REGISTERED NUMBER: 02526935 (England and Wales)

Annual Report and

Unaudited Financial Statements for the Year Ended 30 June 2021

for

Axiom Veterinary Laboratories Limited

Axiom Veterinary Laboratories Limited (Registered number: 02526935)

Contents of the Financial Statements for the Year Ended 30 June 2021

Company Information
for the Year Ended 30 June 2021

DIRECTORS:	R Fairman R Alfonso B Jacklin
SECRETARY:	J Farrer
REGISTERED OFFICE:	The Manor House Brunel Road Newton Abbot Devon TQ12 4PB
REGISTERED NUMBER:	02526935 (England and Wales)

Strategic Report
for the Year Ended 30 June 2021

The directors present their strategic report for the year ended 30 June 2021.

The principal activity of the Company is the provision of veterinary diagnostic, advisory, analytical and consultancy services for the veterinary and allied professions.

REVIEW OF BUSINESS

Revenue for the Company at £13,046,000 (30 June 2020: £8,868,000) was in line with expectations, and the Directors consider the result for the year and the year end position to be satisfactory.

The Company made a profit after taxation of £2,607,000 (30 June 2020: £746,000). The Directors do not recommend the payment of a dividend (30 June 2020: £nil) and no dividends have been paid during the year (30 June 2020: £nil).

The Company is an integral part of the operations of its ultimate parent undertaking CVS Group plc ("the Group") and as such the "Strategic report" on pages 1 to 57 of the CVS Group plc 2021 Annual Report, which does not form part of this report, should be read for a full review of the Group's business and developments in the year

OUTLOOK

The Directors consider the outlook of CVS Group plc and all its subsidiaries as a whole. CVS Group plc and its subsidiaries operate in a sector with favourable market and consumer trends, with pet owners who remain willing to spend money on their pets, and clinical enhancements increasing the range of services we can offer. The companion animal market has grown significantly, both in the number of pets owned and in the willingness of owners to spend money on their pets' health and wellbeing.

There has been a growing trend towards "humanisation" of pets, with owners treating them increasingly like family members, which translates into increased spend on both clinical care of the animals, purchases of ancillary products such as pet food and toys, and preventative healthcare such as regular vaccinations.

Financially, the Group has demonstrated resilience, flexibility and strength in its ability to "bounce back" from the COVID-19 pandemic and deliver growth both organically and through acquisitions. The Group has strong foundations to continue to develop and grow within the veterinary market and our investors have demonstrated confidence in our ability to do that.

Looking ahead, we are optimistic for future growth and development of the Group, its services and its people. We will continue our strategy of synergistic acquisitions to complement our organic growth.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider that the principal risks (including financial risks) and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are; Key employees, Economic environment and consumer trends, Competition, Adverse publicity, Information technology, Changes in industry regulations, Sourcing pharmaceutical supplies, Sourcing and integrating acquisitions, Health and safety legislation, Corporate legislation and regulatory requirements, Bank facilities, Future pandemic or lockdown, Sustainability and climate change. These are discussed further, together with the impact of COVID-19 and Brexit on the operations of the Group within the "Principal risks and uncertainties" on pages 50 to 57 of the CVS Group plc 2021 Annual Report which does not form part of this report. The Group has also considered their environmental impact as disclosed in the "Streamlined Energy and Carbon Reporting" on pages 82 and 83 of the CVS Group plc 2021 Annual Report.

Strategic Report
for the Year Ended 30 June 2021

FINANCIAL RISK FACTORS
The Company's operations expose it to a variety of financial risks that include market risk (including currency risk), credit risk and liquidity risk. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's finance department.

a) Market risk

i) Cash flow ad fair value interest rate risk
As the Company has no significant interest-bearing assets, the Company's income and operating cash inflows are substantially independent of changes in market interest rates.

ii) Foreign exchange currency rate risk
The Company has limited exposure to foreign exchange risk as the majority of its transactions are denominated in the Company's functional currency of sterling. The Company has a policy to minimise foreign exchange currency rate risk through the regular monitoring of foreign currency flows and the forward purchase of foreign currency. Currency exposures are reviewed regularly and all significant foreign exchange transactions are approved by Axiom Veterinary Laboratories Limited management.

