

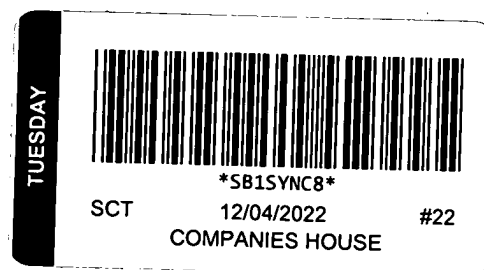
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**ANIMAL HEALTHCARE SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

Registered number 03736547



**ANIMAL HEALTHCARE SERVICES LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	G Rhodes W Pelling
<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 4 Atlantic Quay 70 York Street Glasgow United Kingdom G2 8JX

# **ANIMAL HEALTHCARE SERVICES LIMITED**

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## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **Introduction**

The directors present their strategic report for the year ending 31 December 2020, together with the audited financial statements for the year ended 31 December 2020.

#### **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. These results reflect the impact from Covid on the VI business, which was particularly seen in Quarter 2 and especially in the UK market. The PBG business was not impacted by Covid. The Company performance showed a progressive recovery from July onwards which has continued into 2021 and underlines the overall resilience within the business.

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

The Company's key performance indicators are turnover and operating profit. Turnover for the year was £11.5m (2019: £11.9m), a decrease of 3.3%. Operating profit for the year was £3.1m (2019: £3.1m).

The Company's net assets were £20.7m at 31 December 2020 (2019: £18.3m), an increase of £2.4m.

#### **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**

Covid-19 continues to impact some sectors of the economy but in the main, the veterinary industry has maintained its buoyancy. The Company put in place measures to 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.

The Company utilised the UK government furlough scheme (see note 5) and increased its 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 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 exploit its inter-company trading channels. While the marketplace remains very competitive, the Company is well placed in terms of technical expertise and global reach.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 continue to work 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 trading estimate and cashflow forecast prepared that covers the 12 month period 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.

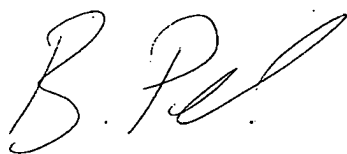
The directors consider that there is no impact on the business from the conflict in Ukraine.

The directors consider that the Company has no contingent liabilities and therefore no exposure requiring cover.

The directors have considered the impact of the interim dividend for the year ended 31 December 2021 for the amount of £12,000,000 paid on 11 April 2021 and 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.

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



**W Pelling**  
Director

Date: 11 April 2022

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

#### **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 £2,405,610 (2019 - £2,407,935).

No dividends were paid or proposed for the year ended 31 December 2020 (2019 - no dividends paid or proposed).

#### **Directors**

The directors who served during the year were:

T Carse (resigned 9 April 2021)  
G Rhodes  
M Ellis (resigned 19 October 2021)  
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.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Future developments**

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

**Research and development**

The Company partners with 3rd 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.

**Post balance sheet events**

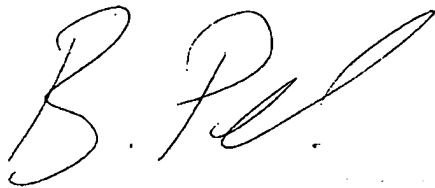
An interim dividend for the year ended 31 December 2021 for the amount of £12,000,000 was proposed on 6 April 2021 and paid on 11 April 2021.

On 24 February 2022, Russian armed forces began a military invasion of Ukraine. The directors have assessed that there is no impact on the business from this conflict.

**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.



**W Pelling**  
Director

Date: 11 April 2022

## **ANIMAL HEALTHCARE SERVICES LIMITED**

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

#### **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 2020 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 Services Limited ("the Company") for the year ended 31 December 2020 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.

#### **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



## **ANIMAL HEALTHCARE SERVICES LIMITED**

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

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.

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.

