

Veterinary Solutions Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 4207571



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Veterinary Solutions Limited

**Report and financial statements
for the year ended 31 December 2019**

Contents

Page:

1	Strategic report
2	Report of the directors
4	Independent auditor's report
7	Statement of comprehensive income
8	Statement of financial position
9	Statement of changes in equity
10	Notes forming part of the financial statements

Directors

Michael Ellis
Graham Rhodes
Ian Bryant

Registered office

The Point, 37 North Wharf Road, London, England, W2 1AF

Company number

4207571

Auditors

BDO LLP, Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD

Veterinary Solutions Limited

Strategic Report for the year ended 31 December 2019

The directors present their report and financial statements for year ended 31 December 2019.

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.

We believe the Veterinary market grew by approximately 2% in the year. The consolidation of the veterinary industry with large veterinary groups buying small independent veterinary clinics continued during the period but at a slower pace than previous years. The company continues to invest in developing both its existing product range and new products to meet its customers needs.

The company's turnover for the 12 months of 2019 was £7,583k compared to £8,109k with reduced sales of hardware and services to existing customers accounting for the year on year shortfall. Gross profit margin grew to 80.2% compared to 76.7% in 2018 with stronger sales mix towards higher margin products. Operating profit in the 12 months of 2019 before loss or profit on disposal of investments was £1,277k compared to £1,083k in 2018 on a like for like basis.

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. As part of this transaction the intercompany balance between Veterinary Solutions Limited and its parent company, Software of Excellence UK Holdings Ltd was waived and recorded as a capital contribution of £8,500,348.

Going concern


In March 2020 the coronavirus strain Covid19 was declared a pandemic. The UK Government took measures to restrict movement and close some sectors of the economy. However veterinary practices were allowed to remain open, albeit occasionally with reduced services, and are viewed as an essential service. The wider restrictions in movement and social distancing measures continue to be in place at the date of this report.

The company has gone into this period with a strong balance sheet, has strong cash reserves and has continued to maintain positive cashflows throughout. Moreover the directors have robustly tested the next 12 months forecasted results and cashflow by modelling the impact of losing key customers and/or zero growth over the period. The directors are confident that, together with its strong cash reserves, the business can continue to meet its liabilities as they fall due for the foreseeable future and therefore no material uncertainty exists around the ability to continue as a going concern.

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 statement of financial position 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


G Rhodes
Director 23rd March 2021

Veterinary Solutions Limited

Report of the Directors for the year ended 31 December 2019

The directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors

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

M Ellis (appointed 7th February 2019)

G Rhodes (appointed 8th December 2020)

I Bryant (appointed 8th December 2020)

D Dollar (appointed 7th February 2019, resigned 1st April 2020)

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 £713,597 (2018 - £8,621,435). The directors declared and paid a dividend of £17,724,507 in the year.

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 31 December 2019

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 23rd March 2021 and signed on behalf of the board by:


Director

GRAHAM RHODES

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 31 December 2019 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 31 December 2019 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 misstatement 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 have 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 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, 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:

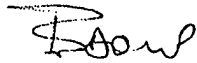
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
United Kingdom

Date 23 March 2021

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 31 December 2019

	Note	2019 £	2018 £
Turnover	3	7,583,388	8,109,113
Cost of sales		(1,499,712)	(1,888,377)
Gross profit		6,083,676	6,220,736
Distribution costs		(786,820)	(903,535)
Administrative expenses		(4,019,759)	(4,234,330)
(Loss)/Profit on disposal of investments	6		7,601,125
Operating profit	4	1,277,097	8,683,996
Other interest receivable and similar income	9	-	332,561
Interest payable and similar charges	10	(393,655)	(185,406)
(Loss)/profit on ordinary activities before taxation		883,442	8,831,151
Tax (charge) on profit on ordinary activities	11	(169,845)	(209,716)
Profit for the financial year and total comprehensive income		713,597	8,621,435

The notes on pages 10 to 21 form part of these financial statements.

