

COMPANIES HOUSE
23 DEC 2020
EDINBURGH MAILBOX

ANIMAL HEALTHCARE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



ANIMAL HEALTHCARE SERVICES LIMITED

COMPANY INFORMATION

Directors

T Carse
G Rhodes
M Ellis
W Pelling

Registered number

03736547

Registered office

Distington House
Atlas Way
Sheffield
England
S4 7QQ

Independent auditor

BDO LLP
Statutory Auditor
4 Atlantic Quay
70 York Street
Glasgow
United Kingdom
G2 8JX

ANIMAL HEALTHCARE SERVICES LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11 - 12
Notes to the Financial Statements	13 - 29

ANIMAL HEALTHCARE SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report for the year ending 31st December 2019, together with the audited financial statements for the year ended 31 December 2019.

Principal activities and business review

There are two divisions within the Company; Veterinary Instrumentation (VI) and Premier Buying Group (PBG). The principal activity of the VI division is the development, manufacturing and sale of veterinary instruments and implants globally.

The principal activity of the PBG division is to negotiate rebates with manufacturers on behalf of its members for which it retains a management fee.

The Company is committed to delivering technical expertise through the training and recruitment of its employees and the provision of training and technical assistance to its customers.

The results for the year and the financial position of the Company are shown in the financial statements.

Financial key performance indicators

The Company's key performance indicators are turnover and operating profit. Turnover for the year was £11.9m (2018: £11.5m), an increase of 3.5%. Operating profit for the year was £3.1m (2018: £2.5m). Operating profit for 2018 is stated after an impairment of intangible assets which resulted in a charge of £0.7m.

The Company's net assets were £18.3m at 31st December 2019 (2018: £15.9m), an increase of £2.4m.

ANIMAL HEALTHCARE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The main area of financial risk is credit risk. This is monitored by the board of directors and is not considered to be significant at the balance sheet date. The Company's policy in respect of credit risk is to monitor debtors to ensure that appropriate credit limits are applied, and that the Company's terms and conditions of trade are met.

A substantial proportion of the Company's purchases are in currencies other than sterling. The directors minimise this risk where possible by hedging potential risk and reviewing margins to ensure that any adverse movement in rates have the least impact on operating income.

Covid Pandemic

Looking forward, the economic uncertainty surrounding the global economy with the impact of the Covid 19 pandemic will put profit growth under pressure in the short term. The Company has mitigated this impact by taking advantage of UK government schemes, increasing focus and review on working capital management and cash flow forecasting, as well as reducing all non-essential operating costs.

However, even with some reduction in confidence about the economy, the directors believe that the business is well positioned to deliver the highest level of service and product quality to its customers through a differentiated set of products and services, an efficient distribution platform and through benefits arising from the group's continuing investment in technology and infrastructure.

In the medium to long term, growth is expected to continue as new trading partners are developed in export markets and as the Company continues to advance its technologies. While the marketplace remains very competitive, the Company is well placed in terms of technical expertise and global reach.

Brexit

The primary Brexit risk for the Company is supply chain related, specifically for the replenishment of inventory sourced from vendors in the EU and for supplies of goods to our customers in the EU. As a result of uncertainty created by Brexit, the Company will focus on managing its inventory to balance inventory levels versus customer service. The Company has reviewed the forward cashflow requirements for this plan and sufficient working capital is available.

Brexit remains an area of uncertainty for the directors, however we are confident that this will not impact our customers' ability to source goods from us. We are actively working with our suppliers and courier companies to mitigate any issues within our supply chain as a result of Brexit.

Going Concern

The principal risks and uncertainties for the business have been considered, and a budget, trading estimate and cashflow forecast for the upcoming year prepared. These have been reviewed by the directors and considered appropriate. It is the directors' opinion that the Company is in a strong financial position and will remain so in the future.

The Covid-19 pandemic has been used as a model for stress testing purposes and the Company has shown that it is able to maintain a strong balance sheet position and positive cash flows throughout. Forecasts of business performance are reviewed on a monthly basis and monitored for any changes in the market.

The directors consider that the Company has appropriate cover in place to mitigate exposure to any contingent liabilities that may arise.

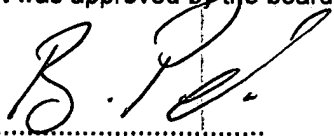
The directors are satisfied that adequate cash reserves are held such that borrowing arrangements are not required.

The directors of the Company are confident that the entity 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.

ANIMAL HEALTHCARE SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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



.....
W Pelling
Director

Date: 22-12-2020

ANIMAL HEALTHCARE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,407,935 (2018 - £1,806,582).

No dividends were paid or proposed for the year ended 31 December 2019.

Directors

The directors who served during the year were:

T Carse
G Rhodes
M Ellis
W Pelling

Disclosure of information to auditor

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

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

ANIMAL HEALTHCARE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-19, such as health and safety measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to ensuring fulfilment of our customer demand.

