

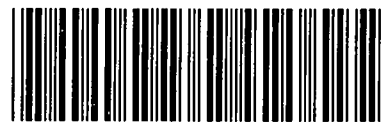
Company Registration No. NI003708 (Northern Ireland)

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

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VETERINARY SURGEONS SUPPLY COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr Alan Gordon Mr Norman McMordie Mr John Henderson Mr Gilbert McKnight Mr James Wilson Mr Michael Maybin
Secretary	Mrs Siobhan McKee
Company number	NI003708
Registered office	29 Enterprise Crescent Ballinderry Road Lisburn Co. Antrim BT28 2BP
Auditor	GMcG LISBURN Century House 40 Crescent Business Park Lisburn Co. Antrim BT28 2GN
Business address	29 Enterprise Crescent Ballinderry Road Lisburn Co. Antrim BT28 2BP
Bankers	Bank of Ireland 22/24 Market Square Lisburn Co. Antrim BT28 1AG Ulster Bank 18 Bow Street Lisburn Co. Antrim BT28 1BN Bank of Ireland Main Street Lucan Co. Dublin

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

COMPANY INFORMATION

Solicitors

McKinty and Wright
5-7 Upper Queen Street
Belfast
Co. Antrim
BT1 6FS

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

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VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The directors present the strategic report for the year ended 31 August 2017.

Fair review of the business

The activity of the company continued to be the supply of goods to the veterinary profession.

The directors aim to present a balanced and comprehensive review of the development and performance of the company during the period and its position as at 31 August 2017. The directors' review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties the company faces.

The directors consider the key performance indicators are those that communicate the financial performance and strength of the company as a whole; these being turnover, gross profit margin, profit on ordinary activities before taxation and net assets.

The directors are satisfied with the results for the year which has seen turnover increase by 12.5% from £44,434,816 to £50,004,166; the gross profit margin has remained the same at 5.01% and the profit on ordinary activities before tax increasing by 52.9% from £503,412 to £769,696.

The results above incorporate retrospective rebates to customers which this year have been approved by the Board at £1,259,480 (2016 - £1,104,532).

The year was influenced by two main factors, the improved price of milk worldwide and the weakness of sterling against the Euro, which has helped the price of beef, lamb and pork, these factors have influenced the buying patterns of the veterinary practices.

The strength of the dairy sector was expected to drive up prices and hence the opportunity to improve margin at the time of price rises. In fact prices only rose by modest levels and our largest supplier did not increase prices in this financial year at all. This means our margin has remained similar to last year with only a slight improvement. The company maximised any margin at price increase points by increasing stocks, which peaked at over £8.5m margin in spring 2017. We are currently building a further extension to our warehouse which will hold 380 pallets of product.

The immediate future for agricultural product prices remains good and single farm payments had a favourable exchange rate. However, very poor autumn weather has led to silage and straw shortages in many areas and could lead to a reduction in cattle numbers and reduced sales of products would follow.

The market in Northern Ireland has now seen the development of corporate business, Vets4pets have increased their outlets and do not buy from the company. CVS and IVC have purchased existing businesses and are new to the market place in Northern Ireland in 2017 and both have opted to purchase through the company and our business with these practices has grown. The company has no borrowings and continues to have a strong cash flow.

Although enquiries were made about purchase of additional land adjacent to the current site, no progress has been made on this matter. The company has decided to develop the last area of land we own at the rear of the current buildings, we will put in racking 5 high and gain over 380 additional pallet spaces.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Principal risks and uncertainties

The directors consider that the principle risks and uncertainties facing the company are:

Economic Risk

The impact of:

1. Rises in interest rates and inflation
2. Wages inflation
3. Government policy

Other risks

The company believes that pre Brexit sales volumes should be good, if sterling remains close to 90p to the Euro. Changes to the profitability will continue to follow the trends set over the past few years, earnings from interest have fallen as forecast, and every effort has been made to run higher stock levels to maximise price increases, although our biggest supplier had no price rise in our financial year. Other income sources should show continued growth.