At 30 June 2021 the Company had monetary assets denominated in foreign currencies of £147,513 (2020: £42,789) and monetary liabilities denominated in foreign currencies of £nil (2020: £nil). The Directors do not consider the impact of foreign currency rate fluctuations to be material in these financial statements. For the year to 30 June 2021 the Company recognised a foreign exchange loss amounting to £387 (2020: £11,947).

b) Credit risk

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is recognised on trade receivables if there is considered to be expected credit losses. The amount of expected credit losses is calculated using the simplified approach as allowable under IFRS 9 and is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse customer base. The Company also has in place procedures that require appropriate credit checks on potential customers before sales, other than on a cash basis, are made. Customer accounts are also monitored on an ongoing basis and appropriate action is taken where necessary to minimise any credit risk. The Directors therefore believe there is no further credit risk provision required in excess of normal provision for impaired receivables.

The maximum exposure to credit risk at 30 June 2021 is the fair value of each class of receivable as disclosed in note 14 to the financial statements.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and availability of parent company funding. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

Strategic Report
for the Year Ended 30 June 2021

KEY PERFORMANCE INDICATORS (KPI'S)
The Directors of the Group manage the Group's operations on a consolidated basis. For this reason, the Company's Directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of Axiom Veterinary Laboratories Limited. The development, performance and position of CVS Group plc, which includes the Company, is discussed within the "Financial Review" on pages 36 to 40 of the CVS Group plc 2021 Annual Report which does not form part of this report.

FUTURE DEVELOPMENTS
The directors expect the general level of activity to at least remain consistent with prior years, however the Company is well positioned for future growth.

The financial statements were approved by the Board of Directors and authorised for issue on ________________ and were signed

ON ITS BEHALF BY:

....
R Alfonso - Director

Date: 23 December 2021

Report of the Directors
for the Year Ended 30 June 2021

The directors present their annual report with the audited financial statements of the company for the year ended 30 June 2021.

DIVIDENDS
No dividends will be distributed for the year ended 30 June 2021 (2020: £nil).

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 July 2020 to the date of this report.

R Fairman
R Alfonso
B Jacklin

DIRECTORS' THIRD-PARTY INDEMNITY PROVISION
A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 was in force during the year and also at the balance sheet date for the benefit of each of the Directors in respect of liabilities incurred as a result of their office with the Company and any associated company, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

GOING CONCERN
In preparing these financial statements, the Directors have had regard to the forecasts of the ultimate parent company CVS Group plc ("the Group"), of which the Company is an integral part.

After having regard to the financial forecasts and total available facilities of the Group and related covenant requirements, the Directors have concluded there is a reasonable expectation that the Group as a whole will continue to trade for at least 12 months from the date of approval of these financial statements, and the Company will also continue to trade and meet its liabilities as they fall due for at least the same period. As a result, the Directors continue to adopt the going concern basis in preparing these financial statements.

DISCLOSURE IN THE STRATEGIC REPORT
The principal activity, review of business, future developments and financial risk factors of the Company have been disclosed in the Strategic Report in accordance with section 414C of the Companies Act 2006.

DIRECTORS' RESPONSIBILITIES STATEMENT
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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.

Axiom Veterinary Laboratories Limited (Registered number: 02526935)

Report of the Directors
for the Year Ended 30 June 2021

ON BEHALF OF THE BOARD:

