

Company Registration No. NI003708 (Northern Ireland)

VETERINARY SURGEONS SUPPLY COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020



VETERINARY SURGEONS SUPPLY COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr N McMordie Mr N Johnston Mr A Mayne Mr S Murray Mr J Johnston Mr W Sherrard	(Appointed 31 January 2020)
Secretary	Mrs S 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 Down 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 Limited 18 Bow Street Lisburn Co Antrim BT28 1BN	
Solicitors	O'Reilly Stewart Solicitors 75-77 May Street Belfast BT1 3JL	

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

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VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

The directors present the strategic report for the year ended 31 August 2020.

Fair review of the business

The activity of the company continued as a veterinary wholesaler supplying vets and agricultural merchants.

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 2020. 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 9.20% from £57,303,945 to £62,578,562 generating a gross profit margin of £2,446,060 (2019 - £2,558,526) and profit before tax of £557,693 (2019 - £767,734). The gross profit margin has decreased to just under 4.0% driven by the move away from the supply of free of charge goods to the provision of rebates to vet practices by the major pharmaceutical companies and also a lower overall % price growth across the product portfolio compared to the previous two years. The net assets of the company rose by over £200,000 at year end versus the same point the previous year.

During this financial year there were significant restructuring costs in terms of one off legal and professional fees plus ongoing investment in I.T., which is necessary to improve warehouse efficiency and optimise customer experience.

The results above incorporate retrospective rebates which this year have been approved by the Board at similar levels to last year with the total figure payable being £1,009,500 (2019 - £1,098,819).

The year was influenced by two main factors, namely the ongoing BREXIT negotiations and Covid-19.

Despite building stock ahead of the usage season, the company experienced an increased level of supplier out of stocks particularly in the Spring period, with a number of lactating cow tubes and popular injectable antibiotics suffering long term out of stocks. March 2020 saw a new record with monthly sales hitting £7.6million due to a degree of stock piling by practices as Covid-19 took a grip. This was followed by a couple of months of reduced sales with many practices operating an emergency only service in the companion sector. During this period we were able to make use of the UK Government staff furlough scheme to allow vulnerable staff to self-isolate and those with childcare responsibilities to be at home while also managing VSSCo costs. Thankfully, agriculture was resilient to the impact of Covid-19 up to the end of our financial year despite an initial drop in output prices when the first lockdown took place. The exchange rate for the single farm payment in 2020 has been based on the rate used for 2019 with a euro equivalent to 89p which is good news for the agricultural industry.

The company sought to maximise margin from supplier price increases by increasing stocks, which peaked at over £10m in spring 2020, although margin generated from supplier price rise was down by about £100k year on year.

Currently all sectors of agriculture are doing well but there is uncertainty until BREXIT is sorted. The impact of new trade deals and the threat of cheap food imports produced to lower standards than UK farmers adhere to, is of concern across the board.

The ongoing COVID-19 pandemic may have an impact going forward, particularly with respect to companion animal products, if we see a prolonged recession, although lockdown has seen an increase in pet ownership.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

The veterinary sector in Northern Ireland has seen a further increase in corporate acquisitions in the past twelve months although it has slowed down; Vet Partners have purchased another mixed practice, IVC also purchased a companion animal practice and CVS have opened a new branch. All three corporates continue to purchase through VCCSo. Vets4pets currently do not buy from the company. There have also been several new practices opened throughout NI in the past financial year. The company had no borrowings in this financial year and continues to have a strong cash flow, although we may need to look at a short term loan to increase our stock levels and protect our customers from potential supply issues related to the ongoing uncertainties with Covid-19 and Brexit.

Principal risks and uncertainties

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

Economic Risk

The impact of:

1. Brexit
2. Covid-19
3. Foreign currency fluctuations

Other risks

The company believes that sales volumes should be good right through until the end of the Brexit transition period on 31st December 2020. If sterling remains close to 90p for a Euro, this will aid sales to ROI customers although experts suggest sterling could strengthen if a deal is ratified which would impact our competitiveness in ROI. Changes to the profitability will continue to follow the trends set over the past few years, earnings from interest have fallen as forecast because rates available on deposit accounts are very low. Effort has been made to run higher stock levels to maximise price rise margins. Other operating income sources should show continued growth in line with turnover.

