

Registered number: 03736547

**ANIMAL HEALTHCARE SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	Graham Michael Rhodes James Clifford Buck Burge (appointed 1 July 2023) David Howard Gold (appointed 1 July 2023)
<b>Company secretary</b>	Graham Michael Rhodes
<b>Registered number</b>	03736547
<b>Registered office</b>	Distington House Atlas Way Sheffield England S4 7QQ
<b>Independent auditor</b>	BDO LLP Statutory Auditor 2 Atlantic Square 31 York Street Glasgow United Kingdom G2 8NJ

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**ANIMAL HEALTHCARE SERVICES LIMITED**

**CONTENTS**

	Page
<b>Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3 - 4</b>
<b>Independent Auditor's Report</b>	<b>5 - 8</b>
<b>Profit and Loss Account</b>	<b>9</b>
<b>Balance Sheet</b>	<b>10</b>
<b>Statement of Changes in Equity</b>	<b>10 - 12</b>
<b>Notes to the Financial Statements</b>	<b>13 - 31</b>

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## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Introduction**

The directors present their strategic report for the year ending 31 December 2022, together with the audited financial statements for the year ended 31 December 2022.

#### **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, manufacture 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 are shown below.

#### **Financial key performance indicators**

The Company's key performance indicators are turnover and operating profit. Turnover for the year was £12.5m (2021: £13.1m), a decrease of 5%. Operating profit for the year was £2.5m (2021: £3.8m), a decrease of 34%.

The Company's net assets were £13.6m at 31 December 2022 (2021: £12.5m) an increase of £1.1m.

#### **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.

#### **Going concern**

The principal risks and uncertainties for the business have been considered, and a trading estimate and cashflow forecast prepared that covers a period greater than 12 months from the date these financial statements are signed. 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 has been 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.

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The directors have assessed that there is no direct impact on the business from the conflict in Ukraine, although the global fuel crisis and general inflationary pressures within the supply chain is requiring continuous management. Product pricing is being reviewed on an ongoing basis to ensure that the business is not adversely affected.

The directors of the Company are confident that the Company 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 2022**

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

A handwritten signature in black ink, appearing to be 'D. Gold', written over a horizontal line.

**David Howard Gold**  
Director

Date: 28/09/2023

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

#### **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 £1,144,211 (2021 - £3,751,844).

It was proposed that no dividend be paid for the year ended 31 December 2022 (2021 - £12,000,000 proposed and paid).

#### **Directors**

The directors who served during the year and after the year end were:

Graham Michael Rhodes (appointed 26 March 2018)  
William Edward Pelling (appointed 7 January 2019, resigned 31 July 2023)  
James Clifford Buck Burge (appointed 1 July 2023)  
David Howard Gold (appointed 1 July 2023)

#### **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 directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have 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 2022**

**Future developments**

The Company continues its plan to develop its business in export markets, particularly the USA. It is also developing its go-to-market model in Europe, post-Brexit.

**Research and development**

The Company partners with third parties on product development projects to bring innovation into its portfolio and has an Advisory Board comprised of renowned veterinary orthopaedic surgeons to support it in this regard.

**Auditor**

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

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



**David Howard Gold**  
Director

Date: 28/09/2023

## **ANIMAL HEALTHCARE SERVICES LIMITED**

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

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Animal Healthcare Service Limited ("the Company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.



## **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.

#### **Other Companies Act 2006 reporting**

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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## **ANIMAL HEALTHCARE SERVICES LIMITED**

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

#### *Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

#### *Non-compliance with laws and regulations*

Based on:

- our understanding of the company and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the company's policies and procedures regarding compliance with laws and regulations

we considered the significant laws and regulations to be UK Generally Accepted Accounting Practice, the Companies Act 2006 and UK tax legislation.

The company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

#### *Fraud*

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and manipulation of timing of revenue recognition surrounding year-end.

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Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing significant estimates made by management for bias; this included the stock provision;
- testing a sample of revenue transactions surrounding the year end to determine accurate cut off; and
- testing a sample of accrued revenue balances at year end to ensure that it was recognised in the correct period.

