

Veterinary Solutions Limited

Report and Financial Statements

Year Ended

29 December 2018

Company Number 4207571



Veterinary Solutions Limited

Report and financial statements for the year ended 29 December 2018

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Directors

Michael Ellis
David C. Dollar

Registered office

Medcare South, Bailey Drive, Gillingham Business Park, Gillingham, Kent, ME8 0PZ

Company number

4207571

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Veterinary Solutions Limited

Strategic Report for the year ended 29 December 2018

The directors present their report and financial statements for year ended 29 December 2018.

Principal activities, trading review and future developments

The principal activity of the company during the year was to supply proprietary Windows based software and services to practitioners in veterinary industries.

The Veterinary industry continued to see significant consolidation in its markets with large veterinary groups buying small independent veterinary clinics during the year. Veterinary Solutions Limited has strong trading relationships with several of these corporate groups across its Practice Management Software products and has seen good growth in these revenues in the period. The company continues to invest in developing both its existing product range and new products and is confident it is well placed to benefit from the changing dynamics of the market.

The company's turnover for the 12 months of 2018 was £8,109k compared to £713k for the one month it traded in 2017. Gross profit margin was 76.7% compared to 75.3% in 2017 due to changing sales mix towards higher margin value added products. Operating profit in the 12 months of 2018, before profit on disposal of its investment in Henry Schein Krugg Srl, was £1,083k compared to £143k for the 1 month the company traded in 2017.

On 21 December 2018 Veterinary Solutions Limited sold its 40% investment in Henry Schein Krugg Srl to Henry Schein Italia Srl at fair market value for cash in the amount of £17,607,482 against the investment value held of £10,006,357 resulting in a profit on disposal of £7,601,125.

The value of investments fell by £10,006,357 due to the disposal of the companies 40% investment in Henry Schein Krugg Srl to Henry Schein Italia Srl. The consideration for this disposal was £17,607,482 with the opposite entry residing in amounts owed by group undertakings at the balance sheet date.

On 2 December 2017, a Group restructure occurred. The trade, assets and liabilities of the Veterinary Solutions division in Software of Excellence United Kingdom Limited and the trade, assets and liabilities of RxWorks Limited were transferred to Veterinary Solutions Limited. As part of the integration, values associated under USGAAP were misidentified as UKGAAP accounting entries. This resulted in the merger reserve being understated by £692,039 in the financial statements ending 30 December 2017 and has therefore been restated from £6,139,188 as previously reported to £6,831,227.

On 8th February 2019 Veterinary Solutions Limited's ultimate parent company, Henry Schein Inc, divested its Animal Health businesses including Veterinary Solutions Limited. These businesses were combined with Vets First Choice Inc. to form Covetrus Inc. Covetrus Inc is the company's ultimate parent company.

Principal risks and uncertainties

The main financial risk arising from the company's activities is credit risk. This is monitored by the board of directors and is not considered to be significant at the balance sheet date. The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made and to ensure terms and conditions of trade are adhered to on an ongoing basis.

Signed by order of the directors



M Ellis
Director

Approved by the directors on 29/10/19

Veterinary Solutions Limited

Report of the Directors for the year ended 29 December 2018

The directors present their report and the financial statements of the company for the year ended 29 December 2018.

Directors

The directors who served the company during the year were as follows:

M Ellis (appointed 7th February 2019)

D Dollar (appointed 7th February 2019)

M Hendra (appointed 7th February 2019, resigned 29th September 2019)

R Minowitz (resigned 7th February 2019)

B Weatherly (resigned 7th February 2019)

Results and Dividends

The profit for the year, after taxation amounted to £8,621,435 (2017 - £152,308). The directors have not recommended a dividend.

Directors responsibilities statement

The directors are responsible for preparing the strategic report, 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 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 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 judgments and accounting estimates that are reasonable and prudent;
- 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.

Veterinary Solutions Limited

Report of the Directors for the year ended 29 December 2018


Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The auditor is deemed to have been re-appointed in accordance with section 487 of the Companies Act 2006.

This report was approved by the board of directors on 29/10/19..... and signed on behalf of the board by:



M Ellis
Director

Veterinary Solutions Limited

Independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF VETERINARY SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Veterinary Solutions Limited ("the Company") for the year ended 29 December 2018 which comprise the statement of comprehensive income, the statement of financial position and 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2018 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.