....
R Alfonso - Director

Date: 23 December 2021

Statement of Comprehensive Income for the Year Ended 30 June 2021

	Notes	2021 £'000	2020 £'000
TURNOVER	3	**13,046**	8,868
Cost of sales		**(6,028)**	(4,756)
GROSS PROFIT		**7,018**	4,112
Administrative expenses		**(3,801)**	(3,369)
		3,217	743
Other operating income	4	**8**	228
OPERATING PROFIT		**3,225**	971
Interest receivable and similar income	6	**-**	2
		3,225	973
Interest payable and similar expenses	7	**(17)**	(17)
PROFIT BEFORE TAXATION	8	**3,208**	956
Tax on profit	9	**(601)**	(210)
PROFIT FOR THE FINANCIAL YEAR		**2,607**	746
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified subsequently to profit or loss:			
Revaluation of available-for-sale asset		**3**	(7)
Income tax relating to item that may be reclassified subsequently to profit or loss		**-**	-
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		**3**	(7)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,610**	739

All activities derive from continuing operations

Axiom Veterinary Laboratories Limited (Registered number: 02526935)

Balance Sheet
30 June 2021

	Notes	2021 £'000	2020 £'000
FIXED ASSETS			
Owned			
Intangible assets	10	**1**	7
Tangible assets	11	**449**	333
Right-of-use			
Tangible assets	18	**432**	428
Investments	12	**68**	65
Deferred tax asset	19	**24**	27
		974	860
CURRENT ASSETS			
Stocks	13	**365**	293
Debtors	14	**12,080**	8,611
Cash at bank		**473**	165
		12,918	9,069
CREDITORS			
Amounts falling due within one year	15	**(5,123)**	(3,774)
NET CURRENT ASSETS		**7,795**	5,295
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,769**	6,155
CREDITORS			
Amounts falling due after more than one year	16	**(399)**	(395)
NET ASSETS		**8,370**	5,760

The notes form part of these financial statements

Balance Sheet - continued
30 June 2021

	Notes	2021 £'000	2020 £'000
CAPITAL AND RESERVES			
Called up share capital	20	**67**	67
Retained earnings		**8,303**	5,693
SHAREHOLDERS' FUNDS		**8,370**	5,760

The company is entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies for the year ended 30 June 2021.

The members have not required the company to obtain an audit of its financial statements for the year ended 30 June 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:
(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2021 and were signed on its behalf by:

R Alfonso - Director

Axiom Veterinary Laboratories Limited (Registered number: 02526935)

Statement of Changes in Equity for the Year Ended 30 June 2021

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2019	67	4,954	5,021
Changes in equity			
Total comprehensive income	-	739	739
Balance at 30 June 2020	67	5,693	5,760
Changes in equity			
Total comprehensive income	-	2,610	2,610
Balance at 30 June 2021	67	8,303	8,370

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 30 June 2021

1. STATUTORY INFORMATION

Axiom Veterinary Laboratories Limited is a private company, limited by shares, incorporated in the United Kingdom and is registered in England and wales. The company's registered number and registered office address can be found on the Company Information page.

The presentational and functional currency of the financial statements is the Pound Sterling (£).

The principal activity of the Company was that of the provision of veterinary diagnostic, advisory, analytical and consultancy services for the veterinary and allied professions.

2. ACCOUNTING POLICIES

Basis of preparation
These financial statements present the financial record for the year ended 30 June 2021 of Axiom Veterinary Laboratories Limited.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 23 gives details of the company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The financial statements have been prepared on a going concern basis and under the historical cost convention except for certain financial instruments that have been measured at fair value.

2. ACCOUNTING POLICIES - continued

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
  the requirements of paragraph 58 of IFRS 16;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

Going concern
In preparing these financial statements, the Directors have had regard to both the forecasts of the ultimate parent company CVS Group plc ("the Group"), of which the Company is an integral part.

After having regard to the financial forecasts, total available facilities of the Group and related covenant requirements, the Directors have concluded there is a reasonable expectation that the Group as a whole will continue to trade for at least 12 months from the date of approval of these financial statements, and in virtue of this and the letter of support received from CVS Group plc, the Company will also continue to trade and meet its liabilities as they fall due for at least the same period. As a result, the Directors continue to adopt the going concern basis in preparing these financial statements.