Our concern is that after Brexit the Agricultural sector could suffer in the short term unless access to the EU is maintained with a trade deal. 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 the Agri-food sector, and the expectation that demand for animal protein will continue to increase over the next decade, should be positive in the long term, provided the UK can find the funding to support Agri-food through any immediate turmoil when the transition period ends. The longer-term withdrawal of UK Government funding for agriculture could be detrimental to our growth.

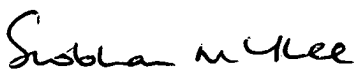
Future developments

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

Currently there are plans for several IT projects to:

1. Upgrade our network to improve upload and download internet speeds plus install new servers.
2. Optimise integration of practice management software systems to the company's SAGE 1000 system.
3. Provide a self-serve portal to replace the current VSSCo website where practices can go to
 - a. place orders 24/7.
 - b. access information about stock availability and their purchase history.
 - c. raise returns.

By order of the board



Mrs S McKee

Secretary

15.12.20

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2020

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

Principal activities

The principal activity of the company continued to be that of 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 N McMordie

Mr J Henderson

(Resigned 31 January 2020)

Mr N Johnston

Mr A Mayne

Mr S Murray

Mr J Johnston

Mr W Sherrard

(Appointed 31 January 2020)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £255,625. The directors do not recommend payment of a final dividend.

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 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

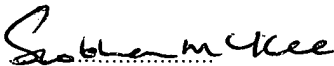
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

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 S McKee

Secretary

Date: 15.12.20

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 2020 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 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.

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.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VETERINARY SURGEONS SUPPLY COMPANY LIMITED

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.

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.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VETERINARY SURGEONS SUPPLY COMPANY LIMITED

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.

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

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VETERINARY SURGEONS SUPPLY COMPANY LIMITED

The purpose of our audit work and to whom we owe our responsibilities

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.



Mr Stephen Houston FCA (Senior Statutory Auditor)
for and on behalf of GMcG LISBURN

Chartered Accountants
Statutory Auditor

15.12.20.

Century House
40 Crescent Business Park
Lisburn
Co Down
BT28 2GN

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £	2019 £
Turnover	3	62,578,562	57,303,945
Cost of sales		(60,132,502)	(54,745,419)
Gross profit		2,446,060	2,558,526
Distribution costs		(1,214,902)	(1,156,623)
Administrative expenses		(1,528,294)	(1,377,399)
Other operating income	4	847,508	730,361
Operating profit	5	550,372	754,865
Interest receivable and similar income	8	7,321	12,869
Profit before taxation		557,693	767,734
Tax on profit	9	(42,241)	(154,790)
Profit for the financial year		515,452	612,944

The income statement has been prepared on the basis that all operations are continuing operations.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2020

	2020	2019
	£	£
Profit for the year	515,452	612,944
Other comprehensive income	-	-
Total comprehensive income for the year	<u>515,452</u>	<u>612,944</u>

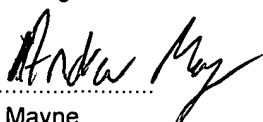
VETERINARY SURGEONS SUPPLY COMPANY LIMITED

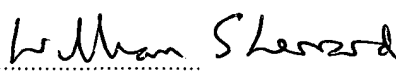
STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2020

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11		24,547		19,083
Tangible assets	12		970,950		896,947
			<u>995,497</u>		<u>916,030</u>
Current assets					
Stocks	13	7,881,161		8,306,025	
Debtors	14	3,280,141		3,139,961	
Cash at bank and in hand		7,739,780		4,601,450	
		<u>18,901,082</u>		<u>16,047,436</u>	
Creditors: amounts falling due within one year	15	(13,472,139)		(10,807,508)	
Net current assets			<u>5,428,943</u>		<u>5,239,928</u>
Total assets less current liabilities			<u>6,424,440</u>		<u>6,155,958</u>
Provisions for liabilities	16		(60,924)		(52,269)
Net assets			<u><u>6,363,516</u></u>		<u><u>6,103,689</u></u>
Capital and reserves					
Called up share capital	19	102,250		102,250	
Share premium account		128,077		128,077	
Profit and loss reserves		6,133,189		5,873,362	
Total equity			<u><u>6,363,516</u></u>		<u><u>6,103,689</u></u>

