For Immediate Release **23 September 2021**

CVS GROUP plc

(“CVS”, the “Company” or the “Group”)

Final results for the year ended 30 June 2021

CVS, one of the UK’s leading providers of integrated veterinary services, is pleased to announce its final results for the year ended 30 June 2021.

Financial Highlights

£m except where stated	**2021**	2020	Change %[5]
Revenue	**510.1**	427.8	19.2%
Group like-for-like ("LFL") sales growth (%)[1]	***17.4%***	*0.7%*	*+16.7 ppts*
Adjusted EBITDA[2]	**97.5**	71.0	37.3%
Adjusted EBITDA[2] margin (%)	***19.1%***	*16.6%*	*+2.5 ppts*
Adjusted profit before income tax[3]	**66.2**	38.2	73.3%
Adjusted earnings per share[4] (p)	**75.1**	42.0	78.8%
Operating profit	**40.1**	18.5	116.8%
Profit before income tax	**33.1**	9.9	234.3%
Basic earnings per share (p)	**27.3**	8.1	237.0%

Notes

1. Like-for-like sales are defined as revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included in the like-for-like calculations from September 2020.
2. Adjusted Earnings Before Interest, Tax, Amortisation and Depreciation (“adjusted EBITDA”) is profit before income tax adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items. Adjusted EBITDA is used as a financial metric that removes the cost of debt, costs relating to depreciation and amortisation and one-off costs to get a normalised earnings figure that is not distorted by irregular items or structural investment.
3. Adjusted profit before income tax is calculated as profit before amortisation, taxation, costs relating to business combinations and exceptional items.
4. 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.
5. Leverage on a bank test basis is drawn bank debt less cash at bank; divided by adjusted EBITDA annualised for the effect of acquisitions, including costs relating to business combinations and excluding share option costs and exceptional items, prior to the adoption of IFRS 16.

Financial Highlights

- Revenue increased by 19.2%, to £510.1m from £427.8m, with strong group like-for-like[1] growth of 17.4% benefitting from favourable market dynamics and a continued focus on providing high quality care to our clients and their animals
- The Group delivered adjusted EBITDA[2] growth of 37.3%, to £97.5m from £71.0m, through an increase in revenue across all divisions and effective management of costs
- Profit before income tax increased by 234.3% to £33.1m from £9.9m
- Leverage[5] fell to 0.68x from 1.14x as a result of strong EBITDA growth and reduction in net debt
- Cash generated from operations decreased to £80.3m from £94.8m despite the increase in adjusted EBITDA, due to VAT and taxes deferred in the prior year due to COVID-19, paid in the current year

Operational Highlights

- The last year has provided many challenges across our industry, but our people have demonstrated resilience and continued excellence throughout
- As well as offering first class care to sick or injured animals we are continually improving the levels of preventative health care through our Healthy Pet Club

- Our annual Quality Improvement report reflects our commitment to patient safety and consistent clinical improvement, and has gained us significant recognition in the profession, not least by our regulator the Royal College of Veterinary Surgeons ("RCVS")
- We are committed to enhancing the clinical services we offer, particularly in the quality of our facilities and as such we have completed 13 refurbishments and relocations in FY21
- We have continued to organically grow our revenues, supplementing this with nine synergistic acquisitions during the year

Current trading & Outlook

- Total sales growth of 17.5% (31 August 2020: 3.5%) in the first two months of the new financial year (vs same period in previous year) with like-for-like sales[1] of 14.4% (prior year: 3.9%) benefitting from a further price increase put through in July 2021 in addition to the delayed price increase implemented in January 2021
- Strong adjusted EBITDA[2] margin of 19.5% for the two month period (Prior year equivalent period: 18.7%)
- Stable vet vacancy rate, averaging 8.8% for the last twelve months (LTM) to the end of August 2021 (Prior year LTM: 6.8%) with continued initiatives to attract and retain our talent including:
    - Acceleration of annual pay increase with effect from 1 July 2021 to align with the start of our financial year;
    - Remuneration changed in line with feedback focusing more on fixed income for clinicians and introducing bonus schemes that reward collaboration across the Group; and
    - Additional day's holiday for every year worked at CVS, up to a maximum of 5 years
- Continued growth in Healthy Pet Club scheme to 455,000 members at 31 August 2021 (+7.9% compared to 31 August 2020)
- One new acquisition made since the year end
- Leverage[5] flat at 0.7x (31 August 2020: 0.8x)

Richard Fairman, Chief Executive Officer commented:

"We have delivered a very strong performance for the year with credit to every single one of our colleagues for their extraordinary efforts to provide the best possible service to our customers and their animals, against a difficult backdrop of restrictions and evolving regulatory guidance. These results demonstrate the resilience of our fully integrated veterinary model and our commitment to providing the very highest standards of clinical care.

We continue to expand and develop our business, and, alongside our ongoing investments in high quality facilities and practices, we have welcomed a number of new vets and nurses to the Group, as demand for veterinary services continues to increase in light of rising pet ownership.

We see a number of opportunities to grow the business, through favourable consumer trends, further improving our specialist offering and by continuing to make investment in support. Although management expectations for the full year are not based on attaining annual growth at the high levels of the first two months, the very positive start to the new financial year is encouraging. We remain focused on providing first class veterinary care and look forward with confidence."

Results webcast
Management will host a live webcast and Q&A for analysts and investors at 9am GMT this morning. Those wishing to join should email CVSGroup@mhpc.com for the registration details. For those unable to join, there will be a playback facility available on the CVS website later today at www.cvsukltd.co.uk/investor-centre/investor-presentation.

This announcement is released by CVS Group plc and contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR"), encompassing information relating to trading for the Company's current financial year, and is disclosed in accordance with the Company's obligations under UK MAR. This announcement is being made on behalf of the Company by the directors named below.

An electronic copy of the Annual Report for the year ended 30 June 2021 is being made available on the Company's website at www.cvsukltd.co.uk/investor-centre/annual-reports

Contacts

CVS Group plc **via MHP Communications**
Richard Fairman, CEO

Ben Jacklin, COO
Robin Alfonso, CFO

Singer Capital Markets (Nominated Adviser & Broker) **+44 20 7496 3000**
Aubrey Powell / Rachel Hayes / Jen Boorer

MHP Communications (Financial PR) **+44 20 3128 8549**
Andrew Jaques / Simon Hockridge / Rachel Mann / Charles Hirst

About CVS Group plc
CVS Group is a fully integrated provider of veterinary services in the UK, with practices in the Netherlands and the Republic of Ireland. CVS is focused on providing high quality clinical services to its customers and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group has 506 veterinary practices across its three markets, including eight specialist referral hospitals and 34 dedicated out-of-hours sites. Alongside the core Practices division, CVS operates Laboratories (providing diagnostic services to CVS and third parties), Crematoria (providing pet cremation and clinical waste disposal for CVS and third party practices), Buying Groups and the Group's online retail business (Animed Direct).

The Group employs c. 7,200 personnel, including c. 2,000 veterinary surgeons and c. 2,500 nurses.

Further information is available via the Company's website, at www.cvsukltd.co.uk

Chairman's statement

"Well positioned to deliver further growth in shareholder value"

Introduction
When I wrote to you last year, CVS was emerging from the first phase of an unprecedented period of disruption caused by the COVID-19 pandemic. Over the past year, we have continued to face challenges but have taken a number of appropriate and decisive actions as a Board. Through this effective leadership, combined with the ongoing dedication of our colleagues, I am delighted that CVS has demonstrated the resilience of its business model and has emerged as a stronger business with excellent growth opportunities ahead.

The fundamental strength of CVS is our people and this has been a key factor in our strong performance over the past year. CVS colleagues have continued to work tirelessly to provide high quality care to our clients and their patients and, on behalf of the Board, I would like to take this opportunity to thank them all for their hard work and commitment.

Strong financial performance
CVS has delivered improved financial performance in the past financial year as a result of positive momentum in trading across the group.

We generated revenue growth of 19.2% which reflects strong organic growth, with like-for-like sales increasing by 17.4% for the Group. This reflects an increased client base and our continued focus on delivering high quality clinical care. We completed nine acquisitions during the financial year and revenue of £6.1m was generated from these (2020: four acquisitions with revenue of £4.3m).

Our adjusted EBITDA increased by 37.3% to £97.5m (2020: £71.0m) reflecting good performance across all areas of our business and close control of expenses. Adjusted EPS increased by 78.8% to 75.1p (2020: 42.0p).

Profit before income tax increased by 234.3% to £33.1m (2020: £9.9m). This dual benefit of the increase in revenue and the careful management of costs has resulted in significant improvement in returns. Basic EPS increased by 237.0% to 27.3p (2020: 8.1p).

We continued to generate strong cash flow from operations of £80.3m (2020: £94.8m), with the year-on-year decrease of 15.3% due to the repayment of VAT of £15.0m to HMRC, which was deferred from 2020 under the COVID-19 VAT Deferral scheme.

Strategic progress
We have a very clear purpose to provide the best possible care to animals and this is underpinned by our vision to be the veterinary company people most want to work for.

In recognition of the essential part our colleagues play in the success of CVS, we have continued to review reward and benefits across CVS to ensure we remain well positioned to retain and attract the very best talent in the profession. We also support employee shareholding in CVS and, with this in mind, we increased the discount to 20.0% for our latest employee Save As You Earn scheme which launched in November 2020.

We continue to expand our colleague base in response to the increased demand for our integrated veterinary services, particularly in light of a growing pet population. In the year ended 30 June 2021, CVS employed an average of 7,241 colleagues (2020: 6,761) including 1,962 veterinary surgeons (30 June 2020: 1,781) and 2,548 nurses (30 June 2020: 2,359) who we support through our comprehensive training and development programmes.

We have delivered strong underlying financial performance over the past year from a focus on organic growth through the delivery of first class clinical care. We continue to invest in improving our practice facilities and clinical equipment, completing 13 practice refurbishment and relocation projects in the past financial year. We have also announced plans to create a specialist, multi-disciplinary referral hospital in Bristol and look forward to welcoming our first clients to this new facility in 2022.