Changes in accounting policy and disclosure

Standards adopted by the Company for the first time
A number of new and revised standards, including the following, are effective for annual periods beginning on or after 1 January 2020:
- Amendment to IFRS 16, 'Leases' - Covid-19 related rent concessions (and from 1 April 2021 'Covid-19 related rent concessions beyond 30 June 2021')
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform' - Phase 1
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3, 'Definition of a Business'

Adoption of these standards, has not had an impact on the Company's financial statements.

2. **ACCOUNTING POLICIES - continued**

Turnover
Turnover is measured in accordance with relevant accounting standards. For all contracts within the scope of IFRS 15, the Company determines whether enforceable rights and obligations have been created with the customer and recognises turnover based on total transaction price as estimated at the contract inception, being the amount which the Company expects to be entitled to and has present enforceable rights under contract. Turnover is allocated proportionately across the contract performance obligations and recognised either over time or at a point in time as appropriate.

Service Turnover
Turnover represents amounts receivable from customers for veterinary diagnostics, histopathology and histology services provided during the period. Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured; typically, this is when a diagnostics procedure is completed. Turnover is measured at the fair value of the consideration received, excluding value added tax.

Impairment of non-current assets
Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount.

As permitted by IAS 36 Impairment of Assets for the purposes of assessing impairment, individual cash-generating units ("CGUs") are grouped at a level consistent with the Company's operating segments. Recoverable amounts for CGUs are based on value in use, which is calculated from cash flow projections using data from the Company's latest internal forecasts, being a one-year detailed forecast and extrapolated forecasts thereafter, the results of which are approved by the Board. The key assumptions for the value-in-use calculations are those regarding discount rates and growth rates.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Computer software
Computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of three years and charged to administrative expenses. Costs associated with maintaining computer software programs are recognised as an administrative expense as incurred.

2. **ACCOUNTING POLICIES - continued**

Tangible assets

Tangible assets are stated at cost (being the purchase cost, together with any incidental costs of acquisition) less accumulated depreciation and any accumulated impairment losses. The assets' residual values and useful lives are reviewed annually, and adjusted as appropriate. Depreciation is provided so as to write off the cost of tangible assets, less their estimated residual values, over the expected useful economic lives of the assets in equal annual instalments at the following principal rates:

Leasehold improvements	Straight line over the life of the lease
Plant and machinery	20% - 33% straight line
Motor vehicles	25% straight line

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

2. **ACCOUNTING POLICIES - continued**

Financial instruments
Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade and other receivables is recognised if there is considered to be expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the statement of comprehensive income.

(b) Investments

Gains and losses arising from changes in the fair value of available-for-sale investments in equity instruments that have a quoted market price are recognised directly in other comprehensive income until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net result for the year.

In accordance with IFRS 9 Financial Instruments: Recognition and Measurement, available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Dividends on an available-for-sale equity instrument are recognised in the income statement when the Group's right to receive payment is established.

(c) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in profit or loss. A financial liability is derecognised only when the obligation is extinguished. An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities.

(d) Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Stocks
Stocks comprise of goods held for resale, and are stated at the lower of cost and net realisable value on a first in first out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred on disposal. Where necessary, provision is made for obsolete, slow moving or defective stocks.

2. **ACCOUNTING POLICIES - continued**

Current and deferred income tax
The tax expense represents the sum of the current tax payable, deferred tax and any adjustments in respect of previous periods.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the statement of comprehensive income because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Company's liability for current tax is calculated on the basis of tax laws and tax rates that have been enacted or substantively enacted by the Company balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities used in the computation of taxable profits and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Company balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is charged or credited in the statement of comprehensive income, except where it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also recognised in other comprehensive income or equity respectively.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from inception.

Foreign currency
(a) Functional and presentational currency

The financial information in this report is presented in pound sterling, the functional currency of the Company, rounded to the nearest thousand.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into pound sterling (the functional currency of the Company) at the rate of exchange ruling at the date of transaction. All realised foreign exchange differences are taken to the statement of comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

2. **ACCOUNTING POLICIES - continued**

Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2. **ACCOUNTING POLICIES - continued**

Leases (continued)
Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible asset' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in 'Other operating expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Retirement benefit costs
The Company makes contributions to stakeholder and employee personal pension schemes, which are defined contribution schemes, in respect of certain employees. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Government grants
Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the statement of comprehensive income in the period in which they become receivable.

