For Immediate Release **27 September 2019**

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

Preliminary Results for the year ended 30 June 2019

CVS, the UK's leading provider of integrated veterinary services, is pleased to announce its preliminary results for the year ended 30 June 2019.

Financial Highlights

	Year ended 30 June 2019	Year ended 30 June 2018	Change[4] %
Revenue (£m)	406.5	327.3	+24.2
Adjusted EBITDA (£m)[1]	54.5	47.6	+14.5
Adjusted profit before income tax (£m)[2]	41.4	36.0	+15.0
Adjusted earnings per share (pence)[3]	46.7	42.4	+10.1
Cash generated from operations (£m)	52.1	46.7	+11.6
Profit before income tax (£m)	11.7	14.1	-17.0
Basic earnings per share (pence)	11.6	16.0	-27.5
Proposed dividend (pence)	5.5	5.0	+10.0

- Revenue up 24.2% to £406.5m
- Like-for-like sales growth for the Group of +5.2% [5]
- Healthy Pet Club members up 10.8% to 401,000
- Adjusted EBITDA up 14.5% to £54.5m
- Adjusted earnings per share increased 10.1% to 46.7 pence per share
- Cash generated from operations up 11.6% to £52.1m
- Profit before income tax down 17.0% to £11.7m due to amortisation costs in relation to acquisitions
- Leverage reduced to 2.08x at 30 June 2019
- Significant improvement in second half
- Now operate 510 surgeries across the UK, the Netherlands and the Republic of Ireland

[1] Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.

[2] Adjusted profit before income tax is calculated before amortisation, taxation, costs relating to business combinations and exceptional items.

[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 year.

[4] Percentage changes have been calculated throughout this document based on the unrounded values.

[5] Like for like sales are as defined in the Summary of significant accounting policies

Richard Connell, Chairman of CVS commented:

"The Group delivered a significant improvement in financial performance in the second half of the financial year following a disappointing first half. This improvement reflects our actions in addressing the key issues which had impacted performance and I am pleased that the Group continues to show positive trends in the early part of the new financial year.

CVS operates in a sector with favourable market and consumer trends which has proven resilient in past economic downturns.

Plans are in place to manage any short-term Brexit impacts and the Board is confident that the business is well placed to avoid significant adverse impacts from the UK's decision to exit the EU.

Multiple initiatives are being pursued to drive further organic growth and the Group continues to generate strong operating cashflow. This positions the business well for further investment in our people and facilities and a continued focus on delivering the highest standards of clinical care. We will explore selective acquisitions where the Board is confident that they generate appropriate returns.

I am pleased with the improvements made and am confident that CVS is well positioned for future growth and a further restoration of shareholder value."

The annual report and accounts will be available on the Group's website www.cvsukltd.co.uk together with this announcement from 27 September 2019 and will be posted to shareholders who have requested a hard copy in due course.

This announcement is released by CVS Group plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR"), encompassing information relating to trading for the Company's current financial year, and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by the directors named below.

Contacts:

CVS Group plc	**01379 644 288**
Simon Innes, Chief Executive Officer	
Richard Fairman, Chief Finance Officer	
N+1 Singer – Nominated Adviser & Broker	**020 7496 3000**
Aubrey Powell (Corporate Finance)	
Rachel Hayes (Corporate Broking)	

Chairman's statement

A strong half two performance

The Group delivered a significant improvement in financial performance in the second half of the financial year following a disappointing first half. A number of actions have been taken to address performance and I am confident that CVS is well positioned for future growth and a continued restoration of shareholder value.

Financial performance

We generated revenue for the year of £406.5m, a 24.2% increase over the prior year (2018: £327.3m). This increase reflected a number of acquisitions in the first half of the financial year coupled with robust like-for-like sales growth of 5.2% for the Group as a whole (2018: 4.9%) and 4.3% in our veterinary Practices (2018: 3.0%).

Adjusted EBITDA increased by 14.5% to £54.5m (2018: £47.6m) reflecting a stronger second half of the year. Adjusted EPS increased by 10.1% to 46.7p (2018: 42.4p).

Cash generated from operations increased by 11.6% to £52.1m (2018: £46.7m). Profit before tax decreased by 17.0% to £11.7m (2018: £14.1m) due to increased amortisation. Basic EPS decreased by 27.5% to 11.6p (2018: 16.0p).

CVS finished the year with net debt of £102.0m (2018: £69.0m) and leverage of 2.08x (2018: 1.44x).

Growth Initiatives

We have a number of opportunities to develop the business and generate enhanced shareholder value as set out on in our annual report on pages 12 and 13 'Our market', pages 14 and 15 'Our business model' and pages 16 and 17 'Our strategic priorities'. Risks which we have identified and our approach to mitigating these are set out on pages 32 to 36.

The Board remains confident that our business model is resilient and sustainable.

Our integrated veterinary platform gives CVS a strong base from which to deliver future growth. Our core first opinion and referrals practices enable us to provide the highest levels of end to end clinical care. We have seen significant growth in the financial year from our Referrals business with revenues increasing by 21.6% to £22.5m (2018: £18.5m). This reflects our success in recruiting a number of additional specialists and in increasing the number of referral cases. We are focused on delivering further growth in our referrals business in the coming year. We have launched a new referrals website to make it easier for first opinion veterinary surgeons to refer cases by putting them in touch with our growing list of specialists and allowing them access the most appropriate specialist care.

We will continue to promote our Healthy Pet Club as a means to providing the highest levels of preventative medicine. We had 401,000 members at 30 June 2019 an increase of 10.8% in the year (2018: 362,000). We have also launched a Healthy Horse Programme which had 7,000 members at 30 June 2019 (2018: 3,000).

Through the above focus in both our first opinion and referrals practices we are able to offer our clients and patients an increasing level of clinical care. This naturally results in advanced clinical procedures, better outcomes for our patients and a resulting increase in average transaction values.

We have 22 specialist out-of-hours centres in operation following the opening of three new sites in the financial year. We have plans in place to open a further eight sites in the next twelve months to provide dedicated round the clock care to both CVS and private practices.

We launched our own brand MiPet medicines for small animal practices in 2013 and these now account for 25% of our small animal drug sales. We also launched our first own label Equine product in July 2019. We are investing in a new warehouse management system at our Diss offices which will go live in second half of the new financial year. This will facilitate a further increase in our ability to undertake direct supply of drugs to our practices and will allow us to further expand our own brand drug range.

Revenue from Animed Direct, our on-line dispensary and retailer, increased by 24.3% in the year to £23.3m (2018: £18.8m). The new warehouse management system will also support the further expansion of our product range in Animed Direct and help deliver improvements in margins.

Our Laboratory division continues to focus on the provision of in-house analysers and re-agents to CVS and private practices and in the provision of a full range of pathology tests on samples taken from patients. New equine and farm tests are being developed in support of our first opinion practices. We continue to invest in our pet Crematoria division with a new Equine cremator being installed in our Whitley Brook crematorium and a planned redevelopment of our Greenacres crematorium in order to increase capacity. We will continue to seek opportunities to acquire further laboratory and crematoria businesses in support of our non-UK businesses in Ireland and the Netherlands.

In August 2018 we acquired Vet Direct, an equipment and consumables supply business which provides a one-stop shop for CVS and private practices. We will seek to expand the Vet Direct product range and have now folded our existing Vetisco instruments business into Vet Direct.

Organic growth from our existing businesses will be supported by selective acquisitions where the Board is confident that appropriate returns can be achieved. We continue to maintain a pipeline of acquisition opportunities.

Our people

CVS now employs 6,548 staff (2018: 6,150) including 75 specialists (2018: 57), 1,829 veterinary surgeons (2018: 1,460) and 2,376 nurses (2018: 2,041).

Our staff are at the heart of our business and we are committed to investing in their continued development and well being. Our culture and values drive our business and success through our people is a core value. Further details on our culture and values are set out on page 30 of our annual report.

We recruited Professor Renate Weller in October 2018 to lead our learning, education and development programme with our goal being to ensure that all staff have access to the clinical and non-clinical training and support they need. We are committed to providing all staff with opportunities to progress, whether in advancing their clinical education and experience, or in developing leadership opportunities within the business.

We have launched a new wellbeing and mental health awareness programme in support of our staff with on-site support provided through trained mental health workplace champions.

One of the key structural issues facing the veterinary profession in the UK has been the shortage of vets and nurses, as illustrated with CVS vet vacancy rates peaking at 12.5% in the previous financial year. We are pleased that the Home Office has accepted the Migration Advisory Committee's proposal to reinstate the veterinary surgeon on the UK's Shortage Occupation List and this should in time improve the supply of overseas vets in the UK. CVS has taken a number of actions to improve its own vacancy rate and we are encouraged by the improvement seen in the second half of the financial year with vet vacancy rates averaging 8.4% in that period. We will continue to invest in our people and our existing practices in order to position CVS as the veterinary employer of choice.