Alongside our focus on organic growth and our continued investment in practice and clinical facilities, we are well placed to make further acquisitions of first opinion veterinary practices. Acquisitions can widen our offer of high quality and integrated veterinary services, whilst augmenting our organic growth, positioning CVS well to deliver further growth in shareholder value over the medium term.

Governance and the Board
We remain committed to the highest levels of corporate governance and, as an AIM-quoted company, we voluntarily adopt the FRC UK Corporate Governance Code (2018).

We are committed to ensuring we have the right balance of skills and experience within the Board. In July 2020, we appointed an additional Non-Executive Director, Richard Gray. Richard is the Chair of the Nominations Committee.

Our Senior Independent Non-Executive Director, Mike McCollum has announced his intention to stand down, after serving for eight and a half years, and will leave CVS at the end of his current service agreement, which expires on 23 September 2021. On behalf of the Board, I would like to take this opportunity to thank Mike for his tremendous service and to wish him every success in the future.

The Nominations Committee is proposing that we appoint David Wilton as a new Non-Executive Director on 24 September 2021 to replace Mike McCollum as Audit Committee Chair. David is a Chartered Accountant and has a wealth of experience in senior financial roles, most recently as Chief Financial Officer of Sumo Group plc. In light of Mike McCollum's departure, Deborah Kemp will become the Senior Independent Director.

On 16 August 2021, we appointed Jenny Farrer as our new Company Secretary. Jenny is a Chartered Governance Professional and has a wealth of experience in company secretarial roles.

I am delighted to welcome David and Jenny to CVS.

In the year, we consulted with major shareholders on governance and other matters and, in light of their feedback and independence considerations, I stood down from all Board committees with effect from 30 April 2021.

Dividends
The robust performance delivered over the past year demonstrates both the resilience of our business and the strength of our integrated veterinary services model. The Group continues to be highly cash generative, and despite continuing strong levels of investment in facilities, equipment and acquisitions in the year, we reduced our net debt by £11.9m over the course of the year.

In light of the improvements in financial performance and the continued strong cash generation, the Board is recommending a return to our progressive dividend policy, with the payment of a final dividend of 6.5p per share (2020: £nil).

Shareholder engagement
During the year, the Directors regularly held one-to-one meetings and calls with existing and potential new shareholders, hosted a number of roadshows and attended several virtual broker conferences.

We appointed MHP Communications as our financial public relations ("PR") agency in the year and we will continue to develop our shareholder engagement and reporting in line with best practice. The Executive Directors held the Group's first ever live webcast of the Group's interim results presentation in March 2021 and we will continue to present future results in this way, with a replay facility available.

Outlook
The veterinary sector is undergoing structural growth, through a number of continuing trends including the humanisation of pets, an increase in the demand for companion animals accelerated by COVID-19 restrictions, consumers who are keen to provide the best possible care to their pets, and clinical enhancements which are increasing the range of services we can offer to achieve the best potential outcomes.

Our fully integrated veterinary services model, with first-opinion veterinary practices supported by specialist referral hospitals, laboratories, crematoria and our online retail business all position CVS well to benefit from these favourable sector and consumer trends. Through our improved financial performance and strengthened balance sheet, we are well placed to invest further in our people, our facilities and clinical equipment, and in selective acquisitions to drive growth and enhanced returns.

As we continue to expand and develop our business, our focus will rightly remain on attracting and retaining the very best talent and working as a team to provide the highest quality care to our clients and their animals.

I look forward with confidence to a successful future.

Richard Connell

Chairman

23 September 2021

Chief Executive Officer's statement

"Care at our Heart"

Introduction
I am pleased to share our 2021 Annual Report and Financial Statements.

We have delivered a strong performance in the past financial year. Our business model has proven to be resilient, despite the difficult backdrop of COVID-19, and we have as rich a proposition as ever, focused on providing the very highest standards of clinical care. This is all due to the efforts and collaboration of our outstanding team of colleagues.

Throughout the past year, we have had to respond to evolving regulatory guidance and new ways of working in order to provide ongoing care to animals, whilst keeping our colleagues and clients safe.

I would like to take this opportunity to thank all CVS colleagues for their professionalism, sheer hard work and continued commitment to providing the highest levels of service.

Favourable market and consumer trends
We have seen a continued increase in pet ownership in the past year and, whilst there is no definitive pet population data available, results of a recent survey published by the Pet Food Manufacturers Association indicate that c.3.2 million UK households have acquired a puppy or kitten since the start of lockdown restrictions and that there are now over 24 million cats and dogs in the UK. This is clearly a positive trend for CVS, and whilst there are short-term benefits from first consultations, vaccinations and in some cases neutering procedures, we anticipate the benefits to be recognised over the medium term as these puppies and kittens reach their mature stages of life and require more veterinary intervention.

We continue to see a favourable trend of humanisation of pets, with consumers willing to spend more on looking after their animals. In many households, pets are seen as a core member of the family and as with human health, improvements in clinical diets and advances in clinical treatments available are likely to lead to increased life expectancy of pets.

Our fully integrated veterinary services model positions CVS well to benefit from these favourable market and consumer trends. Our first-opinion practices provide access to advice and clinical care and our preventative pet health scheme, the Healthy Pet Club, provides regular vaccinations, check-ups and flea and worming treatments. Our specialist-led, multi-disciplinary referral hospitals provide access to advanced procedures where required and our in-house laboratories provide an increasing range of diagnostic tests in support of our first-opinion and specialist clinical teams. Our online retail business provides a large range of pet food, drugs and other products and our crematoria provide a compassionate and valued end-of-life service to our clients.

Strong financial performance
We have delivered a strong financial performance in the past year, with revenue of £510.1m representing an increase of 19.2% over that achieved in the prior year. This reflects a 17.4% increase in like-for-like sales. Adjusted EBITDA increased to £97.5m, with all divisions contributing to this 37.3% increase over the prior year.

This improved financial performance coupled with continued good operational cash conversion led to a reduction in leverage to 0.68x at 30 June 2021 (30 June 2020: 1.14x).

Strategy
Our purpose is to provide the best possible care to animals and our integrated veterinary services are key to enabling this. Our integrated model and our breadth of skills, services and facilities position us well to provide outstanding care to our clients and their animals.

Our highly skilled and dedicated team of clinicians and support colleagues are at the centre of our strategy and our vision is to be the veterinary company people most want to work for. We are committed to making CVS a great place to work and have a career and we continue to develop our reward and benefits to ensure we remain well positioned in a competitive marketplace. Our leading Learning, Education and Development team have delivered significant online training over the past year in support of our colleague development.

We pride ourselves on our high clinical standards and remain focused on recommending and providing the best clinical care. Retaining and attracting the very best veterinary talent is clearly key to this, but we also recognise the need for continued investment in our practice facilities and clinical equipment. I am delighted that we have completed 13 practice refurbishments/relocations in the past year and we have invested £3.8m in new clinical equipment.

Our focus on delivering organic growth through our existing operations will continue to be augmented by the selective acquisition of veterinary practices and the investment in existing and new facilities. We made nine acquisitions in the past year and I am delighted to welcome our new colleagues to CVS. We also announced plans to open a brand new, state of the art multi-disciplinary referral hospital in Bristol and I look forward to the opening of this new facility in 2022. This new facility will allow us to continue to provide specialist support to our clients and their animals for more complex cases, complementing the first-opinion services we provide in CVS. This will also increase the services we supply to third-party practices.

Recruitment of more clinicians
We have expanded CVS over the past year and in the year ended 30 June 2021 we employed an average of 181 (10.2%) more vets and 189 (8.0%) more nurses than in the year ended 30 June 2020. Notwithstanding this increase, we are keen to recruit more clinicians to support our growth and are advertising for a number of new positions. This has the effect of inflating our veterinary surgeon vacancy rate which is calculated as the number of vet vacancies divided by the total number of roles (being both employed vets and new vacancies).

RCVS consultation on legislative review
We have been proactively engaging with the RCVS as a business for some time, for changes in legislation that would allow our highly skilled nurses to perform a greater range of procedures without the need for vet supervision.

We are delighted that the RCVS undertook consultation on a number of proposed reforms to the Veterinary Surgeons Act, 1966 ('the Act'), including proposals to enable nurses to undertake a broader range of procedures such as feline castrations. We actively participated in this consultation process and we broadly support the RCVS reform recommendations which were formally approved by the RCVS Council on 10 June 2021. We now encourage the government to support these reforms so that revised legislation can be enacted.

Sustainability and ESG
Our focus on providing the very best possible care to our clients and their animals and our focus on making CVS a great place to work and have a career are central components of our strategy.

The Board of CVS is acutely aware that today companies must also be managed so that wider society benefits from their business operations and services. Whilst CVS has always taken its broader societal obligations seriously, we have recently begun the process of understanding our impact on, and the wider contribution we make to society, in order to ensure that CVS becomes a truly sustainable business focussed on delivering value to all of our stakeholders. This initiative which commenced in the second half of this financial year, builds on our mission and purpose and will, over time, evolve into a fully costed and measurable ESG strategy.

We describe this approach as "Care at our Heart", having worked to identify and articulate the core priorities for all arms of our business, using internal interviews and analysis. The concept of "care" resonated strongly across these discussions – we are, of course, a business that provides best-in-class clinical care. But care, in its broader sense, goes to the very heart of what we do.

As a Company, we strive to reflect this in the work we do. Care is in our DNA, and it is the foundation of our ESG strategy.

- We care deeply about protecting the wellbeing of our colleagues, and equipping them with the support, resources, training and access to personal development opportunities that they need.
- We care about driving standards of clinical excellence in the profession and providing the best possible health care for animals.
- We care about making a positive impact in the communities in which we work.
- We care about doing our job in a way that is sustainable and that doesn't compromise the natural environment.
- We care about delivering value for our investors by doing good.

