For Immediate Release **25 September 2015**

CVS GROUP plc
("CVS", the "Company" or the "Group")

Preliminary Results for the year ended 30 June 2015

CVS, one of the UK's leading providers of veterinary services, is pleased to announce its preliminary results for the year ended 30 June 2015.

Financial Highlights

	Year ended 30 June 2015	Year ended 30 June 2014	Increase[4] %
Revenue (£m)	167.3	142.9	17.0
Adjusted EBITDA (£m)[1]	23.0	18.3	25.9
Adjusted profit before income tax (£m)[2]	18.2	14.3	28.6
Adjusted earnings per share (pence)[3]	24.7	19.0	30.0
Operating profit (£m)	9.8	7.5	29.8
Profit before income tax (£m)	8.5	6.3	34.8
Basic earnings per share (pence)	11.6	8.3	39.8
Proposed dividend (pence)	3.0	2.5	20.0

- Revenue up 17.0% to £167.3m
- Like-for-like sales growth for the Group of +6.8%
- Animed Direct revenue up 21.0% to £10.3m
- Healthy Pet Club members up over 32% to 213,000
- Adjusted EBITDA up 25.9% to £23.0m
- Adjusted earnings per share up 30.0% to 24.7 pence per share
- Acquired and integrated 29 surgeries during the year
- 8 surgeries acquired after the year end
- Now operate 298 surgeries
- Acquired Whitley Brook Crematorium for Pets Limited

[1] Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax, net finance expense, depreciation, amortisation and costs relating to business combinations. The definition of the adjusted EBITDA measure has been revised since that previously reported in the 30 June 2014 consolidated financial statements. Adjusted EBITDA is now stated after share based payments for consistency with the adjusted earnings per share calculation. The comparative information has been restated.

[2] Adjusted profit before income tax is calculated as profit on ordinary activities before amortisation, taxation and costs relating to business combinations.

[3] Adjusted earnings per share is calculated as adjusted profit before income tax less applicable taxation divided by the weighted average number of ordinary shares in issue in the period.

[4] Percentage increases have been calculated throughout this document based on the underlying values.

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Chairman's statement

Another record year in all divisions

Results

I am delighted to report an excellent performance by CVS with a record year for revenue and profits in all divisions. Strong organic growth was enhanced by further acquisitions in our Veterinary Practice and Crematoria Divisions. We increased investment in the development of our services, our staff and our premises, and further improved our customer service in all areas.

Revenue grew by 17.0% to £167.3m (2014: £142.9m) and like-for-like sales increased by 6.8% (2014: 6.9%). Adjusted EBITDA increased by 25.9% to £23.0m (2014: £18.3m) and adjusted EPS grew by 30.0% to 24.7p (2014: 19.0p).

Operating profit rose to £9.8m (2014: £7.5m) and cash generated from operations increased to £22.2m (2014: £20.7m).

Business initiatives

2015 was a very significant year for acquisitions with 29 surgeries and one crematorium acquired. In total these businesses are expected to generate revenue of £24.0m per annum. As well as a number of acquisitions of a normal scale for CVS we acquired YourVets which alone has a turnover of almost £10.0m. YourVets brings with it the skills of opening greenfield locations which we are keen to utilise.

Subsequent to the year end a further 8 surgeries have been acquired including the Dovecote referral centre in Castle Donington.

The Group further progressed is strategic priorities and grew like-for-like sales by 6.8% with excellent growth in all areas.

Our referrals business grew strongly during the year and the Lumbry Park Major Multi-Disciplinary Referral Centre will begin trading in October 2015. The recently acquired Dovecote referral practice is a substantial practice in its own right but we will grow it further by feeding into it work that our practices in the vicinity have previously sent to third parties.

The launch of our own-brand flea and worming treatments was of particular significance. Our own brand label is unique in the veterinary industry and as well as giving us a pricing advantage we expect that they will help to bond our customers to our practices. Our Healthy Pet Club scheme grew by a further 51,000 members over the period and all the out-of-hours businesses established in the last two years grew strongly.

After the laboratory results dipped slightly in 2013 due to intense competition the strong growth in like-for-like sales over the last two years and the introduction of the in-house analyser business has seen profits double in the period.

The integration of Silvermere Haven crematorium and the acquisition of Whitley Brook have provided significant impetus to the division. They have allowed us to perform in-house all of the crematoria work from our own practices.

Our people

The Group remains the largest employer in the UK's veterinary profession with approximately 3,400 staff as at the year end, including around 822 vets. It is through our people that we have delivered these excellent results for the year and they remain our most important asset. I would like to thank them all, including those new to CVS, for their expertise and professionalism in providing the best possible care and service to all our customers and their pets.

The development of our staff and of our clinical and non-clinical training continues to be a priority. No other veterinary group has the knowledge, expertise and ability to provide so much training internally and this is an area where CVS distinguishes itself from our competition.

During the year we launched our Values and Behaviours. They set out how we behave, with our customers, staff and suppliers, rather than just what we do. Our focus on excellent customer service remains a key element.

Dividends

It is proposed to pay a dividend of 3.0p per share in December 2015, a 20% increase on the 2.5p per share paid in 2014. With a strong pipeline of acquisitions, as well as significant opportunities for organic growth, the Board believes that shareholder value can best be grown by reinvesting the majority of operational cash flow back into the business. However, the increased scale and growth of our business can also support a meaningful increase in the level of dividend.

If approved at the Annual General Meeting, the dividend will be paid on 11 December 2015 to shareholders on the register on 27 November 2015. The ex-dividend date will be 26 November 2015.

Outlook

The outlook for CVS remains very promising. Whilst like-for-like sales growth in the Practice Division returned to more normal levels in the second half of the year and has continued at this level into 2016 this still represents a good performance. Other initiatives such at the benefit of our own brand products and the opening of Lumbry Park, our Major Multi-Disciplinary

Referral Centre, will begin to deliver significant benefits in 2016. In addition the acquisition pipeline remains very buoyant.

The Board is optimistic about the Group's future. It estimates that CVS only has a 12% share of the UK small animal veterinary market and a negligible share of the equine and large animal veterinary market. This demonstrates the major opportunity for further growth and consolidation and we expect to make further practice acquisitions.

Richard Connell

Non-Executive Chairman

25 September 2015

Business review

Excellent progress on our strategic priorities

Introduction

CVS Group is managed across four divisions: Veterinary Practices, Laboratories, Crematoria and Animed Direct, our on-line dispensary and retailer. Veterinary Practices are the core of our business but all areas of the Group made excellent progress towards our strategic priorities during 2015.

Divisional EBITDA figures in this section are all now stated net of costs that were previously included in central costs. All comparatives have been restated.