The Company is entitled to claim tax credits in relation to the Research and Development Expenditure Tax Credit ("RDEC") scheme. Tax credits receivable under this scheme are determined to have the substance of a government grant and accordingly these tax credits are accounted for under IAS 20, 'Accounting for Government Grants', as described above. The tax credits are recognised within other income within the Income statement when there is reasonable assurance that the Company will comply with the relevant conditions and that the tax credits will be received.

Net financing costs
Net financing costs comprise interest payable on borrowings, interest receivable on cash and cash equivalents, and debt finance costs that are recognised in the statement of comprehensive income.

Interest income and expense is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

2. **ACCOUNTING POLICIES - continued**

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates.

Judgement: Leases

Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term.

When determining the lease term in accordance with IFRS 16 paragraph 18 -21, management have applied the following policy for all leases:

a) For properties in contract, the lease term has been determined as to the end of the contractual lease term;
b) For properties out of contract and therefore occupied on a rolling basis, in accordance with legislation that permits this, the lease term has been determined to be 7.5 years from the end of the contractual lease term; and
c) For properties where management have committed to close the site, the lease term is determined to be until the next break clause.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. The Company has determined a weighted incremental borrowing rate of 4.0% for the right-of-use assets. The Directors considered all Company borrowings at the date of adoption in the determination of the incremental borrowing rates. The standard permits the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has applied this practical expedient to its operating leases on adoption for leases with a similar class and remaining lease term. Refer to note 17 for additional disclosures related to leases.

Accounting estimate: Research and Development Expenditure Tax Credit ("RDEC")

The Company has recognised income in relation to claims made by the Company under HM Revenue & Customs' RDEC scheme in respect of costs relating to qualifying Research and Development ("R&D") activities. The income is recognised when there is reasonable assurance that the Company will comply with the relevant conditions of the scheme and that the tax credits will be received, which can be some time after the original expense is incurred. The Company's assessment of eligible expenditure and qualifying activities must align with the definition of R&D for RDEC purposes. The Company has considered the facts and circumstances relating to the claim in order to make a judgement as to whether compliance is reasonably assured and therefore receipt is reasonably certain. As this is the first time the Company has claimed under this regime the Company has applied an estimated discount to the gross claim of £9,000 and recognised only £5,000 in the current year. The unrecognised amount is therefore £4,000, which will be recognised when uncertainty has been removed either via formal acceptance of the claim or the expiry of the enquiry window.

3. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2021	2020
	£'000	£'000
Veterinary diagnostic services	13,046	8,868
	13,046	8,868

3. TURNOVER - continued

An analysis of turnover by geographical market is given below:

	2021	2020
	£'000	£'000
United Kingdom	13,046	8,868
	13,046	8,868

4. OTHER OPERATING INCOME

	2021	2020
	£'000	£'000
Sundry receipts	3	228
RDEC income	5	-
	8	228

The Company received £228,000 included in sundry receipts in the prior period through the Coronavirus Job Retention Scheme ("CJRS").

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£'000	£'000
Wages and salaries	3,406	3,074
Social security costs	299	270
Other pension costs	70	64
	3,775	3,408

The average number of employees during the year was as follows:

	2021	2020
Veterinary surgeons and pathologists	15	15
Laboratory technicians and support staff	113	108
	128	123

The company is part of a group arrangement for PAYE in the principal name of the immediate parent company CVS (UK) Limited. Under the group arrangement salaries are borne by CVS (UK) Limited and recharged to the company. As a result, the employee information presented is in relation to employees of CVS (UK) Limited who are recharged to the company.

The total recharge for the year amounted to £3,775,000 (2020: £3,408,000) and are included within the values shown above.

Employee benefit expense included within cost of sales is £978,000 (2020: £773,000).