As a business we have made a number of changes to progress our sustainability agenda, and we are extremely committed to further development in the future. I am delighted that our stakeholders are equally committed to making demonstrable changes and through working together, I am confident that we will deliver meaningful improvements across all aspects of ESG within CVS.

We have outlined some of our progress in the FY21 Annual Report and I look forward to sharing further developments in due course.

Wellbeing and mental health
As a caring employer, we are committed to supporting our colleagues in their wellbeing and mental health. Given the challenges over the past 18 months to our working and personal lives from the COVID-19 pandemic, wellbeing and mental health support is more important than ever.

We continue to develop ways to support all colleagues and we now have over 300 'First Aiders for Mental Health' across CVS who are actively championing wellbeing and positive mental health across our business.

We launched a range of new initiatives over the past year supported by our wellbeing ambassador, Sally Gunnell OBE.

Outlook
With our improved financial performance in the past year, continued strong cash flow and strengthened balance sheet, CVS is well positioned for further growth and to benefit from the favourable market and consumer trends.

We will continue to focus on organic growth through providing great care to our clients and animals and through further investment in our people, our clinical facilities and our practices. This organic growth can be augmented by further acquisitions and we have acquired a further eight practice sites since the financial year end.

Our highly skilled and dedicated team of colleagues are key to our business and with their continued support and dedication, I look forward to sharing further success in the future.

Richard Fairman

Chief Executive Officer

23 September 2021

Operational review

"Delivering outstanding clinical care despite challenging circumstances"

During the last twelve months we have faced many challenges, but the way in which our colleagues have stepped up to protect animal welfare and continued to deliver the best possible care has been nothing short of remarkable. We owe our colleagues an enormous debt of gratitude and therefore I would like to thank every one of them for their continued hard work.

Our purpose is to give the best possible care to animals, which we are delivering through our clear vision to be the veterinary company people most want to work for. This financial year has seen us make significant strides forward despite the challenging environment. Our focus on the critical KPIs of our colleague satisfaction and our vet vacancy rate are a reflection of this vision. Beneath our purpose and vision, as we introduced in our FY20 Annual Report, are our four strategic pillars:

- we recommend and provide the best clinical care every time;

- we are great place to work and have a career;
- we provide great facilities and equipment; and
- we take our responsibilities seriously.

Alongside the strong growth we have seen during the year I am delighted to have seen a significant number of new clinical positions created over the year, and on average in the year ended 30 June 2021 we employed 10.2% (181) more vets than we did in the year ended 30 June 2020. We have also seen more roles filled by internal candidates, promoting great careers within CVS, as well as through our highly successful refer a friend scheme during the year. As a result of the continued expansion of our practices, we have advertised for more clinical roles than ever, which has had the effect of increasing our vet vacancy rate across the year to 8.3%. Critically, and in stark contrast to the higher vet vacancy rate experienced several years ago, these vacancies are the result of our expansion ambitions, as we seek to add new clinical roles across the company to capitalise on an expanding market. Our annual clinical attrition rates and employee Net Promotor Scores both remain improved on prior years as we continue to strive to be the veterinary company people most want to work for.

We have also made some changes to remuneration since the end of the financial year in response to survey data and feedback, focusing more on fixed income for clinicians and introducing bonus schemes that reward collaboration across the Group and the delivery of the best possible clinical care. We also recognise the intense demands of clinical roles in the veterinary profession, not least during the last 18 months, and have introduced an enhanced holiday scheme to give colleagues an extra day of annual leave for each year of CVS service, up to a maximum of five years. This is additional to our buy and sell holiday scheme, both of which are aimed at ensuring our colleagues get the right balance of time away from work.

We remain committed to being a great place to work and have a career. This year, we have partnered with the University of Nottingham to deliver a unique four-year accredited graduate program which launched in autumn 2020. Supporting and mentoring a pipeline of talented graduates is a central tenet to our ongoing commitment to supporting long and successful careers for our clinicians within CVS. We have also introduced our first graduate summer camp to the graduate intake programme. This helps our newly qualified vets to develop their core practical skills, increase their knowledge and understanding of surgery and consulting, and be 'practice ready' as they begin their careers with us. Additionally, we have partnered with the University of Bristol to deliver final year clinical rotations for their veterinary students in our equine clinics and hospitals. This now means all students at Bristol Veterinary School will experience at least one rotation within CVS before they graduate, exposing bright and ambitious young talent to all that CVS has to offer, and enabling us to contribute to the education of the next generation of veterinary surgeons.

Our efforts to build the best learning education and development platform in the profession have continued, with the Knowledge Hub – our online training portal - having an average of 4,200 users per week during FY21. This platform offers almost 200 live courses and programs and we had over 10,000 clinical webinar views in the year, reflecting the critical role that offering continued professional development has in the retention and recruitment of our talented colleagues. A limited number of courses are now also available to third parties, as we begin a rollout of learning opportunities to the wider profession.

Having great facilities and equipment is critical to us delivering on our strategy, and as such we have completed 13 refurbishments and relocations in FY21. The quality of practice facilities is directly related to our ability to recruit vets and the ability of our clinical teams to deliver the best possible care; therefore refurbishments and relocations are a fantastic investment opportunity for us. We are also deploying new industry-leading techniques across our practices, including dental radiography and keyhole surgery for neutering, which now is in operation in 40 practices across the Group.

Veterinary Practices division
Our Veterinary Practices division comprises our companion animal, referrals, farm animal and equine veterinary practices, as well as our buying groups, Vet Direct and MiPet Insurance. The division has performed extremely well during the financial year, with like-for-like revenue growth of 15.9% and total revenue growth of 18.0%. We have also generated growth through acquisitions, having made nine acquisitions comprising 15 practice sites in FY21 and eight practice sites since the financial year-end, mainly providing companion animal services, as well as complementary farm and equine animal services. We are pleased to report that this cohort of new acquisitions have been well integrated into the Group, and are performing well.

Companion Animal
Our Companion Animal division forms the majority of our Veterinary Practices division, and has proven resilient in recovering from the COVID-19 disruption. We have continued to focus on supporting our clinical teams to deliver the best possible care, and despite the challenges of the pandemic we have made excellent progress across a range of areas of clinical development.

Despite reception areas and consultation rooms remaining mainly closed throughout much of FY21, the division has continued to deliver high quality clinical service whilst changing the ways of working within practice. The temporary relaxation of restrictions by the RCVS allowed for remote prescribing and supported telemedicine consultations in the very early months of the pandemic, but throughout the financial year we saw a strong demand from clients to attend our clinics in person, and the demand for virtual interactions fell away, reiterating the close ties of our practices with their communities.

Referrals
Our Referrals division continues to grow strongly, with revenue increasing 29.3% over the prior year. We have expanded the range of clinical disciplines we offer in our hospitals, and we have seen growth of our vet-to-vet telemedicine imaging service, VetOracle. These services are offered to both our own and third-party practices across the globe, and we have invested further in systems to support further growth. We also continue to expand our network of advanced peripatetic practitioners, who provide advanced clinical services to our primary care practices entering new disciplines and geographical locations.

Our Referrals division has worked hard to build relationships with both internal and external first opinion practices. This has led to a 31.4% increase in cases being referred during the financial year compared to FY2020.

Equine
Our Equine division has 20 equine practices across the UK, the Republic of Ireland and the Netherlands, including five RCVS accredited referral hospitals in the UK and large referral hospitals in both the Republic of Ireland and the Netherlands.

The division has performed well in the financial year, generating internal referrals through supporting collaboration between practices, providing operational leverage and resulting in EBITDA growth of 163.1%. We have also implemented further training for first-opinion equine vets and provided additional equipment, such as scanning equipment, for use on first visits, contributing to a 26.2% increase in revenue.

We have continued to expand our out-of-hours service, Equicall, offering emergency cover to both CVS and third-party practices. This world-first equine dedicated out-of-hours service has not only improved access to clinical care for our clients, but has improved flexibility for our vets by reducing the burden on existing vet teams.

Farm Animal
Our Farm Animal division consists of 23 farm animal practices and a large specialist poultry business, Slate Hall. During the year we have increased both fee and drug revenue via buying groups and increased incentives for our vets, such as our productivity bonus scheme.

After launching our first greenfield farm animal practice in 2020, we have continued to advance this model throughout 2021, and at the end of this financial year we have three greenfield practices providing opportunities for young and ambitious vets.

International
Our International division comprises 25 practices in the Netherlands and six practices in the Republic of Ireland. Internationally we have expanded and improved our out-of-hours services, to reach more clients and support the best possible working environment for our clinicians.

We continue to focus on rolling out our people-focused model, providing the best possible care to animals in all our territories. Improved collaboration between practices, including referral of more advanced cases between experienced clinicians remains a good opportunity for organic growth.

Healthy Pet Club
As well as offering first class care to sick or injured animals we continue to offer preventative health care through our Healthy Pet Club scheme, which offers routine flea and worming treatments and vaccinations, as well as twice yearly health checks. These clients can spread the cost of accessing the best preventative health care, as well as allowing our clinicians to identify diseases and recommend the best diagnostics and treatments. The scheme membership has grown by 8.4% over the last year to around 450,000 members, representing roughly 40% of our companion animal active client base. The Healthy Horse Programme has also grown, with 10,000 members at the end of June 2021.

MiPet products/purchasing
During the year, we have continued our efforts to increase purchases of our own-brand products rather than third-party branded pharmaceuticals. As well as providing increased choice for our clients, this has also resulted in our own-brand spend increasing to 34.0% of the UK practices' pharmaceutical spend, up from 28.0% in 2020.

We have continued to improve our warehouse management system, improving efficiency and increasing our permanent staffing, which has enabled us to cope with the increase in Online Retail order volumes as well as successfully complying with social distancing requirements through effective use of space and adjusted shift patterns within our warehouse.