Veterinary Solutions Limited

Statement of financial position at 31 December 2019

Company number 4207571	Note	2019	2019	2018	2018
		£	£	£	£
Fixed assets					
Intangible assets	13		359,353		459,589
Tangible assets	14		37,329		116,617
Investments	15		6,106,100		6,106,100
			<u>6,502,782</u>		<u>6,682,306</u>
Current assets					
Stock	16	93,441		59,451	
Debtors	17	1,723,082		19,787,545	
Cash at bank and in hand		4,614,031		2,968,621	
		<u>6,430,554</u>		<u>22,815,617</u>	
Creditors: amounts falling due within one year	19	<u>2,731,047</u>		<u>10,943,702</u>	
Net current liabilities			<u>3,699,507</u>		<u>11,871,915</u>
Total assets less current liabilities			<u>10,202,289</u>		<u>18,554,221</u>
Creditors: amounts falling due after more than one year	20		<u>(5,435,346)</u>		<u>(5,276,716)</u>
Net assets			<u>4,766,943</u>		<u>13,277,505</u>
Capital and reserves					
Called up share capital	21		160,002		160,002
Profit and loss account			2,937,820		19,948,730
Capital reserve	26		8,500,348		-
Merger reserve	26		(6,831,227)		(6,831,227)
Shareholders' funds			<u>4,766,943</u>		<u>13,277,505</u>

These financial statements were approved by the board of directors and authorised for issue on 23/3/21 and are signed on behalf of the board by:


G Rhodes
Director

The notes on pages 10 to 21 form part of these financial statements.

Veterinary Solutions Limited

Statement of changes in equity for the year ended 31 December 2019

	Share capital £	Capital reserve £	Retained earnings £	Merger reserve £	Total equity £
Balance at 30 December 2017	160,002	10,006,357	1,320,938	(6,831,227)	4,656,070
Profit for the year	-	-	8,621,435	-	8,621,435
Disposal	-	(10,006,357)	10,006,357	-	-
Balance at 29 December 2018	160,002	-	19,948,730	(6,831,227)	13,277,505
Balance at 29 December 2018	160,002	-	19,948,730	(6,831,227)	13,277,505
Profit for the year	-	-	713,597	-	713,597
Capital contribution	-	8,500,348	-	-	8,500,348
Dividend	-	-	(17,724,507)	-	(17,724,507)
Balance at 31 December 2019	160,002	8,500,348	2,937,820	(6,831,227)	4,766,943

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. As part of this transaction the intercompany balance between Veterinary Solutions Limited and its former parent company, Software of Excellence UK Holdings Ltd, was waived and recorded as a capital contribution of £8,500,348.

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 notes on pages 10 to 21 form part of these financial statements.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 31 December 2019

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.

Going Concern

In March 2020 the coronavirus strain Covid19 was declared a pandemic, the UK Government took measures to restrict movement and close some sectors of the economy. However veterinary practices were allowed to remain open, albeit occasionally with reduced services, and are viewed as an essential service. The wider restrictions in movement and social distancing measures continue to be in place at the date of this report.

The company has gone into this period with a strong balance sheet, has strong cash reserves and has continued to maintain positive cashflows throughout. Moreover the directors have robustly tested the next 12 months forecasted results and cashflow by modelling the impact of losing key customers and/or zero growth over the period. The directors are confident that, together with its strong cash reserves, the business can continue to meet its liabilities as they fall due for the foreseeable future and therefore no material uncertainty exists around the ability to continue as a going concern.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

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.

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. Amortisation is not charged on assets until they are in use. 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:

Fixtures and fittings	- 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 31 December 2019 (*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 an effective interest basis.

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.

Deferred taxation

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 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 31 December 2019 (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 and intangible 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, associated hardware and value added products.

	2019 £	2018 £
Analysis of turnover by country of destination:		
United Kingdom	7,095,039	7,717,902
Rest of Europe	488,349	391,211
	<u>7,583,388</u>	<u>8,109,113</u>

4 Operating profit

	2019 £	2018 £
Operating profit is stated after charging/ (crediting):		
(Loss)/profit on Disposal	(27,298)	7,601,125
Amortisation of intangible assets	144,112	145,232
Depreciation of tangible assets	93,999	118,808
Foreign exchange differences	216,604	(328,981)
Defined contribution plans expense	127,665	99,192
Rent charged under operating leases	195,573	170,278
Research and development expenditure	922,935	735,424
	<u></u>	<u></u>