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material statement in the financial statements or a material misstatement of the other information. If, based on the work

Veterinary Solutions Limited

Independent auditor's report (*continued*)

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 the audit:

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

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 Director's 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, 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 for the audit of the financial statements is located at the Financial Reporting Council's website at:

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

Veterinary Solutions Limited

Independent auditor's report (*continued*)

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.

BDO LU

Jason Goodhind (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date 31/10/19

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

Veterinary Solutions Limited

Statement of comprehensive income for the year ended 29 December 2018

	Note	2018 £	2017 £
Turnover	3	8,109,113	713,347
Cost of sales		(1,888,377)	(176,141)
Gross profit		6,220,736	537,206
Distribution Costs		(903,535)	(27,936)
Administrative expenses		(4,234,330)	(365,889)
Profit on Disposal	6	7,601,125	-
Operating profit	4	8,683,996	143,381
Other interest receivable and similar income	9	332,561	3,365
Interest payable and similar charges	10	(185,406)	(14,159)
Profit on ordinary activities before taxation		8,831,151	132,587
Tax (charge)/credit on profit on ordinary activities	11	(209,716)	19,721
Profit for the financial year and total comprehensive income		8,621,435	152,308

The notes on pages 10 to 20 form part of these financial statements.

Veterinary Solutions Limited

Statement of financial position at 29 December 2018

Company number 4207571	Note	2018	2018	2017	2017
		£	£	Restated	Restated
				£	£
Fixed assets					
Intangible assets	12		459,589		492,623
Tangible assets	13		116,617		200,254
Investments	14		6,106,100		16,112,457
			<u>6,682,306</u>		<u>16,805,334</u>
Current assets					
Stock	15	59,451		102,118	
Debtors	16	19,787,545		4,338,860	
Cash at bank and in hand		2,968,621		250,976	
		<u>22,815,617</u>		<u>4,691,954</u>	
Creditors: amounts falling due within one year	18	10,943,702		11,552,024	
Net current liabilities			<u>11,871,915</u>		<u>(6,860,070)</u>
Total assets less current liabilities			<u>18,554,221</u>		<u>9,945,264</u>
Creditors: amounts falling due after more than one year	19		(5,276,716)		(5,289,194)
Net assets			<u>13,277,505</u>		<u>4,656,070</u>
Capital and reserves					
Called up share capital	20		160,002		160,002
Profit and loss account			19,948,730		1,320,938
Capital Contribution			-		10,006,357
Merger Reserve	25		(6,831,227)		(6,831,227)
Shareholders' funds			<u>13,277,505</u>		<u>4,656,070</u>

These financial statements were approved by the board of directors and authorised for issue on 29/10/19, are signed on behalf of the board by:

M Ellis
Director

The notes on pages 10 to 20 form part of these financial statements.

Veterinary Solutions Limited

Statement of changes in equity for the year ended 29 December 2018

	Share capital £	Capital contribution £	Retained Earnings £	Merger Reserve £	Total equity £
Balance at 31 December 2016	160,002	10,006,357	1,168,630	-	11,334,989
Profit for the year	-	-	152,308	-	152,308
Merger Reserve (restated)	-	-	-	(6,831,227)	(6,831,227)
Balance at 30 December 2017 (restated)	160,002	10,006,357	1,320,938	(6,831,227)	4,656,070
Balance at 31 December 2017 (restated)	160,002	10,006,357	1,320,938	(6,831,227)	4,656,070
Profit for the year	-	-	8,621,435	-	8,621,435
Merger Reserve	-	-	-	-	-
Disposal	-	(10,006,357)	10,006,357	-	-
Balance at 29 December 2018	160,002	-	19,948,730	(6,831,227)	13,277,505

On 2 December 2017, a Group restructure occurred. The trade, assets and liabilities of the Veterinary Solutions division in Software of Excellence United Kingdom Limited and the trade, assets and liabilities of RxWorks Limited were transferred to Veterinary Solutions Limited. As part of the integration, values associated under USGAAP were misidentified as UKGAAP accounting entries. This resulted in the merger reserve being understated by £692,039 in the financial statements ending 30 December 2017 and has therefore been restated from £6,139,188 as previously reported to £6,831,227 as restated.

The notes on pages 10 to 20 form part of these financial statements.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 29 December 2018

1 Accounting policies

Basis of preparation

Veterinary Solutions Limited is a limited company registered and incorporated in England and Wales. The address of the registered office is given on the contents page and its principal activities are set out in the Directors' report.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the company's management to exercise judgement in applying the company's accounting policies (Note 2).