Outlook for Veterinary Practice Division
We are optimistic for continued growth within our Veterinary Practices division, with revenue growth expected to come from an increased number of clients and our focus on exceptional clinical care and our desire to be the veterinary company people most want to work for. Initiatives for the forthcoming year include a focus on radiography in first-opinion practices, in collaboration with our specialist VetOracle imaging teams. This will enable improvements in image acquisition, interpretation, and most importantly in the quality of diagnoses in pursuit of the best possible clinical care.

We are also focused on enhancing the role of our veterinary nurses in our clinics, and have launched a new programme to grow the number of consultations undertaken by our talented nursing colleagues. In areas such as these we continue to see significant opportunity to drive organic growth, by focusing on increasing our capability in all areas of diagnostics, and then recommending and delivering the best possible treatments.

We continue to seek high quality independent practices to join our network and, having put significant effort into our integration processes over the last two years, we are confident we can drive value from all acquisitions we make. We are well placed to continue to improve margins via streamlined referrals, use of our own-brand products and an increased range of clinical services.

Laboratories
Our Laboratories division provides diagnostic services and in-practice desktop analysers to both CVS and third-party practices, and employs a national courier network to facilitate the collection and timely processing of samples from practices across the UK. We continue to develop our capability to ensure we can support the wider Group's focus on growing diagnostic care.

Diagnostic services
Our diagnostic laboratories have grown during the year, including 20.1% growth in the number of tests provided to external customers. During the pandemic we also introduced COVID-19 PCR testing for our colleagues and for third parties, which was discontinued in March 2021 due to changes in government regulations.

Analysers
Analyser revenue is driven by a combination of sales of analysers, leasing agreements and ongoing sales of consumables throughout the life of the equipment. Revenues from the analyser business grew by 28.7% over the course of the financial year, including strong growth within CVS practices aligned to the wider clinical focus on diagnostics.

Outlook for Laboratories
The Laboratories division has remained resilient despite increasing consolidation in the veterinary sector resulting in the loss of some external clients. By increasing the speed and range of testing we offer in our laboratories, continuing to ensure field-leading client service, and employing a highly skilled network of sales teams and engineers, we are optimistic for further growth in the years to come.

Crematoria
Our Crematoria division provides both individual and communal cremation services for companion animal and equine clients, as well as clinical waste disposal services for both CVS and third-party veterinary practices.

Having successfully trialled our Direct Pet Cremation project in the first half of the year, this was rolled out across more of our companion animal practices in the final quarter of the financial year. This initiative has contributed to the increase in the number of individual cremations of 20.2% over the prior year.

Direct Pet Cremation Project
Our integrated veterinary platform is demonstrated in action with our Direct Pet Cremation Project, which sees clients allowed more time to consider difficult decisions about their beloved pet's end-of-life and cremation, such as whether to choose individual cremation, and choices between a range of caskets and other mementos. Crematoria and practices collaborate to give our clients time and space, which reduces the emotional pressures of our clients' decisions and allows our subject matter experts in our crematoria to discuss the full range of options open to clients during the most difficult time of all.

Outlook for Crematoria
Our Direct Pet Cremation project has seen great engagement from our practices and clients, and as we complete the rollout in the new financial year we expect this to continue, along with our Crematoria division revenues.

Online Retail Business
Our online pet food and pharmacy retailer, "Animed Direct", focuses on pet food and prescription and non-prescription

medication, directly to customers. This is supported by the buying power of the Group as a whole, which ensures the business is able to provide the best value for customers.

During the financial year, our Online Retail division delivered revenue growth of 29.9% and adjusted EBITDA growth of 16.0%. The COVID-19 lockdowns have changed consumer habits towards sourcing pet food online. Our high levels of customer service have enabled us to retain a large portion of the new customers that first used the platform during the COVID-19 lockdowns, despite retail restrictions having subsequently eased.

We have expanded our range of product lines and continued to improve our website, prescription management system and customer service management system, which contributes to our consistent five-star Trustpilot rating.

Outlook for Online Retail Business

The continual improvements and expansion to our product range as well as the increasing changes in customers' shopping habits towards online shopping for convenience is expected to continue to deliver revenue growth in our Online Retail business in the coming years. We continue to develop our website to improve user experience, further increasing revenue growth opportunities.

Head office

Central administration costs include those of the central finance, IT, human resource, purchasing, legal and property functions. Total costs were £15.7m (2020: £12.1m) representing 3.1% of revenue (2020: 2.8%). The increased spend reflects business growth during the period as well as investment in people and processes in support of further scalability, whilst maintaining a high standard of internal and external service.

As a percentage of revenue, the spend on support functions has increased, particularly in the areas of IT and Human Resources. This represents our continued investment in support areas, ensuring that we continue to have suitable systems to appropriately support the trading divisions. This overall increase in central costs also reflects health and safety expenditure in relation to COVID-19, for example, additional personal protective equipment for our colleagues, amounting to c£0.5m. The Group continues to base support colleagues in regions where possible, so they can easily provide the close support that the operations teams require.

Ben Jacklin

Chief Operating Officer

23 September 2021

Financial review

"Strong growth in financial performance and well placed for future investment"

Financial highlights

The Group has recovered well from the COVID-19 pandemic, to deliver significant growth in revenues and adjusted EBITDA.

Key financial highlights are shown below:

	2021	2020	Change %
Revenue (£m)	**510.1**	427.8	19.2%
Adjusted EBITDA (£m)*	**97.5**	71.0	37.3%
Adjusted profit before income tax (£m)*	**66.2**	38.2	73.3%
Adjusted earnings per share (p)*	**75.1**	42.0	78.8%
Operating profit (£m)	**40.1**	18.5	116.8%
Profit before income tax (£m)	**33.1**	9.9	234.3%
Basic earnings per share (p)	**27.3**	8.1	237.0%

A reconciliation of the difference between the reported operating profit figure and adjusted EBITDA is shown below:

	2021	2020
	£m	£m
Operating profit	**40.1**	18.5
Adjustments for:		
Amortisation, depreciation and impairment[1]	**48.1**	46.4
Costs relating to business combinations	**9.3**	0.7
Exceptional items	**-**	5.4
Adjusted EBITDA	**97.5**	71.0

1. Impairments in the year ended 30 June 2020 are shown in exceptional items

* Adjusted financial measures (adjusted EBITDA, adjusted profit before income tax and adjusted earnings per share) are defined below, and reconciled to the financial measures defined by International Financial Reporting Standards ("IFRS") on pages 90 and 118 of the FY21 Annual Report and shown below after the consolidated statement of income and in note 2 to the financial statements on segmental reporting. Management uses adjusted EBITDA and adjusted earnings per share ("adjusted EPS") as the basis for assessing the financial performance of the Group. These figures exclude costs relating to business combinations and exceptional items 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.

Financial performance

Revenue increased by 19.2% to £510.1m from £427.8m with strong Group like-for-like growth of 17.4%. The Group continues to benefit from favourable market dynamics with the trend in humanisation of pets, increasing pet ownership and the shift in consumer spending online. Like-for-like growth was underpinned by the continued focus on our strategy of providing the best clinical care, and was delivered despite a planned companion animal price increase being delayed during the year, which was eventually implemented on 1 January 2021. Revenue also included COVID-19 PCR testing, which discontinued in March 2021 following a change in Government guidance.

Adjusted EBITDA increased by 37.3% to £97.5m from £71.0m. As a percentage of revenue, adjusted EBITDA increased to 19.1% from 16.6%, benefiting from operating leverage and strong revenue growth. Adjusted EBITDA also benefitted from £2.0m of Research and Development Expenditure Tax Credits, following the Group's first claim under this scheme. The Group made nine acquisitions in the financial year, which in aggregate generated revenue of £6.1m and adjusted EBITDA of £1.3m during the period.

Adjusted profit before income tax increased 73.3% to £66.2m from £38.2m, benefitting from the increase in adjusted EBITDA and reduction in finance expense. Adjusted EPS (as defined in note 2 of the FY21 financial statements) increased 78.8% to 75.1p from 42.0p. Adjusted profit before income tax and adjusted EPS exclude the impact of amortisation of intangible assets, costs relating to business combinations and exceptional items.

Profit before income tax increased by 234.3%, to £33.1m from £9.9m, underpinned by the increase in adjusted EBITDA and reduction in exceptional costs, partially offset by the increase in costs relating to business combinations, which includes business combinations costs in respect of prior periods. Basic EPS increased 237.0%, to 27.3p from 8.1p.

Taxation

Income tax expense has increased by £9.6m, to £13.8m from £4.2m, primarily due to the increase in profit before income tax and £4.3m relating to the re-measurement of deferred tax balances in respect of UK jurisdictions following the UK Government's announcement to increase the rate of corporation tax to 25%, from 19%, in April 2023.

The Group's effective tax rate was 41.7% (2020: 42.3%). A reconciliation of the expected tax charge, at the standard rate, to the actual charge is shown below:

	£m	%*
Profit before income tax	**33.1**	
Expected tax at UK standard rate of tax	**6.3**	19.0%
Expenses not deductible for tax purposes	**2.4**	7.3%

Adjustments to previous year tax charge	**1.6**	4.8%
Utilisation of brought forward losses	**(0.1)**	(0.3%)
Effect of difference between closing deferred tax rate and current rate	**(0.7)**	(2.1%)
Effect of tax rate change on opening deferred tax balances	**4.3**	13.0%
Actual charge/effective rate of tax	**13.8**	41.7%

* percentage of profit before income tax

All of the Group's revenues and the majority of its expenses are subject to corporation tax. The main expenses that are not deductible for tax purposes are costs relating to acquisitions and depreciation on fixed assets that do not qualify for tax relief. Tax relief for some expenditure, mainly fixed assets, is received over a longer period than that for which the costs are charged in the FY21 financial statements.