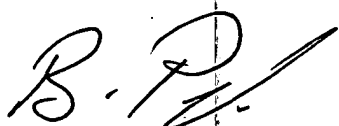
At this stage, the impact on our business and results has been limited mostly to the 3 month period April to June with a sustained recovery since July to pre-Covid trading levels. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

The directors conclude that Covid-19 is a non-adjusting post balance sheet event.

Auditor

The auditor, BDO LLP is deemed to be reappointed in accordance with section 487 of the Companies Act 2006.

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



.....
W Pelling
Director

Date: 22 -12 - 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES LIMITED

Opinion

We have audited the financial statements of Animal Healthcare Services Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 United Kingdom, including the Financial Reporting Council'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 we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

ANIMAL HEALTHCARE SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES LIMITED (CONTINUED)

We have nothing to report in this regard.

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

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 or the Directors' Report.

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

- adequate accounting records have not been kept, 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 on page 4, 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.

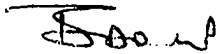
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

ANIMAL HEALTHCARE SERVICES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES
LIMITED (CONTINUED)**

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Alastair Rae (Senior Statutory Auditor)
for and on behalf of

BDO LLP

Statutory Auditor

Glasgow

Date: 22 DECEMBER 2020

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

ANIMAL HEALTHCARE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	11,909,506	11,511,477
Cost of sales		(5,190,723)	(5,076,567)
Gross profit		6,718,783	6,434,910
Administrative expenses		(3,605,774)	(3,885,774)
Operating profit		3,113,009	2,549,136
Tax on profit	8	(705,074)	(742,554)
Profit for the financial year		2,407,935	1,806,582
Other comprehensive income for the year			
Total comprehensive income for the year		2,407,935	1,806,582

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED
REGISTERED NUMBER: 03736547

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	31 December 2019 £	29 December 2018 £
Fixed assets			
Intangible assets	9	4,011,350	4,479,316
Tangible assets	10	416,961	201,042
		<u>4,428,311</u>	<u>4,680,358</u>
Current assets			
Stocks	11	1,907,353	1,979,536
Debtors: amounts falling due within one year	12	1,854,566	1,431,727
Cash at bank and in hand	13	11,373,117	9,372,975
		<u>15,135,036</u>	<u>12,784,238</u>
Creditors: amounts falling due within one year	14	(1,247,305)	(1,556,489)
Net current assets		<u>13,887,731</u>	<u>11,227,749</u>
Total assets less current liabilities		<u>18,316,042</u>	<u>15,908,107</u>
Net assets		<u><u>18,316,042</u></u>	<u><u>15,908,107</u></u>
Capital and reserves			
Called up share capital	16	190,002	190,002
Profit and loss account	17	18,126,040	15,718,105
		<u>18,316,042</u>	<u>15,908,107</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
22 December 2020



.....
W Pelling
Director

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 30 December 2018	190,002	15,718,105	15,908,107
Comprehensive income for the year			
Profit for the year	-	2,407,935	2,407,935
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	2,407,935	2,407,935
Total transactions with owners	-	-	-
At 31 December 2019	190,002	18,126,040	18,316,042

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 29 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2017	190,002	13,911,523	14,101,525
Comprehensive income for the year			
Profit for the year	-	1,806,582	1,806,582
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,806,582	1,806,582
Total transactions with owners	-	-	-
At 29 December 2018	190,002	15,718,105	15,908,107

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Animal Health Services Limited is a private company limited by shares and incorporated in England. Its registered address is Distington House, Atlas Way, Sheffield, S4 7QQ. The nature of the Company's operations and principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The principal risks and uncertainties for the business have been considered, and a budget, trading estimate and cashflow forecast for the upcoming year prepared. These have been reviewed by the directors and considered appropriate. It is the directors' opinion that the Company is in a strong financial position and will remain so in the future.

The Covid-19 pandemic has been used as a model for stress testing purposes and the Company has shown that it is able to maintain a strong balance sheet position and positive cash flows throughout. Forecasts of business performance are reviewed on a monthly basis and monitored for any changes in the market.

The directors consider that the Company has appropriate cover in place to mitigate exposure to any contingent liabilities that may arise.

The directors are satisfied that adequate cash reserves are held such that borrowing arrangements are not required.

The directors of the Company are confident that the entity 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.

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Covetrus Inc. as at 31 December 2019 and these financial statements may be obtained from 7 Custom House St, Portland, Maine, USA..

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

Buying group revenue is recognised when the underlying service has been delivered; buying group commissions are recognised when the related purchases are made; direct debit collection and administration fees are recognised when transactions are processed; member joining, and set up fees are recognised when agreements are made; and annual membership fees are recognised over the year of membership.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Current and deferred taxation

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

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

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

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

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

2.11 Intangible assets

Goodwill

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

Other intangible assets

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

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

The estimated useful lives range as follows:

Goodwill	-	11	years
Software	-	5	years

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets

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

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.