Board Governance

We review the Board composition and effectiveness regularly and are committed to ensuring we have the right balance of skills and experience within the Board.

During the year we made one change with Richard Fairman joining the Board in August 2018 and replacing Nick Perrin as Chief Financial Officer at the end of September 2018.

In September 2018 we adopted the FRC's UK Corporate Governance Code and will continue to promote best practice.

Shareholder engagement

The Board as a whole, and the Chairs of the Audit and Remuneration Committees continue to consult with shareholders on key matters. We were delighted to host a number of our major shareholders at our Lumbry Park referral hospital in July 2019.

Dividends

It is proposed to pay a dividend of 5.5p per share in December 2019, a 10.0% increase on the 5.0p per share paid in 2018. The financial performance of the business and its strong cash generation support an increase in dividends whilst enabling the Group to retain sufficient funds for further investment in the business.

Outlook

CVS operates in a sector with favourable market and consumer trends, with pet owners increasingly willing to spend money on their pets and medical enhancements increasing the range of services we can offer.

Despite continued uncertainty over Brexit with the potential for a "hard" Brexit increasingly likely, the Board is confident that CVS is well positioned to avoid significant adverse impacts from the UK's decision to exit the EU. Pharmaceutical manufacturers and wholesalers are increasing their stock levels in order to reduce the risk of supply shortages and following the acquisition of Vet Direct, CVS now controls more of its equipment and consumables supplies.

The pace of growth in the UK economy may be impacted by Brexit uncertainty, but the veterinary sector has proven to be resilient in past periods of economic downturn and the Board believes CVS is sufficiently resilient to withstand any potential future downturn.

The performance of the business was considerably improved in the second half of the financial year and the Board is confident that the Group is well placed to deliver further enhancement in shareholder value in the forthcoming financial year.

I would like to thank all of our colleagues for their contribution to the past financial year. Their professionalism, dedication and commitment to providing the highest levels of clinical care to our customers and their animals forms the heart of our business. I look forward to working with them to continue the successful growth of CVS in the future.

Richard Connell

Non-Executive Chairman

27 September 2019

Business review

We continue to invest in our practices and people to achieve our strategic priorities

Introduction

CVS Group operates an integrated veterinary platform with our Veterinary Practices division at the core of the business. This is integrated with a range of complementary supporting services to internalise services and improve margins, with these services provided from our Laboratories, Crematoria and Animed Direct divisions.

Revenue by Division

	2019	2018
	£m	£m
Veterinary Practices	**370.7**	297.5
Laboratories	**20.1**	17.9
Crematoria	**7.3**	6.6
Animed Direct	**23.3**	18.8
Head Office	**(14.9)**	(13.5)
Total Group	**406.5**	327.3

Like for like revenue	**2019**	**2018**	**Growth**
	£m	**£m**	**%**
Group revenue	406.5	327.3	

Adjustment for acquisitions	(62.2)		
Underlying Group Revenue	**344.3**	**327.3**	**5.2%**

Veterinary Practices Division

	2019 **£m**	2018 £m
Total revenue	**370.7**	297.5
Adjusted EBITDA	**56.2**	50.1
EBITDA margin %	**15.2**	16.9

The Veterinary Practices division comprises the four key veterinary practice areas of Small Animal, Referrals, Equine and Farm plus ancillary areas such as MiPet Insurance, Vet Direct and our buying groups. Like-for-like growth from the four key veterinary practice areas prior to intercompany sales elimination was 4.3% for the year (2018: 2.9%).

Revenue for these four key areas amounted to £360.2m (2018: £291.4m), an increase of 23.6%. Total revenue for the veterinary practice division amounted to £370.7m (2018: £297.5m), an increase of 24.6% on the prior year. Like-for-like sales for the practices division as a whole increased by 3.7% (2018: 3.0%).

The mix of revenue within the veterinary practices division changed in the year, reflecting growth from the newer Farm practices which accounted for 10.4% of veterinary practice division revenue in the year (2018: 4.3%). Revenue from Farm practices comprises a higher proportion of drug sales and a lower proportion of veterinary fees, than that in small animal practices. The acquisition of Slate Hall, a specialist poultry practice, further impacted this change. Both the increase in the mix of Farm revenue, and the proportion of this revenue generated from drug sales, resulted in a decrease in the overall Gross margin achieved (before the deduction of employment costs) in the veterinary practice division, which reduced to 77.4% for the year (2018: 80.8%).

In the first half of the financial year the veterinary practices division faced increased employment costs due to an industry wide structural shortage of veterinary surgeons and nurses in the UK. The Group had previously awarded above inflationary salary increases to veterinary surgeons and nurses on 1 January 2018 and these resulted in clinical salaries in the six month period to 31 December 2018 being c. 8.0% higher than in the equivalent six month period to 31 December 2017.

The Group has taken a number of proactive steps to address this issue including an increased focus on clinical recruitment, further investment in learning, education and development, the introduction of more flexible working and the award of an additional day's holiday per annum for employees with five years' CVS service. In light of these actions the Group has seen a reduction in its veterinary surgeon vacancy rate, with an average vacancy rate of 8.4% in the second half of the financial year ended 30 June 2019 compared to a peak of 12.5% in April 2018. This reduction, along with additional controls and visibility over the use of locum vets, has resulted in reduced locum spend in the second half of the financial year to 30 June 2019. The Group has also seen a reduction in its nurse vacancy rate with an average of 4.3% in the second half of the financial year compared to a peak of 8.8% in January 2018. In light of the reduced veterinary surgeon and nurse vacancy rates and the reduced reliance on locums, the Group's employment costs reduced to 50.4% of revenue in the second half of the financial year ended 30 June 2019 in comparison to 51.7% in the first half of the financial year.

The Group welcomed the review of the Shortage Occupation List ('SOL') published by the Migration Advisory Committee in May 2019 in which it was recommended that veterinary surgeons be reinstated on the SOL. The Home Office subsequently confirmed that it was implementing this recommendation and the Group believes this will have a positive impact on its future ability to recruit veterinary surgeons from outside of the European Union.

The expansion of the veterinary services division to newer Farm, Equine and Netherlands based practices led to certain practices, acquired in the previous two financial years delivering returns in the first half of the financial year which were below expectations. A number of steps were taken in the financial year to improve performance in these practices and these actions resulted in improvements being seen in the second half.

In the full financial year, the veterinary practices division acquired 34 surgeries operating as 26 businesses. These businesses contributed £47.0m of revenue and £5.5m of EBITDA in the year. Practices acquired during the year and after the year end are set out in note 14 to the financial statements. The Group is focused on delivering organic growth from its veterinary practices division, with this growth supported by future acquisitions where multiples are considered acceptable and where returns will be accretive. In light of this, the Group's rate of acquisitions slowed considerably in the second half of the financial year with only two of the acquisitions in the year completing in the second half.

Adjusted EBITDA for the Group as a whole, as a percentage of sales, fell from 16.9% to 15.2%. This reduction is due to the increased mix of Farm revenues at naturally lower gross margins, increased employment costs in the first half of the financial year and the impact of certain acquisitions in the first half as noted above.

The veterinary services division generated significant growth from its specialist Referrals practices which provide the most sophisticated levels of clinical care across all referral specialisms. Revenue from Referral practices increased by 21.6% in the financial year to £22.5m (2018: £18.5m). This growth was achieved through increased referrals from CVS first opinion practices and the recruitment of additional leading referral specialists, a number of whom joined CVS from our direct competitors. The further development of our referrals business, and the recruitment of further specialist resource, remains a key strategic priority for CVS.

Our preventative medicine scheme, the Healthy Pet Club, continued to prove popular with our clients with total membership increasing by 10.8% in the year to 401,000 pets covered by the scheme at 30 June 2019 (2018: 362,000). The scheme provides preventative medicine to our customers' pets as well as a range of discounts and benefits. CVS benefits from improved customer loyalty, the encouragement of clinical compliance, protecting revenue generated from drug sales and bringing more customers into our surgeries. Monthly subscription revenue generated in the year increased to £45.4m (2018: £38.0m). We also launched a new Healthy Horse Programme in the previous year with 7,000 equine clients covered by the scheme at 30 June 2019.

We continue to expand our specialist MiNight Vet centres which provide out-of-hours and emergency support to both CVS and private practices. We now have 22 centres with three new sites opened in the year, including the UK's first dedicated equine out-of-hours service, called Equicall. The Group will seek further expansion of dedicated out-of-hours centres with a further eight centres planned to open in the next twelve to eighteen months. Our strategic objective is to become self-sufficient in the provision of out-of-hours cover over the medium term.