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

- The requirements of Section 7 statement of Cash Flows;
- The requirement of Section 3 Financial Statement Presentation paragraph 3.17 (d);
- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48(A);
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7

Turnover

Turnover represents the total invoice value, excluding value added tax of sales made during the year after adjusting for licence and support fees received in advance and hardware installation not yet completed.

The company supplies hardware to customers for use with its software and customers are normally invoiced shortly after orders are received. Income arising from hardware sales is recognised when installation is completed.

The company supplies annual software licenses (including software support fees) and hardware support packages to customers. Income arising is recognised on a straight line basis over the period of the licence and support contract.

In respect of long term contracts and contracts for ongoing services, turnover represents the value of work done in the year, including estimates of amounts not invoiced. Turnover in respect of long term contracts for ongoing services is recognised by reference to the stage of completion.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 29 December 2018 (continued)

1 Accounting policies (continued)

Basis of investment

As part of a rationalisation of the Group in 2017, the trades and net assets of a subsidiary undertaking was transferred into the Company. The consideration for the hive up of this business was based upon the book value of the subsidiary undertakings' net assets, and took no account of any goodwill inherent in these businesses. This may have had the result that the value of certain investments held in the Company's books exceeds the book value of the subsidiary. Part 15 of the Companies Act 2006 requires that where such overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transaction was merely to reorganise the Group's operations, such a treatment would fail to give a true and fair view and any diminution in value of the investments has been re-allocated to goodwill.

Research and development

Computer software and other development costs are also charged to the Statement of Comprehensive Income in the year of expenditure, unless individual projects satisfy the following criteria:

- The project is clearly defined and related expenditure is separately identifiable;
- The project is technically feasible and commercially viable;
- Current and future costs are expected to be exceeded by future sales; and
- Adequate resources exist for the project to be completed

In such circumstances the costs are carried forward and amortised over a period not exceeding 3 years commencing in the year the company starts to benefit from the expenditure.

Amortisation

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

Computer software - 33% straight line

Tangible fixed assets

Tangible fixed assets 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.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range as follows:

Office and exhibition equipment	-	33% straight line
Computer equipment	-	33% straight line

Stock

Stocks comprise the cost of hardware where customers' installation has not yet been completed. Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Net realisable value is based on estimated selling price less additional costs to disposal.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 29 December 2018 (*continued*)

1 Accounting policies (*continued*)

Creditors

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

Operating Lease agreements

Annual operating lease rentals are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Pension Costs

Contributions to the companies' defined contribution scheme are charged to the Statement of comprehensive income in the year which they become payable.

Financial assets

Financial assets, other than derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost, less any impairment.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of comprehensive income.

Financial Liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Reserves

The companies' reserves are as follows:

- Shareholders' capital classified as equity represents the capital contributions made by the shareholders.
- Merger accounting has been applied under FRS 102 and the Merger Reserve reflects the net movement of cash paid and net assets transferred from RxWorks Limited at book value.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (continued)

2 Judgement and estimations note

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

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

3 Turnover

The company's turnover arises mainly from software and associated hardware and value added products.

	2018 £	2017 £
Analysis of turnover by country of destination:		
United Kingdom	7,717,902	699,080
Rest of Europe	391,211	14,267
	<u>8,109,113</u>	<u>713,347</u>

4 Operating profit

	2018 £	2017 £
Operating profit is stated after charging/ (crediting):		
Profit on Disposal	7,601,125	-
Amortisation of intangible assets	145,232	11,723
Depreciation of tangible assets	118,808	(1,560)
Foreign exchange differences	(328,981)	(25)
Defined contribution plans expense	99,192	10,686
Research and Development expenditure	735,424	62,265
	<u>7,601,125</u>	<u>11,723</u>

5 Auditor's remuneration

	2018 £	2017 £
Fees payable for the audit of the financial statements	13,750	11,750
	<u>13,750</u>	<u>11,750</u>

6 Profit on disposal

	2018 £	2017 £
Proceeds from disposal of investment	17,607,482	-
Current value of investment	(10,006,357)	-
	<u>7,601,125</u>	<u>-</u>

On 21 December 2018 Veterinary Solutions Limited sold its 40% investment in Henry Schein Krugg Srl to Henry Schein Italia Srl at fair market value for cash in the amount of £17,607,482 against the investment value of £10,006,357 resulting in profit on disposal of £7,601,125.