The financial statements were approved by the board of directors and authorised for issue on 15/12/2020 and are signed on its behalf by:


 Mr A Mayne
 Director


 Mr W Sherrard
 Director

Company Registration No. NI003708

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 September 2018		102,250	128,077	5,500,706	5,731,033
Year ended 31 August 2019:					
Profit and total comprehensive income for the year		-	-	612,944	612,944
Dividends	10	-	-	(240,288)	(240,288)
Balance at 31 August 2019		102,250	128,077	5,873,362	6,103,689
Year ended 31 August 2020:					
Profit and total comprehensive income for the year		-	-	515,452	515,452
Dividends	10	-	-	(255,625)	(255,625)
Balance at 31 August 2020		102,250	128,077	6,133,189	6,363,516

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	23	3,728,574		1,717,616	
Income taxes paid		(91,797)		(173,156)	
Net cash inflow from operating activities		3,636,777		1,544,460	
Investing activities					
Purchase of intangible assets		(15,113)		(19,778)	
Purchase of tangible fixed assets		(248,530)		(219,454)	
Proceeds on disposal of tangible fixed assets		13,500		29,299	
Interest received		7,321		12,869	
Net cash used in investing activities		(242,822)		(197,064)	
Financing activities					
Dividends paid		(255,625)		(240,288)	
Net cash used in financing activities		(255,625)		(240,288)	
Net increase in cash and cash equivalents		3,138,330		1,107,108	
Cash and cash equivalents at beginning of year		4,601,450		3,494,342	
Cash and cash equivalents at end of year		7,739,780		4,601,450	

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies

Company information

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

1.1 Accounting convention

These financial statements have been prepared 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 financial statements have been prepared under the historical cost convention. 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 Reclassification

Following a review of the research and development activities undertaken by the company, the directors have taken the opportunity to reclassify computer costs previously included under computers under tangible fixed assets to development costs under intangible fixed assets in the year ended 31 August 2019. The effect of the reclassification in the year ended 31 August 2019 is to increase intangible fixed assets by £19,083 and decrease tangible fixed assets by £19,083. There is no impact on the income statement or the reserves of the company.

The directors have also reclassified amounts included within cost of sales to other income in the year ended 31 August 2019, to bring reporting in line with management information. This reclassification has no impact on the reserves of the company. The effect of the reclassification is to increase commission and service sales income by £87,983 and increase cost of sales by £87,983.

1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	33% straight line
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1.7 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 recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	5% straight line
Fixtures, fittings and equipment	10 % straight line
Computers	33% straight line
Motor vehicles	25% straight line

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.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible 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.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

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.

1.9 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.

1.10 Cash and cash equivalents

Cash and cash equivalents 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.

1.11 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 statement of financial position 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.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

1 Accounting policies (Continued)

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.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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 creditors, bank loans, loans from fellow group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors 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 2020

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.

1.12 Equity instruments

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

1.13 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 income statement 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 income statement, 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 2020

1 Accounting policies (Continued)

1.14 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.

1.15 Retirement benefits

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

1.16 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 in the period are included in profit or loss.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

2 Judgements and key sources of estimation uncertainty (Continued)

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.

Other creditors (retrospective discount)

Retrospective discount payable is based on the calculation of certain aspects of customer discount applied in relation to revenue. The calculation involves some estimation uncertainty. The directors review and agree the level of discount to be applied annually.

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Sale of goods	62,578,562	57,303,945
	<u>62,578,562</u>	<u>57,303,945</u>
Turnover analysed by geographical market		
UK	61,296,847	55,962,330
Ireland	1,281,715	1,341,615
	<u>62,578,562</u>	<u>57,303,945</u>

4 Other operating income

	2020	2019
	£	£
Commission and service sales	738,829	730,361
Insurance claim receivable	34,884	-
CJRS (furlough) grant	73,795	-
	<u>847,508</u>	<u>730,361</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

5 Operating profit

	2020 £	2019 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(10,764)	(3,017)
Fees payable to the company's auditor for the audit of the company's financial statements	8,350	10,850
Depreciation of owned tangible fixed assets	170,231	134,565
Profit on disposal of tangible fixed assets	(9,204)	(19,303)
Amortisation of intangible assets	9,649	695
	<u> </u>	<u> </u>

6 Employees

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

	2020 Number	2019 Number
Administrative	24	24
Distribution	30	28
	<u> </u>	<u> </u>
Total	54	52
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	1,664,783	1,614,086
Social security costs	155,149	139,688
Pension costs	85,114	88,699
	<u> </u>	<u> </u>
	1,905,046	1,842,473
	<u> </u>	<u> </u>

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	218,445	164,073
Company pension contributions to defined contribution schemes	5,849	-
	<u> </u>	<u> </u>
	224,294	164,073
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 0).