5 Auditor's remuneration

	2019 £	2018 £
Fees payable for the audit of the financial statements	30,000	13,750
	<u></u>	<u></u>

6 (Loss)/profit on disposal

	2019 £	2018 £
Proceeds from disposal of investment	-	17,607,482
Current value of investment	-	(10,006,357)
	<u>-</u>	<u>7,601,125</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 31 December 2019 (continued)

7 Employees

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

	2019 Number	2018 Number
Distribution staff	10	10
Trainers, Support and Project Managers	56	51
Office and management	4	4
	<u>70</u>	<u>65</u>

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

	2019 £	2018 £
Wages and salaries	2,571,286	2,239,344
Pension costs	127,665	99,192
	<u>2,698,951</u>	<u>2,498,536</u>

8 Directors' remuneration

	2019 £	2018 £
The directors aggregate remuneration in respect of qualifying services was:		
Remuneration	46,406	35,340
	<u>46,406</u>	<u>35,340</u>

Certain directors serving in the year are remunerated by other companies.

The remuneration of key management is shown below.

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

	2019 £	2018 £
Key management emoluments	224,925	35,340
	<u>224,925</u>	<u>35,340</u>

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 *(continued)*

9 Other interest receivable and similar income

	2019 £	2018 £
Interest on cash and cash equivalents	-	3,580
Gain on foreign exchange transactions	-	328,981
	<u>-</u>	<u>332,561</u>

10 Interest payable and similar charges

	2019 £	2018 £
Interest on related party loan	158,630	162,195
Loss on foreign exchange transactions	235,025	23,211
	<u>393,655</u>	<u>185,406</u>

11 Tax charge on profit on ordinary activities

	2019 £	2018 £
<i>Current tax</i>		
In respect of the year:		
UK corporation tax at 19.00% (PY: 19.00%)	189,142	195,480
Adjustments in respect of prior periods	506	(4,880)
Total Current tax charge/(credit)	<u>189,648</u>	<u>190,600</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(16,831)	(20,321)
Adjustments in respect of prior periods	-	39,437
Effect of tax rate change on opening balance	(2,972)	-
Total deferred tax charge/(credit)	<u>(19,803)</u>	<u>19,116</u>
Tax charge/(credit) on profit on ordinary activities	<u>169,845</u>	<u>209,716</u>

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

11 Tax charge on profit on ordinary activities (continued)

Reconciliation of tax expense

	2019 £	2018 £
Profit on ordinary activities before taxation	883,442	8,831,151
Tax on profit on ordinary activities at standard CT rate of 19.00% (PY:19.25%)	167,854	1,677,919
Effects of:		
Fixed asset differences	(3,002)	1,158
Expenses not deductible for tax purposes	7,459	412
Income not taxable for tax purposes	-	(1,506,721)
Adjustments to tax charge in respect of previous periods	506	(4,880)
	-	39,437
Adjust closing deferred tax to average rate of 19.00%	-	2,972
Adjust opening deferred tax to average rate of 19.00%	(2,972)	(581)
Tax charge/(credit) for the year	169,845	209,716

12 Dividend payable

A cash dividend of £17,724,507 (2018: - Nil) was paid in the year.

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

13. Intangible Assets

	WIP - Capitalised Development £	Development Costs £	Computer Software £	Total £
<i>Cost</i>				
At 30 December 2018	104,584	969,732	75,877	1,150,193
Additions	-	43,876	-	43,876
Disposals	-	-	-	-
Transfers	(104,584)	104,584	-	-
At 30 December 2019	-	1,118,192	75,877	1,194,069
<i>Amortisation</i>				
At 30 December 2018	-	634,204	56,400	690,604
Charge for the year	-	140,096	4,016	144,112
Disposals	-	-	-	-
At 30 December 2019	-	774,300	60,416	834,716
<i>Net Book Value</i>				
At 30 December 2019	-	343,892	15,461	359,353
At 30 December 2018	104,584	335,528	19,477	459,589