#### *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:

## ANIMAL HEALTHCARE SERVICES LIMITED

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

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and tested accordingly;
- reading minutes of management meetings and of those charged with governance and reviewing correspondence with regulatory bodies, such as HMRC, and reviewing documentation for indications of non-compliance with laws and regulations.
- assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with 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) and whether there are instances of potential bias in areas with significant degrees of judgement such as deferred tax assets being recognised;
- addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud in revenue recognition through substantive testing of a sample of revenue transactions with a particular focus on the cut off around the year end;
- vouching balances and reconciling items in management's key control account reconciliations to supporting documentation as at 31 December 2020; and
- carrying out detailed testing, on a sample basis, of material transactions, financial statement categories and balances to appropriate documentary evidence to verify the completeness, occurrence and accuracy of the reported financial statements.

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:  
  
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Alastair Rae (Senior Statutory Auditor)  
For and on behalf of  
BDO LLP  
Statutory Auditor  
Glasgow  
Date 12 April 2022

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 2020**

	Note	2020 £	2019 £
Turnover	4	11,510,783	11,909,506
Cost of sales		(5,099,164)	(5,190,723)
<b>Gross profit</b>		<b>6,411,619</b>	<b>6,718,783</b>
Administrative expenses		(3,486,828)	(3,605,774)
Other operating income	5	159,031	-
<b>Operating profit</b>	6	<b>3,083,822</b>	<b>3,113,009</b>
Tax on profit	9	(678,212)	(705,074)
<b>Profit for the financial year</b>		<b><u>2,405,610</u></b>	<b><u>2,407,935</u></b>

The notes on pages 12 to 29 form part of these financial statements.

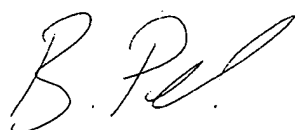
There is no other comprehensive income.

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Intangible assets	10	3,536,499	4,011,350
Tangible assets	11	378,465	416,961
		<u>3,914,964</u>	<u>4,428,311</u>
<b>Current assets</b>			
Stocks	12	1,767,347	1,907,353
Debtors: amounts falling due within one year	13	1,442,237	1,854,566
Cash at bank and in hand	14	15,099,147	11,373,117
		<u>18,308,731</u>	<u>15,135,036</u>
Creditors: amounts falling due within one year	15	(1,502,043)	(1,247,305)
<b>Net current assets</b>		<u>16,806,688</u>	<u>13,887,731</u>
<b>Total assets less current liabilities</b>		<u>20,721,652</u>	<u>18,316,042</u>
<b>Net assets</b>		<u>20,721,652</u>	<u>18,316,042</u>
<b>Capital and reserves</b>			
Called up share capital	17	190,002	190,002
Profit and loss account	18	20,531,650	18,126,040
		<u>20,721,652</u>	<u>18,316,042</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 April 2022.



**W Pelling**  
Director

The notes on pages 12 to 29 form part of these financial statements.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

	<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 2020	190,002	18,126,040	18,316,042
<b>Comprehensive income for the year</b>			
Profit for the year	-	2,405,610	2,405,610
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	2,405,610	2,405,610
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2020</b>	<b>190,002</b>	<b>20,531,650</b>	<b>20,721,652</b>

The notes on pages 12 to 29 form part of these financial statements.

**ANIMAL HEALTHCARE SERVICES LIMITED**

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

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 December 2018	<b>190,002</b>	<b>15,718,105</b>	<b>15,908,107</b>
<b>Comprehensive income for the year</b>			
Profit for the year	-	<b>2,407,935</b>	<b>2,407,935</b>
<b>Other comprehensive income for the year</b>	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>2,407,935</b>	<b>2,407,935</b>
<b>Total transactions with owners</b>	-	-	-
<b>At 31 December 2019</b>	<b><u>190,002</u></b>	<b><u>18,126,040</u></b>	<b><u>18,316,042</u></b>

The notes on pages 12 to 29 form part of these financial statements.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **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 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 consider that the Company has no contingent liabilities and therefore no exposure requiring cover.

The directors have considered the impact of the interim dividend for the year ended 31 December 2021 for the amount of £12,000,000 paid on 11 April 2021 and 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 2020**

#### **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 Covetrus Inc. as at 31 December 2020 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 Profit and Loss Account 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 2020**

#### **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 Profit and Loss Account 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 Account in the same period as the related expenditure.