Veterinary Practices

	2015	2014
	£m	£m
Like-for-like revenue	**126.5**	119.9
2014 acquisitions	**13.3**	6.5
2015 acquisitions	**7.7**	-
Total revenue	**147.5**	126.4
Adjusted EBITDA £m	**25.3**	21.9
EBITDA margin %	**17.1**	17.4

Revenue amounted to £147.5m (2014: £126.4m), an increase of 16.7% on the prior year. Adjusted EBITDA increased by 15.1% from £21.9m to £25.3m. These increases include the impact of acquisitions in both 2014 and 2015.

In the year CVS acquired 29 surgeries operating as 13 practices. These practices contributed £7.7m of revenue and £1.0m of EBITDA in the year. The acquisitions were predominantly of small animal businesses but included some large animal surgeries.

Adjusted EBITDA as a percentage of sales fell slightly in the year from 17.4% in 2014 to 17.1% in 2015. This was primarily due to the lower EBITDA percentage from the recently acquired YourVets where two sites are relatively immature and therefore have lower profitability. Within the like-for-like businesses a small fall in the gross margin percentage, from 84.8% to 84.4%, was offset by efficiencies in manpower and overhead costs.

Like-for-like sales grew by 5.6% for the year as a whole, with the first half of the year showing exceptional growth but the second half returning to more normal levels. This growth was supported by a number of successful initiatives.

The development of our referrals business, and the expertise that this requires, has been and remains a key strategic priority for CVS. During the year we recruited 6 diploma holders, bringing the total that we now employ to 17. Some of these are based at our existing referral centres whilst others were hired in preparation for the opening of Lumbry Park in October 2015. This 13,000 square foot site is a state of the art, major, multi-disciplinary referral centre in Alton, Hampshire. It provides a full range of specialisms, using the most modern equipment including both a CT ("Computerised Tomography") and an MRI ("Magnetic Resonance Imaging") scanner.

Subsequent to the year-end we acquired the Dovecote referral centre in Castle Donington. These two new locations provide us with an excellent team and facilities to service our customers' needs rather than referring them to specialists outside of CVS. As a medium term objective we will be seeking other locations around the UK in which to establish further referral centres.

In the last quarter of 2015 we extended our "MiPet" own brand range to include high volume flea and worm treatments. We have begun to roll out our own brand waiting room retail range and this will be completed during 2016. Further product launches are planned.

The own brand range has been well received by both our customers and our staff. MiPet products are available only in our surgeries and those of our MiVetClub members and, hence, their introduction differentiates CVS in the market. It both protects our margins and helps us retain our competitiveness by limiting price increases.

The Healthy Pet Club loyalty scheme continued its excellent growth in the year. Over 51,000 pets were added to the scheme increasing membership by over 32% and bringing the total membership to 213,000. The scheme provides preventative medicine to our customers' pets as well as a range of discounts and benefits. We gain from improved customer loyalty, encouraging clinical compliance, protecting revenue generated from drug sales, and bringing more customers into our surgeries. Monthly subscription revenue generated in the year increased to £18.8m (2014: £13.9m) and the year end run rate represented 13.0% of practice revenue.

During the year we opened another out-of-hours centre in addition to the four we opened in 2014. This further reduces our reliance on third parties for the 24 hour cover that vets are required to provide to their customers. Satisfying the requirement ourselves significantly improves the experience of our customers and their pets and, except for the most recently opened site, all of our out-of-hours centres are now profitable.

We continue to perform out-of-hours work for other veterinary practices and will seek to develop further centres as our growing density in an area makes this effective.

The development of our veterinary practice management systems continued during the year. Key data from all practices except the most recent acquisitions is now linked and we can now perform analysis at divisional, rather than just practice, level. This will further improve our understanding and management of the business.

We continued to invest strongly in our surgeries, spending over £2.3m on refurbishing and extending a number of premises including Beaumont in Killington, and Nine Mile in Wokingham. We extended the surgery at Twyford in order that animals no longer have to be transported to the main practice site. We will continue to spend significant amounts on developing our estate to provide a welcoming experience for our customers and to generate revenue growth.

In addition to refurbishments, we spent £2.4m on equipment in our practices. At Beechwood in Doncaster we have recently installed a CT scanner and will install several more at other locations over the next year. We now have digital x-ray equipment at almost 100 sites. This technology provides substantially quicker results than traditional x-ray as well as avoiding the use of unpleasant and potentially dangerous chemicals. All this equipment improves our diagnostic capability and our ability to serve our customers in a professional environment.

MiVetClub, our buying group, has found it challenging to prise vets away from their existing suppliers and buying groups. However, in recent months we have signed up three new members bringing our total to five. We are in discussions with a number of other potential members. The business continues to add modestly to our profitability and we believe that it has significant long term potential, not only by allowing practices to benefit from our buying power but also through providing other services such as health and safety expertise and administering loyalty club schemes.

Our own recruitment business, Pet Medic Recruitment has primarily focussed on providing locums for the Veterinary Practice Division. This helps to deliver our continuing aims of improving service and reducing costs. The business also provides a small number of locums to third parties and sources permanent staff.

Our team within the Veterinary Practice Division will always be one of our most valuable assets and one that we aim to continue to develop. The two essential skills of retail management experience and clinical expertise are combined through our Director of Practice Operations being supported by both our Director of Clinical Services and Director of Referrals. They are supported by regional and local practice managers. Many of the regional managers are vets with many years' experience of operating in practice.

We continually aim to improve our staff training and career opportunities and in January 2015 we launched our Nurse Academy. This provides nurses with advanced training in one of four areas: medicine, surgery, emergency and critical care, and clinical nursing. It is designed to fill a gap which exists across the profession in the post qualification training of nurses.

Our vet graduate training scheme continues to grow and 106 graduates have gone through the scheme in the past two years. The scheme is designed to assist newly qualified vets make the challenging transition from university to day-to-day practice.

Clinical development remains a core aspect of our training. All of our vets and nurses are provided with a wide range of training on surgical procedures, nutrition and drugs both through in-house expertise and external courses. We also sponsor further qualifications for vets such as certificates and diplomas. Increasingly this training is carried out in-house by our own experts.

Laboratories

	2015	2014
	£m	£m
Revenue	**13.1**	10.6

Adjusted EBITDA £m	**2.2**	1.1
EBITDA margin %	**17.0**	10.5

The Laboratory Division generated revenue of £13.1m, a 23.2% increase on the prior year figure of £10.6m. Adjusted EBITDA doubled from £1.1m to £2.2m.

Like-for-like revenue in the laboratory diagnostic business increased by 10.7% following a similar increase in the previous year. The growth in the analyser business reflected the rollout of the analysers across the whole CVS estate as well as a few external sales. Now that the internal rollout is complete the development of external sales will be an increasing focus.

Despite the growing analyser business having a lower gross margin percentage than the laboratory diagnostics business, the gross margin percentage for the division rose significantly from 75.2% to 80.6%. This reflected some easing in price pressures and success in encouraging customers to perform more tests.