14. Tangible Assets

	Computer Equipment £	Fixtures and Fittings £	Total £
<i>Cost</i>			
At 31 December 2018	91,031	343,011	434,042
Additions	39,509	27,501	67,010
Disposals	-	(322,311)	(322,311)
At 31 December 2019	130,540	48,201	178,741
<i>Depreciation</i>			
At 31 December 2018	47,908	269,517	317,425
Charge for the year	54,298	39,701	93,999
Disposals	-	(270,012)	(270,012)
At 31 December 2019	102,206	39,206	141,412
<i>Net Book Value</i>			
At 31 December 2019	28,334	8,995	37,329
At 31 December 2018	43,123	73,494	116,617

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

15 Investments

Shares in subsidiary and associated undertakings at cost

	£
Cost	
As at 29 December 2018	6,106,100
As at 31 December 2019	<u>6,106,100</u>
Net Book Value	
As at 31 December 2019	<u>6,106,100</u>
As at 29 December 2018	<u>6,106,100</u>

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.

In the year ending 31 December 2019 RxWorks Limited made a profit after tax of £128,447 (2018: £178,245) and had net assets of £6,962,232 (2018: £6,833,785)

16 Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>93,441</u>	<u>59,451</u>

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

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

17 Debtors

	2019 £	2018 £
Trade debtors	1,444,050	1,559,608
Prepayments and accrued income	216,195	226,885
Other debtors	12,355	34,791
Amounts owed by group undertakings	5,416	17,940,998
Deferred taxation (note 18)	45,066	25,263
	<u>1,723,082</u>	<u>19,787,545</u>

18 Deferred tax

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

	2019 £	2018 £
Accelerated capital allowances	44,115	17,948
Tax losses carried forward and other deductions	951	7,315
	<u>45,066</u>	<u>25,263</u>

Movement in asset:

Provision at start of period	25,263	17,948
Deferred tax credited in the Statement of comprehensive Income	19,803	7,315
	<u>45,066</u>	<u>25,263</u>

19 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	31,246	20,140
Amounts owed to group undertakings	591,651	8,560,664
Accruals and deferred income	1,786,958	2,008,676
VAT	248,385	259,775
Corporation Tax	72,807	94,447
	<u>2,731,047</u>	<u>10,943,702</u>

Amounts owed to group undertakings in 2018 contain £8,519,582 pertaining to former related parties.

Veterinary Solutions Limited

Notes forming part of the financial statements
for the year ended 31 December 2019 (continued)

20 Creditors: amounts falling due after more than one year

	2019 £	2018 £
Amounts owed to group undertakings	5,435,346	5,276,716

21 Share capital

	2018 £	2018 £
160,002 Ordinary Shares of £1 each	160,002	160,002

22 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:

	2019 £	2018 £
Motor Vehicles		
Operating leases due:		
Within 1 year	35,038	107,198
Within 2 to 5 years	35,164	-
	70,202	107,198

	2019 £	2018 £
Land and Buildings		
Operating leases due:		
Within 1 year	-	107,198
	-	107,198

23 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.

Veterinary Solutions Limited

Notes forming part of the financial statements for the year ended 31 December 2019 (continued)

24 Ultimate parent company

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

Copies of the financial statements are available from the registered office at The Point, 37 North Wharf Road, London, England, W2 1AF.

25 Controlling party

On 8th February 2019 Veterinary Solutions Limited's ultimate parent company, Henry Schein Inc, divested its Animal Health businesses including Veterinary Solutions Limited. As part of this transaction Software of Excellence UK Holdings Limited sold its shares in Veterinary Solutions Limited to Animal Health Holding (Netherlands) B.V. The company is owned by Animal Health Holding (Netherlands) B.V.

26 Reserves

Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

Capital reserve

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

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..

27 Post balance sheet events

In March 2020 the coronavirus strain Covid19 was declared a pandemic The UK Government took measures to restrict movement and close some sectors of the economy. However veterinary practices were allowed to remain open, albeit occasionally with reduced services, and are viewed as an essential service. The wider restrictions in movement and social distancing measures continue to be in place at the date of this report.

The directors have considered the impact on the Statement of Financial Position and note that the pandemic could have an impact on the collectability of certain trade debtors going forward. For the year ended 31 December 2019 the pandemic is a non-adjusting post balance sheet event.