**ANIMAL HEALTHCARE SERVICES LIMITED**

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

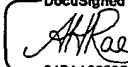
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

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

DocuSigned by:  
  
34BAA3058C6741A...

28 September 2023

Alastair Rae (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Glasgow, UK

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

**ANIMAL HEALTHCARE SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 £	2021 £
Turnover	4	12,477,859	13,131,250
Cost of sales		(5,502,243)	(5,661,603)
<b>Gross profit</b>		<b>6,975,616</b>	<b>7,469,647</b>
Administrative expenses		(4,482,234)	(3,733,464)
Other operating income	5	-	14,407
<b>Operating profit</b>	6	<b>2,493,382</b>	<b>3,750,590</b>
Tax on profit	9	(1,349,171)	1,254
<b>Profit for the financial year</b>		<b><u>1,144,211</u></b>	<b><u>3,751,844</u></b>

The notes on pages 13 to 31 form part of these financial statements.

There is no other comprehensive income.


**ANIMAL HEALTHCARE SERVICES LIMITED**  
**REGISTERED NUMBER: 03736547**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2022**

	<b>Note</b>	<b>2022 £</b>	<b>2021 £</b>
<b>Fixed assets</b>			
Intangible assets	11	2,674,809	3,094,453
Tangible assets	12	397,908	358,883
		<u>3,072,717</u>	<u>3,453,336</u>
<b>Current assets</b>			
Stocks	13	3,372,656	3,329,120
Debtors: amounts falling due within one year	14	2,013,772	1,760,402
Cash at bank and in hand	15	7,913,225	5,313,026
		<u>13,299,653</u>	<u>10,402,548</u>
Creditors: amounts falling due within one year	16	(2,754,663)	(1,382,388)
<b>Net current assets</b>		<u>10,544,990</u>	<u>9,020,160</u>
<b>Total assets less current liabilities</b>		<u>13,617,707</u>	<u>12,473,496</u>
<b>Net assets</b>		<u>13,617,707</u>	<u>12,473,496</u>
<b>Capital and reserves</b>			
Called up share capital	18	190,002	190,002
Profit and loss account	19	13,427,705	12,283,494
		<u>13,617,707</u>	<u>12,473,496</u>

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

28 September 2023



**David Howard Gold**  
Director

The notes on pages 13 to 31 form part of these financial statements.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2022	190,002	12,283,494	12,473,496
<b>Comprehensive income for the year</b>			
Profit for the year	-	1,144,211	1,144,211
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	1,144,211	1,144,211
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2022</b>	<b>190,002</b>	<b>13,427,705</b>	<b>13,617,707</b>

The notes on pages 13 to 31 form part of these financial statements.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January 2021	190,002	20,531,650	20,721,652
<b>Comprehensive income for the year</b>			
Profit for the year	-	3,751,844	3,751,844
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	3,751,844	3,751,844
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(12,000,000)	(12,000,000)
<b>Total transactions with owners</b>	-	(12,000,000)	(12,000,000)
<b>At 31 December 2021</b>	<b>190,002</b>	<b>12,283,494</b>	<b>12,473,496</b>

The notes on pages 13 to 31 form part of these financial statements.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. General information**

Animal Healthcare 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 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 has been 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 have assessed that there is no direct impact on the business from the conflict in Ukraine, although the global fuel crisis and general inflationary pressures within the supply chain is requiring continuous management. Product pricing is being reviewed on an ongoing basis to ensure that the business is not adversely affected.

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 2022**

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

This information is included in the consolidated financial statements of Cvet Midco 2, L.P. as at 31 December 2022 and these financial statements may be obtained from 12 Mountfort Street, 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 profit or loss 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 2022**

#### **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 profit or loss on a straight line basis over the lease term.

##### **2.7 Government grants**

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

Grants of a revenue nature are recognised in the profit and loss in the same period as the related expenditure.

##### **2.8 Interest income**

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

##### **2.9 Finance costs**

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

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.10 Pensions**

###### **Defined contribution pension plan**

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

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

##### **2.11 Current and deferred taxation**

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

The group has implemented a policy of arm's length payments for amounts claimed/surrendered with group companies for group relief claimed.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.12 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 profit and loss 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

##### **2.13 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	-	2 to 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 profit or loss.