Our MiPet own brand range continues to expand and now represents c.25.0% of our small animal practice drug sales. The range is well supported by both our customers and our staff. MiPet products are only available in our surgeries and to our buying group members and hence they differentiate CVS in the market. Significant progress was made during the year in selling the MiPet range to our buying group members and this is expected to develop further. Further discounts were secured in the second half of the financial year on Endectrid, a flea treatment, and Milbeworm, a worming treatment and these will help to improve margins. We have recently launched our first Equine product and our new warehouse management system, which will go live in the new financial year, will facilitate further expansion of our product range.

We are focused on the internalisation of spend within the Group and in August 2018 we acquired Vet Direct, a consumables and equipment supply business. We have now incorporated Vetisco into Vet Direct to provide a "one stop shop" for both CVS and private practices to purchase all their equipment and consumable needs from one place and we will look to deliver further growth from Vet Direct in the future.

We continue to invest in our existing practices with £2.9m of capital expenditure incurred in the financial year in the relocation of existing surgeries and a further £0.7m of capital expenditure incurred in refurbishing existing sites. We are committed to delivering the highest levels of clinical care and we invested a further £1.0m of capital expenditure in new clinical equipment in the financial year. Investment will continue in appropriate capital expenditure projects which facilitate the delivery of high clinical standards and drive increased average transaction values and hence revenues in practices. We will continue to invest in greenfield sites and practice relocations where we are confident that appropriate financial returns will be achieved.

We launched our own insurance product, MiPet Cover, in August 2017. CVS does not take any underwriting risk and receives a commission on the sale and renewal of each policy. We had 9,000 policies in force as at 30 June 2019, a 173.0% increase from the prior year (2018: 3,000). The business will take time to develop fully and made a small loss in the year.

CVS continues to support the RCVS Practice Standards Scheme with all CVS practices participating and 118 "Outstanding" awards received under the scheme. The Group's Springfield practice has achieved outstanding awards in all six categories. We are focused on providing the highest levels of clinical care and we continue to invest in clinical audits of practices to monitor compliance. We will continue to promote the Vetsafe scheme to capture and learn from significant events/near misses.

The Group believes that the highest levels of patient care can be provided through face to face consultations in its practices or through its ambulatory teams. The Group will explore opportunities to provide remote consultations through telemedicine provision where it is confident that services can be provided in an effective manner without compromising its high standards of clinical patient care.

CVS continues to place significant emphasis on staff training and career opportunities. We are focused on improved staff retention through the provision of diverse clinical experience from our broad practice specialisms, continued support in studying for enhanced professional qualifications and through the opportunity for clinical staff to undertake leadership roles in the business. The Group recruited a record number of graduate veterinary surgeons in September 2018 and our leading graduate induction and support programme will continue to evolve. This will ensure that all our graduates are best equipped to fulfil their future careers from a combination of industry leading clinical training alongside communication, resilience and customer service training. Professor Renate Weller will oversee the development of the Group's clinical training for veterinary surgeons and nurses and has a wealth of experience in this area.

CVS has been campaigning for our highly skilled Qualified Nurses to be better recognised by the professional bodies and for them to be allowed to undertake additional clinical work currently preserved for veterinary surgeons. We will continue to campaign for this much needed change in the sector which will allow our Nurses to have increased career opportunities whilst reducing pressure on scarce veterinary surgeon resource.

We will continue to invest in the highest levels of employee training and development and in providing appropriate career pathways in order to position CVS as the employer of choice in the sector.

Laboratories Division

Our laboratories division provides diagnostic services and in-practice laboratory analysers to CVS practices and third party owned veterinary surgeries. Diagnostic services are offered via post and courier allowing complete coverage of the UK.

	2019	2018
	£m	£m
Revenue	**20.1**	17.9
Adjusted EBITDA	**4.3**	3.9
EBITDA margin %	**21.4**	21.9

The Laboratories Division generated revenue of £20.1m, a 12.4% increase on the prior year figure of £17.9m. Adjusted EBITDA grew by 9.8% from £3.9m to £4.3m and profit before tax increased from £3.3m to £3.7m.

Revenue from the analysers business (analysers and related consumables) increased in the year, driven by increased reagent (consumables) sales. Analysers are installed in newly acquired CVS owned practices and independent practices and since the analyser machines have an economic life of several years, the sale of the machines leads to consumable sales for several further years.

Revenue from the diagnostics testing business increased steadily during the year. Further Equine and Farm tests are being developed and these are expected to deliver further growth in the future.

EBITDA as a percentage of sales fell slightly from 21.9% to 21.4%.

Crematoria Division

Our Crematoria division provides individual and communal cremation services for companion animal and equine clients and clinical waste disposal services for CVS and independently owned practices.

	2019	2018
	£m	£m
Revenue	**7.3**	6.6
Adjusted EBITDA	**2.5**	2.3
EBITDA margin %	**34.2**	34.6

Revenue in our Crematoria division increased by 10.1% to £7.3m (2018: £6.6m). The Crematoria Division benefits from becoming the supplier to veterinary practices that we acquire.

Adjusted EBITDA grew by 8.8% to £2.5m (2018: £2.3m). EBITDA as a percentage of sales slightly decreased from 34.6% to 34.2%.

Animed Direct

Animed Direct, is the Group's on-line dispensary and pet food and equipment retailer. Animed Direct focuses on prescription and non-prescription medicines where the Group's buying power allows it to be extremely competitive.

	2019	2018
	£m	£m
Revenue	**23.3**	18.8
Adjusted EBITDA	**1.7**	1.2
EBITDA margin %	**7.2**	6.4

The business performed excellently during the year, with revenue growing by 24.3% to £23.3m (2018: £18.8m) and with adjusted EBITDA increasing by 39.9% to £1.7m (2018: £1.2m). The EBITDA margin percentage improved slightly from 6.4% to 7.2%. The business now has an active customer database of over 244,000 people (2018: over 204,000 people).

Head Office

Central administration costs include those of the central finance, IT, human resource, purchasing, legal and property functions. Total costs were £10.2m (2018: £9.9m), representing 2.5% of revenue (2018: 3.0%).

Whilst the increased scale of the Group's operations requires additional investment in support functions, the Group is able to benefit from economies of scale with Head Office costs reducing to 2.5% of revenue in the financial year. Continued investment will be made in support areas to ensure that CVS continues to have appropriate systems and controls and to ensure the divisions receive appropriate support. The Group will continue to base support staff in the regions where they can more easily provide the close support that the operations teams require.

Simon Innes

Chief Executive Officer

27 September 2019

Finance review

Continued growth in revenue

Financial highlights

CVS has continued to deliver growth in revenues and operating profit. Key financial highlights are shown below:

	2019	2018	Change %
Revenue (£m)	**406.5**	327.3	24.2
Adjusted EBITDA (£m)*	**54.5**	47.6	14.5
Adjusted profit before tax (£m)*	**41.4**	36.0	15.0
Adjusted earnings per share (p)*	**46.7**	42.4	10.1
Operating profit (£m)	**15.6**	17.7	-11.9
Profit before tax (£m)	**11.7**	14.1	-17.0
Basic earnings per share (p)	**11.6**	16.0	-27.5

* Adjusted financial measures are defined on page 3 of the Annual Report and reconciled to the financial measures defined by International Financial Reporting Standards ("IFRS") below, on page 66 of the annual report (adjusted EBITDA) and on page 89 of the annual report (adjusted profit before tax and adjusted earnings per share).

Management uses adjusted EBITDA and adjusted earnings per share ("EPS") as the basis for assessing the financial performance of the Group. These figures exclude costs relating to business combinations and hence assist in understanding the performance of the Group. These terms are not defined by IFRS 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:

	2019	2018
	£m	£m

Operating profit as reported	**15.6**	17.7
Adjustments for:		
Amortisation and depreciation	**31.4**	26.4
Costs of business acquisitions	**7.2**	3.5
Exceptional items	**0.3**	-
Adjusted EBITDA	**54.5**	47.6

Adjusted EBITDA increased by 14.5% from £47.6m to £54.5m.

Adjusted EBITDA as a percentage of revenue (adjusted EBITDA margin) decreased from 14.5% in 2018 to 13.4%. This reduction largely reflects performance in the first half of the financial year within the veterinary practices division with an increasing mix of lower margin Farm revenues, higher employment costs and performance from certain acquisitions being below expectations.

Profit before tax for the year decreased from £14.1m to £11.7m (-17.0%). The decrease in profit before tax is due to the £3.8m increase in amortisation costs as a result of the full year impact of prior year acquisitions. Basic EPS decreased 27.5% to 11.6p (2018: 16.0p).