Depreciation is provided on the following basis:

Fixtures and fittings	- 5 to 10 years
Computer equipment	- 5 years
Other fixed assets	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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

2.14 Debtors

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

2.15 Cash and cash equivalents

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

2.16 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.17 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Financial instruments

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

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

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

- Determine whether leases entered into by the Company as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been passed from the lessor to the lessee on a lease by lease basis.
- Tangible and intangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Determine whether there are indicators of impairments of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- The carrying amount of trade debtors is reduced by a bad debt provision that reflects management's best estimate of the amounts that will not be collected. The provision for trade debtors is comprised of a provision for doubtful debt and sales return. Management consider many factors in estimating the bad debt and sales return provision, including historical data, experience, customer type, credit worthiness and economic trends.
- Stocks consist primarily of finished goods and are valued at the lower of cost or net realisable value. In accordance with the Company's policy for stock provision, many factors are taken into consideration including the condition of the stock, historical sales, forecasted sales and market trends.

4. Turnover

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

	2019 £	2018 £
Sale of goods	10,853,649	10,519,462
Buying group revenue	1,055,857	992,015
	<u>11,909,506</u>	<u>11,511,477</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,164,506	5,920,015
European Union	2,740,000	2,612,000
Outside European Union	3,005,000	2,979,462
	<u>11,909,506</u>	<u>11,511,477</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

5. Operating profit

The operating profit is stated after charging/crediting:

	2019 £	2018 £
Computer software amortisation	43,300	30,990
Exchange differences	26,352	(15,492)
Operating lease rentals	113,262	32,970
Depreciation - owned assets	102,691	84,949
Auditors' remuneration	24,000	26,255
Goodwill amortisation	467,189	667,516
Goodwill impairment	-	703,125
	<u> </u>	<u> </u>

6. Employees

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

	2019 £	2018 £
Wages and salaries	1,588,117	1,277,145
Social security costs	160,290	107,193
Cost of defined contribution scheme	46,115	34,455
	<u> </u>	<u> </u>
	<u>1,794,522</u>	<u>1,418,793</u>

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

	2019 No.	2018 No.
Sales	19	17
Management	1	2
Operations	23	19
	<u> </u>	<u> </u>
	<u>43</u>	<u>38</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	186,599	126,534
Company contributions to defined contribution pension schemes	6,646	1,612
	<u>193,245</u>	<u>128,146</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The parent company provided a share option incentive plan to this director. These options have not been exercised as yet. The cost of the share options awarded in this year was £27,413 (2018: £7,645). No other directors received share options for their services as directors of the Company.

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	703,967	751,630
Adjustments in respect of previous periods	6,079	(6,446)
	<u>710,046</u>	<u>745,184</u>
Total current tax	<u>710,046</u>	<u>745,184</u>
Deferred tax		
Origination and reversal of timing differences	(3,791)	(2,630)
Effect of tax rate change on opening balance	(1,181)	-
Total deferred tax	<u>(4,972)</u>	<u>(2,630)</u>
Taxation on profit on ordinary activities	<u>705,074</u>	<u>742,554</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	3,113,009	2,549,132
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	591,472	484,335
Effects of:		
Fixed asset amortisation impairment	91,451	260,422
Expenses not deductible for tax purposes	17,253	3,933
Adjustments to tax charge in respect of prior years	6,079	(6,446)
Other short term differences	(1,181)	310
Total tax charge for the year	705,074	742,554

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

A revision of the main UK corporation tax rate to 19% has been substantively enacted and will take effect from 1 April 2020. The rate now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 30 December 2018	178,446	6,207,573	6,386,019
Additions	42,624	-	42,624
Disposals	(10,752)	-	(10,752)
At 31 December 2019	<u>210,318</u>	<u>6,207,573</u>	<u>6,417,891</u>
Amortisation			
At 30 December 2018	59,552	1,847,152	1,906,704
Charge for the year	43,300	467,189	510,489
On disposals	(10,652)	-	(10,652)
At 31 December 2019	<u>92,200</u>	<u>2,314,341</u>	<u>2,406,541</u>
Net book value			
At 31 December 2019	<u>118,118</u>	<u>3,893,232</u>	<u>4,011,350</u>
At 29 December 2018	<u>118,894</u>	<u>4,360,422</u>	<u>4,479,316</u>

ANIMAL HEALTHCARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

10. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
Cost or valuation				
At 30 December 2018	24,704	150,797	193,020	368,521
Additions	243,968	12,920	64,046	320,934
Disposals	(24,704)	(19,404)	-	(44,108)
At 31 December 2019	243,968	144,313	257,066	645,347
Depreciation				
At 30 December 2018	22,355	59,833	85,291	167,479
Charge for the year on owned assets	6,438	27,943	68,310	102,691
Disposals	(23,078)	(18,706)	-	(41,784)
At 31 December 2019	5,715	69,070	153,601	228,386
Net book value				
At 31 December 2019	238,253	75,243	103,465	416,961
At 29 December 2018	2,349	90,964	107,729	201,042

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Stocks

	31 December 2019 £	29 December 2018 £
Finished goods	1,907,353	1,979,536
	<u>1,907,353</u>	<u>1,979,536</u>

Stock recognised in cost of sales during the year as an expense was £4,732,304 (2018 - £4,661,575) .