##### **2.14 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.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.19 Financial instruments (continued)**

##### **2.15 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.

##### **2.16 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.

##### **2.17 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.

##### **2.18 Provisions for liabilities**

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the 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.

##### **2.19 Financial instruments**

The Company has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

The Company has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

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Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.19 Financial instruments (continued)**

###### **Basic financial assets**

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

###### **Other financial assets**

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

###### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in profit or loss.

###### **Financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.19 Financial instruments (continued)**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

##### **Other financial instruments**

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

##### **Derecognition of financial instruments**

##### **Derecognition of financial assets**

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the Company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the Company will continue to recognise the value of the portion of the risks and rewards retained.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **2. Accounting policies (continued)**

##### **2.20 Coronavirus Job Retention Scheme**

Payments received under the UK government's Coronavirus Job Retention Scheme are a form of grant. This grant money is receivable as compensation for expenses already incurred. It is recognised in income in the period in which it becomes receivable and the related expense is incurred.

##### **2.21 Dividends**

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

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

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

- 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 relevant cash generating unit.
  - 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. Management consider many factors in estimating the bad debt provisions, including historical data, experience, customer type, credit worthiness and economic trends.
  - Revenue is reduced by a sales returns provision which is held in other creditors. This reflects management's best estimate of the amounts sold that will be returned. Management consider many factors in estimating the sales returns provision, including historical data, experience 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.
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# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 4. Turnover

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

	2022 £	2021 £
Sale of goods	11,387,460	11,886,268
Buying group revenue	1,090,399	1,244,982
	<u>12,477,859</u>	<u>13,131,250</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	6,363,288	6,495,368
Europe	3,045,309	2,691,268
Rest of the world	3,069,261	3,944,614
	<u>12,477,858</u>	<u>13,131,250</u>

### 5. Other operating income

	2022 £	2021 £
Amount received under the Coronavirus Job Retention Scheme	-	14,407
	<u>-</u>	<u>14,407</u>

### 6. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research and development	74,312	66,459
Exchange differences	16,702	23,298
Operating lease rentals	107,375	97,694
Depreciation – owned assets	129,321	116,937
Auditor's remuneration	28,500	25,200
Goodwill amortisation	467,188	467,367
Patent amortisation	54	-
Loss on disposal of tangible fixed assets	430	28,091
Computer software amortisation	<u>57,651</u>	<u>43,646</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**7. Employees**

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

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>1,934,470</b>	<b>1,758,645</b>
Social security costs	<b>229,060</b>	<b>193,041</b>
Cost of defined contribution scheme	<b>48,839</b>	<b>43,524</b>
	<u><b>2,212,369</b></u>	<u><b>1,995,210</b></u>

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

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Sales	<b>17</b>	<b>17</b>
Management	<b>1</b>	<b>1</b>
Operations	<b>31</b>	<b>27</b>
	<u><b>49</b></u>	<u><b>45</b></u>

**8. Directors' remuneration**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	<b>297,680</b>	<b>229,573</b>
Company contributions to defined contribution pension schemes	<b>11,747</b>	<b>11,425</b>
	<u><b>309,427</b></u>	<u><b>240,998</b></u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The parent company provided a share option incentive plan to this director. These options were exercised in full during the year. The cost of the share options awarded in this year was £27,199 (2021: £16,206). No other directors received share options for their services as directors of the Company.

The other directors receive remuneration from other group companies.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**9. Taxation**

	2022 £	2021 £
<b>Corporation tax</b>		
Current tax on profits for the year	593,392	-
Adjustments in respect of prior years	760,606	71,082
	<u>1,353,998</u>	<u>71,082</u>
<b>Total current tax</b>	<u>1,353,998</u>	<u>71,082</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(8,939)	45,601
Effect of tax rate change on opening balance	(2,821)	(32,546)
Adjustments in respect of prior years	6,933	(85,391)
<b>Total deferred tax</b>	<u>(4,827)</u>	<u>(72,336)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>1,349,171</u>	<u>(1,254)</u>

The adjustments in respect of prior years are to adjust the prior year tax provision to the liability submitted in the prior year tax return, and to recognise intercompany liabilities for group relief claimed. The group has implemented a policy of arm's length payments for amounts claimed/surrendered with group companies.

# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### 9. Taxation (continued)

#### Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>2,493,382</u>	<u>3,750,590</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	473,743	712,612
Effects of:		
Fixed asset amortisation and impairment	-	81,101
Expenses not deductible for tax purposes	110,710	604
Adjustments to tax charge in respect of prior years	767,539	71,082
Adjustments to deferred tax charge in respect of prior years	-	(85,391)
Re-measurement of deferred tax due to changes in tax rates	(2,821)	(21,602)
Group relief	-	(759,660)
Total tax charge for the year	<u>1,349,171</u>	<u>(1,254)</u>

The adjustments in respect of prior years are to adjust the prior year tax provision to the liability submitted in the prior year tax return, and to recognise intercompany liabilities for group relief claimed. The group has implemented a policy of arm's length payments for amounts claimed/surrendered with group companies.

#### Factors that may affect future tax charges

The Finance Act 2021 enacted legislation that the UK corporation tax main rate will increase from 19% to 25% from 1 April 2023.

### 10. Dividends

	2022 £	2021 £
Ordinary share dividends of £nil per share (2021: £63.16 per share) paid to group companies	-	12,000,000
	<u>-</u>	<u>12,000,000</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**11. Intangible assets**

	Patents £	Computer software £	Goodwill £	Total £
<b>Cost</b>				
At 1 January 2022	-	323,359	6,207,573	6,530,932
Additions	6,500	98,749	-	105,249
At 31 December 2022	<u>6,500</u>	<u>422,108</u>	<u>6,207,573</u>	<u>6,636,181</u>
<b>Amortisation</b>				
At 1 January 2022	-	187,762	3,248,717	3,436,479
Charge for the year	54	57,651	467,188	524,893
At 31 December 2022	<u>54</u>	<u>245,413</u>	<u>3,715,905</u>	<u>3,961,372</u>
<b>Net book value</b>				
At 31 December 2022	<u>6,446</u>	<u>176,695</u>	<u>2,491,668</u>	<u>2,674,809</u>
At 31 December 2021	<u>-</u>	<u>135,597</u>	<u>2,958,856</u>	<u>3,094,453</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**12. Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
<b>Cost or valuation</b>				
At 1 January 2022	329,207	190,677	265,032	784,916
Additions	34,858	26,947	106,971	168,776
Disposals	-	-	(430)	(430)
At 31 December 2022	<u>364,065</u>	<u>217,624</u>	<u>371,573</u>	<u>953,262</u>
<b>Depreciation</b>				
At 1 January 2022	70,077	129,820	226,136	426,033
Charge for the year on owned assets	48,774	29,779	50,768	129,321
Disposals	-	-	-	-
At 31 December 2022	<u>118,851</u>	<u>159,599</u>	<u>276,904</u>	<u>555,354</u>
<b>Net book value</b>				
At 31 December 2022	<u>245,214</u>	<u>58,025</u>	<u>94,669</u>	<u>397,908</u>
At 31 December 2021	<u>259,130</u>	<u>60,857</u>	<u>38,896</u>	<u>358,883</u>

**13. Stocks**

	2022 £	2021 £
Finished goods and goods for resale	3,372,656	3,329,120
	<u>3,372,656</u>	<u>3,329,120</u>

An impairment loss reversal of £23,508 (2021 - £159,110 loss reversal) was recognised in cost of sales against stock during the year due to a decrease (2021 - decrease) in slow-moving and obsolete stock.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**14. Debtors**

	2022 £	2021 £
Trade debtors	751,747	665,436
Amounts owed by group undertakings	350,921	285,757
Other debtors	179,036	183,634
Prepayments and accrued income	146,226	154,138
Corporation tax recoverable	491,005	381,427
Deferred taxation	94,837	90,010
	<u>2,013,772</u>	<u>1,760,402</u>

An impairment charge of £8,174 (2021 - £1,042 charge) was recognised in administration expenses against trade debtors during the year due to bad debts and minor write offs.