Overall EBITDA as a percentage of sales showed substantial growth from 10.5% to 17.0%, reflecting the margin improvement and the operational efficiencies gained from the substantial increase in revenue.

Crematoria

	2015 £m	2014 £m
Like-for-like revenue	**1.6**	1.4
Acquisitions	**1.0**	0.2
Total revenue	**2.6**	1.6
Adjusted EBITDA £m	**0.8**	0.4
EBITDA margin %	**29.6**	24.0

The Crematoria Division delivered revenue of £2.6m (2014: £1.6m) an increase of 63.5%. Like-for-like sales were 11.8% higher, the increase being generated across all aspects of the business: from CVS' own practices, other veterinary practices and customers visiting the crematoria themselves.

The increased revenue from acquisitions was primarily at Silvermere Haven which had a full year of trading in 2015 but only five months in 2014. In addition, Silvermere Haven took on more crematoria and waste collection work from CVS practices.

Adjusted EBITDA doubled to £0.8m. EBITDA as a percentage of sales improved from 24.0% to 29.6% as the leverage of the increased level of revenue took effect.

The Crematoria Division now carries out all of the work for our own practices except for a few recent acquisitions. The recent acquisition of Whitley Brook crematorium frees up some capacity at Rossendale and provides some efficiency through reduced transport costs. The extension of our geographic spread of crematoria across the UK remains a strategic priority.

Animed Direct

	2015 £m	2014 £m
Revenue	**10.3**	8.5
Adjusted EBITDA £m	**0.5**	0.3
EBITDA margin %	**5.5**	3.6

Animed Direct, our on-line dispensary and retailer, had another good year. Revenue was £10.3m, a 21.0% increase on the prior year figure of £8.5m. Adjusted EBITDA increased from £0.3m to £0.5m.

The business focusses on prescription and non-prescription medicines where the Group's buying power allows it to be extremely competitive. The business now has a customer database of over 322,000 people. The average value of each purchase during the year was £28.94 (2014: £29.91).

Sales in the first half of the year were very strong but growth was minimal in the second half because a major internet search engine, without explanation, cut off its shopping feed. This was restored just before the year end but sales growth will take some time to pick up.

In April 2015 the business launched its first local language website – in French and selling in euros. This was delayed initially due to the plethora of different regulations and medicine licences across Europe and then because of legal challenges about selling drugs on-line in France. All these obstacles have been overcome and in doing so we have learnt a lot that will help us as we plan further European sites. Revenue from the French site is modest and these European sales are not initially expected to generate any additional profit as we broadly aim to breakeven in the first few years of trading.

Central administration

Central administration costs include those of the central finance, IT, human resource, purchasing, legal and property functions. Total costs were £5.8m (2014: £5.4m), representing 3.5% of revenue (2014: 3.8%).

The continued growth and development of the Group has required increased costs to support it and to establish a firm foundation for growth over the next few years.

All functions have taken on additional staff to assist with the integration of acquisitions and the ongoing management of the enlarged business. Focus has remained on developing our support systems to continue to improve efficiency and effectiveness. The resilience of our IT systems has been improved, our intranet was launched during the year and our new Group web-site was launched just after the year end. Budgeting and analysis systems have been further developed and we have recently begun several initiatives to introduce self service functions on our payroll and human resource systems.

The increased scale of our support functions necessitates the move to a larger head office and this move is expected to take place in October 2015. In due course we will move Animed Direct on to the same site.

Simon Innes

Chief Executive Officer

25 September 2015

Finance review

Further growth in EBITDA and a healthy balance sheet

Financial highlights

CVS has continued to deliver growth in revenues, profits and earnings per share. Key financial highlights are shown below:

	2015	2014	Change %
Revenue (£m)	**167.3**	142.9	17.0
Adjusted EBITDA (£m)	**23.0**	18.3	25.9
Adjusted profit before tax (£m)	**18.2**	14.3	28.6
Adjusted earnings per share (p)	**24.7**	19.0	30.0
Operating profit (£m)	**9.8**	7.5	29.8
Profit before tax (£m)	**8.5**	6.3	34.8
Basic earnings per share (p)	**11.6**	8.3	39.8

Management uses Adjusted EBITDA and Adjusted earnings per share ("EPS") as the basis for assessing the underlying financial performance of the Group. These figures exclude certain non-recurring and non-trading items and hence assist in understanding the underlying performance of the Group. These terms are not defined by International Financial Reporting Standards and therefore may not be directly comparable with other companies' adjusted profit measures.

An explanation of the difference between the reported operating profit figure and Adjusted EBITDA is shown below:

	2015 £m	2014 £m
Operating profit as reported	**9.8**	7.5
Adjustments for:		
Amortisation and depreciation	**12.0**	10.1

Costs of business acquisitions	**1.2**	0.7
Adjusted EBITDA	**23.0**	18.3

The £4.7m (25.9%) improvement in the Adjusted EBITDA figure compared with the prior year arises primarily from the underlying growth within Veterinary Practices (£1.0m) Laboratory Division (£1.1m), acquisitions during the year (£1.0m) and the full year effect of previous year acquisitions (£1.4m) offset by an increase in central administration costs (£0.4m).

Adjusted EBITDA as a percentage of revenue (adjusted EBITDA margin) increased from 12.8% in 2014 to 13.8%. This primarily reflects increased margins in the Laboratory, Crematoria and Animed Direct Divisions.

Adjusted earnings per share increased 30.0% to 24.7p (2014: 19.0p). Basic earnings per share was 39.8% higher than prior year at 11.6p (2014: 8.3p).

Profit before tax for the year increased from £6.3m to £8.5m. Adjusted profit before tax excludes the impact of amortisation of intangible assets and one off transaction costs. We believe this more fairly reflects the underlying performance of the business and shows a 28.6% increase in the year from £14.3m to £18.2m.

Long term growth

The group has generated consistent growth in the scale of its business and profits over recent years. A summary of the compound annual growth rates ("CAGR") over the past five years in key financial figures is as follows:

	2015	2010	CAGR %
Revenue (£m)	**167.3**	85.5	14.4
Adjusted EBITDA (£m)	**23.0**	12.5	13.0
Adjusted profit before tax (£m)	**18.2**	8.8	15.8
Adjusted earnings per share (p)	**24.7**	12.7	14.2

Cash flow and net debt

Cash generated from operations was £22.2m (2014: £20.7m). The increase reflects the growth in EBITDA.