Our concern is that after Brexit the Agricultural market could fall, unless full access to European markets is maintained. The company is more dependent on Agriculture than other UK wholesalers, with 65% large animal product sales, whereas in GB, the Veterinary Wholesaler Market is only 23% large animal products. The dependence of Northern Ireland on Agribusiness and food, and the 'Strategy for Growth' that the local assembly is committed too, should be positive, provided the UK can find the funding to support it. The withdrawal of European regional funds will be detrimental to our growth and future investments will be influenced by the uncertainty of Brexit.

Future Developments

The directors have not had further discussions about the purchase of land adjacent to the current premises, but would consider it if the opportunity were to arise.

Currently the major IT projects are complete, a system to permit bespoke bonuses for practices has been developed and we are looking at further developments to integrate practice management systems to the company's system.

The company has appointed a new General Manager who will gradually take over the day to day duties of the current MD, who will retire in August 2018 and remain on the board as a director until the 2020 AGM, the number of directors remains unchanged.

By order of the board



Mrs Siobhan McKee

Secretary

30/11/17

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2017

The directors present their annual report and financial statements for the year ended 31 August 2017.

Principal activities

The principal activity of the company continued to be the supply of goods to the veterinary profession.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Alan Gordon
Mr Norman McMordie
Mr John Henderson
Mr Gilbert McKnight
Mr James Wilson
Mr Michael Maybin

Results and dividends

The results for the year are set out on page 7.

An interim ordinary dividend was paid amounting to £204,500.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



Mrs Siobhan McKee

Secretary

Date: 30/11/17

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VETERINARY SURGEONS SUPPLY COMPANY LIMITED

Opinion

We have audited the financial statements of Veterinary Surgeons Supply Company Limited (the 'company') for the year ended 31 August 2017 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work 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.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VETERINARY SURGEONS SUPPLY COMPANY LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where 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 set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.



Susan Dunlop (Senior Statutory Auditor)
for and on behalf of GMcG LISBURN

30/4/17

Chartered Accountants
Statutory Auditor

Century House
40 Crescent Business Park
Lisburn
Co. Antrim
BT28 2GN

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £	2016 £
Turnover	3	50,004,166	44,434,816
Cost of sales		(47,501,109)	(42,207,657)
Gross profit		2,503,057	2,227,159
Distribution costs		(976,110)	(949,818)
Administrative expenses		(1,249,784)	(1,196,859)
Other operating income		485,339	401,061
Operating profit	4	762,502	481,543
Interest receivable and similar income	7	7,284	22,894
Interest payable and similar expenses	8	(90)	(1,025)
Profit before taxation		769,696	503,412
Tax on profit	9	(154,796)	(102,466)
Profit for the financial year		614,900	400,946
Retained earnings brought forward		4,685,911	4,489,465
Dividends	10	(204,500)	(204,500)
Retained earnings carried forward		5,096,311	4,685,911

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

BALANCE SHEET

AS AT 31 AUGUST 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Tangible assets	11		526,926		578,436
Current assets					
Stocks	13	6,844,646		5,125,568	
Debtors	14	2,309,235		3,036,115	
Cash at bank and in hand		5,371,404		4,123,022	
		<u>14,525,285</u>		<u>12,284,705</u>	
Creditors: amounts falling due within one year	15	<u>(9,701,605)</u>		<u>(7,913,417)</u>	
Net current assets			<u>4,823,680</u>		<u>4,371,288</u>
Total assets less current liabilities			<u>5,350,606</u>		<u>4,949,724</u>
Provisions for liabilities	17		<u>(23,968)</u>		<u>(33,486)</u>
Net assets			<u><u>5,326,638</u></u>		<u><u>4,916,238</u></u>
Capital and reserves					
Called up share capital	20		102,250		102,250
Share premium account			128,077		128,077
Profit and loss reserves			<u>5,096,311</u>		<u>4,685,911</u>
Total equity			<u><u>5,326,638</u></u>		<u><u>4,916,238</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30/11/17 and are signed on its behalf by:

