publicly available.

Sales of £109,805 and £1,136,110 management charges were made to non-wholly owned subsidiary undertakings of Covetrus Inc. Purchases of £33,187 were made from non-wholly owned subsidiary undertakings of Covetrus Inc. As at 31 December 2020, £22,774 was owed to these companies by AH UK Animal Health (PVT) Ltd and £495,205 was owed by these companies to AH UK Animal Health (PVT) Ltd.

**29. Controlling party**

The company is controlled by Animal Health Holding (Netherlands) BV, its immediate parent company, registered in the Netherlands, with registered address Beversestraat 23, 5431SL, Cuijk.

Covetrus, Inc, incorporated and registered in the USA, is the company's ultimate parent undertaking and ultimate controlling party and is the largest and smallest group of which AH UK Animal Health (PVT) Limited is a member and for which group financial statements are drawn up. Copies of Covetrus, Inc. group financial statements are available from Custom House Square, 7, Custom House St, Portland, Maine 04101.