Net debt increased by £14.9m to £46.2m (2014: £31.3m) largely as a consequence of higher acquisition activity and continued investment in the business. The movement in net debt is explained as follows:

	2015 £m	2014 £m
Cash generated from operations	**22.2**	20.7
Capital expenditure	**(6.5)**	(5.3)
Taxation paid	**(2.3)**	(2.5)
Interest paid	**(1.3)**	(1.2)
Free cash flow	**12.1**	11.7
Acquisitions	**(25.3)**	(12.4)
Proceeds from ordinary shares	**0.3**	0.5
Dividends paid	**(1.5)**	(1.1)
Debt issuance costs	**(0.5)**	-
Increase in net debt	**(14.9)**	(1.3)

Cash available for discretionary expenditure ("free cash flow") increased from £11.7m to £12.1m.

Capital expenditure included £2.3m spent on the refurbishments across the Group, £1.2m on the development of Lumbry Park, £1.4m was spent on maintaining and improving equipment, £0.6m on laboratory analysers, £0.6m on IT systems development, £0.2m on vehicles and £0.2m on land and property.

£22.8m was paid for the 29 surgeries and one pet crematorium which were acquired during 2015 and £2.5m of loan notes were issued as part of the consideration for the YourVets acquisition. £1.7m related to the repayment of bank loans inherited with the acquisition of YourVets. The acquired businesses have been integrated into the Group and are trading as expected.

Taxation paid increased in line with the profits of the Group. The interest payment of £1.3m was similar to last year and reflects both stable interest rates and the overall debt levels of the Group.

Proceeds from ordinary shares were primarily from the exercise of options under the Group's approved SAYE scheme which allows staff to save regular amounts each month over a three year period and benefit from increases in the Group's share price over that time.

£0.5m debt issuance costs were paid to the Group's existing lender following the agreement of an increased bank facility.

The Group's net debt comprises the following:

	2015	2014
	£m	£m
Borrowings repayable:		
within one year	**14.1**	3.6
after more than one year	**35.1**	29.9
Total borrowings	**49.2**	33.5
Cash in hand and at bank	**(3.0)**	(2.2)
Net debt	**46.2**	31.3

The £49.2m of borrowings is principally the £31.7m term loan (net of unamortised issue costs), £15.0m Revolving Credit Facility ("RCF") and £2.5m loan notes issued in respect of the YourVets acquisition. The term loan is repayable in one bullet payment in 2017 and the loan notes in 2018.

On 28th March 2015 the Group entered into a new bank facility with its existing lender. These facilities replaced the existing bank loan arrangements on more favourable terms, including a lower interest rate. The facilities comprise the following elements: a fixed term loan of £32.0m, repayable on 27th January 2017 via a single bullet repayment; a five year RCF of £48.0m that runs to 27th March 2020; and a £5.0m overdraft facility renewable annually. The facility provides an option for the Group to refinance the repayment of the £32.0m fixed term loan through an additional RCF.

The two main financial covenants associated with the Group's bank facilities are based on Group borrowings to EBITDA and Group EBITDA to interest ratios.

£33.0m of the RCF remained unutilised at 30 June 2015 but is available to fund business development including further acquisitions. The Board remains committed to expanding the Group through further acquisitions in all divisions, as well as through organic growth. The opportunities for acquisitions in all areas of the Group's business remain strong.

The Board considers that maintaining a reasonably leveraged balance sheet is appropriate for the Group, given the strong, stable and improving nature of its cash flows and the opportunities to acquire businesses that enhance profitability. The loan agreements allow borrowings to EBITDA ratio of up to 3.0 times. Given the relatively high free cash flow of the Group, the Board is comfortable with operating at close to this level.

The Group manages its banking arrangements centrally. Funds are swept daily from its various bank accounts into deposit accounts to optimise interest generation.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. The bank facility agreement requires that at least 60% of the interest rate exposure on the term loan is hedged and the hedge has been maintained at approximately 60% throughout the year.

Taxation

The Group's effective tax rate was 20.1% (2014: 24.5%). The principal reason for the significant decrease is the change in the standard taxation rate. A reconciliation of the expected tax charge at the standard rate to the actual charge in millions of pounds and as a percentage of profit before tax is shown below:

	£m	%
Profit before tax	**8.5**	
Expected tax at standard rate of tax	**1.8**	20.8
Expenses not deductible for tax	**0.3**	3.2
Adjustments to prior year tax charge	**(0.2)**	(2.8)
Benefit of tax rate change	**(0.2)**	(1.1)
Actual charge/ Effective rate of tax	**1.7**	20.1

All of the Group's revenues and the majority of expenses are subject to corporation tax. The main expenses which are not deductible for tax are costs relating to acquisitions. Tax relief against some expenses, mainly depreciation, is received over a longer period than that for which the costs are charged in the financial statements.

The tax charge has increased £0.2m on the previous year despite an increase in profitability of £2.2m. This is due to the tax on the increased profit being partially offset by the reduction in the standard rate of corporation tax which not only reduces the corporation tax charge for the year but has led to a one off reduction in the deferred tax liability to reflect the reduced rate.

Impact of increase to National Living Wage ("NLW")

The summer budget increased the NLW from £6.50 to £7.20 per hour for workers aged over 25, effective from April 2016. The change in legislation also increased the national minimum for apprentices, workers aged 16-21 and workers 21-25. The after tax impact on the Group's profit is £0.3m; however, the potential impact of maintaining salary differentials has not been quantified.

Share price performance

At the year end the market capitalisation was £382.5m (646p per share) compared to £190.5m (327p per share) at the previous year end.

Key contractual arrangements

The directors consider that the Group has only one significant third party supplier contract which is for the supply of veterinary drugs. In the event that this supplier ceased trading the Group would be able to continue in business without any disruption in trading by purchasing from alternative suppliers.

Forward looking statements

Certain statements in this Annual Report are forward-looking. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Key Performance indicators

The Directors monitor progress against the Group strategy by reference to the following financial KPIs. Performance during the year is set out in the table below

KPI	**2015/** 2014	**Definition**	**Changes in 2015**
Revenue	**£167.3m** £142.9m	Total revenue of the Group.	Acquisitions in the year and the full year impact of the prior year's acquisitions generated additional revenue of £22.0m. Other significant factors were as for like-for-like sales performance noted below.
Like-for-like sales performance	**6.8%** 6.9%	Revenue generated from all operations compared to prior year on a pro-forma basis (i.e. including unaudited pre-acquisition revenues in respect of acquisitions in the current and comparative periods).	The like for like increase reflected strong performances in all divisions. It was helped by the growth in referrals work and Healthy Pet Club membership, the development of Animed Direct and higher volumes in the Laboratories. Significant competitive pressures continued at some locations, reducing their revenue.
Healthy Pet Club revenue	**13.0%** 11.8%	Revenue received from Healthy Pet Club members as a percentage of total revenue for the year.	The growth of Healthy Pet Club membership from 162,000 to 213,000 led to the increase for the year.
Gross margin after materials percentage	**82.8%** 82.9%	Gross margin after deducting the cost of drugs and other goods sold or used by the business from revenue expressed as a percentage of total revenue.	The marginal fall in this percentage primarily reflects the higher level of growth of the Animed Direct and other businesses compared to the Veterinary Practice Division and the lower gross profit margin in practices acquired. As these businesses have a relatively low margin, the Group margin has fallen.