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	6,745	12,852
Other interest income	576	17
Total income	<u>7,321</u>	<u>12,869</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>6,745</u>	<u>12,852</u>
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9 Taxation

	2020 £	2019 £
Current tax		
UK corporation tax on profits for the current period	73,440	128,485
Adjustments in respect of prior periods	(39,854)	(39)
Total current tax	<u>33,586</u>	<u>128,446</u>
Deferred tax		
Origination and reversal of timing differences	<u>8,655</u>	<u>26,344</u>
Total tax charge	<u>42,241</u>	<u>154,790</u>

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:

	2020 £	2019 £
Profit before taxation	<u>557,693</u>	<u>767,734</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	105,962	145,869
Tax effect of expenses that are not deductible in determining taxable profit	4,178	1,623
Depreciation on assets not qualifying for tax allowances	4,510	7,337
Amortisation on assets not qualifying for tax allowances	1,833	-
Research and development tax credit	(34,388)	-
Under/(over) provided in prior years	(39,854)	(39)
Taxation charge for the year	<u>42,241</u>	<u>154,790</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

10 Dividends

	2020 £	2019 £
Interim paid	<u>255,625</u>	<u>240,288</u>

Ordinary dividends of £265,850 (2019 - £255,625) were proposed after the year end but not recognised as a liability.

11 Intangible fixed assets

	Development costs £
Cost	
At 1 September 2019	19,778
Additions	15,113
At 31 August 2020	<u>34,891</u>
Amortisation and impairment	
At 1 September 2019	695
Amortisation charged for the year	9,649
At 31 August 2020	<u>10,344</u>
Carrying amount	
At 31 August 2020	<u>24,547</u>
At 31 August 2019	<u>19,083</u>

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

12 Tangible fixed assets

	Freehold land and buildings	Fixtures, fittings and equipment	Computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 September 2019	1,542,600	598,953	460,329	312,676	2,914,558
Additions	34,723	25,399	73,173	115,235	248,530
Disposals	-	-	-	(42,384)	(42,384)
At 31 August 2020	1,577,323	624,352	533,502	385,527	3,120,704
Depreciation and impairment					
At 1 September 2019	992,158	495,616	401,323	128,514	2,017,611
Depreciation charged in the year	39,913	20,090	38,011	72,217	170,231
Eliminated in respect of disposals	-	-	-	(38,088)	(38,088)
At 31 August 2020	1,032,071	515,706	439,334	162,643	2,149,754
Carrying amount					
At 31 August 2020	545,252	108,646	94,168	222,884	970,950
At 31 August 2019	550,442	103,337	59,006	184,162	896,947

13 Stocks

	2020 £	2019 £
Finished goods and goods for resale	7,881,161	8,306,025

14 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,621,109	2,560,711
Other debtors	5,594	18,942
Prepayments	25,979	34,828
Accrued income	627,459	525,480
	3,280,141	3,139,961

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

15 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	11,334,771	8,100,972
Corporation tax	33,484	91,695
Other taxation and social security	611,529	533,802
Retrospective rebates	1,009,500	1,098,819
Accruals and deferred income	482,855	982,220
	<u>13,472,139</u>	<u>10,807,508</u>

16 Provisions for liabilities

	Notes	2020 £	2019 £
Deferred tax liabilities	17	<u>60,924</u>	<u>52,269</u>

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 £	Liabilities 2019 £
Balances:		
Accelerated capital allowances	<u>60,924</u>	<u>52,269</u>
Movements in the year:		2020 £
Liability at 1 September 2019		52,269
Charge to profit or loss		8,655
Liability at 31 August 2020		<u>60,924</u>

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>85,114</u>	<u>88,699</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

19 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
102,250 Ordinary shares of £1 each	102,250	102,250

20 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2020 £	2019 £
Acquisition of tangible fixed assets	-	24,750

21 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	280,252	304,825

Key management includes the Board of Directors and the General Manager of the company.