Adjusted profit before tax showed a 15.0% increase in the year from £36.0m to £41.4m. Adjusted EPS (as defined in note 10 of the annual report) marginally increased 10.1% to 46.7p (2018: 42.4p). Adjusted profit before tax and adjusted EPS exclude the impact of amortisation of intangible assets, business combination costs and exceptional items.

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:

	2019	2015	CAGR %
Revenue (£m)	**406.5**	167.3	24.9
Adjusted EBITDA (£m)	**54.5**	23.0	24.1
Adjusted profit before tax (£m)	**41.4**	18.2	22.8
Adjusted EPS (p)	**46.7**	24.7	17.3

Bank facilities

Total bank facilities consist of £190.0m are available to support the Group's organic and acquisitive growth initiatives over the coming years. These facilities are provided by a syndicate of three banks, RBS, HSBC and AIB, and comprise the following elements:

- a fixed term loan of £95.0m, repayable on 23 November 2021 via a single bullet repayment; and
- a six-year revolving credit facility ("RCF") of £95.0m that runs to 23 November 2021.

In addition the Group has a £5.0m overdraft facility renewable annually.

Cash flow

Cash flow from operating activities was £52.1m (2018: £46.7m). The increase reflects the growth in adjusted EBITDA.

Net debt increased by £33.0m to £102.0m (2018: £69.0m).

The movement in net debt is explained as follows:

	2019 £m	2018 £m
Cash generated from operations	**52.1**	46.7
Capital expenditure - maintenance	**(8.9)**	(7.6)
Taxation paid	**(7.3)**	(6.2)
Interest paid	**(3.4)**	(3.1)
Free cash flow	**32.5**	29.8
Capital expenditure - development	**(4.0)**	(3.1)
Acquisitions	**(58.1)**	(52.6)
Proceeds from Ordinary shares	**0.6**	61.0
Dividends paid	**(3.5)**	(2.9)

Debt issuance costs amortisation	**(0.5)**	(0.4)
Acquired finance leases	**-**	(0.8)
(Increase)/decrease in net debt	**(33.0)**	31.0

Cash available for discretionary expenditure ("free cash flow") increased from £29.8m to £32.5m due to improvement in cash generated from operations.

The analysis of capital expenditure in the table above reflects a broad split between expenditure that we expect to increase profit and that which we believe will primarily maintain profit. This split can only ever be approximate. Development capital expenditure includes expenditure on new sites, relocations, significant extensions and significant new equipment. All other expenditure is included as replacement.

£62.0m was paid (including £1.5m repayment of acquired bank debt) for the 34 surgeries acquired during 2019. £1.0m of consideration was payable at 30 June 2019 in respect of completion net asset adjustments. In addition to £62.0m paid for businesses acquired in the year, £0.1m was paid in respect of completion net asset adjustments for business acquired in the 30 June 2018 financial year.

No corporation tax relief is received on the majority of the amortisation and transaction costs which are deducted in arriving at the unadjusted profit before taxation figure. Therefore, taxation paid increases broadly in line with the adjusted profit before tax of the Group. The interest payment of £3.4m was marginally higher than last year (£3.1m) reflecting the higher average net debt during the financial year.

Proceeds from Ordinary shares arose due to 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.

The movement in debt issue costs was £0.2m, which represents the £0.5m amortisation of costs during the year, which is partly offset by the capitalisation of costs £0.3m associated with the September 2018 refinance.

Net debt and borrowing covenants

The Group's net debt comprises the following:

	2019	2018
	£m	£m
Borrowings repayable:		
within one year	**0.3**	0.5
after more than one year	**114.2**	83.5
Total borrowings	**114.5**	84.0
Cash in hand and at bank	**(12.5)**	(15.0)
Net debt	**102.0**	69.0

The total borrowings principally consist of:

- £95.0m term loan (gross of unamortised issue costs). The term loan is repayable in one bullet payment in 2021; and
- £20.0m drawn down under the RCF (gross of unamortised issue costs). The RCF is available until 2021.

£75.0m of the RCF remained unutilised at 30 June 2019. The Board remains committed to expanding the Group through organic growth and selective acquisitions.

The two financial covenants associated with the Group's bank facilities are based on Group borrowings to EBITDA and Group EBITDA to interest ratios. EBITDA is based on the last twelve months' performance adjusted for the full year impact of acquisitions made during that period. The EBITDA to interest ratio must not be less than 4.5. At 30 June 2019 it was 14.55.

The covenant levels allow a maximum Group borrowing to EBITDA ratio of 3.25x, although it is not the Group's intention to operate at this level. The gearing ratio increased during the year from 1.44x at 30 June 2018 to 2.08x at 30 June 2019. This increase in the ratio reflects the increase in loan to fund the current year acquisitions. The Group aims to continue to expand the business, and has a strong acquisition pipeline and sufficient capacity to fund it. The Group manages its banking arrangements centrally. Funds are swept daily from its various bank accounts into central bank accounts to optimise the Group's net interest payable position.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. On 1 March 2018, the Group entered into a three-year interest rate fixed rate swap arrangement to hedge fluctuations in interest rates on £45.0m of its RCF facility. The swap reduced to £35.0m on 1 March 2019.

Going concern

At the balance sheet date the Group had cash balances of £12.5m and an unutilised overdraft facility of £5.0m. Total facilities of £190.0m are available to support the Group's organic and acquisitive growth initiatives over the coming years, comprising a term loan of £95.0m and a RCF of £95.0m. The Directors consider that the £5.0m overdraft and the £190.0m facility enable them to meet all current liabilities when they fall due. Since the year end, the Group has continued to trade profitably and to generate cash.

After consideration of market conditions including Brexit, the Group's financial position (including the level of headroom available within the bank facilities), financial forecasts for the three year period to June 2022, its profile of cash generation and the timing and amount of bank borrowings repayable, the Directors have formed a judgement at the time of approving the financial statements that both the Company and the Group have adequate resources available to continue operating in the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

Taxation

The Group's effective tax rate was 29.9% (2018: 24.1%). 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	**11.7**	
Expected tax at standard rate of tax	**2.2**	19.0
Expenses not deductible for tax	**0.5**	4.2
Adjustments to prior year tax charge	**0.5**	4.2
Benefit of tax rate change	**0.3**	2.5
Actual charge/ effective rate of tax	**3.5**	29.9

All of the Group's revenues and the majority of its 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 by £0.1m to £3.5m (2018: £3.4m) whilst profit before taxation has decreased £2.4m from £14.1m to £11.7m.

The benefit of the tax rate change reflects the impact of the future reduction in corporation tax rates on the deferred tax liabilities in respect of intangible assets.

Share price performance

At the year end the market capitalisation was £511.1m (724p per share), compared to £795.5m (1,131p 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 significant 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	**2019**/2018	**Definition**	**Changes in 2019**

Revenue	**£406.5m** £327.3m	Total revenue of the Group.	Total revenue increased by £79.2m. Revenue before the impact of prior year and current year acquisitions was £339.2m, a £17.8m increase compared with 2018. Factors contributing to the increase are noted in the like-for-like sales performance. Acquisitions in the year and the full year impact of the prior year's acquisitions generated revenue of £82.3m, an increase of £63.2m. Intercompany sales eliminated on consolidation were £14.9m, an increase of £1.8m, principally due to the impact of internal crematoria and laboratory sales to practices acquired in 2018 and 2019, in addition to our internal equipment and instrument sales.
Like-for-like sales % performance	**5.2%** 4.9%	Revenue generated from like-for-like operations compared to the prior year. Revenue for 2019 is included in the like-for-like calculation with effect from the month in which it was acquired in the previous year; for example for a practice acquired in September 2017, revenue is included from September 2018 in the like-for-like calculation.	The like-for-like performance reflects strong performances in all divisions.
Healthy Pet Club members	**401,000** 362,000	Number of members in our Healthy Pet Club Scheme.	The growth of Healthy Pet Club membership from 362,000 to 401,000 led to an increase in revenue for the year but the percentage of sales fell as non Healthy Pet Club revenue increased.
Gross margin before clinical staff costs	**76.2%** 79.6%	Gross margin after deducting the cost of drugs, laboratories' fees and cremation fees, and other goods sold or used by the business from revenue, expressed as a percentage of total revenue. Gross margin was £168.9m, after deducting £140.9m of clinical staff costs.	The decrease in the gross margin is principally due to the increase in our large animal division, which operates at a lower margin to our small animal division.
Adjusted EBITDA	**£54.5m** £47.6m	Earnings before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items.	The improvement in adjusted EBITDA is explained by the full year impact of prior year acquisitions (£1.8m) and acquisitions in the current year (£5.4m), partly offset by a £0.3m increase in central costs incurred to build a foundation for further development and expansion of the Group.
Adjusted EPS	**46.7p** 42.4p	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 reflects the increase in adjusted profit before tax of £5.4m

Cash generated from operations	**£52.1m** £46.7m	Cash inflow before payments of taxation and interest; acquisitions; purchases of property, plant and 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, together with the decrease in other receivables partially offset by the increase in stock reflecting the growth of the Group.