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (continued)

7 Employees

The average number of persons employed by the company during the year, including the directors, amounted to:

	2018 Number	2017 Number
Distribution staff	10	18
Trainers, Support and Project Managers	51	46
Office and management	4	5
	<u>65</u>	<u>69</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018 £	2017 £
Wages and salaries	2,239,344	226,923
Pension costs	99,192	10,686
	<u>2,498,536</u>	<u>237,609</u>

8 Directors' remuneration

	2018 £	2017 £
The directors aggregate remuneration in respect of qualifying services was:		
Remuneration	35,340	2,170
	<u>35,340</u>	<u>2,170</u>

The remuneration of key management is shown below.

Key management personnel consists of chief operating and financial decision makers in the Business:

	2018 £	2017 £
Key management emoluments	35,340	2,170
Company contributions to defined contribution pension plans	-	-
	<u>35,340</u>	<u>2,170</u>

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (*continued*)

9 Other interest receivable and similar income	2018	2017
	£	£
Interest on cash and cash equivalents	3,580	3,273
Gain on foreign exchange transactions	328,981	92
	<u>332,561</u>	<u>3,365</u>
 10 Interest payable and similar charges	 2018	 2017
	£	£
Interest on related party loan	162,195	12,477
Other Expenses	23,211	1,682
	<u>185,406</u>	<u>14,159</u>
 11 Tax charge on profit on ordinary activities	 2018	 2017
	£	£
<i>Current tax</i>		
In respect of the year:		
UK corporation tax at 19.00% (PY:19.25%)	195,480	24,658
Adjustments in respect of prior periods	(4,880)	-
Total Current tax charge/(credit)	<u>190,600</u>	<u>24,658</u>
 <i>Deferred tax</i>		
Origination and reversal of temporary differences	(20,321)	(44,379)
Adjustments in respect of prior periods	39,437	-
Total deferred tax charge/(credit)	<u>19,116</u>	<u>(44,379)</u>
 Tax charge/(credit) on profit on ordinary activities	 <u>209,716</u>	 <u>(19,721)</u>
 <i>Provision for deferred tax</i>		
Fixed asset timing differences	(17,948)	(4,134)
Short term timing differences	(7,315)	-
Tax losses carried forward and other deductions	-	(40,245)
Total deferred tax (asset)/liability	<u>(25,263)</u>	<u>(44,379)</u>

Veterinary Solutions Limited

**Notes forming part of the financial statements
for the year ended 29 December 2018 (continued)**

11 Tax charge on profit on ordinary activities (continued)

	2018 £	2017 £
<i>Movement in provision</i>		
Provision At start of period	(44,379)	-
Deferred tax charged in the statement of comprehensive income for the period	19,116	44,379
 Total deferred tax (asset)/liability	<u>(25,263)</u>	<u>44,379</u>
 <i>Reconciliation of tax expense</i>		
	2018 £	2017 £
Profit on ordinary activities before taxation	8,831,151	132,587
 Tax on profit on ordinary activities at standard CT rate of 19.00% (PY:19.25%)	1,677,919	25,518
<i>Effects of:</i>		
Fixed asset differences	1,158	9,729
Expenses not deductible for tax purposes	412	-
Income not taxable for tax purposes	(1,506,721)	-
Adjustments to tax charge in respect of previous periods	(4,880)	-
	39,437	-
Adjust closing deferred tax to average rate of 19.00%	2,972	5,865
Adjust opening deferred tax to average rate of 19.00%	(581)	(60,833)
 Tax charge/(credit) for the year	<u>209,716</u>	<u>(19,721)</u>

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (*continued*)

12 Intangible assets

	WIP – Capitalised Development £	Development Costs £	Computer Software £	Total £
<i>Cost</i>				
At 31 December 2017	64,414	897,704	88,111	1,050,229
Additions	118,221	72,028	-	190,249
Disposals	(78,051)	-	(12,234)	(90,285)
At 29 December 2018	<u>104,584</u>	<u>969,732</u>	<u>75,877</u>	<u>1,150,193</u>
<i>Amortisation</i>				
At 31 December 2017	-	511,198	46,408	557,606
Charge for the year	-	123,006	22,226	145,232
Disposals	-	-	(12,234)	(12,234)
At 30 December 2018	<u>-</u>	<u>634,204</u>	<u>56,400</u>	<u>690,604</u>
<i>Net book value</i>	<u>104,584</u>	<u>335,528</u>	<u>19,477</u>	<u>459,589</u>
At 30 December 2018				
	64,414	386,506	41,703	492,623
At 30 December 2017				