J. N. McMordie
Mr Norman McMordie
Director

G. McKnight
Mr Gilbert McKnight
Director

Company Registration No. NI003708

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash generated from operations	24	3,301,261		301,127	
Interest paid		(90)		(1,025)	
Income taxes paid		(106,414)		(100,372)	
Net cash inflow from operating activities		3,194,757		199,730	
Investing activities					
Purchase of tangible fixed assets		(123,315)		(207,034)	
Proceeds on disposal of tangible fixed assets		36,550		21,999	
Interest received		7,284		22,894	
Net cash used in investing activities		(79,481)		(162,141)	
Financing activities					
Payment of finance leases obligations		-		(11,136)	
Dividends paid		(204,500)		(204,500)	
Net cash used in financing activities		(204,500)		(215,636)	
Net increase/(decrease) in cash and cash equivalents		2,910,776		(178,047)	
Cash and cash equivalents at beginning of year		2,406,805		2,584,852	
Cash and cash equivalents at end of year		5,317,581		2,406,805	
Relating to:					
Cash at bank and in hand		5,371,404		4,123,022	
Bank overdrafts included in creditors payable within one year		(53,823)		(1,716,217)	

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

Company information

Veterinary Surgeons Supply Company Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is 29 Enterprise Crescent, Ballinderry Road, Lisburn, Co. Antrim, BT28 2BP.

1.1 Accounting convention

These financial statements have been prepared under the historical cost convention in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover 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 at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, exclusive of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 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.

The company adds to the carrying amount of an item of fixed assets, the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit and loss during the period in which they are incurred.

Land is not depreciated. Depreciation on other assets 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:

Land and buildings freehold	5% straight line
Fixtures, fittings & equipment	10% straight line
Computer equipment	33% straight line
Motor vehicles	25% straight line

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

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 or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Classification of 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 deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Fixed Assets

The annual depreciation charge on fixed assets depends primarily on the estimated lives of each type of asset and estimates of residual values. The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have a significant impact on depreciation and amortisation charges for the period. Detail of the useful lives is included in accounting policies.

Stock

At each Balance Sheet date the company's 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 assessment of the selling price of such stock involves some estimation uncertainty.

Debtors

Short term debtors are measured at transaction price, less any impairment. Impairment of such debtors involves some estimation uncertainty.

Other Creditors (retro discount)

Judgements are in relation to the calculation of certain aspects of customer discount applied in relation to revenue. The directors review and agree the level of discount to be applied annually.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Sales of goods	50,004,166	44,434,816
	<u>50,004,166</u>	<u>44,434,816</u>
	2017 £	2016 £
Other significant revenue		
Interest income	7,284	22,894
Sales of services income	485,339	401,061
	<u>492,623</u>	<u>423,955</u>
	2017 £	2016 £
Turnover analysed by geographical market		
UK	48,693,129	43,293,013
Ireland	1,311,037	1,141,803
	<u>49,004,166</u>	<u>44,434,816</u>

4 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(10,360)	(14,332)
Fees payable to the company's auditor for the audit of the company's financial statements	9,750	9,750
Depreciation of owned tangible fixed assets	156,920	181,653
Profit on disposal of tangible fixed assets	(18,647)	(5,085)
	<u>137,663</u>	<u>162,036</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £10,360 (2016 - £14,332).

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

5 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	293,669	278,466
Company pension contributions to defined contribution schemes	15,117	14,811
	<u>308,786</u>	<u>293,277</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2017 £	2016 £
Remuneration for qualifying services	193,669	186,800
Company pension contributions to defined contribution schemes	15,117	14,811
	<u>193,669</u>	<u>186,800</u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Administration	23	23
Distribution	24	24
	<u>47</u>	<u>47</u>

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	1,452,711	1,372,232
Social security costs	131,535	127,383
Pension costs	71,631	71,274
	<u>1,655,877</u>	<u>1,570,889</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

7 Interest receivable and similar income

	2017 £	2016 £
Interest income		
Interest on bank deposits	7,284	22,879
Other interest income	-	15
	<u>7,284</u>	<u>22,894</u>
Total income	<u>7,284</u>	<u>22,894</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>7,284</u>	<u>22,879</u>
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8 Interest payable and similar expenses