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

12. Debtors

	31 December 2019 £	29 December 2018 £
Trade debtors	858,537	747,466
Amounts owed by group undertakings	421,672	314,379
Other debtors	285,632	241,477
Prepayments and accrued income	89,330	118,369
Corporation tax recoverable	184,388	-
Deferred taxation	15,007	10,036
	<u>1,854,566</u>	<u>1,431,727</u>

13. Cash and cash equivalents

	31 December 2019 £	29 December 2018 £
Cash at bank and in hand	11,373,117	9,372,972
	<u>11,373,117</u>	<u>9,372,972</u>

14. Creditors: Amounts falling due within one year

	31 December 2019 £	29 December 2018 £
Trade creditors	206,284	255,049
Amounts owed to group undertakings	160,069	108,523
Corporation tax	-	206,066
Other taxation and social security	43,839	21,568
Other creditors	563,513	507,006
Accruals and deferred income	273,600	458,277
	<u>1,247,305</u>	<u>1,556,489</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred taxation

	2019 £
At beginning of year	10,035
Charged to profit or loss	4,972
At end of year	15,007

The deferred tax asset is made up as follows:

	31 December 2019 £	29 December 2018 £
Accelerated capital allowances	8,335	6,978
Short term timing differences	6,672	3,057
	15,007	10,035

16. Share capital

	31 December 2019 £	29 December 2018 £
Allotted, called up and fully paid		
190,002 (2018 - 190,002) Ordinary shares of £1.00 each	190,002	190,002

17. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends and other adjustments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Share based payments**Restricted Stock Plan**

Covetrus Inc. grants restricted stock. These are common stock awards granted to recipients with specified vesting provisions. Restricted stock may vest based on the recipient's continued service over a period of time (vesting after four years). With respect to time based restricted stock, the fair value is determined on the date of the grant, based on the closing stock price. The fair value of performance based restricted stock is estimated on the date of grant based on the closing stock price, assuming that performance targets will be achieved.

Restricted stock was first granted to employees of the Group in 2006.

The Company recognised total expenses of £27,413 (2018: £7,645) in respect of equity-settled share-based payment transactions which represent charges from Covetrus Inc. to the Company. At the Balance Sheet date liabilities arising from share-based transactions totalled US\$36,240 (2018: US\$1,757) and are included in creditors.

19. Pension commitments

The Company operates a defined contribution scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £46,115 (2018: £34,455). Contributions totalling £12,683 (2018: £5,020) were payable to the fund at the year end and included in other creditors.

20. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2019 £	29 December 2018 £
Not later than 1 year	106,600	19,233
Later than 1 year and not later than 5 years	407,331	-
Later than 5 years	428,063	-
	<u>941,994</u>	<u>19,233</u>

21. Related party transactions

The Company is a member of the Covetrus Inc. group and has taken advantage of the reduced disclosure exemptions conferred by FRS 102 not to disclose transactions with members of the Group on the grounds that the Company is included in the consolidated financial statements.

Sales of £34,449 (2018: £157,879) were made to non-wholly owned subsidiary undertakings of Covetrus Inc. As at 31 December 2019 £4,530 (2018: £28,915) was owed by these companies to Animal Health Services Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Controlling party

The Company was a 100% owned subsidiary of Victory Alpha Limited. Victory Alpha Limited was a 100% wholly owned subsidiary of Covetrus Animal Health Holdings Limited, a company registered in England and Wales, company number 07402799. The ultimate holding company of Animal Healthcare Services Limited was Covetrus Inc., a company registered in the United States.

23. 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. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-19, such as health and safety measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to ensuring fulfilment of our customer demand.

At this stage, the impact on our business and results has been limited mostly to the 3 month period April to June with a sustained recovery since July to pre-Covid trading levels. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

The directors conclude that Covid-19 is a non-adjusting post balance sheet event.