Financial position

	2021	2020
	£m	£m
Intangible assets	**228.4**	229.8
Property, plant and equipment	**57.4**	51.6
Right-of-use assets	**97.2**	98.1
Other non-current assets	**0.1**	1.2
Current assets	**101.4**	83.6
Current liabilities	**(98.5)**	(102.0)
Non-current liabilities	**(194.9)**	(195.7)
Equity	**191.1**	166.6

As at 30 June 2021, intangible assets amount to £228.4m (2020: £229.8m), primarily consisting of goodwill, patient data records and computer software. The net reduction of £1.4m relates to amortisation and impairment in the year of £23.8m (2020: £23.2m), net foreign exchange movements on opening balances of £1.0m (2020: £0.5m), offset by additions through business combinations of £22.9m (2020: £7.2m) and computer software additions of £0.5m (2020: £1.3m).

Property, plant and equipment of £57.4m (2020: £51.6m) includes freehold land and buildings, leasehold improvements, fixtures, fittings and equipment and motor vehicles. The net increase of £5.8m primarily relates to additions (including those arising via business combinations) of £16.7m (2020: £11.3m), reflecting our continuing commitment to investing in our facilities, offset by net disposals of £0.5m (2020: £nil), net foreign exchange movements on opening balances of £0.1m (2020: £nil) and depreciation in the year of £10.3m (2020: £10.7m).

Right-of-use-assets of £97.2m (2020: £98.1m) consists of property leases for our veterinary practices, specialist referral centres and support office of £95.1m (2020: £96.3m) and leases for vehicles and equipment of £2.1m (2020: £1.8m). The net reduction in the year of £0.9m relates to the depreciation and impairment charge in the year of £14.0m (2020: £14.6m), net disposals of £1.7m (2020: £nil), foreign exchange on opening balances of £0.6m (2020: £0.1m increase), offset by additions (including those via business combinations) and re-measurement of lease terms of £15.4m (2020: £4.8m).

Other non-current assets of £0.1m (2020: £1.2m) relates to a managed investment fund measured at fair value of £0.1m (2020: £0.1m) and deferred tax assets of £nil (2020: £1.1m). In the current year the deferred tax asset has been offset against deferred tax liabilities (see note 24 to the FY21 financial statements for further details).

Current assets of £101.4m (2020: 83.6m) comprises inventories of £19.5m (2020: £18.7m), trade and other receivables of £48.1m (2020: £43.4m), current income tax receivable of £0.1m (2020: £0.4m current liability), and cash and cash equivalents of £33.7m (2020: £21.5m). The net increase of £17.8m mainly relates to increased cash and cash equivalents and increased trade receivables in line with the growth in overall revenues.

Current liabilities of £98.5m (2020: £102.0m) comprise trade and other payables of £86.0m (2020: £87.7m), provisions of £3.9m (2020: £5.0m), lease liabilities of £8.6m (2020: £8.8m), income tax liabilities of £nil (2020: £0.4m) and borrowings of £nil (2020: £0.1m). The net reduction of £3.5m mainly relates to the net movement following the repayment of £15.0m deferred VAT under the COVID-19 VAT Deferral scheme partially offset by an increase in bonus accruals due to the strong performance of the Group (included within other payables) and additional legal fees accrued.

Non-current liabilities of £194.9m (2020: £195.7m) includes borrowings of £83.9m (2020: £83.5m), lease liabilities of £90.2m (2020: £89.8m), derivative financial instruments of £0.4m (2020: £0.9m) and deferred tax liabilities of £20.4m (2020: £21.5m). See below for further details regarding the Group's borrowings.

Equity of £191.1m (2020: £166.6m) increased by £24.5m as a result of total comprehensive income of £19.0m (2020: £5.5m), new shares issued and shares disposed from the Employee Benefit Trust ("EBT") of £1.5m (2020: £1.0m) to settle obligations under the Group's Save As You Earn ("SAYE") scheme, and transactions in relation to share-based payments and associated deferred income tax of £4.0m (2020: £1.0m). There was no dividend payment in 2021 (2020: £3.9m).

Cash flow and movement in net debt

Net debt decreased by £11.9m to £50.2m from £62.1m. The movement in net debt is explained as follows:

	2021	2020
	£m	£m
Cash generated from operations	**80.3**	94.8
Capital expenditure – maintenance	**(8.2)**	(8.7)
Repayment of right-of-use liability	**(13.0)**	(14.2)
Taxation paid	**(13.0)**	(9.5)
Interest paid	**(7.1)**	(7.0)
Free cash flow	**39.0**	55.4
Capital expenditure – development	**(8.4)**	(3.7)
Business combinations (net of cash acquired)	**(19.4)**	(7.2)
Loans and borrowings acquired through business combinations	**(1.0)**	-
Dividends paid	**-**	(3.9)
Sale of property, plant and equipment	**0.6**	-
Exceptional items	**-**	(0.7)
Proceeds from Ordinary shares	**1.2**	0.1
Proceeds from sale of Treasury shares	**0.3**	0.9
Amortisation of debt issuance costs	**(0.4)**	(1.0)
Decrease in net debt	**11.9**	39.9

Cash generated from operating activities decreased by 15.3% to £80.3m from £94.8m, despite the increase in adjusted EBITDA. The decrease primarily relates to £15.0m of VAT payments which were deferred under the COVID-19 VAT Deferral scheme and £2.0m of taxes in the Netherlands deferred from the prior year, paid in the current year. Cash generated from operations also includes an additional £7.7m of payments for costs relating to business combinations, which mostly relate to acquisitions in prior periods.

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

Repayment of right-of-use liabilities of £13.0m (2020: £14.2m) consists of liabilities in respect of property leases for our veterinary practices, specialist referral centres and support offices and leases for vehicles and equipment.

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 income tax figure. Therefore, taxation paid moves broadly in line with the adjusted profit before income tax of the Group. The increase in tax paid in the year is primarily as a result of the increase in profit generated by the Group.

The interest payment of £7.1m was consistent with the prior year of £7.0m, reflecting the Group's maintenance of low levels of net debt during the financial year.

Cash available for discretionary expenditure ("free cash flow") decreased to £39.0m from £55.4m, primarily as a result of the deferred VAT payments noted above.

Development capital expenditure of £8.4m (2020: £3.7m) was incurred in the year. This investment included relocation of our practices at the Grove in Fakenham, Barry in Wales, Buttercross in Nottinghamshire and Rosemullion in Cornwall and refurbishment of some of our existing sites with significant investment in our sites at Buchanan in Manchester, Springfield in Rotherham and Newquay in Cornwall, which is due to complete in October 2021. The level of investment in the prior year was adversely impacted by action taken to preserve cash during the first COVID-19 lockdown in March 2020.

Consideration for business combinations, net of cash acquired, of £19.4m was paid for nine practices (15 practice sites) (2020: £7.2m) acquired during the financial year to June 2021. In addition a further £1.0m (2020: £nil) was paid to settle loans transferred as part of the business combinations.

Dividend of £nil (2020: £3.9m) following the decision not to declare a dividend in the prior year due to COVID-19 support received.

Sale of property plant and equipment of £0.6m (2020: £nil) relates to sites held not deemed to be in the right location for future investment.

Exceptional items of £nil (2020: £0.7m). The prior year related to amounts paid in relation to Board restructuring costs.

Proceeds from the sale of Ordinary and Treasury shares of £1.5m (2020: £1.0m) arose on the exercise of options under the Group's approved SAYE scheme, which allows colleagues to save regular amounts each month over a three-year period and benefit from increases in the Group's share price over that time.

Amortisation of debt issuance costs of £0.4m (2020: £1.0m) in line with our policy.

Net debt and borrowing costs

The Group's net debt comprises the following:

	2021	2020
	£m	£m
Borrowings repayable:		
Within one year	**-**	0.1
After more than one year:		
Loan facility	**85.0**	85.0
Unamortised borrowing costs	**(1.1)**	(1.5)
Total borrowings	**83.9**	83.6
Cash and cash equivalents	**(33.7)**	(21.5)
Net debt	**50.2**	62.1

The Group has total facilities of £175.0m to 31 January 2024, provided by a syndicate of four banks: NatWest, HSBC, BOI and AIB, and comprise the following elements:

- a fixed term loan of £85.0m, repayable on 31 January 2024 via a single bullet repayment;
- a four-year Revolving Credit Facility ("RCF") of £85.0m, that runs to 31 January 2024;
- an envisaged, but not committed, accordion facility of up to £100.0m, that runs to 31 January 2024; and
- in addition, the Group has a £5.0m overdraft facility, renewable annually.

The two financial covenants associated with these facilities, described below, remain unchanged and will continue to be calculated based on the Group's accounting policies applicable at 30 June 2019 for the duration of the facilities i.e. pre-IFRS 16.

At the year-end, the total borrowings principally consist of:

- the £85.0m term loan (gross of unamortised issue costs) (2020: £85.0m); and
- £nil drawn down under the RCF (gross of unamortised issue costs) (2020: £nil)

The two financial covenants associated with the Group's bank facilities are based on the ratios of net debt to EBITDA and EBITDA to interest. EBITDA is based on adjusted EBITDA, annualised for the effect of acquisitions, including costs relating to business combinations and excluding share option costs, prior to the adoption of IFRS 16. The EBITDA to interest ratio must not be less than 4.5x. At 30 June 2021 it was 24.97x.

The covenant levels allow a maximum net debt to EBITDA ratio ("gearing") of 3.25x, although it is not the Group's intention to operate at this level. The gearing ratio decreased during the year, to 0.68x at 30 June 2021 from 1.14x at 30 June 2020. This decrease in ratio reflects both the decrease in net debt and increase in EBITDA.

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 28 February 2020, the Group entered into two four-year fixed interest rate swap arrangements to hedge fluctuations in interest rates on £70.0m of its term loan facility.

Going concern

At the statement of financial position date the Group had cash balances of £33.7m and an unutilised overdraft facility of £5.0m. Total facilities of £170.0m are available to support the Group's organic and acquisitive growth initiatives over the coming years, comprising a term loan of £85.0m and an RCF of £85.0m. The Directors consider that the £5.0m overdraft and the £170.0m facility enable the Group to meet its liabilities as they fall due. Since the year end, the Group has continued to trade profitably and to generate cash.