	2017 £	2016 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	2	2
Interest on finance leases and hire purchase contracts	-	1,023
	<u>2</u>	<u>1,025</u>
Other finance costs:		
Other interest	88	-
	<u>90</u>	<u>1,025</u>

9 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	<u>164,314</u>	<u>106,454</u>
Deferred tax		
Origination and reversal of timing differences	(7,844)	(3,988)
Changes in tax rates	(1,674)	-
	<u>(9,518)</u>	<u>(3,988)</u>
Total deferred tax	<u>(9,518)</u>	<u>(3,988)</u>
Total tax charge	<u>154,796</u>	<u>102,466</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	769,696	503,412
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	146,242	100,682
Tax effect of expenses that are not deductible in determining taxable profit	1,207	1,323
Effect of change in corporation tax rate	(4,644)	-
Depreciation on assets not qualifying for tax allowances	11,991	461
Taxation charge for the year	154,796	102,466

10 Dividends

	2017 £	2016 £
Interim paid	204,500	204,500

Ordinary dividends of £224,950 (2016 - £204,500) were proposed after the year end but not recognised as a liability.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

11 Tangible fixed assets

	Land and buildings freehold	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 September 2016	1,193,267	550,257	395,839	277,615	2,416,978
Additions	22,435	12,518	20,660	67,702	123,315
Disposals	-	(1,110)	-	(79,985)	(81,095)
At 31 August 2017	1,215,702	561,665	416,499	265,332	2,459,198
Depreciation and impairment					
At 1 September 2016	906,420	441,884	331,605	158,635	1,838,544
Depreciation charged in the year	20,710	17,727	57,650	60,833	156,920
Eliminated in respect of disposals	-	(1,110)	-	(62,082)	(63,192)
At 31 August 2017	927,130	458,501	389,255	157,386	1,932,272
Carrying amount					
At 31 August 2017	288,572	103,164	27,244	107,946	526,926
At 31 August 2016	286,847	108,373	64,235	118,981	578,436

12 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,679,637	2,485,975
Carrying amount of financial liabilities		
Measured at amortised cost	8,883,499	7,363,682

13 Stocks

	2017 £	2016 £
Finished goods and goods for resale	6,844,646	5,125,568

14 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	1,635,780	2,461,771
Other debtors	58,601	40,314
Prepayments and accrued income	614,854	534,030
	2,309,235	3,036,115

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

15 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	16	53,823	1,716,217
Trade creditors		7,239,083	4,283,841
Corporation tax		164,354	106,454
Other taxation and social security		653,752	443,281
Other creditors		1,259,480	1,104,532
Accruals and deferred income		331,113	259,092
		<u>9,701,605</u>	<u>7,913,417</u>

16 Loans and overdrafts

	2017 £	2016 £
Bank overdrafts, payable within one year	<u>53,823</u>	<u>1,716,217</u>

17 Provisions for liabilities

	Notes	2017 £	2016 £
Deferred tax liabilities	18	<u>23,968</u>	<u>33,486</u>

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated Capital Allowances	<u>23,968</u>	<u>33,486</u>
Movements in the year:		2017 £
Liability at 1 September 2016		33,486
Credit to profit or loss		(7,844)
Effect of change in tax rate - profit or loss		(1,674)
Liability at 31 August 2017		<u>23,968</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

19 Retirement benefit schemes

	2017	2016
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	71,631	71,274

The company operates a defined contribution pension scheme for all qualifying employees.

20 Share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
102,250 ordinary shares of £1 each	102,250	102,250
	102,250	102,250

21 Related party transactions

Remuneration of key management personnel

Key management includes the Board of Directors of the company. The compensation paid or payable to key management for employee services is shown in note 5.

22 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	298,000	-

23 Directors' transactions

Dividends totalling £14,050 (2016 - £13,850) were paid in the year in respect of shares held by the company's directors.