Adjusted EBITDA	**£23.0m** £18.3m	Earnings before income tax, net finance expense, depreciation, amortisation and costs relating to business combinations.	A £3.4m increase in adjusted EBITDA in the Practice Division and smaller increases in the other divisions has been partly offset by increased central costs incurred to build a foundation for further development of the Group.
Adjusted EPS	**24.7p** 19.0p	Earnings, adjusted for amortisation, costs relating to business combinations and non-recurring tax credits net of the notional tax impact of the above, divided by the weighted average number of issued shares.	The increase primarily reflects the improvement in the adjusted EBITDA.
Cash generated from operations	**£22.2m** £20.7m	Cash inflow before payments of taxation and interest, acquisitions, purchase of property, plant, equipment and intangible assets, payments of dividends, debt issue costs, increase/repayment of bank loans and proceeds from issue of shares	The increase primarily reflects the improvement in EBITDA of the business.
Return on investment on acquisitions made during the year	**18.7%** 20.9%	Annualised adjusted EBITDA relating to acquisitions during the year compared to the consideration paid.	The reduction in Return on Investment ("ROI") is reflective of the higher average EBITDA multiples being paid for acquisitions.

Principal risks and uncertainties

The Group's businesses are subject to a wide variety of risks. Some of the most significant risks are explained below together with details of actions that have been taken to mitigate these risks.

Risk	**Description**	**Mitigating factors**
Economic environment	A poor economic environment poses a risk to the Group through reduced consumer spending on veterinary, laboratory, crematoria and on-line services.	The improvement in the UK economy in the last few years has helped the business to improve revenue and profitability but the Group seeks to become more resilient to future downturns in economic conditions. The expansion of the Group's business to provide a broader based service including referrals, out-of-hours, equine and large animal services spreads the risk of a downturn in any one business. The Veterinary Practice Division has continued to grow its Healthy Pet Club loyalty schemes during the year as one way of mitigating this risk. The scheme has the significant benefits of stimulating customer loyalty, ensuring clinical compliance in preventive medicine, protecting revenue from drug sales, and bringing customers into the surgery. The further development of an own brand product range will help to reduce the risk of customers buying drugs on-line, whilst the growth of Animed Direct protects the Group further as customers switching to buying on-line will still be buying from CVS.
Competition	The Group is exposed to risk through the actions of competitors.	The geographic spread of the Group's businesses and the fragmented nature of the market mean that the Directors do not consider this to be a significant risk. Furthermore, the expansion of the Group's Healthy Pet Club loyalty schemes, the expansion into other business areas and the growth of Animed Direct, our on-line dispensary and pet shop, provide further mitigation against the risk of competition.
Adverse weather	In common with many businesses the Group's revenue is adversely affected during sustained periods of severe winter weather.	The increasing proportion of income through the Healthy Pet Club and on-line through Animed Direct reduces the risk of lost income through poor weather. As the Group widens its geographical presence the exposure to this risk will be further mitigated.
Key personnel	The Group has limited risk in relation to the ability to attract and retain appropriately qualified veterinary	The Group is committed to the development of its employees and will continue to recruit specialist and qualified professionals to promote its services. Our graduate recruitment scheme is recognised across the

	surgeons.	industry and our Aspirational Leadership Programme helps to develop and retain senior staff. The involvement of senior personnel is encouraged through the operation of the Group's LTIP scheme. An annual SAYE scheme, available to all staff, aids the retention of other staff.
Clinical standards	If clinical standards expected by customers, industry forums and regulatory authorities are not maintained the Group is at risk of losing revenue.	The Group has established a formal organisation structure such that clinical policies and procedures are developed by veterinary experts. Day-to-day monitoring and staff training ensures compliance. The Group has further mitigated risk by ensuring that suitable insurance policies are taken out at both an individual and corporate level.
Adverse publicity	Adverse publicity could result in a reduction in customer numbers and in revenue.	The Group has policies and procedures in place to ensure that high standards of customer service and clinical excellence are maintained. The individual branding of our practices reduces the risk of publicity at one practice impacting on another.
Changes in veterinary regulations	Changes in veterinary regulations could impact on the work we are allowed to perform and the way we work.	No significant proposed changes are known. Any changes are likely to impact on our competitors in the same way they impact on the Group.
Changes in taxation	Most changes in taxation cannot be predicted and the impact of any change can be variable.	The only changes in taxation that have been proposed and impact on the Group is a reduction in the corporation tax rate from 20% to 19% from 1 April 2017 and to 18% in 2020. This will benefit the Group. Changes in taxation are likely to impact on our competitors in the same way they impact on the Group.
Reliance on one supplier of medicines	The majority of medicines are purchased through one wholesaler.	A two year supply agreement was signed in April 2015 to secure the provision of medicines. Three wholesalers can supply most medicines; hence supply is available if the existing CVS wholesaler were to withdraw. CVS also has direct relationships with many manufacturers which would enable direct supply should any difficulties occur.

Consolidated income statement for the year ended 30 June 2015

	Note	2015 £m	2014 £m
Revenue	2	**167.3**	142.9
Cost of sales		**(88.2)**	(77.7)
Gross profit		**79.1**	65.2
Administrative expenses		**(69.3)**	(57.7)
Operating profit		**9.8**	7.5
Net finance expense		**(1.3)**	(1.2)
Profit before income tax	2	**8.5**	6.3
Income tax expense	3	**(1.7)**	(1.5)
Profit for the year attributable to owners of the Parent		**6.8**	4.8
Earnings per ordinary share for profit attributable to owners of the Company (expressed in pence per share) ("EPS")			
Basic	4	**11.6p**	8.3p
Diluted	4	**11.3p**	8.0p

The following table is provided to show the comparative earnings before interest, tax, depreciation and amortisation ("EBITDA") after adjusting for costs relating to business combinations and share option expense.