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.

Our risk management framework

The Board has overall responsibility for ensuring risk is appropriately managed across the Group. The day-to-day identification, management and mitigation of risk is delegated to the Group's executive management. This process is overseen by the Group Internal Audit Manager.

Risk registers are prepared which evaluate the risks most likely to impact the Group. Staff across the business are involved in the process to ensure all potential areas of risk are adequately identified and recorded. Controls that are currently in place are assessed in order to determine the extent to which they mitigate risk and actions are determined where it is considered appropriate to reduce risk further.

Risk	Description	Mitigating factors
Key staff	The Group is exposed to risk in relation to its ability to attract and retain key staff, in particular appropriately qualified veterinary surgeons and specialists. The market for veterinary surgeons is highly competitive and there are insufficient UK veterinary surgeons and nurses to fill all positions with a resulting reliance on foreign nationals. Furthermore, there are other changes in the industry such as the increasing feminisation of veterinary surgeons which may have an impact in due course. As a result of the above factors there has been an increase in the veterinary surgeon and nurse vacancy rates in the UK and an increased reliance on locums. This has resulted in increased salary cost inflation.	The Group is committed to maintaining salaries for its employees which are competitive in the marketplace and regular benchmarking is undertaken. The Group maintains close relationships with UK veterinary schools and has a market leading graduate induction programme in place in order to attract and develop leading graduates. The training and development of the Group's employees is a key focus and Professor Renate Weller was recruited during the year to lead the Group's Learning Education and Development programme. The Group has developed a range of training programmes for its employees which include clinical, customer service and management training. The Group has focused on providing more flexible working for its employees and increased wellbeing support. The retention of senior employees is encouraged through a Group LTIP scheme. An annual SAYE scheme is in place to incentivise all staff and help improve retention. Staff surveys and exit interviews are undertaken and the feedback from these is used to address any common issues or concerns. A highly qualified recruitment team is in place to facilitate the recruitment of employees from the UK and overseas. The group's veterinary surgeon vacancy rate and nurse vacancy rate are both internal performance indicators which are reported to the Board each month. The Home Office has recently confirmed that it supports the Migration Advisory Committee's recommendation that the role of veterinary surgeon should be reinstated on the UK Shortage Occupation List and the Board welcomes this as a positive step

		in helping to address the UK shortage of veterinary surgeons.
Economic environment	The continued Brexit uncertainty and a decline in the UK economy could result in a reduction in consumer confidence and spending on veterinary services.	The veterinary sector has proven to be resilient in times of past economic downturn and the Board believes that the characteristics of our business make it relatively resilient to future economic fluctuations. The Group has diversified the business and provides a wide range of integrated veterinary services to small animal, equine and farm patients and clients in the UK, Republic of Ireland and the Netherlands. The Group continues to focus on providing the best levels of clinical care and its preventative healthcare schemes serve to bond clients to the Group. The Group now has 401,000 members of its Healthy Pet Club and has recently launched a Healthy Horse Programme. These schemes, and the Group's ability to provide end to end veterinary services, bond clients to the Group and increase retention. The range of businesses within the Group, and our geographic expansion, reduces the risk of the impact of any economic downturn. The small animal, equine and farm veterinary markets have slightly different characteristics and the Group's expansion of its equine and farm divisions reduces its risk. The Group's Animed Direct business protects the Group against an increase in customers who may switch to purchasing pharmaceuticals online. The Group's own brand products are only available in practices and are not available to customers online. The impact from a future Brexit on the Group's business remains uncertain. The Board believes that the main risks from Brexit are from short term disruption to its key supplies and from a subsequent reduction in economic growth. The Group has taken a number of steps to reduce the impact from disruption to its supplies including working with manufacturers and wholesalers to ensure they increase stocks, the development of a new warehouse management system and through short term stock building. The Board believes that the veterinary industry is relatively resilient to economic downturns and hence the impact from Brexit is likely to be less than for many industries. Brexit uncertainty has already impacted on the availability of veterinary surgeons and nurses in the UK and the Board believes that future Brexit certainty will help to improve its ability to attract and retain employees from the EU.
Competition	Increasing corporate consolidation and acquisition of independent veterinary practices results in a loss of clients to the Group. Independent practices which currently procure services from the Group are likely to switch their business post acquisition by a corporate competitor thereby resulting in lost revenue to the Group.	The Group focuses on providing the best levels of clinical care and customer service to its clients. The Group's integrated veterinary platform allows it to provide the full range of veterinary services to our clients. The Group provides referral services, out of hours provision, buying group membership discounts, laboratory and crematoria services and these help bond clients to the Group. The Group continues to invest in high class facilities and equipment to provide appropriate clinical service. Employees pride themselves on providing the highest levels of clinical care

	Increasing acquisition multiples being paid by competitors increases the value of potential acquisition targets and reduces the margins available and the Group's ability to successfully acquire and integrate acquisitions. Increased price competition may limit the Group's ability to pass on increases in employment, pharmaceutical and other costs and result in reduced margins.	and excellent customer service. New peripatetic services are being launched to facilitate greater access to specialist care in local practices in order to improve customer access to local care. The Group assesses each acquisition opportunity on its own merits and against a clear set of criteria. The Group will only make acquisitions at acceptable multiples and where it is confident that it will achieve appropriate returns. The Group regularly reviews the pricing of its products and services and seeks to remain competitive in each of the business areas in which it operates.
Adverse publicity	Adverse publicity could result in a reduction in customer numbers, revenue and earnings and in our ability to attract and retain key staff.	The Group aims to provide the highest levels of clinical care and has policies and procedures in place to monitor delivery. The Group's practices participate in the RCVS Practice Standards Scheme and the Group has to date attained 118 outstanding awards. The Group is committed to an ongoing programme of Quality Improvement ('QI') and has been awarded the RCVS Knowledge QI Champion award. The Group operates clinical advisory committees to promote and set appropriate clinical standards and drugs lists across the Group. An independent clinical team monitors practice standards and makes recommendations for future improvement where appropriate. The individual branding of our practices reduces the risk of any adverse publicity at one practice impacting on another or on the wider Group. The Group has a Marketing/communication team in place which can respond swiftly to any adverse publicity. Within the veterinary industry, the Group aims to be prominent in its representation on national bodies and at industry events so as to continue to build its reputation and influence within the industry.
Information technology	The Group is dependent on secure and reliable IT technology for the continued operation of its business.	The Group has a number of policies in place that are aimed at ensuring the stability and security of our networks and systems, whilst at the same time supporting the growth of the business. The IT service desk have agreed a number of operational KPIs with the business aimed at ensuring the systems are reliable with minimum down time. Access to networks, applications and data is limited to those who require it. Where possible, physical access to equipment is restricted. Access to networks and applications is restricted by passwords which are changed regularly. Permissions are set so that access within networks and applications are limited as appropriate. Network security is regularly enhanced with external reviews being performed periodically to identify areas of risk. Networks and equipment are automatically monitored to identify risks

		and issues and failover systems are in place in key areas. A scheduled programme of equipment and software replacement takes place to help ensure that the latest security features are available. Procedures are in place over the development of systems. These require full testing on test platforms and, where relevant on a number of test sites, before the full implementation of any changes. Systems are regularly backed up to the cloud and the recovery of those systems is tested. The main system used by operations is the practice management system in our surgeries. One well established and well maintained practice management system is primarily used. Each practice system is independent of others and most practices can operate for a short period of time without access to the internet. This reduces the risk of any issues impacting on the business. This system is periodically developed to meet the needs of the business.
Ability to source pharmaceutical supplies	The Group's operations require it to acquire and supply significant quantities of pharmaceutical products at appropriate prices. The majority of medicines are purchased through one wholesaler and any operational issues within that supplier could have an adverse impact on the Group. The Group has expanded its operations into equine and farm species and also into the Netherlands and the Republic of Ireland and there is a risk that the Group fails to achieve appropriate prices for pharmaceutical products in these new areas.	The Group has an appropriate supply agreement in place with its major wholesaler to secure supplies. Other wholesalers can supply most medicines and hence the Group is confident that supplies will be available should the existing CVS wholesaler withdraw. CVS has direct relationships with many manufacturers which would enable direct supply should any difficulties occur. The Group has developed an increasing range of own brand medicines which are supplied directly to our warehouse in Diss for onward supply to our practices. These own brand medicines now account for c.25% of small animal first opinion practice drug sales. The Group has developed a new warehouse management system which is expected to go live in the new financial year and this will facilitate further growth in direct distribution. The Group undertakes regular reviews with manufacturers on drug prices and compares pricing for small animal products in the UK, the Netherlands and the Republic of Ireland to identify anomalies in pricing. Similarly the Group reviews equine and farm drug prices in comparison to small animal. Brexit uncertainty may lead to an adverse impact on the availability of drugs in the UK. The Group continues to monitor the position. The main wholesaler and manufacturers are building stocks in advance of a possible Brexit and the Group will also consider increasing its own stock levels to mitigate any risk of supply disruption from Brexit.
Ability to source and integrate	The Group has completed a number of veterinary practice and related business acquisitions	The Group continues to consider opportunities to acquire practices that provide veterinary services to small animal, equine and farm clients, where the Group is confident that they