After consideration of market conditions, the Group's financial position (including the level of headroom available within the bank facilities), financial forecasts for the three years to 30 June 2024, its profile of cash generation and the timing and amount of bank borrowings repayable, and principal risks, the Directors have a reasonable expectation that both the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the period, being at least 12 months from the date of approval of the financial statements. For this reason, the going concern basis continues to be adopted in preparing the FY21 financial statements.

More information on the Group's viability statement can be found on page 79 of the FY21 Annual Report.

Share price performance

At the year-end the Company's market capitalisation was £1,708.7m (2,415p per share), compared to £727.8m (1,030p per share) at the previous year-end.

Key contractual arrangements

The Directors consider that the Group has only two significant third-party supplier contracts which are for the supply of veterinary drugs. In the event that these suppliers 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 and arrangements described in the FY21 Annual Report and results release are forward looking. Although the Board is comfortable 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.

Robin Alfonso

Chief Financial Officer

23 September 2021

Key performance indicators

Financial KPIs

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	**2021**/2020	Why it's a KPI	2021 performance
(A) Revenue	**£510.1m** £427.8m	Revenue is a key measure of performance across all divisions of the Group and demonstrates our ability to attract and retain customers.	- Overall revenue has increased by £82.3m. - Like-for-like revenue, adjusted for intercompany sales eliminations, increased £72.3m, with acquisitions in the year and the full year impact of prior year acquisitions generating additional revenue of £10.0m. - The Group has seen significant growth following recovery from the COVID-19 pandemic, during which revenue growth had slowed.
(B) Like-for-like sales	**17.4%** 0.7%	Like-for-like sales shows revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2019, revenue is included from September 2020 in the like-for-like calculations. This shows the underlying growth in revenue across all divisions, excluding the impact of acquisitions.	- Like-for-like performance reflects the Group's recovery from COVID-19, as temporary practice closures during 2020 limited growth in the prior year. - Increased pet ownership has also contributed to increased like-for-like sales.
(C) Adjusted EBITDA	**£97.5m** £71.0m	Adjusted Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") excludes costs relating to business combinations and exceptional items and assists in understanding the underlying performance of the Group.	- The improvement in adjusted EBITDA reflects the improvement in like-for-like adjusted EBITDA of £28.7m, with acquisitions in the year and the full year impact of prior year acquisitions generating additional EBITDA of £1.4m. - This is partly offset by an increase in central costs of £3.6m incurred to protect our colleagues and clients and to continually build a foundation for further development and expansion of the group.
(D) Adjusted EPS	**75.1p** 42.0p	This is profit before income tax adjusted for: amortisation; costs relating to business combinations; and exceptional items, net of the notional tax impact of these, divided by the weighted average number of shares. Adjusted EPS is a KPI because it assists in understanding the underlying returns generated for our shareholders.	- The increase reflects the increase of £28.0m in the year in adjusted profit before income tax.
(E) Total capex	**£16.6m** £12.4m	This is the total amount spent by the Group on capital expenditure. Capital expenditure is incurred on refurbishment and relocation of practice facilities and investment in new equipment	- Total capital expenditure has increased £4.2m, consisting of a £0.5m reduction in maintenance capital expenditure, and a £4.7m increase in development capital expenditure, with the focus on improving client experience and

		and clinical facilities. Investing in our practices and clinical equipment is key to achievement of our strategic goal of providing great facilities and equipment.	on growing our business. Refer to the financial review on pages 36 to 40 of the FY21 Annual Report for further detail.
(F) Gross margin before clinical staff costs	**76.1%** 75.5%	Gross margin represents revenue after deducting the cost of drugs, laboratory fees and cremation fees, and other goods sold or used by the business, expressed as a percentage of total revenue. Gross margin is a KPI because it helps us to monitor and measure our ability to purchase drugs at the best possible price whilst ensuring the highest quality.	- The increase in gross margin is principally due to our focus on providing great clinical care.
(G) Cash generated from operations	**£80.3m** £94.8m	Cash generated from operations shows the cash inflows before: payments of income taxation and interest; business combinations; purchases of property, plant and equipment and intangible assets; repayment of right-of-use assets; payments of dividends; debt issue costs; increase/repayment of bank loans; and proceeds from issue of shares. Delivery of increased cash generated from operations allows us to invest in further growth opportunities across our business.	- Cash generated from operations has decreased due to payment in the year of the tax deferred under the COVID-19 tax deferral schemes which were accessed across the UK and the Netherlands in the prior year. - The Board is confident that the cash generated from operations is performing in line with its expectations and in a manner which continues to enable investment.

Non-financial KPIs

Tracking our non-financial measures allows us to monitor our performance against our core strategic goals.

KPI	**2021**/2020	**Why it's a KPI**	**2021 performance**
(H) Vet Vacancy rate	**8.3%** 6.9%	The vet vacancy rate is calculated as the average number of live vet vacancies divided by the total number of vets by headcount plus vacancies. This shows the average level of vet vacancies for the Group during the period. This links to our vision of being the veterinary company people most want to work for.	- The vet vacancy rate has increased in 2021, as we are advertising for a number of new positions to support our growth due to increasing demand for our services.
(I) Healthy Pet Club members	**450,000** 415,000	Healthy Pet Club is our preventative care scheme. It provides CVS with a robust and regular revenue stream, as well as improving customer loyalty.	- The rate of growth in Healthy Pet Club members has increased to 8.4% in 2021 from 3.5% growth in 2020. - This demonstrates the increased humanisation of pets and desire for our clients to invest in their

				pets' futures through preventative care.
(J) Number of RCVS awards	**159** 159	This shows the number of RCVS Practice Standards Scheme awards across the Group. These awards promote and maintain the highest standards of veterinary care across a range of different criteria including client experience and clinical governance. Monitoring the number of RCVS awards helps us achieve our strategic goal of taking our responsibilities seriously.	-	Due to the COVID-19 pandemic, the RCVS did not issue further Practice Standards Scheme awards during the year. All of our practices who already hold these awards continue to be recognised as award-holders.
(K) Employee NPS	**2.9** 0.7	Employee Net Promoter Score ("eNPS") is a measure of how likely our colleagues are to recommend the Group as a place to work as reported on anonymous surveys. Monitoring eNPS shows the level of colleague satisfaction across the Group and helps us to ensure we are a great place to work and have a career.	-	We have seen significant improvements in colleague engagement due to our ability to effectively support our colleagues through the COVID-19 pandemic, among other factors.
(L) Client NPS	**72.2** 78.5	Client Net Promoter Score ("NPS") is a measure of the level of our clients' satisfaction with their experiences with the Group via anonymous reporting of the likelihood that clients would recommend the Group for our services. Monitoring NPS helps us to ensure we recommend and provide the best clinical care every time.	-	We have seen a small reduction in client engagement, likely due to the impact of RCVS guidance which restricted our customers from accompanying their pets in our practices. This figure remains strongly positive, and we expect it to return to its previous levels in due course

Principal risks and uncertainties

Risk management structure
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 senior management.

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

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

The Key roles and delegated responsibilities

Executive Management team	**Audit Committee**	**Internal audit**
Collectively responsible for managing risks.	Assists the Board to fulfil its corporate governance duties and oversees responsibilities in relation to financial reporting, internal control and the risk management structure.	Holds meetings with risk owners across the business, assesses the risk ratings and documents the controls in place to mitigate each risk, and

recommends improvements and correction actions.

Risk appetite
The effectiveness of the Group's risk management approach relies upon a culture of transparency and openness that is encouraged by both the Board and senior management. The Group's appetite for risk is considered low; whilst some risk is accepted in order to develop the business and invest in future growth, the Group has no appetite for major risks which cannot be effectively mitigated through appropriate controls.

Assessment of principal risks
During the year, the Board undertook a robust, in-depth and comprehensive assessment of the emerging and principal risks facing the Group and specifically those that might threaten the delivery of its strategic business model, its future performance, solvency or liquidity. A summary of the principal risks and uncertainties that could impact the Group's performance is shown on pages 52 to 57 of the FY21 Annual Report.

COVID-19 and Brexit
The Group faced unprecedented disruption to its operations in the previous financial year to 30 June 2020 due to the COVID-19 pandemic, and the Group has had to continue to evolve its operations to reflect ongoing COVID-19 government and regulatory guidance in the financial year to 30 June 2021. The Group has also had to adapt to the changes arising from the UK's exit from the European Union.

The Board continues to monitor and assess the risks and opportunities which may arise from further disruption through COVID-19 or similar pandemic and through Brexit. The medium and longer term impacts of COVID-19 and Brexit remain unclear but the Board and senior management continue to monitor developments and plan accordingly.

Our key focus in monitoring and managing risks from COVID-19 and Brexit is to ensure the safety and wellbeing of our colleagues and to ensure we have appropriate resources in place to continue to provide appropriate services to our customers and their animals.

COVID-19 and Brexit both have the ability to affect the following principle risks:

- Key employees
- Economic environment and consumer trends
- Competition
- Changes in industry regulations
- Sourcing pharmaceutical supplies
- Health and Safety legislation
- Corporate legislation or regulatory requirements
- Bank facilities
- Future pandemic or lockdown

Principal risk occurrence

Risk	Description	Potential impact	Mitigating factors	Changes in year
Key employees	Failure to retain and attract key colleagues, particularly veterinary surgeons due to structural shortages of qualified vets in the industry.	Failure to be able to meet the increased demand from clients and their animals. Increased employment costs leading to adverse impact on financial performance of the Group.	Close relationship with UK veterinary schools and market-leading graduate induction programme. Focused training programmes to cover clinical, customer service and management training.	We have increased the number of vets and nurses employed by 10.2% and 8.0% respectively. In order to deliver growth and service the increased demand we are seeking to recruit more vets and nurses.