Non-GAAP measure: Adjusted EBITDA	Note	2015 £m	2014 £m
Profit before income tax	2	**8.5**	6.3
Adjustments for:			
Net finance expense		**1.3**	1.2
Depreciation		**3.5**	2.8
Amortisation		**8.5**	7.3
Costs relating to business combinations		**1.2**	0.7
Adjusted EBITDA	2	**23.0**	18.3

Statement of consolidated comprehensive income for the year ended 30 June 2015

	2015 £m	2014 £m
Profit for the year	**6.8**	4.8
Other comprehensive income – items that will or may be reclassified to Profit/(loss) in future periods		
Cash flow hedges:		
Fair value (losses)/gains	**(0.1)**	0.2
Other comprehensive income for the year, net of tax	**(0.1)**	0.2
Total comprehensive income for the year attributable to owners of the Parent	**6.7**	5.0

Consolidated balance sheet as at 30 June 2015

	Note	**Group 2015 £m**	Group 2014 £m
Non-current assets			
Intangible assets		**79.2**	58.8
Property, plant and equipment		**20.0**	14.5
Investments		**0.1**	0.1
Deferred income tax assets		**1.8**	1.1
		101.1	74.5
Current assets			
Inventories		**5.8**	4.6
Trade and other receivables		**17.1**	13.8
Cash and cash equivalents		**3.0**	2.2
		25.9	20.6
Total assets	2	**127.0**	95.1
Current liabilities			
Trade and other payables		**(30.4)**	(25.7)
Current income tax liabilities		**(1.7)**	(1.0)
Borrowings	7	**(14.1)**	(3.6)
		(46.2)	(30.3)
Non-current liabilities			
Borrowings	7	**(35.1)**	(29.9)
Deferred income tax liabilities		**(6.5)**	(3.7)
Derivative financial instruments		**(0.1)**	-
		(41.7)	(33.6)
Total liabilities	2	**(87.9)**	(63.9)
Net assets		**39.1**	31.2
Shareholders' equity			
Share capital		**0.1**	0.1
Share premium		**9.5**	9.2
Capital redemption reserve		**0.6**	0.6
Revaluation reserve		**0.1**	0.1
Merger reserve		**(61.4)**	(61.4)
Retained earnings		**90.2**	82.6
Total equity		**39.1**	31.2

The financial information comprising the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and the related notes, were authorised for issue by the Board of Directors on 25 September 2015 and were signed on its behalf by:

Nick Perrin
Director

Simon Innes
Director

Company registered number: 06312831

Consolidated statement of changes in equity for the year ended 30 June 2015

	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Retained earnings £m	Total Equity £m
At 1 July 2013	0.1	8.7	0.6	0.1	(61.4)	76.6	24.7
Profit for the year	-	-	-	-	-	4.8	4.8
Other comprehensive income							
Cash flow hedges:							
Fair value gains	-	-	-	-	-	0.2	0.2
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**5.0**	**5.0**
Transactions with owners							
Issue of ordinary shares	-	0.5	-	-	-	-	0.5
Credit to reserves for share-based payments	-	-	-	-	-	1.4	1.4
Deferred tax relating to share-based payments	-	-	-	-	-	0.8	0.8
Deferred tax relating to financial instruments	-	-	-	-	-	(0.1)	(0.1)
Dividends to equity holders of the Company	-	-	-	-	-	(1.1)	(1.1)
Transactions with owners	**-**	**0.5**	**-**	**-**	**-**	**1.0**	**1.5**
At 30 June 2014	**0.1**	**9.2**	**0.6**	**0.1**	**(61.4)**	**82.6**	**31.2**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Retained earnings £m	Total Equity £m
At 1 July 2014	**0.1**	**9.2**	**0.6**	**0.1**	**(61.4)**	**82.6**	**31.2**
Profit for the year	-	-	-	-	-	6.8	6.8
Other comprehensive income							
Cash flow hedges:							
Fair value losses	-	-	-	-	-	(0.1)	(0.1)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**6.7**	**6.7**
Transactions with owners							
Issue of ordinary shares	-	0.3	-	-	-	-	0.3
Credit to reserves for share-based payments	-	-	-	-	-	1.2	1.2
Deferred tax relating to share-based payments	-	-	-	-	-	1.2	1.2
Dividends to equity holders of the Company	-	-	-	-	-	(1.5)	(1.5)
Transactions with owners	**-**	**0.3**	**-**	**-**	**-**	**0.9**	**1.2**
At 30 June 2015	**0.1**	**9.5**	**0.6**	**0.1**	**(61.4)**	**90.2**	**39.1**

Consolidated cash flow statement for the year ended 30 June 2015

	Note	**Group 2015 £m**	Group 2014 £m
Cash flows from operating activities			
Cash generated from operations	8	**22.2**	20.7
Taxation paid		**(2.3)**	(2.5)
Interest paid		**(1.3)**	(1.2)
Net cash generated from operating activities		**18.6**	17.0
Cash flows from investing activities			
Acquisitions (net of cash acquired)	5	**(21.1)**	(12.4)
Purchase of property, plant and equipment		**(6.1)**	(4.9)
Purchase of intangible assets		**(0.4)**	(0.4)
Net cash used in investing activities		**(27.6)**	(17.7)
Cash flows from financing activities			
Dividends paid		**(1.5)**	(1.1)
Proceeds from issue of ordinary shares		**0.3**	0.5
Debt issuance costs		**(0.5)**	-
Increase/(Repayment) of bank loan		**11.5**	(2.3)
Net cash used in financing activities		**9.8**	(2.9)
Net increase in cash and cash equivalents		**0.8**	(3.6)
Cash and cash equivalents at beginning of year		**2.2**	5.8
Cash and cash equivalents at end of year		**3.0**	2.2

Notes to the consolidated financial statements for the year ended 30 June 2015

1. Summary of significant accounting policies

Statement under s498 – publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2015 or 2014, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2015, on which the Group's auditors have given an unqualified report which does not contain statements under Section 498(2) or (3) of the Companies Act 2006, will be filed with the Registrar of Companies subsequent to the Group's next annual general meeting. Statutory financial statements for 2014 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Basis of preparation

The consolidated financial statements, from which this preliminary announcement is derived, have been prepared on a going concern basis and under the historical cost convention, except for certain financial instruments that have been measured at fair value. The Group has operated within the levels of its current debt facility and complied with both the financial and non-financial covenants contained in the facility agreement therein throughout the year under review and to the date of the approval of the financial statements. The Group is forecasting that it will continue to operate within the levels of its current facility and comply with the financial and non-financial covenants contained in the facility agreement. On this basis the Directors consider it appropriate to prepare the consolidated financial statements on the going concern basis.

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted for use in the European Union and as issued by the International Accounting Standards Board, this announcement does not itself contain sufficient information to comply with IFRS. Other than as stated below, the accounting policies applied in preparing this financial information are consistent with the Group's financial statements for the year ended 30 June 2015.

Use of non-GAAP measures

Adjusted EBITDA and Adjusted Profit Before Tax ("Adjusted PBT")

The Directors believe that adjusted EBITDA, adjusted PBT and adjusted EPS provide additional useful information for shareholders on underlying trends and performance. These measures are used for internal performance analysis. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit or earnings per share.

Adjusted EBITDA is calculated by reference to profit before income tax, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations.

Adjusted profit before income tax is calculated as profit on ordinary activities before amortisation, taxation, costs relating to business combinations and exceptional items.

Like-for-like sales

Like-for-like sales comprise the revenue generated from all operations compared to the prior year (on a pro forma basis, i.e. including unaudited pre acquisition revenues in respect of acquisitions in the current and comparative periods), after adjusting for sites under refurbishment and discontinued operating activities.