ANIMAL HEALTHCARE SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ANIMAL HEALTHCARE SERVICES LIMITED

COMPANY INFORMATION

Directors

T Carse
G Rhodes
M Ellis
W Pelling

Registered number

03736547

Registered office

Distington House
Atlas Way
Sheffield
England
S4 7QQ

Independent auditor

BDO LLP
Statutory Auditor
4 Atlantic Quay
70 York Street
Glasgow
United Kingdom
G2 8JX

ANIMAL HEALTHCARE SERVICES LIMITED

CONTENTS

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Independent Auditor's Report	6 - 8
Statement of Comprehensive Income	9
Balance Sheet	10
Statement of Changes in Equity	11 - 12
Notes to the Financial Statements	13 - 29

ANIMAL HEALTHCARE SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their strategic report for the year ending 31st December 2019, together with the audited financial statements for the year ended 31 December 2019.

Principal activities and business review

There are two divisions within the Company; Veterinary Instrumentation (VI) and Premier Buying Group (PBG). The principal activity of the VI division is the development, manufacturing and sale of veterinary instruments and implants globally.

The principal activity of the PBG division is to negotiate rebates with manufacturers on behalf of its members for which it retains a management fee.

The Company is committed to delivering technical expertise through the training and recruitment of its employees and the provision of training and technical assistance to its customers.

The results for the year and the financial position of the Company are shown in the financial statements.

Financial key performance indicators

The Company's key performance indicators are turnover and operating profit. Turnover for the year was £11.9m (2018: £11.5m), an increase of 3.5%. Operating profit for the year was £3.1m (2018: £2.5m). Operating profit for 2018 is stated after an impairment of intangible assets which resulted in a charge of £0.7m.

The Company's net assets were £18.3m at 31st December 2019 (2018: £15.9m), an increase of £2.4m.

ANIMAL HEALTHCARE SERVICES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The main area of financial risk is credit risk. This is monitored by the board of directors and is not considered to be significant at the balance sheet date. The Company's policy in respect of credit risk is to monitor debtors to ensure that appropriate credit limits are applied, and that the Company's terms and conditions of trade are met.

A substantial proportion of the Company's purchases are in currencies other than sterling. The directors minimise this risk where possible by hedging potential risk and reviewing margins to ensure that any adverse movement in rates have the least impact on operating income.

Covid Pandemic

Looking forward, the economic uncertainty surrounding the global economy with the impact of the Covid 19 pandemic will put profit growth under pressure in the short term. The Company has mitigated this impact by taking advantage of UK government schemes, increasing focus and review on working capital management and cash flow forecasting, as well as reducing all non-essential operating costs.

However, even with some reduction in confidence about the economy, the directors believe that the business is well positioned to deliver the highest level of service and product quality to its customers through a differentiated set of products and services, an efficient distribution platform and through benefits arising from the group's continuing investment in technology and infrastructure.

In the medium to long term, growth is expected to continue as new trading partners are developed in export markets and as the Company continues to advance its technologies. While the marketplace remains very competitive, the Company is well placed in terms of technical expertise and global reach.

Brexit

The primary Brexit risk for the Company is supply chain related, specifically for the replenishment of inventory sourced from vendors in the EU and for supplies of goods to our customers in the EU. As a result of uncertainty created by Brexit, the Company will focus on managing its inventory to balance inventory levels versus customer service. The Company has reviewed the forward cashflow requirements for this plan and sufficient working capital is available.

Brexit remains an area of uncertainty for the directors, however we are confident that this will not impact our customers' ability to source goods from us. We are actively working with our suppliers and courier companies to mitigate any issues within our supply chain as a result of Brexit.

Going Concern

The principal risks and uncertainties for the business have been considered, and a budget, trading estimate and cashflow forecast for the upcoming year prepared. These have been reviewed by the directors and considered appropriate. It is the directors' opinion that the Company is in a strong financial position and will remain so in the future.

The Covid-19 pandemic has been used as a model for stress testing purposes and the Company has shown that it is able to maintain a strong balance sheet position and positive cash flows throughout. Forecasts of business performance are reviewed on a monthly basis and monitored for any changes in the market.

The directors consider that the Company has appropriate cover in place to mitigate exposure to any contingent liabilities that may arise.

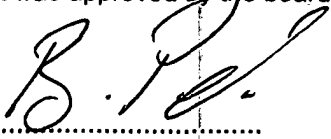
The directors are satisfied that adequate cash reserves are held such that borrowing arrangements are not required.

The directors of the Company are confident that the entity 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.

ANIMAL HEALTHCARE SERVICES LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

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



.....
W Pelling
Director

Date: 22-12-2020

ANIMAL HEALTHCARE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £2,407,935 (2018 - £1,806,582).

No dividends were paid or proposed for the year ended 31 December 2019.

Directors

The directors who served during the year were:

T Carse
G Rhodes
M Ellis
W Pelling

Disclosure of information to auditor

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

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

ANIMAL HEALTHCARE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-19, such as health and safety measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to ensuring fulfilment of our customer demand.