During the year Veterinary Surgeons Supply Company Limited traded with a number of veterinary practices of which many of the directors are partners. These transactions are carried out at arms length during the normal course of business. During the year, total sales of £3,723,729 (2016 - £3,432,575) were made to these practices and at the balance sheet date, an amount of £51,231 (2016 - £135,078) was included in trade debtors and due to the company from these practices, with retrospective discounts included in other creditors of £109,792 (2016 - £95,520) due to the practices.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

24 Cash generated from operations

	2017 £	2016 £
Profit for the year after tax	614,900	400,946
Adjustments for:		
Taxation charged	154,796	102,466
Finance costs	90	1,025
Investment income	(7,284)	(22,894)
Gain on disposal of tangible fixed assets	(18,647)	(5,085)
Depreciation and impairment of tangible fixed assets	156,920	181,653
Movements in working capital:		
(Increase)/decrease in stocks	(1,719,078)	219,718
Decrease/(increase) in debtors	726,880	(16,758)
Increase/(decrease) in creditors	3,392,684	(559,944)
Cash generated from operations	3,301,261	301,127

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 AUGUST 2017

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 2017

		2017		2016
	£	£	£	£
Turnover				
Sales of goods		50,004,166		44,434,816
Cost of sales				
Opening stock of finished goods	5,125,568		5,345,286	
Finished goods purchases	49,220,187		41,987,939	
Closing stock of finished goods	(6,844,646)		(5,125,568)	
		(47,501,109)		(42,207,657)
Gross profit	5.01%	2,503,057	5.01%	2,227,159
Other operating income				
Sales of services and support		485,339		401,061
Distribution costs	976,110		949,818	
Administrative expenses	1,249,784		1,196,859	
		(2,225,894)		(2,146,677)
Operating profit		762,502		481,543
Investment revenues				
Bank interest received	7,284		22,879	
Other interest received - not on financial instruments	-		15	
		7,284		22,894
Interest payable and similar expenses				
Bank interest on loans and overdrafts	2		2	
Hire purchase interest payable	-		1,023	
Interest on overdue taxation - not financial liabilities	88		-	
		(90)		(1,025)
Profit before taxation	1.54%	769,696	1.13%	503,412

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 AUGUST 2017

	2017 £	2016 £
Distribution costs		
Wages and salaries	619,037	581,855
Social security costs	54,107	51,938
Temporary staff	11,203	2,109
Staff training	450	575
Staff pension costs defined contribution	28,887	28,743
Rates	28,338	34,228
Waste disposal	8,718	4,229
Power, light and heat	13,555	15,003
Repairs and maintenance	16,017	17,557
Insurance	44,513	44,531
Motor running expenses	44,503	42,886
Carriage	10,861	21,845
Sundry expenses	8,150	4,795
Depreciation on freehold property	15,533	15,532
Depreciation on computer equipment	28,825	38,047
Depreciation on fixtures, fittings and equipment	5,000	5,000
Depreciation on motor vehicles	38,413	40,945
	<u>976,110</u>	<u>949,818</u>
Administrative expenses		
Wages and salaries	702,471	678,268
Social security costs	77,428	75,445
Staff training and recruitment	19,615	2,191
Staff pension costs defined contribution	42,744	42,531
Directors' fees	120,000	110,000
Rates	14,169	17,114
Power, light and heat	4,049	4,481
Repairs and maintenance	4,781	950
Insurance	10,385	11,599
Computer running costs	81,091	75,835
Motor running expenses	8,715	9,864
Legal and professional fees	19,900	16,048
Non audit remuneration paid to auditors	3,200	3,450
Audit fees	9,750	9,750
Bank charges	2,975	3,004
Credit card charges	20,022	16,952
Bad and doubtful debts (recovered)/provided	(21,286)	(34,675)
Printing and stationery	16,235	17,204
Advertising	3,450	4,600
Sponsorship	33,167	30,954
Telecommunications	8,397	8,091
Sundry expenses	28,384	30,491
Depreciation on freehold property	5,178	5,178
Depreciation on computer equipment	28,825	38,048
Depreciation on fixtures, fittings and equipment	12,726	13,538
Depreciation on motor vehicles	22,420	25,365
Profit on sale of tangible assets	(18,647)	(5,085)

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2017

	2017	2016
	£	£
(Profit)/loss on foreign exchange	(10,360)	(14,332)
	<u>1,249,784</u>	<u>1,196,859</u>