acquisitions	in recent years and these have driven significant growth in revenue and earnings. Acquisition multiples being paid in the industry have increased and there is a risk that the Group is unable to make further acquisitions at acceptable multiples, or fails to integrate them successfully with its existing operations.	can be acquired at acceptable multiples and can be integrated effectively. In the UK each of these parts of the veterinary industry are at different stages of consolidation with a relatively low level of consolidation in the equine and farm sectors. In recent years the Group has also acquired practices in the Netherlands and in the Republic of Ireland. Both of these markets, whilst smaller than the UK market, are substantially less consolidated and together provide opportunities for further growth through acquisition. The Group may consider entering other geographic markets in due course where they are considered attractive. The Group has developed a robust approach to assess acquisition opportunities against a clear list of criteria and offers are only made where practices meet these criteria and where the Group is confident that we can generate appropriate returns post acquisition and successfully integrate the acquisition target with our existing operations. The Operations teams, who will be responsible for managing the acquisition target post a successful acquisition process, are fully involved in the acquisition process before any offers are made. The Group employs professional advisers to ensure a robust due diligence process is undertaken prior to acquisition and formal business cases are presented to the Board for approval. These business cases clearly set out the rationale for the proposed acquisition, the process by which the acquisition target will be integrated with the Group, the key priorities immediately post acquisition and the expected financial returns. Post acquisition, the results of acquisitions are reported and monitored separately by the Operations teams, by the Executive Committee and by the Board. Any learnings to be gained from previous acquisitions are used to refine the acquisition process and approach.
Maintain appropriate insurance	The Group's operations expose it to a range of risks which, depending on the circumstances applicable to each one, can be avoided, reduced, accepted or where considered appropriate transferred through the means of insurance. If the Group's insurance arrangements are not appropriate there is a risk that the Group incurs loss as a result.	The Group engages a leading insurance broker to help it consider its risks and to procure appropriate insurance where it decides that it is appropriate and cost effective to transfer risk to a third party insurer. Regular reviews of the Group's insurance requirements are undertaken and amendments to insurance policies, premiums, claims limits and excesses are made where it is considered appropriate. The Group works closely with its insurance Broker and its end insurers to minimise claims arising, to appropriately manage existing claims and to learn lessons from past cases. The Group engages with the Veterinary Defence Society ('VDS') to help reduce clinical risks and to provide support to its clinical staff in managing and defending any claims from customers such as accusations of professional misconduct. The Group pays an annual premium to the VDS to cover both the advice service for its clinical staff, and to cover the premium for providing clinical staff with insurance. The Group's Clinical team work closely with the VDS to review claims and any near misses and in order to ensure that lessons are learned. The Group works closely with its clinical staff in this process in order to ensure they receive appropriate support.

Compliance with legal and regulatory requirements	The Group is subject to a wide range of legislation and regulations. Non compliance with laws and regulations could lead to limitations on certain areas of the business or ultimately fines, penalties and the suspension of certain operations.	The Group is subject to general legislation in the same way as other businesses (e.g. on corporate governance, health and safety and employment law). The Group has clearly defined policies in all relevant areas which are communicated to staff and on which staff are trained as appropriate. Suitably qualified experts are employed, checks on compliance are carried out and policies and practices are updated as new legislation and regulations are introduced. The Group obtains professional advice from third party experts where appropriate. Specific regulations apply to different parts of the business. Policies and procedures are maintained in all areas as appropriate. In particular, the practices are subject to various clinical regulations. An experienced Director of Clinical Governance is responsible for ensuring that policies and procedures are in place and that appropriately high standards are maintained. Every practice employs an individual responsible for clinical governance. The Group's Company Secretary is an experienced data practitioner and manages compliance with GDPR requirements and legislation. The Group operates as an Appointed Representative of its pet insurance provider and hence is subject to regulation by the Financial Conduct Authority. The Group employs suitably qualified individuals to ensure compliance with appropriate FCA legalisation and works closely with its insurance provider in this regard.
Changes in laws and regulations impact our operations and margins	The Group's operations are subject to a number of laws and regulations and changes in these could have a material adverse impact to the Group. For example, the RCVS is debating changes which could allow telemedicine providers to prescribe medicine remotely and this could have a material impact on the Group.	The Group operates under a number of laws and regulations and operations teams in each area of the business have procedures in place to monitor compliance and also to monitor developments and proposed changes. The Group engages closely with regulatory and legislative bodies to promote best practice in veterinary care and to maintain awareness of any proposed changes and to lobby for changes where considered appropriate. For example, the Group believes that its highly skilled veterinary nurses should be able to undertake further clinical work and continues to lobby for this change. The Group has lobbied in recent years for the veterinary surgeon to be added back to the UK Shortage Occupation list and is delighted that the Home Office have now agreed to that change.
Change in UK pet population	Pet ownership levels in the UK have remained relatively static in recent years but we may see a future decline in the event of an economic downturn or in light of changing lifestyles.	The Group is focused on providing excellent clinical care and choice to our customers. The Group's integrated veterinary model allows it to provide end to end veterinary care including first opinion services, preventive medicine, out of hours provision, specialist referral procedures, pet insurance and online purchasing of drugs, food and equipment. The Group prices it services appropriately in order to compete effectively in the markets in which it operates and believes it is well placed to compete. The Group continues to invest in new facilities, equipment and clinical services in order to promote

		higher clinical standards and to deliver enhanced clinical work leading to additional revenue per client. The Group's preventative medicine scheme, the Healthy pet Club, now has over 401,000 members and this helps bond customers to the Group. The Group continues to invest in facilities and customer service and has developed a new range of peripatetic services to provide specialist treatments in local practices. The Group monitors practice visits and advanced clinical care as two internal KPIs and hence any adverse trends in these measures would be identified so that appropriate action can be taken in response.

Richard Fairman
Chief Financial Officer
27 September 2019

Consolidated income statement for the year ended 30 June 2019

	Note	**2019 £m**	2018 £m
Revenue	2	**406.5**	327.3
Cost of sales		**(237.6)**	(175.7)
Gross profit		**168.9**	151.6
Administrative expenses		**(153.3)**	(133.9)
Operating profit		**15.6**	17.7
Net finance expense		**(3.9)**	(3.6)
Profit before income tax	2	**11.7**	14.1
Income tax expense	3	**(3.5)**	(3.4)
Profit for the year attributable to owners of the Parent		**8.2**	10.7
Earnings per ordinary share for profit attributable to owners of the Company (expressed in pence per share) ("EPS")			
Basic	4	**11.6p**	16.0p
Diluted	4	**11.6p**	15.9p

Reconciliation of adjusted financial measures

The Directors believe that adjusted profit provides additional useful information for shareholders on performance. This is used for internal performance analysis. This measure is not defined by IFRS and is not intended to be a substitute for, or superior to, IFRS measurements of profit. 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 exceptional items.