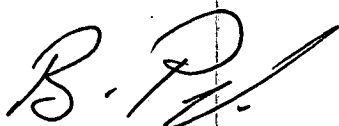
At this stage, the impact on our business and results has been limited mostly to the 3 month period April to June with a sustained recovery since July to pre-Covid trading levels. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

The directors conclude that Covid-19 is a non-adjusting post balance sheet event.

Auditor

The auditor, BDO LLP is deemed to be reappointed in accordance with section 487 of the Companies Act 2006.

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



.....
W Pelling
Director

Date: 22 -12 - 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES LIMITED

Opinion

We have audited the financial statements of Animal Healthcare Services Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, 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 United Kingdom, including the Financial Reporting Council'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 we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES LIMITED (CONTINUED)

We have nothing to report in this regard.

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

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 or the Directors' Report.

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

- adequate accounting records have not been kept, 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 on page 4, 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.

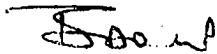
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

ANIMAL HEALTHCARE SERVICES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMAL HEALTHCARE SERVICES
LIMITED (CONTINUED)**

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.



Alastair Rae (Senior Statutory Auditor)
for and on behalf of

BDO LLP

Statutory Auditor

Glasgow

Date: 22 DECEMBER 2020

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

ANIMAL HEALTHCARE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £	2018 £
Turnover	4	11,909,506	11,511,477
Cost of sales		(5,190,723)	(5,076,567)
Gross profit		6,718,783	6,434,910
Administrative expenses		(3,605,774)	(3,885,774)
Operating profit		3,113,009	2,549,136
Tax on profit	8	(705,074)	(742,554)
Profit for the financial year		2,407,935	1,806,582
Other comprehensive income for the year			
Total comprehensive income for the year		2,407,935	1,806,582

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED
REGISTERED NUMBER: 03736547

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	31 December 2019 £	29 December 2018 £
Fixed assets			
Intangible assets	9	4,011,350	4,479,316
Tangible assets	10	416,961	201,042
		<u>4,428,311</u>	<u>4,680,358</u>
Current assets			
Stocks	11	1,907,353	1,979,536
Debtors: amounts falling due within one year	12	1,854,566	1,431,727
Cash at bank and in hand	13	11,373,117	9,372,975
		<u>15,135,036</u>	<u>12,784,238</u>
Creditors: amounts falling due within one year	14	(1,247,305)	(1,556,489)
Net current assets		<u>13,887,731</u>	<u>11,227,749</u>
Total assets less current liabilities		<u>18,316,042</u>	<u>15,908,107</u>
Net assets		<u>18,316,042</u>	<u>15,908,107</u>
Capital and reserves			
Called up share capital	16	190,002	190,002
Profit and loss account	17	18,126,040	15,718,105
		<u>18,316,042</u>	<u>15,908,107</u>

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

22 December 2020



.....
W Pelling
 Director

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 30 December 2018	190,002	15,718,105	15,908,107
Comprehensive income for the year			
Profit for the year	-	2,407,935	2,407,935
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	2,407,935	2,407,935
Total transactions with owners	-	-	-
At 31 December 2019	190,002	18,126,040	18,316,042

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 DECEMBER 2018**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 December 2017	190,002	13,911,523	14,101,525
Comprehensive income for the year			
Profit for the year	-	1,806,582	1,806,582
	<hr/>	<hr/>	<hr/>
Other comprehensive income for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,806,582	1,806,582
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	-	-
	<hr/>	<hr/>	<hr/>
At 29 December 2018	190,002	15,718,105	15,908,107
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 29 form part of these financial statements.

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. General information

Animal Health Services Limited is a private company limited by shares and incorporated in England. Its registered address is Distington House, Atlas Way, Sheffield, S4 7QQ. The nature of the Company's operations and principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The principal risks and uncertainties for the business have been considered, and a budget, trading estimate and cashflow forecast for the upcoming year prepared. These have been reviewed by the directors and considered appropriate. It is the directors' opinion that the Company is in a strong financial position and will remain so in the future.

The Covid-19 pandemic has been used as a model for stress testing purposes and the Company has shown that it is able to maintain a strong balance sheet position and positive cash flows throughout. Forecasts of business performance are reviewed on a monthly basis and monitored for any changes in the market.

The directors consider that the Company has appropriate cover in place to mitigate exposure to any contingent liabilities that may arise.

The directors are satisfied that adequate cash reserves are held such that borrowing arrangements are not required.

The directors of the Company are confident that the entity 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Financial reporting standard 102 - reduced disclosure exemptions

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Covetrus Inc. as at 31 December 2019 and these financial statements may be obtained from 7 Custom House St, Portland, Maine, USA..

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.5 Revenue

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

Sale of goods

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

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

Buying group revenue is recognised when the underlying service has been delivered; buying group commissions are recognised when the related purchases are made; direct debit collection and administration fees are recognised when transactions are processed; member joining, and set up fees are recognised when agreements are made; and annual membership fees are recognised over the year of membership.