		Increased pressure on our colleagues to cover vacancy gaps.	Appropriate reward and benefits. Regular feedback from colleagues to address common issues or concerns including our whistleblowing policy, as detailed on page 64 of the FY21 Annual Report. Highly qualified recruitment team. Home Office reinstatement of Veterinary Surgeons on UK Shortage Occupation List.	Attrition rates remain unchanged.

Economic environment and consumer trends	Risk that Brexit and the continuing COVID-19 pandemic has a detrimental impact on the economy.	Reduction in consumer confidence and spending on veterinary services. Short term restrictions in resource due to requirement for self-isolation. Further lockdown restrictions. Supply disruptions. Changing consumer trends may lead to a reduction in pet ownership.	Diverse range and provision of services across the Group to a wide range of animals in the UK, the Netherlands and the Republic of Ireland. Strong year on year growth in the Healthy Pet Club ("HPC"), which had 450,000 members at the year end and the Healthy Horse Programme ("HHP"), which had 10,000 members. This promotes loyalty to the Group. Online retail business protects the Group against changes in consumer spending habits. Ability to source supplies from a number of manufacturers.	We continue to respond to evolving guidance and are able to adapt our services accordingly (e.g. the use of tele-consultations where required). Brexit import and export rules and regulations are clear.
Competition	Increased consolidation and acquisition of independent veterinary practices.	Loss of third-party practice clients to Laboratories, Crematoria and Referrals. Increased acquisition value multiples being paid.	The Group has a wide range of services to offer its clients by way of its integrated veterinary platform. Continuous investment to maintain high-class facilities and	Ongoing market consolidation. Growth in revenues across all divisions. Continued increase in our HPC and HHP schemes to retain our clients.

		Increased price competition may limit the ability to pass on increased in employment, pharmaceutical and other costs.	equipment in order to provide excellent clinical service. Detailed assessment of acquisition opportunities measured against clear target criteria. Regular reviews of pricing of products and services to ensure we remain competitive.	

Adverse publicity	Any adverse publicity on the Group, other corporate veterinary groups or on the veterinary sector as a whole.	Reduction in customer numbers leading to adverse revenue. Adverse impact on our ability to attract and retain key colleagues.	Policies and procedures in place to monitor service delivery and ensure continued levels of high class veterinary care. Participation in the RCVS Practice Standards Scheme and RCVS Knowledge QI Champion accreditation. Established Clinical Advisory Committees to advise on clinical standards and drug lists across the Group. Individual practice branding to reduce the risk of any adverse publicity being associated with other practices. Group Marketing and Communications teams to respond swiftly to any issues. Prominent representation on national bodies and at industry events to build the Group's reputation and credibility.	Financial PR agency appointed to support with media communication. Continued monitoring of our clinical standards against our quality improvement frameworks for clinicians and practices.

Information technology	The Group is dependent on various aspects of Information Technology ("IT") and	A cyber-attack could result in loss of systems and	Policies and procedures are in place to ensure stability and security	Appointment of a Chief Technology Officer.

	support for its operations.	potential loss of client data. Loss of connectivity and availability of systems across our network.	of our networks and systems. Restricted access to systems, networks and applications wherever possible. Scheduled program of network security enhancement with external reviews performed periodically. Full system testing of any developments prior to live deployment. Regular backups and testing of the recovery of those system backups. Established Practice Management System in place which is able to work without access to the internet for short periods of time.	Strengthened senior IT team including appointment of Head of Security and Head of IT Projects.
Changes in industry regulations	The industry is subject to a number of laws and regulations.	Failure to adhere to these could have a material impact on the Group through damage to reputation and/or financial penalties. Changes in regulations could adversely impact the Group's competitive advantage.	Policies and procedures in place to monitor compliance and any developments or proposed changes. Regular engagement with regulatory and legislative bodies to promote best practice and lobbying for change where considered appropriate. Clinical Directors in place to ensure high standards are maintained.	Monitoring and adherence to temporary regulation changes put in place by the RCVS as a result of the COVID-19 pandemic.

Sourcing pharmaceutical supplies	Failure to source pharmaceutical products at the required price and quantity.	Inability to treat patients with the required prescription and non-prescription medicines. Adverse revenue impact.	Supply agreements in place with multiple major wholesalers to cover stocking issues. Supply of own-brand products in Group warehouses for onwards supply.	Monitoring the availability of any drugs sourced from outside the UK due to Brexit and the ongoing COVID-19 pandemic.

		Adverse impact on margins through having to source alternative supplies on less favourable terms.	Regular pricing reviews with all major suppliers across all divisions for best possible pricing.	Increased stock levels in Group warehousing to reduce the potential impact of any supply disruption. New warehousing system. New direct supply agreement with major manufacturer.
Sourcing and integrating acquisitions	Failure to attract and acquire acquisitions at the appropriate price.	Pressure that higher multiples reduces growth opportunities through acquisitions. Failure to integrate efficiently impacting actual performance versus business case.	Dedicated team committed to sourcing acquisitions. Clear list of criteria used to assess any potential acquisition targets. Multi-disciplined team communications in advance of acquisition to plan the integration. Use of professional advisers to ensure appropriate due diligence and legal advice is undertaken. Close monitoring of post-acquisition performance versus business plan.	Strengthened acquisitions team.

Health and safety legislation	Failure to comply with health and safety legislation across our practices, laboratories, crematoria, warehouse and other sites.	Colleagues, clients or the general public are injured. Required temporary closure of sites whilst any issues are addressed. Loss of revenue and potential claims against the Group.	Robust health and safety procedures are in place ensuring full compliance with health and safety legislation. Mandatory employee training to ensure they can perform their duties safely. Appropriate protective equipment supplied to all employees in order for them to perform their duties safely. Specialist Health and Safety team which regularly reviews any risks and identifies	Ongoing provision of COVID-19 guidance in light of evolving guidelines. COVID-19 test kits provided to colleagues. COVID-19 secure risk assessments at all sites. Enhanced PPE supplied to protect colleagues and clients against COVID-19 and other risks. New guidance and training supplied to colleagues.

			areas for improvement. Participation in the RCVS Practice Standards Scheme to ensure the Group promotes the highest levels of clinical standards. Specialist and appropriately qualified third-party advisers undertake maintenance, inspections and property development.	
Corporate legislation and regulatory requirements	Failure to comply with laws and regulations.	The Group could face fines and penalties leading to financial loss. The Group could face suspension of certain operations.	Appropriate training supplied to colleagues in the relevant areas required. Suitable experts employed to ensure compliance and to regularly update policies and procedures. Appropriate insurance cover and third-party professional advice used as required.	Regular reviews of legal and regulatory developments across all countries in which the Group operates.

Bank facilities	Failure to comply with bank covenants and ability to secure future funding.	Lack of availability of funding. Increased borrowing costs.	The Group maintains suitable facilities from a syndicate of leading banks with an appropriate term. Existing facilities comprise term debt, revolving credit facility and an overdraft. Regular reporting of headroom and compliance to the Board and Executive Committee. Regular meetings with bank syndicate members to appraise performance. Daily cash flow forecasts prepared	The Group is cash generative and has continued to reduce net debt and leverage, thereby increasing the headroom under the financial covenants.

			and reviewed for a rolling three-month period to enable working capital requirements to be understood and to optimise bank drawings and interest costs.	

Future pandemic or lockdown	Future uncertainty over COVID-19 and associated lockdowns.	Future lockdowns affect our ability to service our clients if non-emergency services are unable to be undertaken.	Working closely with the RCVS and BVA to review evolving guidance. Multiple, geographically-spread locations across the UK, Netherlands and Republic of Ireland protect the Group from any localised lockdowns. The Group operates across a diverse number of operations with an online retail business and provides veterinary care across companion, equine and farm animal species. The farm animal division is protected due to it being critical to the human food chain.	Continued adherence to government and regulatory advice across all operating territories.
Sustainability and climate change	The Group's continued success depends on the social and environmental sustainability of its operations.	Disruptions to our supply chain leading to stock shortage and financial loss. Adverse weather leading to a decline in our client demand. Changes in regulations increasing the cost of our operations.	Sustainability and ESG is discussed as a standing agenda item in Board meetings. ESG working group formed which is chaired by the CEO. Appointment of ESG advisers to help assess our risks and to develop our Sustainability and ESG focus.	Increased focus on ESG and additional detail included in the FY21 Annual Report.

Consolidated income statement

for the year ended 30 June 2021

	Note	2021 £m	2020 £m
Revenue	2	**510.1**	427.8
Cost of sales		**(288.2)**	(257.7)
Gross profit		**221.9**	170.1
Administrative expenses		**(181.8)**	(151.6)
Operating profit		**40.1**	18.5
Finance expense		**(7.0)**	(8.6)
Profit before income tax	2	**33.1**	9.9
Income tax expense	3	**(13.8)**	(4.2)
Profit for the year attributable to owners of the parent		**19.3**	5.7
Earnings per Ordinary share (expressed in pence per share) ("EPS")			
Basic	4	**27.3p**	8.1p
Diluted	4	**27.1p**	8.1p

All activities derive from continuing operations.

Reconciliation of adjusted financial measures

The Directors believe that an adjusted profit measure, being adjusted Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), 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 EBITDA after adjusting for costs relating to business combinations, impairment and exceptional items.

Non-GAAP measure: adjusted EBITDA	Note	2021 £m	2020 £m
Profit before income tax		**33.1**	9.9
Adjustments for:			
Finance expense		**7.0**	8.6
Depreciation and impairment of tangible and right-of-use assets[1]		**24.3**	24.2
Amortisation of intangible assets		**23.8**	22.2
Costs relating to business combinations[2]	2	**9.3**	0.7
Exceptional items[1]		**-**	5.4
Adjusted EBITDA	2	**97.5**	71.0

1. Impairments in the year ended 30 June 2020 are shown in exceptional items
2. Includes amounts paid in respect of acquisitions in prior years expensed to the income statement.