2. Segmental reporting

The operating segments are based on the Group's management and internal reporting structure and monitored by the Group's CODM. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and associated costs, taxation related assets/liabilities, costs relating to business combinations and head office salary and premises costs.

The business operates predominantly in the UK. It performs a small amount of laboratory work for European based clients and Animed Direct Limited distributes a small quantity of goods to European countries. In accordance with IFRS 8 "Operating segments" no segmental results are presented for trade with European clients as these are not reported separately for management reporting purposes.

Operating segments

The Group is split into four operating segments (veterinary practices, laboratories, crematoria and Animed Direct) and a centralised support function for business segment analysis. In identifying these operating segments, management generally follows the group's services lines representing its main products and services.

Each of these operating segments are managed separately as each segment requires different specialisms, marketing approaches and other resources.

Year ended 30 June 2015	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Animed Direct £m**	**Head Office £m**	**Group £m**
Revenue	**147.5**	**13.1**	**2.6**	**10.3**	**(6.2)**	**167.3**
Profit/(loss) before income tax	**15.4**	**1.7**	**0.7**	**0.5**	**(9.8)**	**8.5**
Adjusted EBITDA	**25.3**	**2.2**	**0.8**	**0.5**	**(5.8)**	**23.0**
Total assets	**109.2**	**7.9**	**3.6**	**3.5**	**2.8**	**127.0**
Total liabilities	**(30.2)**	**(1.9)**	**(0.8)**	**(3.0)**	**(52.0)**	**(87.9)**
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	**15.4**	**1.7**	**0.7**	**0.5**	**(9.8)**	**8.5**
Net finance expense	**-**	**-**	**-**	**-**	**1.3**	**1.3**
Depreciation	**2.6**	**0.5**	**0.1**	**-**	**0.3**	**3.5**
Amortisation	**6.9**	**-**	**-**	**-**	**1.6**	**8.5**
Costs relating to business combinations	**0.4**	**-**	**-**	**-**	**0.8**	**1.2**
Adjusted EBITDA	**25.3**	**2.2**	**0.8**	**0.5**	**(5.8)**	**23.0**

Year ended 30 June 2014	**Veterinary Practices (restated[1]) £m**	**Laboratories (restated[1]) £m**	**Crematoria (restated[1]) £m**	**Animed Direct £m**	**Head Office (restated[1]) £m**	**Group £m**
Revenue	126.4	10.6	1.6	8.5	(4.2)	142.9
Profit/(loss) before income tax	13.3	0.9	0.3	0.3	(8.5)	6.3
Adjusted EBITDA	21.9	1.1	0.4	0.3	(5.4)	18.3
Total assets	81.2	6.4	2.3	3.0	2.2	95.1
Total liabilities	(23.0)	(1.7)	(0.6)	(2.8)	(35.8)	(63.9)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	13.3	0.9	0.3	0.3	(8.5)	6.3
Net finance expense	-	-	-	-	1.2	1.2
Depreciation	2.3	0.2	0.1	-	0.2	2.8
Amortisation	6.1	-	-	-	1.2	7.3
Costs relating to business combinations	0.2	-	-	-	0.5	0.7
Adjusted EBITDA	21.9	1.1	0.4	0.3	(5.4)	18.3

[1] A number of costs relating to the Veterinary Practice, Laboratories and Crematoria divisions were previously charged in central administration. These are now charged in the appropriate division and figures for comparative periods have been restated.

3. Income tax expense

a) Analysis of income tax expense recognised in the income statement

	2015 £m	2014 £m
Current tax expense		
UK corporation tax	**2.6**	2.3
Adjustments in respect of previous years	**-**	0.2
Total current tax charge	**2.6**	2.5
Deferred tax expense		
Origination and reversal of temporary differences	**(0.5)**	(0.7)
Adjustments in respect of previous years	**(0.2)**	-

Effect of tax rate change on opening deferred tax balance	**(0.2)**	(0.3)
Total deferred tax credit	**(0.9)**	(1.0)
Total income tax expense	**1.7**	1.5

Factors affecting the current tax charge

UK corporation tax is calculated at 20.8% (2014: 22.5%) of the estimated assessable profit for the year. The standard rate of UK corporation tax changed from 21% to 20% with effect from 1 April 2015.

(b) Reconciliation of effective income tax charge

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015 **£m**	2014 £m
Profit before tax	**8.5**	6.3
Effective tax charge at 20.8% (2014: 22.5%)	**1.8**	1.4
Effects of:		
Expenses not deductible for tax purposes	**0.3**	0.2
Effect of tax rate change on opening deferred tax balance	**(0.2)**	(0.3)
Adjustments to deferred tax charge in respect of previous years	**(0.2)**	-
Adjustments to current tax charge in respect of previous years	**-**	0.2
Total income tax expense	**1.7**	1.5

The Chancellor of the Exchequer has stated his intention to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017. This change has not been substantively enacted at the balance sheet date and, therefore, is not reflected in these financial statements. Had this change been enacted, then the cumulative effects would have been to decrease the net deferred tax liability provided at the balance sheet date by £0.2m.

4. Earnings per Ordinary share

(a) Basic

Basic earnings per Ordinary share are calculated by dividing the profit after taxation by the weighted average number of shares in issue during the year.

	2015	2014
Earnings attributable to Ordinary shareholders (£m)	**6.8**	**4.8**
Weighted average number of Ordinary shares in issue	**58,814,787**	**57,728,337**
Basic earnings per share (pence per share)	**11.6**	**8.3**

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. The Company has potentially dilutive Ordinary shares being the contingently issuable shares under the Group's long term incentive plan schemes and SAYE schemes. For share options, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2015	2014
Earnings attributable to Ordinary shareholders (£m)	**6.8**	4.8
Weighted average number of Ordinary shares in issue	**58,814,787**	57,728,337

Adjustment for contingently issuable shares – Long term incentive plans	**1,078,285**	1,338,424
Adjustment for contingently issuable shares – SAYE schemes	**624,663**	470,375
Weighted average number of Ordinary shares for diluted earnings per share	**60,517,735**	59,537,136
Diluted earnings per share (pence per share)	**11.3**	8.0

Non-GAAP measure: Adjusted earnings per share

Adjusted earnings per Ordinary share is calculated as adjusted profit before income tax less applicable taxation divided by the weighted average of ordinary shares in issue in the period.