Non-GAAP measure: Adjusted EBITDA	Note	**2019 £m**	2018 £m
Profit before income tax	2	**11.7**	14.1
Adjustments for:			
Finance expense		**3.9**	3.6
Depreciation		**9.2**	8.0

Non-GAAP measure: Adjusted EBITDA	Note	**2019** **£m**	2018 £m
Amortisation of intangible assets		**22.2**	18.4
Costs relating to business combinations*		**7.2**	3.5
Exceptional items		**0.3**	-
Adjusted EBITDA	2	**54.5**	47.6

* Includes amounts paid in respect of acquisitions in prior years expensed to the income statement

Statement of consolidated comprehensive income for the year ended 30 June 2019

	2019 **£m**	2018 £m
Profit for the year	**8.2**	10.7
Other comprehensive income – items that will or may be reclassified to loss in future periods		
Cash flow hedges:		
Net movement on cashflow hedge	**(0.1)**	0.1
Exchange difference on translation of foreign operations	**0.2**	-
Other comprehensive income for the year, net of tax	**0.1**	0.1
Total comprehensive income for the year attributable to owners of the parent	**8.3**	10.8

Consolidated balance sheet as at 30 June 2019

	Note	Group 2019 £m	Group 2018 £m
Non-current assets			
Intangible assets		**244.5**	203.5
Property, plant and equipment		**51.4**	47.9
Investments		**0.1**	0.1
Deferred income tax assets		**0.2**	0.6
Derivative financial instruments		**0.1**	0.2
		296.3	252.3
Current assets			
Inventories		**17.0**	13.5
Trade and other receivables		**51.6**	38.2
Cash and cash equivalents		**12.5**	15.0
		81.1	66.7
Total assets	2	**377.4**	319.0
Current liabilities			
Trade and other payables		**(73.7)**	(53.9)
Current income tax liabilities		**(4.9)**	(3.6)
Borrowings	7	**(0.3)**	(0.5)
		(78.9)	(58.0)
Non-current liabilities			
Borrowings	7	**(114.2)**	(83.5)
Deferred income tax liabilities		**(21.2)**	(19.8)
		(135.4)	(103.3)
Total liabilities	2	**(214.3)**	(161.3)
Net assets		**163.1**	157.7
Shareholders' equity			
Share capital		**0.1**	0.1
Share premium		**99.7**	99.1
Capital redemption reserve		**0.6**	0.6
Revaluation reserve		**0.1**	0.1
Merger reserve		**(61.4)**	(61.4)
Retained earnings		**124.0**	119.2
Total equity		**163.1**	157.7

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 27 September 2019 and were signed on its behalf by:

Richard Fairman
Director
Company registered number: 06312831

Simon Innes
Director

Consolidated statement of changes in equity for the year ended 30 June 2019

	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 2017	0.1	31.8	0.6	0.1	(61.4)	110.5	88.0
Profit for the year	-	-	-	-	-	10.7	10.7
Other comprehensive income							
Cash flow hedges:							
Fair value gains	-	-	-	-	-	0.1	0.1
Total other comprehensive income	-	-	-	-	-	0.1	0.1
Total comprehensive income	-	-	-	-	-	10.8	10.8
Transactions with owners							
Issue of Ordinary shares	-	61.0	-	-	-	-	61.0
Credit to reserves for share-based payments	-	-	-	-	-	1.3	1.3
Deferred tax relating to share-based payments	-	-	-	-	-	(0.5)	(0.5)
Dividends to equity holders of the Company	-	-	-	-	-	(2.9)	(2.9)
Transactions with owners	-	61.0	-	-	-	(2.1)	58.9
At 30 June 2018	**0.1**	**99.1**	**0.6**	**0.1**	**(61.4)**	**119.2**	**157.7**

	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 2018	**0.1**	**99.1**	**0.6**	**0.1**	**(61.4)**	**119.2**	**157.7**
Profit for the year	-	-	-	-	-	8.2	8.2
Other comprehensive income							
Cash flow hedges:							
Fair value loss	-	-	-	-	-	(0.1)	(0.1)
Exchange difference on translation of foreign operations	-	-	-	-	-	0.2	0.2
Total other comprehensive income	-	-	-	-	-	0.1	0.1
Total comprehensive income	-	-	-	-	-	8.3	8.3
Transactions with owners							
Issue of Ordinary shares	-	0.6	-	-	-	-	0.6
Credit to reserves for share-based payments	-	-	-	-	-	0.1	0.1
Deferred tax relating to share-based payments	-	-	-	-	-	(0.1)	(0.1)
Dividends to equity holders of the Company	-	-	-	-	-	(3.5)	(3.5)
Transactions with owners	-	0.6	-	-	-	(3.5)	(2.9)
At 30 June 2019	**0.1**	**99.7**	**0.6**	**0.1**	**(61.4)**	**124.0**	**163.1**

Consolidated cash flow statement for the year ended 30 June 2019

	Note	**Group 2019 £m**	Group 2018 £m
Cash flows from operating activities			
Cash generated from operations	8	**52.1**	46.7
Taxation paid		**(7.3)**	(6.2)
Interest paid		**(3.4)**	(3.1)
Net cash generated from operating activities		**41.4**	37.4
Cash flows from investing activities			
Acquisitions (net of cash acquired)	5	**(56.6)**	(50.3)
Purchase of property, plant and equipment		**(11.9)**	(10.2)
Purchase of intangible assets		**(1.0)**	(0.5)
Net cash used in investing activities		**(69.5)**	(61.0)
Cash flows from financing activities			
Dividends paid		**(3.5)**	(2.9)
Proceeds from issue of ordinary shares		**0.6**	61.0
Debt issuance costs		**(0.3)**	(0.3)
Increase/(Repayment) of borrowings		**28.8**	(26.0)
Net cash used in financing activities		**25.6**	31.8
Net increase in cash and cash equivalents		**(2.5)**	8.2
Cash and cash equivalents at beginning of year		**15.0**	6.8
Cash and cash equivalents at end of year		**12.5**	15.0

Notes to the consolidated financial statements for the year ended 30 June 2019

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 2019 or 2018, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2019, 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 2018 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 2018.

Changes in accounting policy and disclosure – IFRS 16 Leases (effective 1 January 2019)

IFRS 16 replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019. The Group's accounting as a lessor will remain aligned to the current approach under IAS 17; however, for lessee accounting there will no longer be a distinction between finance and operating leases. The transition approach adopted by the Group will result in the recognition of right of use assets and lease liabilities of approximately £111.5 million in respect of leased properties, vehicles and equipment previously accounted for as operating leases; there will be no impact on shareholders' equity. As permitted by the transition options under IFRS 16, comparative figures for the prior year will not be restated. Going forward, the Group will recognise a finance charge on the lease liability and a depreciation charge on the right-of-use asset, whereas previously the Group included lease rentals within Administrative expenses.

The Group intends to take advantage of a number of exemptions within IFRS 16, including the election not to recognise a lease liability and a right-of-use asset for leases for which the underlying asset is of low value.

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 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 and exceptional items.

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

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.

Like-for-like sales

Like-for-like sales comprise the revenue generated from all operations compared to the prior year. Revenue is included in the like for like calculation with effect from the month in which it was acquired in the previous year; for example for a practice acquired in September 2017, revenue is included from September 2018 in the like for like revenue calculation.

2. Segmental reporting

The operating segments are based on the Group's management and internal reporting structure and monitored by the Group's chief operating decision maker (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 Europe-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 and are not considered material for separate disclosure.

Operating segments

The Group is split into four operating segments (Veterinary Practice Division, Laboratory Division, Crematoria Division and Animed Direct) and a centralised support function (Head Office) 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 is managed separately as each segment requires different specialisms, marketing approaches and resources. Intra-group sales eliminations are included within the Head Office segment. Head Office includes costs relating to the employees, property and other overhead costs associated with the centralised support function together with finance costs arising on the Group's borrowings.

Year ended 30 June 2019	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Animed Direct £m**	**Head Office £m**	**Group £m**
Revenue	**370.7**	**20.1**	**7.3**	**23.3**	**(14.9)**	**406.5**
Profit/(loss) before income tax	**30.7**	**3.7**	**2.1**	**1.6**	**(26.4)**	**11.7**
Adjusted EBITDA	**56.2**	**4.3**	**2.5**	**1.7**	**(10.2)**	**54.5**
Total assets	**332.4**	**18.5**	**12.3**	**11.9**	**2.3**	**377.4**
Total liabilities	**(65.6)**	**(3.3)**	**(1.8)**	**(8.9)**	**(134.7)**	**(214.3)**
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	**30.7**	**3.7**	**2.1**	**1.6**	**(26.4)**	**11.7**
Net finance expense	**0.1**	**-**	**-**	**-**	**3.8**	**3.9**
Depreciation	**7.8**	**0.6**	**0.4**	**-**	**0.4**	**9.2**
Amortisation	**13.2**	**-**	**-**	**0.1**	**8.9**	**22.2**
Costs relating to business combinations	**4.4**	**-**	**-**	**-**	**2.8**	**7.2**
Exceptional items	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Adjusted EBITDA	**56.2**	**4.3**	**2.5**	**1.7**	**(10.2)**	**54.5**

Year ended 30 June 2018	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Animed Direct £m**	**Head Office £m**	**Group £m**
Revenue	297.5	17.9	6.6	18.8	(13.5)	327.3
Profit/(loss) before income tax	29.3	3.3	1.9	1.2	(21.6)	14.1
Adjusted EBITDA	50.1	3.9	2.3	1.2	(9.9)	47.6
Total assets	283.0	14.9	10.0	8.5	2.6	319.0
Total liabilities	(67.2)	(2.2)	(1.1)	(6.6)	(84.2)	(161.3)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	29.3	3.3	1.9	1.2	(21.6)	14.1
Net finance expense	0.1	-	-	-	3.5	3.6
Depreciation	6.8	0.6	0.4	-	0.2	8.0
Amortisation	12.2	-	-	-	6.2	18.4

Costs relating to business combinations	1.7	-	-	-	1.8	3.5
Adjusted EBITDA	50.1	3.9	2.3	1.2	(9.9)	47.6

3. Income tax expense

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

	2019 £m	2018 £m
Current tax expense		
UK corporation tax	**7.0**	5.9
Adjustments in respect of previous years	**1.1**	(0.1)
Total current tax charge	**8.1**	5.8
Deferred tax expense		
Origination and reversal of temporary differences	**(4.2)**	(2.5)
Adjustments in respect of previous years	**(0.9)**	0.7
Effect of tax rate change on opening deferred tax balance	**0.5**	(0.6)
Total deferred tax credit	**(4.6)**	(2.4)
Total income tax expense	**3.5**	3.4

Factors affecting the current tax charge

UK corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit for the year.