The Directors are paid a single salary in respect of their services to the group and it is not considered practicable to apportion this between the subsidiaries.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£'000	£'000
Deposit account interest	-	2

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£'000	£'000
Interest on right-of-use liabilities	17	17
	17	17

8. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2021	2020
	£'000	£'000
Cost of inventories recognised as expense	2,055	1,517
Depreciation - owned assets	100	130
Depreciation – right-of-use assets	49	50
Computer software amortisation	6	1
Employee benefit expense	3,775	3,408

Services provided by the Company's auditor and its associates:

During the year the Company obtained the following services from the Company's auditor at costs as detailed below:

	2021	2020
	£'000	£'000
Audit services:		
Fees payable to the company's auditor for the audit of the Company's financial statements	-	8

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

9. TAXATION

Analysis of tax expense

	2021 £'000	2020 £'000
Current tax:		
Tax	601	196
Adjustment in respect of previous years	(3)	13
Total current tax	598	209
Deferred tax:		
Origination and reversal of temporary differences	11	(2)
Effect of tax rate changed on opening deferred tax balance	(5)	(2)
Adjustments in respect of previous years	(3)	5
Total deferred tax	3	1
Total tax expense in statement of comprehensive income	601	210

Factors affecting the tax expense

The tax assessed for the year is lower (2020 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £'000	2020 £'000
Profit before income tax	3,208	956
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	610	182
Effects of:		
Adjustments to current tax charge in respect of previous years	(3)	13
Effect of tax rate change on deferred tax balance	(5)	(2)
Adjustments to deferred tax charge in respect of previous years	(3)	5
Expenses not deductible for tax purposes	-	12
Effect of difference between current and deferred tax rate	2	-
Tax expense	601	210

Tax effects relating to effects of other comprehensive income

		2021	
	Gross £'000	Tax £'000	Net £'000
Revaluation of available-for-sale asset	3	-	3

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

9. TAXATION - continued

	2020		
	Gross £'000	Tax £'000	Net £'000
Revaluation of available-for-sale asset	(7)	-	(7)

Factors affecting the future tax charge
The standard rate of UK corporation tax for the period was 19.0% (2020: 19.0%). In March 2021, the UK Government announced an increase in the UK corporation tax rate. Finance Bill 2021 was substantively enacted on 24 May 2021 increasing the UK corporation tax rate to 25.0% from 1 April 2023. As a result the relevant deferred taxation balances have been re-measured using the rates expected to apply when the deferred tax balances reverse.

Changes in tax rate
The impact of change in tax rate in the prior year arose due to the previous enacted reduction in the UK corporation tax rate from 19.0% to 17.0% from 1 April 2020 being repealed, and the 19.0% tax rate being substantively enacted on 17 March 2020.

10. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 July 2020 and 30 June 2021	**211**
AMORTISATION	
At 1 July 2020	**204**
Amortisation for year	**6**
At 30 June 2021	**210**
NET BOOK VALUE	
At 30 June 2021	**1**
At 30 June 2020	**7**

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Totals £'000
COST				
At 1 July 2020	484	1,481	152	2,117
Additions	49	167	-	216
At 30 June 2021	533	1,648	152	2,333
DEPRECIATION				
At 1 July 2020	363	1,289	132	1,784
Charge for year	23	63	14	100
At 30 June 2021	386	1,352	146	1,884
NET BOOK VALUE				
At 30 June 2021	**147**	**296**	**6**	**449**
At 30 June 2020	121	192	20	333

12. INVESTMENTS

	Listed investments £'000
COST	
At 1 July 2020	**65**
Additions	**3**
At 30 June 2021	**68**
NET BOOK VALUE	
At 30 June 2021	**68**
At 30 June 2020	65

Investments are available-for-sale financial assets, which are denominated in sterling, and consist of an investment in managed investment funds.

The Company holds an investment in managed investment funds which have a quoted market price in an active market and are accordingly measured at fair value. Gains and losses arising from changes in the fair value are recognised directly in equity until the security is disposed of or deemed to be impaired.