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

Interest income is recognised in the Profit and Loss Account using the effective interest method.

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

Finance costs are charged to the Profit and Loss Account 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 2020**

#### **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 the Profit and Loss Account 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 the Profit and Loss Account, 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.

## **ANIMAL HEALTHCARE SERVICES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **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 Account 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	- 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 Profit and Loss Account.

#### **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 2020**

#### **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 the Profit and Loss Account 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 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

#### **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.

## ANIMAL HEALTHCARE SERVICES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

#### 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:

	2020 £	2019 £
Sale of goods	10,367,250	10,853,649
Buying group revenue	1,143,533	1,055,857
	<u>11,510,783</u>	<u>11,909,506</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	5,909,318	6,164,506
European Union	2,505,838	2,740,000
Outside European Union	3,095,627	3,005,000
	<u>11,510,783</u>	<u>11,909,506</u>

# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 5. Other operating income

	2020 £	2019 £
Amount received under Coronavirus Jobs Retention Scheme	159,031	-
	<u>159,031</u>	<u>-</u>

### 6. Operating profit

The operating profit is stated after charging/crediting:

	2020 £	2019 £
Computer software amortisation	51,915	43,300
Exchange differences	61,387	26,352
Operating lease rentals	104,012	113,262
Depreciation - owned assets	141,961	102,691
Research and development	68,250	181,421
Auditor's remuneration	24,750	24,000
Goodwill amortisation	<u>467,009</u>	<u>467,189</u>

# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 7. Employees

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

	2020 £	2019 £
Wages and salaries	1,685,584	1,581,653
Social security costs	171,456	160,290
Cost of defined contribution scheme	58,564	46,115
	<u>1,915,604</u>	<u>1,788,058</u>

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

	2020 No.	2019 No.
Sales	20	19
Management	1	1
Operations	23	23
	<u>44</u>	<u>43</u>

### 8. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	177,808	186,599
Company contributions to defined contribution pension schemes	14,524	6,646
	<u>192,332</u>	<u>193,245</u>

During the year retirement benefits were accruing to 1 director (2019 - 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 £13,766 (2019: £27,413). No other directors received share options for their services as directors of the Company.

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. Taxation**

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	691,378	703,967
Adjustments in respect of previous periods	(10,499)	6,079
	<u>680,879</u>	<u>710,046</u>
<b>Total current tax</b>	<u>680,879</u>	<u>710,046</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,306)	(3,791)
Effect of tax rate change on opening balance	-	(1,181)
Adjustments in respect of prior periods	10,639	-
<b>Total deferred tax</b>	<u>(2,667)</u>	<u>(4,972)</u>
<b>Taxation on profit on ordinary activities</b>	<u>678,212</u>	<u>705,074</u>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>3,083,822</u>	<u>3,113,009</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	585,926	591,472
<b>Effects of:</b>		
Fixed asset amortisation impairment	88,732	91,451
Expenses not deductible for tax purposes	3,414	17,253
Adjustments to tax charge in respect of prior years	(10,499)	6,079
Adjustments to deferred tax charge in respect of prior years	10,639	-
Other short term differences	-	(1,181)
<b>Total tax charge for the year</b>	<u>678,212</u>	<u>705,074</u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

The Finance Act 2020 enacted legislation that the UK corporation tax main rate will remain at 19% from 1 April 2020, cancelling the previously enacted reduction. Therefore, for the Company, the tax rate applied as at 31 December 2020 was 19%.

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

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. Intangible assets**

	<b>Computer software £</b>	<b>Goodwill £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2020	210,318	6,207,573	6,417,891
Additions	44,072	-	44,072
At 31 December 2020	<u>254,390</u>	<u>6,207,573</u>	<u>6,461,963</u>
<b>Amortisation</b>			
At 1 January 2020	92,200	2,314,341	2,406,541
Charge for the year	51,915	467,009	518,924
At 31 December 2020	<u>144,115</u>	<u>2,781,350</u>	<u>2,925,465</u>
<b>Net book value</b>			
At 31 December 2020	<u>110,275</u>	<u>3,426,223</u>	<u>3,536,498</u>
At 31 December 2019	<u>118,118</u>	<u>3,893,232</u>	<u>4,011,350</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**11. Tangible fixed assets**