(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:

	2019 £m	2018 £m
Profit before tax	**11.7**	14.1
Effective tax charge at 19.0% (2018: 19.0%)	**2.2**	2.7
Effects of:		
Expenses not deductible for tax purposes	**0.5**	0.6
Effect of tax rate change on opening deferred tax balance	**0.5**	(0.6)
Adjustments to deferred tax charge in respect of previous years	**(0.8)**	0.8
Adjustments to current tax charge in respect of previous years	**1.1**	(0.1)
Total income tax expense	**3.5**	3.4

The main rate of corporation tax will reduce from 19% to 17% from 1 April 2020. This change had been substantively enacted at the balance sheet date and, therefore, it is reflected in these financial statements.

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.

	2019	2018
Earnings attributable to Ordinary shareholders (£m)	**8.2**	10.7
Weighted average number of Ordinary shares in issue	**70,506,476**	66,369,383
Basic earnings per share (pence per share)	**11.6**	16.0

(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.

	2019	2018
Earnings attributable to Ordinary shareholders (£m)	**8.2**	10.7
Weighted average number of Ordinary shares in issue	**70,506,476**	66,369,383
Adjustment for contingently issuable shares – Long term incentive plans	**88,379**	259,505
Adjustment for contingently issuable shares – SAYE schemes	**-**	98,81
Weighted average number of Ordinary shares for diluted earnings per share	**70,594,855**	66,726,969
Diluted earnings per share (pence per share)	**11.6**	15.9

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.

	2019	2018
	£m	£m
Earnings attributable to Ordinary shareholders	**8.2**	10.7
Add back taxation	**3.5**	3.4
Profit before taxation	**11.7**	14.1
Adjustments for:		
Amortisation	**22.2**	18.4
Costs relating to business combinations (note 5)	**7.2**	3.5
Exceptional items	**0.3**	-
Adjusted profit before income tax	**41.4**	36.0
Tax on adjusted profits	**(8.5)**	(7.8)
Adjusted profit after income tax and earnings attributable to owners of the parent	**32.9**	28.2
Weighted average number of Ordinary shares in issue	**70,506,476**	66,369,383
Weighted average number of Ordinary shares for diluted earnings per share	**70,594,855**	66,726,969
	Pence	Pence
Adjusted earnings per share	**46.7p**	42.4p
Diluted adjusted earnings per share	**46.6p**	42.1p

5. Business combinations

Details of business combinations in the year ended 30 June 2019 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.

The table below summarises the assets acquired in the year ended 30 June 2019:

	Book value of acquired assets £m	Adjustments £m	Fair value £m
Property plant and equipment	2.0	-	**2.0**
Patient data records and customer lists	-	35.3	**35.3**
Inventory	2.9	(0.3)	**2.6**
Deferred tax liability	(0.2)	(6.1)	**(6.3)**
Trade and other receivables	9.0	-	**9.0**
Trade and other payables	(10.8)	-	**(10.8)**
Loans	(1.5)	-	**(1.5)**
Total identifiable assets	1.4	28.9	**30.3**
Goodwill		26.3	**26.3**
Total consideration paid			**56.6**

Goodwill recognised represents the excess of purchase consideration over the fair value of the identifiable net assets. Goodwill reflects the synergies arising from the combination of the businesses; this includes cost synergies arising from shared support functions and buying power synergies. Goodwill includes the recognition of deferred tax in respect of the acquired patient data records and customer lists.

Post-acquisition revenue and post-acquisition EBITDA were £47.0m and £5.5m respectively. The post-acquisition period is from the date of acquisition to 30 June 2019. Post-acquisition EBITDA represents the direct operating result of practices from the date of acquisition to 30 June 2019 prior to the allocation of central overheads, on the basis that it is not practicable to allocate these.

Goodwill and intangible assets recognised in the year relating to business combinations are not expected to be deductible for tax purposes.

The acquisition costs incurred in relation to the above business combinations amounted to £2.8m for the year and are included within administrative expenses in the statutory financial statements.

Included within the table above are the acquisitions of Slate Hall Veterinary Group, Vet Direct Holdings Limited and Endell Veterinary Group which are each considered to be material for the purposes of the financial statements. Separate disclosure of these acquisitions is provided in the statutory financial statements.

The fair values of the assets and liabilities are provisional.

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 2018.

Business combinations subsequent to the year end

Subsequent to the year end, the Group has made two acquisitions which are summarised as follows:

- the trade and assets of Lissenhall Veterinary Hospital, a three-site practice based in Dublin, Ireland, on 8 August 2019.
- the trade and assets of Dierenkliniek Gooiland, a single-site practice based in Weesp, Netherlands on 19 September 2019.

This acquisition was purchased for a total cash consideration of £2.7m. Assets acquired comprised principally goodwill and intangible patient data records with a provisional fair value of £2.7m.

6. Dividends

	2019 £m	2018 £m

Amounts recognised as distributions in the year in respect of:		
Ordinary shares	**3.5**	2.9

The Directors have proposed a final dividend of 5.5p (2018: 5.0p) per share, total: £3.9m (2018: £3.5m), payable on 6 December 2019 to shareholders on the register at the close of business on 22 November 2019. The dividend has not been included as a liability as at 30 June 2019. During the year a dividend of 5.0p per share amounting to £3.5m was paid

7. Borrowings

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

Group	**2019 £m**	2018 £m
Within one year or on demand	**0.3**	0.5
Between one and two years	**-**	0.1
Between two and three years	**114.2**	83.4
	114.5	84.0

The balances above are shown net of issue costs of £0.8m (2018: £1.0m), 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.

In September 2019 the Group increased its available bank facilities through exercising the accordion contained within the November 2015 bank facility agreement. Total facilities of £190.0m are available to support the Group's organic and acquisitive growth initiatives over the coming years. These facilities are provided by a syndicate of three banks, RBS, HSBC and AIB, and comprise the following elements:

- a fixed term loan of £95.0m, repayable on 23 November 2021 via a single bullet repayment; and
- a six-year revolving credit facility ("RCF") of £95.0m that runs to 23 November 2021.

In addition the Group has a £5.0m overdraft facility renewable annually.

The two financial covenants associated with these facilities are based on Group borrowings to EBITDA and Group EBITDA to interest. The Group borrowings to EBITDA ratio must not exceed 3.25. The Group EBITDA to interest ratio must not be less than 4.5. The facilities require cross guarantees from the most significant of the CVS Group's trading subsidiaries but are not secured on the assets of the Group. EBITDA is based on the last twelve months' performance adjusted for the full year impact of acquisitions made during the period.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. On 1 March 2017, the Group entered into a three-year interest rate fixed swap arrangement to hedge fluctuations in interest rates on £45.0m of its RCF facility. The swap reduced to £40.0m on 1 March 2018, followed by a further reduction to £35.0m on 1 March 2019.

At the balance sheet date £35.0m of the term loan was hedged using an interest rate swap. The remainder of the debt is not hedged.

Undrawn committed borrowing facilities

At 30 June 2019 the Group has a committed overdraft facility of £5.0m (2018: £5.0m) and an RCF of £95.0m (2018: £85.0m). The overdraft facility was undrawn at 30 June 2019 and 30 June 2018. £75.0m of the RCF was undrawn at 30 June 2019 (2018: £68.0m).

8. Cash flow generated from operations

	2019 £m	2018 £m
Profit for the year	**8.2**	10.7
Taxation	**3.5**	3.4

Total finance costs	**3.9**	3.6
Amortisation of intangible assets	**22.2**	18.4
Depreciation of property, plant and equipment	**9.2**	8.0
(Increase)/decrease in working capital:		
Inventories	**(1.0)**	0.3
Trade and other receivables	**(3.6)**	(4.9)
Trade and other payables	**9.6**	5.9
Share option expense	**0.1**	1.3
Total net cash flow generated from operations	**52.1**	46.7