There were no disposals or impairment provisions on available-for-sale financial assets in the year to 30 June 2021 or the year to 30 June 2020.

13. STOCKS

	2021 £'000	2020 £'000
Stocks of finished goods	**365**	293

The Directors do not consider the difference between purchase price of stocks and their replacement cost to be material.

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

14. DEBTORS

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	968	789
Amounts owed by group undertakings	11,072	7,781
Prepayments and accrued income	40	41
	12,080	8,611
Amounts falling due after more than one year:		
Deferred tax asset	24	27
Aggregate amounts	12,104	8,638

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£'000	£'000
Leases (see note 17)	33	28
Trade creditors	745	242
Corporation tax	788	209
VAT	146	311
Amounts owed to group undertakings	2,998	2,641
Other creditors	94	9
Accruals and deferred income	319	334
	5,123	3,774

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£'000	£'000
Leases (see note 17)	399	395

Notes to the Financial Statements - continued
for the Year Ended 30 June 2021

17. LEASE LIABILITIES

	2021 £'000	2020 £'000
Current:		
Leases	33	28

	2021 £'000	2020 £'000
Non-current:		
Leases	399	395

Term and debt repayment schedule

	1 year or less £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Leases	49	233	230	512

Total cash outflow for leases in the year amounted to £59,000 (2020: £60,000).

18. RIGHT-OF-USE ASSETS

	Property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
COST				
At 1 July 2020	456	7	15	478
Additions	-	-	21	21
Remeasurement	32	-	-	32
At 30 June 2021	488	7	36	531
DEPRECIATION				
At 1 July 2020	40	5	5	50
Charge for year	42	1	6	49
At 30 June 2021	82	6	11	99
NET BOOK VALUE				
At 30 June 2021	**406**	**1**	**25**	**432**
At 30 June 2020	416	2	10	428

19. DEFERRED TAX ASSET

	£'000
Balance at 1 July 2020	27
Charge to Statement of Comprehensive Income	(3)
Balance at 30 June 2021	24

The Company's deferred tax assets have been recognised in accordance with IAS 12 as, based on historical performance and future budgets, the Directors believe that it is probable that there will be sufficient taxable profits against which the assets will reverse.

The Company has no unprovided deferred tax assets or liabilities.

The deferred tax balance is considered to be non-current.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
34,936	Ordinary A shares	£1	**34,310**	34,310
32,965	Ordinary B shares	£1	**32,965**	32,965
75	Ordinary C shares	£1	**75**	75
			67,350	67,350

Each class of shares attracts the same standard capital, voting and dividend rights as the other classes.

21. PENSION COMMITMENTS

The Company contributes to certain employees' personal pension schemes in accordance with their service contracts. The amounts are charged to the statement of comprehensive income as they fall due. The amounts charged during the year amounted to £70,000 (2020: £64,000). The amount outstanding at the end of the year included in creditors was £nil (2020: £nil).

22. SUBSEQUENT EVENTS

There were no significant events between the Statement of Financial Position date and the date of signing of these financial statements.

23. ULTIMATE CONTROLLING PARTY

The company's immediate parent company is CVS (UK) Limited, a company registered in England.

CVS Group plc, a company registered in England, is the immediate parent company of CVS (UK) Limited and is the parent undertaking of the smallest and largest group of which the Company is a member and for which group accounts are prepared. Copies of the group accounts of CVS Group plc can be obtained from its registered office at CVS House, Owen Road, Diss, Norfolk, IP22 4ER.

The shares of CVS Group plc are traded on the Alternative Investment Market and as such, the Directors consider that there is no ultimate controlling party.

24. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

Bank guarantees

The Company is a member of the CVS Group plc banking arrangement under which it is party to unlimited cross-guarantees in respect of the banking facilities of other CVS Group plc undertakings, amounting to £170,000,000 at 30 June 2021 (2020: £170,000,000). The Directors do not expect any material loss to the Company to arise in respect of the guarantees.