2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

2.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.8 Finance costs

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

2.9 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.10 Current and deferred taxation

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

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

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

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

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

2.11 Intangible assets

Goodwill

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

Other intangible assets

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

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

The estimated useful lives range as follows:

Goodwill	-	11	years
Software	-	5	years

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets

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

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.

Depreciation is provided on the following basis:

Fixtures and fittings	- 5 to 10 years
Computer equipment	- 5 years
Other fixed assets	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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

2.14 Debtors

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

2.15 Cash and cash equivalents

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

2.16 Creditors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.17 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.18 Financial instruments

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

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

- Determine whether leases entered into by the Company as a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been passed from the lessor to the lessee on a lease by lease basis.
- Tangible and intangible assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Determine whether there are indicators of impairments of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- The carrying amount of trade debtors is reduced by a bad debt provision that reflects management's best estimate of the amounts that will not be collected. The provision for trade debtors is comprised of a provision for doubtful debt and sales return. Management consider many factors in estimating the bad debt and sales return provision, including historical data, experience, customer type, credit worthiness and economic trends.
- Stocks consist primarily of finished goods and are valued at the lower of cost or net realisable value. In accordance with the Company's policy for stock provision, many factors are taken into consideration including the condition of the stock, historical sales, forecasted sales and market trends.

4. Turnover

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

	2019 £	2018 £
Sale of goods	10,853,649	10,519,462
Buying group revenue	1,055,857	992,015
	<u>11,909,506</u>	<u>11,511,477</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,164,506	5,920,015
European Union	2,740,000	2,612,000
Outside European Union	3,005,000	2,979,462
	<u>11,909,506</u>	<u>11,511,477</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Operating profit

The operating profit is stated after charging/crediting:

	2019 £	2018 £
Computer software amortisation	43,300	30,990
Exchange differences	26,352	(15,492)
Operating lease rentals	113,262	32,970
Depreciation - owned assets	102,691	84,949
Auditors' remuneration	24,000	26,255
Goodwill amortisation	467,189	667,516
Goodwill impairment	-	703,125
	<u>43,300</u>	<u>30,990</u>

6. Employees

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

	2019 £	2018 £
Wages and salaries	1,588,117	1,277,145
Social security costs	160,290	107,193
Cost of defined contribution scheme	46,115	34,455
	<u>1,794,522</u>	<u>1,418,793</u>

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

	2019 No.	2018 No.
Sales	19	17
Management	1	2
Operations	23	19
	<u>43</u>	<u>38</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

7. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	186,599	126,534
Company contributions to defined contribution pension schemes	6,646	1,612
	<u>193,245</u>	<u>128,146</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The parent company provided a share option incentive plan to this director. These options have not been exercised as yet. The cost of the share options awarded in this year was £27,413 (2018: £7,645). No other directors received share options for their services as directors of the Company.

8. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	703,967	751,630
Adjustments in respect of previous periods	6,079	(6,446)
	<u>710,046</u>	<u>745,184</u>
Total current tax	<u>710,046</u>	<u>745,184</u>
Deferred tax		
Origination and reversal of timing differences	(3,791)	(2,630)
Effect of tax rate change on opening balance	(1,181)	-
Total deferred tax	<u>(4,972)</u>	<u>(2,630)</u>
Taxation on profit on ordinary activities	<u>705,074</u>	<u>742,554</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - *higher than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>3,113,009</u>	<u>2,549,132</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	591,472	484,335
Effects of:		
Fixed asset amortisation impairment	91,451	260,422
Expenses not deductible for tax purposes	17,253	3,933
Adjustments to tax charge in respect of prior years	6,079	(6,446)
Other short term differences	(1,181)	310
Total tax charge for the year	<u><u>705,074</u></u>	<u><u>742,554</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

A revision of the main UK corporation tax rate to 19% has been substantively enacted and will take effect from 1 April 2020. The rate now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

9. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 30 December 2018	178,446	6,207,573	6,386,019
Additions	42,624	-	42,624
Disposals	(10,752)	-	(10,752)
At 31 December 2019	210,318	6,207,573	6,417,891
Amortisation			
At 30 December 2018	59,552	1,847,152	1,906,704
Charge for the year	43,300	467,189	510,489
On disposals	(10,652)	-	(10,652)
At 31 December 2019	92,200	2,314,341	2,406,541
Net book value			
At 31 December 2019	118,118	3,893,232	4,011,350
At 29 December 2018	118,894	4,360,422	4,479,316