**15. Cash and cash equivalents**

	2022 £	2021 £
Cash at bank and in hand	7,913,225	5,313,026
	<u>7,913,225</u>	<u>5,313,026</u>

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

	2022 £	2021 £
Trade creditors	262,907	359,756
Amounts owed to group undertakings	1,428,522	230,031
Other taxation and social security	257,524	198,909
Other creditors	621,991	395,388
Accruals and deferred income	183,719	198,304
	<u>2,754,663</u>	<u>1,382,388</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**17. Deferred taxation**

	<b>2022</b>
	<b>£</b>
At beginning of year	<b>90,010</b>
Charged to profit or loss	<b>4,827</b>
<b>At end of year</b>	<b><u>94,837</u></b>

The deferred tax asset is made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>19,675</b>	<b>21,880</b>
Short term timing differences	<b>75,162</b>	<b>68,130</b>
	<b><u>94,837</u></b>	<b><u>90,010</u></b>

**18. Share capital**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
190,002 (2021 - 190,002) Ordinary shares of £1.00 each	<b><u>190,002</u></b>	<b><u>190,002</u></b>

**19. Reserves**

**Profit and loss account**

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



## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **20. Share-based payments**

##### **Restricted Stock Plan**

Covetrus Inc. grants restricted stock awards. 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 £47,820 (2021: £40,452) in respect of equity-settled share-based payment transactions which represent charges from Covetrus Inc. to the company. The charges are allocated based upon the value of shares held by employees at each company in the group. The number of shares in Covetrus, Inc. granted (in the form of restricted stock units) during the year was 1,441 units. The number of shares in Covetrus, Inc. vested (in the form of restricted stock units) during the year was 2,312 units at a weighted average exercise price of \$18.79 USD. There were no shares (in the form of restricted stock units) outstanding at year end.

Due to the change in ownership in October 2022, all shares of stock were cancelled, unvested awards immediately vested, were paid out in cash, and share-based payment schemes were discontinued.

The company recognised total expense of £97,494 (2021: £nil) in respect of cash-settled share-based payments transactions which represent charges from Covetrus Inc. to the company in respect of the cancellation of shares.

At the balance sheet date liabilities arising from share-based transactions totalled £nil (2021: £nil). Liabilities arising from share-based transactions are included in creditors.

#### **21. Contingent liabilities**

The Company has agreed a bank guarantee facility, limited to £200,000. This security is a requirement of the Company holding a duty deferment account with HMRC. The Company is not expecting to draw on this facility.

The entity is subject to a composite company £500,000 multilateral guarantee in relation to a group banking arrangement.

#### **22. 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 £48,839 (2021: £43,524). Contributions totalling £25,701 (2021: £15,818) were payable to the fund at the year end and are included in other creditors.

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**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**23. Commitments under operating leases**

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	98,343	105,437
Later than 1 year and not later than 5 years	382,812	386,733
Later than 5 years	140,955	236,658
	<u>622,110</u>	<u>728,828</u>

**24. 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 other wholly owned members of the Group.

Sales of £176,621 (2021: £148,839) were made to associates of Covetrus Inc. As at 31 December 2022 £9,254 (2021: £13,953) was owed by these companies to Animal Healthcare Services Limited.

**25. Controlling party**

The Company is a 100% owned subsidiary of Victory Alpha Limited. Victory Alpha Limited is a 100% owned subsidiary of Covetrus Animal Health Holdings Limited, a company registered in England and Wales, company number 07402799. Covetrus Animal Health Holdings Limited is a 100% owned subsidiary of Covetrus Inc.

On 13 October 2022, Covetrus Inc. (US), of which the company is a subsidiary, was acquired. The company is jointly owned by three ultimate parent companies: CD&R VFC Holdings, L.P., a company incorporated and registered in the Cayman Islands; CD&R Corgi Holdings, L.P., a company incorporated and registered in the Cayman Islands; and TPG Corgi Aggregation, L.P., a company incorporated and registered in the USA. No one entity has control of the group.

Cvet Midco 2, L.P., of which Covetrus Inc is a 100% owned subsidiary, is the largest and smallest group which the company is a member and for which group financial statements are drawn up. Copies of Cvet Midco 2, L.P. group financial statements are publicly available and can be obtained from 12 Mountfort Street, Portland, Maine 04101.