	Fixtures and fittings £	Computer equipment £	Other fixed assets £	Total £
<b>Cost or valuation</b>				
At 1 January 2020	243,968	144,313	257,066	645,347
Additions	22,987	35,868	44,610	103,465
Disposals	-	-	(23,653)	(23,653)
At 31 December 2020	<u>266,955</u>	<u>180,181</u>	<u>278,023</u>	<u>725,159</u>
<b>Depreciation</b>				
At 1 January 2020	5,715	69,070	153,601	228,386
Charge for the year	29,762	30,034	82,165	141,961
Disposals	-	-	(23,653)	(23,653)
At 31 December 2020	<u>35,477</u>	<u>99,104</u>	<u>212,113</u>	<u>346,694</u>
<b>Net book value</b>				
At 31 December 2020	<u>231,478</u>	<u>81,077</u>	<u>65,910</u>	<u>378,465</u>
At 31 December 2019	<u>238,253</u>	<u>75,243</u>	<u>103,465</u>	<u>416,961</u>

**ANIMAL HEALTHCARE SERVICES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**12. Stocks**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Finished goods	<b>1,767,347</b>	<b>1,907,353</b>
	<b><u>1,767,347</u></b>	<b><u>1,907,353</u></b>

An impairment loss of £75,013 (2019 - £30,336 credit) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 13. Debtors

	2020 £	2019 £
Trade debtors	682,185	858,537
Amounts owed by group undertakings	395,262	421,672
Other debtors	255,161	285,632
Prepayments and accrued income	89,446	89,330
Corporation tax recoverable	2,509	184,388
Deferred taxation	17,674	15,007
	<u>1,442,237</u>	<u>1,854,566</u>

An impairment credit of £16,107 (2019 - £11,134 charge) was recognised in administration expenses against trade debtors during the year due to bad debts and minor write offs.

### 14. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	15,099,147	11,373,117
	<u>15,099,147</u>	<u>11,373,117</u>

### 15. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	329,011	206,284
Amounts owed to group undertakings	34,883	160,069
Other taxation and social security	146,436	43,839
Other creditors	737,363	563,513
Accruals and deferred income	254,350	273,600
	<u>1,502,043</u>	<u>1,247,305</u>

# ANIMAL HEALTHCARE SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

### 16. Deferred taxation

	2020 £
At beginning of year	15,007
Charged to profit or loss	2,667
<b>At end of year</b>	<b><u>17,674</u></b>

The deferred tax asset is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	17,603	8,335
Short term timing differences	71	6,672
	<b><u>17,674</u></b>	<b><u>15,007</u></b>

### 17. Share capital

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
190,002 (2019 - 190,002) Ordinary shares of £1.00 each	<b><u>190,002</u></b>	<b><u>190,002</u></b>

### 18. 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 2020

#### 19. 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 £13,178 (2019: £27,413) 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 £nil (2019: £27,598). Liabilities arising from share-based transactions are included in creditors.

#### 20. 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 £58,564 (2019: £46,115). Contributions totalling £9,628 (2019: £12,683) were payable to the fund at the year end and are included in other creditors.

#### 21. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	108,945	106,600
Later than 1 year and not later than 5 years	400,851	407,331
Later than 5 years	332,361	428,063
	<u>842,157</u>	<u>941,994</u>

#### 22. 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 £nil- (2019: £34,449) were made to non-wholly owned subsidiary undertakings of Covetrus Inc. As at 31 December 2020 £nil- (2019: £4,530) was owed by these companies to Animal Healthcare Services Limited.

Sales of £93,810 (2019: £nil) were made to associates of Covetrus Inc. As at 31 December 2020 £24,226 (2019: £nil) was owed by these companies to Animal Healthcare Services Limited.

**23. 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.

**24. Post balance sheet events**

An interim dividend for the year ended 31 December 2021 for the amount of £12,000,000 was proposed on 6 April 2021 and paid on 11 April 2021.

On 24 February 2022, Russian armed forces began a military invasion of Ukraine. The directors have assessed that there is no impact on the business from this conflict.