13 Tangible fixed assets

	Computer equipment £	Fixtures and fittings £	Total £
<i>Cost</i>			
At 31 December 2017	178,219	347,339	525,558
Additions	16,964	30,403	47,367
Disposals	(104,152)	(34,731)	(138,883)
At 29 December 2018	<u>91,031</u>	<u>343,011</u>	<u>434,042</u>
<i>Depreciation</i>			
At 31 December 2017	93,631	231,673	325,304
Charge for the year	58,429	60,379	118,808
Disposals	(104,152)	(22,535)	(126,687)
At 29 December 2018	<u>47,908</u>	<u>269,517</u>	<u>317,425</u>
<i>Net book value</i>	<u>43,123</u>	<u>73,494</u>	<u>116,617</u>
At 29 December 2018			
	84,588	115,666	200,254
At 30 December 2017			

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (continued)

14 Investments

Shares in subsidiary and associated undertakings at cost

	£
Cost	
As at 30 December 2017	16,112,457
Disposals	(10,006,357)
As at 29 December 2018	6,106,100
Net Book Value	
As at 29 December 2018	6,106,100
As at 30 December 2017	16,112,457

On 21 December 2018 Veterinary Solutions Limited sold its 40% investment in Henry Schein Krugg Srl to Henry Schein Italia Srl at fair market value for cash in the amount of £17,607,482 against the investment value of £10,006,357 resulting in profit on disposal of £7,601,125.

Subsidiary undertakings, associated undertakings and their investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

Name	Proportion of voting rights and ordinary share capital held	Nature of business
RxWorks Limited	100%	Provides a loan to its parent company, Veterinary Solutions Limited.

* Indirectly held

15 Stocks

	2018 £	2017 £
Finished goods and goods for resale	59,451	102,118

The directors do not consider the replacement cost of stock to be materially different from that shown.

16 Debtors

	2018 £	2017 £
Trade debtors	1,559,609	1,821,473
Prepayments and accrued income	226,885	243,537
Other debtors	34,791	44,267
Amounts owed by group undertakings	17,940,998	2,185,204
Deferred taxation (note 16)	25,263	44,379
	19,787,545	4,338,860

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 29 December 2018 (*continued*)

17 Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2018 £	2017 £
Accelerated capital allowances	17,948	4,134
Tax losses carried forward and other deductions	7,315	40,245
	<u>25,263</u>	<u>44,379</u>

18 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	20,140	99,590
Amounts owed to group undertakings	8,560,664	9,506,087
Accruals and deferred income	2,008,676	1,797,431
VAT	259,775	124,258
Corporation Tax	94,447	24,658
	<u>10,943,702</u>	<u>11,552,024</u>

19 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Amounts owed to group undertakings	<u>5,276,716</u>	<u>5,289,194</u>

20 Share capital

	2018 £	2017 £
160,002 Ordinary Shares of £1 each	<u>160,002</u>	<u>160,002</u>

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 29 December 2018 (continued)

21 Commitments under operating leases

At the balance sheet date, the Company had outstanding commitments for the total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Land and Buildings		
Operating leases due:		
Within 1 year	107,198	167,836
Within 2 to 5 years	-	107,198
	<u>107,198</u>	<u>275,034</u>

22 Related party transactions

The company has taken advantage of the exemptions allowed under section 33 of FRS 102 not to disclose any related party transactions within the group as it is a wholly owned subsidiary and consolidated financial statements are publicly available.

23 Ultimate parent company

Covetrus Incorporated, incorporated and registered in the USA, is regarded by the directors as being the company's ultimate parent undertaking and is the largest group of which Veterinary Solutions Limited is a member of.

Copies of the financial statements are available from the registered office at Medcare South, Bailey Drive, Gillingham Business Park, Gillingham, Kent, ME8 0PZ.

24 Controlling party

The company is owned by Animal Health Holding (Netherlands) B.V.

25 Merger Reserve

Merger accounting has been applied under FRS 102 in relation to the corporate restructure through which RxWorks Limited transferred all of its assets to Veterinary Solutions Limited. A Merger Reserve has been created to reflect net movement of cash paid and net assets transferred from RxWorks Limited at book value.