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

10. Tangible fixed assets

	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
Cost or valuation				
At 30 December 2018	24,704	150,797	193,020	368,521
Additions	243,968	12,920	64,046	320,934
Disposals	(24,704)	(19,404)	-	(44,108)
At 31 December 2019	243,968	144,313	257,066	645,347
Depreciation				
At 30 December 2018	22,355	59,833	85,291	167,479
Charge for the year on owned assets	6,438	27,943	68,310	102,691
Disposals	(23,078)	(18,706)	-	(41,784)
At 31 December 2019	5,715	69,070	153,601	228,386
Net book value				
At 31 December 2019	238,253	75,243	103,465	416,961
At 29 December 2018	2,349	90,964	107,729	201,042

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Stocks

	31 December 2019 £	29 December 2018 £
Finished goods	1,907,353	1,979,536
	<u>1,907,353</u>	<u>1,979,536</u>

Stock recognised in cost of sales during the year as an expense was £4,732,304 (2018 - £4,661,575) .

ANIMAL HEALTHCARE SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Debtors

	31 December 2019 £	29 December 2018 £
Trade debtors	858,537	747,466
Amounts owed by group undertakings	421,672	314,379
Other debtors	285,632	241,477
Prepayments and accrued income	89,330	118,369
Corporation tax recoverable	184,388	-
Deferred taxation	15,007	10,036
	<u>1,854,566</u>	<u>1,431,727</u>

13. Cash and cash equivalents

	31 December 2019 £	29 December 2018 £
Cash at bank and in hand	11,373,117	9,372,972
	<u>11,373,117</u>	<u>9,372,972</u>

14. Creditors: Amounts falling due within one year

	31 December 2019 £	29 December 2018 £
Trade creditors	206,284	255,049
Amounts owed to group undertakings	160,069	108,523
Corporation tax	-	206,066
Other taxation and social security	43,839	21,568
Other creditors	563,513	507,006
Accruals and deferred income	273,600	458,277
	<u>1,247,305</u>	<u>1,556,489</u>

ANIMAL HEALTHCARE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. Deferred taxation

	2019 £
At beginning of year	10,035
Charged to profit or loss	4,972
At end of year	15,007

The deferred tax asset is made up as follows:

	31 December 2019 £	29 December 2018 £
Accelerated capital allowances	8,335	6,978
Short term timing differences	6,672	3,057
	15,007	10,035

16. Share capital

	31 December 2019 £	29 December 2018 £
Allotted, called up and fully paid		
190,002 (2018 - 190,002) Ordinary shares of £1.00 each	190,002	190,002

17. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends and other adjustments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

18. Share based payments**Restricted Stock Plan**

Covetrus Inc. grants restricted stock. These are common stock awards granted to recipients with specified vesting provisions. Restricted stock may vest based on the recipient's continued service over a period of time (vesting after four years). With respect to time based restricted stock, the fair value is determined on the date of the grant, based on the closing stock price. The fair value of performance based restricted stock is estimated on the date of grant based on the closing stock price, assuming that performance targets will be achieved.

Restricted stock was first granted to employees of the Group in 2006.

The Company recognised total expenses of £27,413 (2018: £7,645) in respect of equity-settled share-based payment transactions which represent charges from Covetrus Inc. to the Company. At the Balance Sheet date liabilities arising from share-based transactions totalled US\$36,240 (2018: US\$1,757) and are included in creditors.

19. Pension commitments

The Company operates a defined contribution scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £46,115 (2018: £34,455). Contributions totalling £12,683 (2018: £5,020) were payable to the fund at the year end and included in other creditors.

20. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2019 £	29 December 2018 £
Not later than 1 year	106,600	19,233
Later than 1 year and not later than 5 years	407,331	-
Later than 5 years	428,063	-
	941,994	19,233

21. Related party transactions

The Company is a member of the Covetrus Inc. group and has taken advantage of the reduced disclosure exemptions conferred by FRS 102 not to disclose transactions with members of the Group on the grounds that the Company is included in the consolidated financial statements.

Sales of £34,449 (2018: £157,879) were made to non-wholly owned subsidiary undertakings of Covetrus Inc. As at 31 December 2019 £4,530 (2018: £28,915) was owed by these companies to Animal Health Services Limited.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Controlling party

The Company was a 100% owned subsidiary of Victory Alpha Limited. Victory Alpha Limited was a 100% wholly owned subsidiary of Covetrus Animal Health Holdings Limited, a company registered in England and Wales, company number 07402799. The ultimate holding company of Animal Healthcare Services Limited was Covetrus Inc., a company registered in the United States.

23. 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. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of Covid-19, such as health and safety measures for our people (such as social distancing and working from home) and securing the supply of materials that are essential to ensuring fulfilment of our customer demand.

At this stage, the impact on our business and results has been limited mostly to the 3 month period April to June with a sustained recovery since July to pre-Covid trading levels. We will continue to follow the various government policies and advice and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

The directors conclude that Covid-19 is a non-adjusting post balance sheet event.