22 Directors' transactions

Dividends totalling £11,750 (2019 - £16,215) 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 £4,270,173 (2019 - £4,016,121) were made to these practices and at the balance sheet date, an amount of £94,107 (2019 - £65,947) was included in trade debtors and due to the company from these practices, with retrospective discounts included in other creditors of £130,946 (2019 - £130,625) due to the practices.

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

23 Cash generated from operations

	2020 £	2019 £
Profit for the year after tax	515,452	612,944
Adjustments for:		
Taxation charged	42,241	154,790
Investment income	(7,321)	(12,869)
Gain on disposal of tangible fixed assets	(9,204)	(19,303)
Amortisation and impairment of intangible assets	9,649	2,842
Depreciation and impairment of tangible fixed assets	170,231	132,418
Movements in working capital:		
Decrease/(increase) in stocks	424,864	(1,413,288)
Increase in debtors	(140,180)	(613,028)
Increase in creditors	2,722,842	2,873,110
Cash generated from operations	3,728,574	1,717,616

24 Analysis of changes in net funds

	1 September 2019 £	Cash flows £	31 August 2020 £
Cash at bank and in hand	4,601,450	3,138,330	7,739,780

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 AUGUST 2020

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2020

	£	2020 £	£	2019 £
Turnover				
Sales of goods		62,578,562		57,303,945
Cost of sales				
Opening stock of finished goods	8,306,025		6,892,737	
Finished goods purchases	59,707,638		56,158,707	
Closing stock of finished goods	(7,881,161)		(8,306,025)	
		(60,132,502)		(54,745,419)
Gross profit	3.91%	2,446,060	4.46%	2,558,526
Other operating income				
Commission and service sales	738,829		730,361	
Insurance claims receivable	34,884		-	
CJRS (furlough) grant	73,795		-	
		847,508		730,361
Distribution costs				
Wages and salaries	740,385		711,931	
Social security costs	69,293		61,747	
Temporary staff	53,325		16,359	
Staff training and recruitment	450		1,163	
Staff pension costs defined contribution	40,196		42,833	
Rates	24,054		36,376	
Waste disposal	14,920		13,255	
Power, light and heat	19,968		20,460	
Repairs and maintenance	17,775		38,747	
Insurance	39,464		45,442	
Motor running expenses	51,412		51,448	
Postage, courier and delivery charges	23,606		21,176	
Sundry expenses	10,960		9,160	
Amortisation	4,824		-	
Depreciation	104,270		86,526	
		(1,214,902)		(1,156,623)

VETERINARY SURGEONS SUPPLY COMPANY LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2020

	£	2020 £	£	2019 £
Administrative expenses				
Wages and salaries	739,073		718,796	
Redundancy costs	-		35,000	
Social security costs	85,856		77,941	
Staff training and recruitment	13,528		928	
Staff pension costs defined contribution	44,918		45,866	
Directors' fees	132,000		132,000	
Rates	12,027		18,188	
Power, light and heat	7,381		6,111	
Repairs and maintenance	4,108		5,959	
Insurance	12,964		12,168	
Computer running costs	118,860		86,687	
Motor running expenses	8,220		13,139	
Legal and professional fees	112,168		54,254	
Non audit remuneration paid to auditors	9,000		3,250	
Audit fees	8,350		10,850	
Bank charges	3,509		4,465	
Credit card charges	11,207		14,010	
Bad and doubtful debts	55,206		1,940	
Printing and stationery	13,714		17,730	
Advertising	4,575		5,010	
Sponsorship	28,849		30,970	
Telecommunications	16,084		13,399	
Sundry expenses	35,879		42,324	
Amortisation	4,825		695	
Depreciation	65,961		48,039	
Profit or loss on sale of tangible assets (non exceptional)	(9,204)		(19,303)	
Profit or loss on foreign exchange	(10,764)		(3,017)	
		(1,528,294)		(1,377,399)
Operating profit		550,372		754,865
Interest receivable and similar income				
Bank interest received	6,745		12,852	
Other interest received on corporation tax	576		17	
		7,321		12,869
Profit before taxation	0.89%	557,693	1.34%	767,734