	2015	2014
	£m	£m
Earnings attributable to Ordinary shareholders	**6.8**	4.8
Add back taxation	**1.7**	1.5
Profit before taxation	**8.5**	6.3
Adjustments for:		
Amortisation	**8.5**	7.3
Costs relating to business combinations (note 5)	**1.2**	0.7
Adjusted profit before income tax	**18.2**	14.3
Tax effect of the above adjustments at 20.8% (2014: 22.5%)	**(3.7)**	(3.3)
Adjusted profit after income tax and earnings attributable to owners of the Parent	**14.5**	11.0
Weighted average number of Ordinary shares in issue	**58,814,787**	57,728,337
Weighted average number of Ordinary shares for diluted earnings per share	**60,517,735**	59,537,136
	Pence	Pence
Adjusted earnings per share	**24.7p**	19.0p
Diluted adjusted earnings per share	**24.0p**	18.5p

5. Business combinations

Details of business combinations in the year ended 30 June 2015 are set out below, in addition to an analysis of post-acquisition performance of the respective business combinations, where practicable.

Given the nature of the veterinary surgeries acquired (mainly partnerships or sole traders) and the records maintained by such practices it is not practicable to disclose the revenue or profit/loss of the combined entity for the year as though the acquisition date for all business combinations effected during the year had been the beginning of that year. It is not practicable to disclose the impact of the business combinations on the consolidated cash flow statement as full ledgers were not maintained for each business combination in relation to all related assets and liabilities post acquisition.

The table below summarises the assets acquired in the year ended 30 June 2015:

	Book value of acquired assets £m	**Adjustments £m**	**Fair value £m**
Property plant and equipment	**2.9**	**-**	**2.9**
Patient data records	**6.8**	**17.3**	**24.1**
Customer lists	**-**	**0.7**	**0.7**
Goodwill	**-**	**3.7**	**3.7**

Inventory	**0.6**	**(0.1)**	**0.5**
Deferred tax liability	**-**	**(4.2)**	**(4.2)**
Trade and other receivables	**1.8**	**-**	**1.8**
Trade and other payables	**(4.5)**	**-**	**(4.5)**
Loans	**(1.7)**	**-**	**(1.7)**
Net assets acquired	**5.9**	**17.4**	**23.3**
Deferred consideration payable via loan notes			**(2.5)**
Consideration paid - cash			**20.8**
Deferred consideration paid in respect of prior year acquisitions			**0.3**
Total consideration paid in year – cash			**21.1**

Post-acquisition revenue and post-acquisition EBITDA were £7.7m and £1.0m respectively. The post-acquisition period is from the date of acquisition to 30 June 2015. Post-acquisition EBITDA represents the direct operating result of practices from the date of acquisition to 30 June 2015 prior to the allocation of central overheads, on the basis that it is not practicable to allocate these.

The acquisition costs incurred in relation to the above business combinations amounted to £0.8m for the year.

Included within the table above is the acquisition of YourVets, which is considered to be material for the purposes of these financial statements and therefore the elements pertaining to the acquisition of YourVets have been separately disclosed in the table below. The fair values of the assets and liabilities are provisional.

	Book value of acquired assets £m	**Adjustments £m**	**Fair value £m**
Property plant and equipment	**1.9**	**-**	**1.9**
Patient data records	**3.5**	**8.3**	**11.8**
Goodwill	**-**	**3.6**	**3.6**
Inventory	**0.2**	**-**	**0.2**
Deferred tax liability	**-**	**(2.5)**	**(2.5)**
Trade and other receivables	**1.3**	**-**	**1.3**
Trade and other payables	**(2.9)**	**-**	**(2.9)**
Loans	**(1.7)**		**(1.7)**
Net assets acquired	**2.3**	**9.4**	**11.7**
Deferred consideration payable via loan notes			**(2.5)**
Consideration paid - cash			**9.2**
Deferred consideration paid in respect of prior year acquisitions			**-**
Total consideration paid in year – cash			**9.2**

Business combinations in previous years

Details of business combinations in the comparative year are presented in the consolidated financial statements for the year ended 30 June 2014.

Business combinations subsequent to the year end

Subsequent to the year end, the Group acquired the share capital of Dovecote Veterinary Hospital, a referral practice based in Castle Donington on 20 July 2015, Rosemullion Veterinary Practice, a four surgery practice based in Helston, Penryn and

Falmouth on 11 August 2015, and Torbridge Veterinary Group, a three surgery practice based in Bideford, South Molton and Torrington on 21 September 2015 for a total cash consideration £7.1m. Assets acquired comprised principally intangible patient data records with a provisional fair value of £7.1m.

6. Dividends

	2015	2014
	£m	£m
Amounts recognised as distributions in the year in respect of:		
Ordinary shares	**1.5**	1.1

The Directors have proposed a final dividend of 3.0p (2014: 2.5p) per share (total £1.8m), payable on 11 December 2015 to shareholders on the register at the close of business on 27 November 2015. The dividend has not been included as a liability as at 30 June 2015. During the year a dividend of 2.5p per share amounting to £1.5m was paid.

7. Borrowings

Borrowings comprise bank loans and are denominated in sterling. The repayment profile is as follows:

Group	**2015**	2014
	£m	£m
Within one year or on demand	**14.1**	3.6
Between one and two years	**32.6**	4.0
Between two and three years	**2.5**	25.9
	49.2	33.5

The balances above are shown net of issue costs of £0.6m (2014: £0.2m), which are being amortised over the term of the bank loans. The carrying amount of borrowings is deemed to be a reasonable approximation to fair value.

On 28th March 2015, the Group entered into a new bank facility agreement with Royal Bank of Scotland ("RBS"). This facility agreement replaced the existing bank loan arrangements with RBS on more favourable terms, including a lower coupon rate. The facilities comprise the following elements: a fixed term loan of £32.0m, repayable on 27th January 2017 via a single bullet repayment; a five year Revolving Credit Facility of £48.0m that runs to 27th March 2020; and £5.0m overdraft facility renewable annually. The facility provides an option for the Group to refinance the repayment of the £32.0m fixed term loan through an additional RCF.

The two main financial covenants associated with the Group's bank facilities are based on Group borrowings to EBITDA and Group EBITDA to interest ratios. The bank loans, revolving facility and overdraft are unsecured, although there are cross guarantees in place from most of the Group's trading subsidiaries.

Undrawn committed borrowing facilities

At 30 June 2015 the Group has a committed overdraft facility of £5.0m (2014: £5.0m) and a RCF of £48.0m (2014: £10.0m). The overdraft facility was undrawn at 30 June 2015 and 30 June 2014. £33.0m of the RCF was undrawn at 30 June 2015 (2014: £10.0m).

8. Cash flow generated from operations

	2015	2014
	£m	£m
Profit for the year	**6.8**	4.8
Taxation	**1.7**	1.5
Total finance costs	**1.3**	1.2
Amortisation of intangible assets	**8.5**	7.3
Depreciation of property, plant and equipment	**3.5**	2.8
(Increase)/decrease in working capital:		
Inventories	**(0.6)**	(0.9)

Trade and other receivables	**(1.9)**	(0.5)
Trade and other payables	**1.7**	3.1
Share option expense	**1.2**	1.4
Total net cash flow generated from operations	**22.2**	20.7