Consolidated statement of comprehensive income

for the year ended 30 June 2021

	2021 £m	2020 £m
Profit for the year	**19.3**	5.7
Other comprehensive income – items that will or may be reclassified to profit or loss in future periods		
Cash flow hedges:		
Net movement on cash flow hedge	**0.9**	(1.5)
Cost of hedging reserve	**(0.4)**	0.5
Deferred tax on cash flow hedge and available-for-sale financial assets	**(0.1)**	0.2
Exchange differences on translation of foreign operations	**(0.7)**	0.6
Other comprehensive loss for the year, net of tax	**(0.3)**	(0.2)
Total comprehensive income for the year attributable to owners of the parent	**19.0**	5.5

Consolidated statement of financial position

as at 30 June 2021

Company registration number: 06312831

	Note	Group 2021 £m	Group 2020 £m
Non-current assets			
Intangible assets		**228.4**	229.8
Property, plant and equipment		**57.4**	51.6
Right-of-use assets		**97.2**	98.1
Investments		**0.1**	0.1
Deferred income tax assets		-	1.1
		383.1	380.7
Current assets			
Inventories		**19.5**	18.7
Trade and other receivables		**48.1**	43.4
Current income tax receivable		**0.1**	—
Cash and cash equivalents		**33.7**	21.5
		101.4	83.6
Total assets	2	**484.5**	464.3
Current liabilities			
Trade and other payables		**(86.0)**	(87.7)
Provisions		**(3.9)**	(5.0)
Lease liabilities		**(8.6)**	(8.8)
Current income tax liabilities		—	(0.4)
Borrowings	7	—	(0.1)
		(98.5)	(102.0)
Non-current liabilities			
Borrowings	7	**(83.9)**	(83.5)
Lease liabilities		**(90.2)**	(89.8)
Derivative financial instruments		**(0.4)**	(0.9)
Deferred income tax liabilities		**(20.4)**	(21.5)
		(194.9)	(195.7)
Total liabilities	2	**(293.4)**	(297.7)
Net assets		**191.1**	166.6
Shareholders' equity			
Share capital		**0.1**	0.1
Share premium		**103.1**	101.9
Capital redemption reserve		**0.6**	0.6
Treasury reserves		—	(0.3)
Cash flow hedge reserve		**(0.5)**	(1.4)
Cost of hedging reserve		**0.1**	0.5
Merger reserve		**(61.4)**	(61.4)
Retained earnings		**149.1**	126.6
Total equity		**191.1**	166.6

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 related notes, were authorised for issue by the Board of Directors on 23 September 2021 and were signed on its behalf by:

Richard Fairman — ***Director***

Robin Alfonso — ***Director***

Consolidated statement of changes in equity

for the year ended 30 June 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Revaluation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 July 2020	0.1	101.9	0.6	(0.3)	(1.4)	0.5	—	(61.4)	126.6	166.6
Profit for the year	—	—	—	—	—	—	—	—	19.3	19.3
Other comprehensive income and losses										
Cash flow hedges:										
Fair value income/(loss)	—	—	—	—	0.9	(0.4)	—	—	—	0.5
Deferred tax on cash flow hedge and available-for-sale financial assets	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	—	(0.7)	(0.7)
Total other comprehensive (loss)/income	—	—	—	—	0.9	(0.4)	—	—	(0.8)	(0.3)
Total comprehensive income/(loss)	—	—	—	—	0.9	(0.4)	—	—	18.5	19.0
Transactions with owners										
Issue of Ordinary shares	—	1.2	—	—	—	—	—	—	—	1.2
Disposal of treasury reserve	—	—	—	0.3	—	—	—	—	—	0.3
Credit to reserves for share-based payments	—	—	—	—	—	—	—	—	2.2	2.2
Deferred tax relating to share-based payments	—	—	—	—	—	—	—	—	1.8	1.8
Total transactions with owners	—	1.2	—	0.3	—	—	—	—	4.0	5.5
At 30 June 2021	**0.1**	**103.1**	**0.6**	—	**(0.5)**	**0.1**	—	**(61.4)**	**149.1**	**191.1**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury reserve £m	Cash flow hedge reserve £m	Cost of hedging reserve £m	Revaluation reserve £m	Merger reserve £m	Retained earnings £m	Total equity £m
At 1 July 2019		0.1	99.7	0.6	—	—	—	0.1	(61.4)	124.0	163.1
Profit for the year		—	—	—	—	—	—	—	—	5.7	5.7
Other comprehensive income and losses											
Cash flow hedges:											
Fair value (loss)/income		—	—	—	—	(1.4)	0.5	—	—	(0.1)	(1.0)
Deferred tax on cash flow hedge and available-for-sale financial assets		—	—	—	—	—	—	—	—	0.2	0.2
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	0.6	0.6
Total other comprehensive (loss)/income		—	—	—	—	(1.4)	0.5	—	—	0.7	(0.2)
Total comprehensive income/(loss)		—	—	—	—	(1.4)	0.5	—	—	6.4	5.5
Transactions with owners											
Issue of Ordinary shares		—	0.1	—	—	—	—	—	—	—	0.1
Reclassification between reserves		—	2.1	—	(2.1)	—	—	—	—	—	—
Disposal of revaluation reserve		—	—	—	—	—	—	(0.1)	—	—	(0.1)
Disposal of treasury reserve		—	—	—	1.8	—	—	—	—	(0.9)	0.9

Credit to reserves for share-based payments		—	—	—	—	—	—	—	—	0.9	0.9
Deferred tax relating to share-based payments		—	—	—	—	—	—	—	—	0.1	0.1
Dividends to equity holders of the Company	6	—	—	—	—	—	—	—	—	(3.9)	(3.9)
Total transactions with owners		—	2.2	—	(0.3)	—	—	(0.1)	—	(3.8)	(2.0)
At 30 June 2020		0.1	101.9	0.6	(0.3)	(1.4)	0.5	—	(61.4)	126.6	166.6

Consolidated statement of cash flow

for the year ended 30 June 2021

	Note	**Group 2021 £m**	Group 2020 £m
Cash flows from operating activities			
Cash generated from operations	8	**80.3**	94.8
Taxation paid		**(13.0)**	(9.5)
Interest paid		**(7.1)**	(7.0)
Exceptional items paid		**—**	(0.7)
Net cash generated from operating activities		**60.2**	77.6
Cash flows from investing activities			
Business combinations (net of cash acquired)	5	**(19.4)**	(7.2)
Purchase of property, plant and equipment		**(16.1)**	(11.1)
Proceeds from sale of property, plant and equipment		**0.6**	—
Purchase of intangible assets		**(0.5)**	(1.3)
Net cash used in investing activities		**(35.4)**	(19.6)
Cash flows from financing activities			
Dividends paid		**—**	(3.9)
Proceeds from issue of Ordinary shares		**1.2**	0.1
Proceeds from sale of Treasury shares		**0.3**	0.9
Repayment of obligations under right-of-use assets		**(13.0)**	(14.2)
Debt issuance costs		**—**	(1.7)
Repayment of borrowings		**(1.1)**	(65.2)
Increase of borrowings		**—**	35.0
Net cash used in financing activities		**(12.6)**	(49.0)
Net increase in cash and cash equivalents		**12.2**	9.0
Cash and cash equivalents at the beginning of the year		**21.5**	12.5
Cash and cash equivalents at the end of the year		**33.7**	21.5

Notes to the consolidated financial statements for the year ended 30 June 2021

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 2021 or 2020, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2021, 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 2020 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 and Company financial statements of CVS Group plc have been prepared in accordance international accounting standards and in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for certain financial instruments and share-based payments that have been measured at fair value.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the FY21 financial statements. Further details are provided in the Directors' Report on pages 78 to 81 of the Group's FY21 Annual Report

The accounting policies set out in the FY21 Annual Report have, unless otherwise stated, been applied consistently to all years presented in the financial statements. The accounting policies relate to the Group and are applied by the Company as appropriate.

Use of non-GAAP measures

Adjusted EBITDA, adjusted Profit Before Tax ("adjusted PBT") and adjusted Earnings Per Share ("adjusted EPS")

The Directors believe that adjusted EBITDA, adjusted PBT and adjusted EPS provide additional useful information for shareholders on the Group's underlying performance. These measures are used by the Board and management for planning and internal reporting and are aligned to our strategy and KPIs. A subset is also used by management in setting Director and management remuneration. The measures are also used in discussions with the investment analyst community. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures. They are 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 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 adjusted for the number of working days; for example, for a practice acquired in September 2019, revenue is included from September 2020 in the like-for-like revenue calculation.

Net debt

Net debt is calculated as borrowings less gross cash and unamortised borrowing costs.

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, operating segments, is 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 and liabilities, costs relating to business combinations, and Head Office salary and premises costs.

Geographical segments

The business operates predominantly in the UK. As at 30 June 2021, it has 25 veterinary practices in the Netherlands and 6 in the Republic of Ireland. It performs a small amount of laboratory work for Europe-based clients and until December 2020 the Online Retail Business distributed a small quantity of goods to European countries. In accordance with IFRS 8, 'Operating Segments', no segment 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.

Revenue comprises £359.3m of fees and £150.8m of goods (2020: £293.6m and £134.2m respectively). Revenue from contracts totalled £60.4m in the year (2020: £46.8m).

Operating segments

The Group is split into four operating segments (Veterinary Practices, Laboratories, Crematoria and Online Retail Business) and a centralised support function (Head Office) for business segment analysis. In identifying these operating segments, management generally follows the Group's service 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 2021	Veterinary Practices £m	Laboratories £m	Crematoria £m	Online Retail Business £m	Head Office £m	Group £m
Revenue	**453.4**	**28.0**	**8.0**	**41.7**	**(21.0)**	**510.1**
Profit/(loss) before income tax	**49.5**	**8.4**	**2.4**	**2.7**	**(29.9)**	**33.1**
Adjusted EBITDA	**98.4**	**9.1**	**2.8**	**2.9**	**(15.7)**	**97.5**
Total assets	**422.4**	**32.7**	**16.9**	**10.9**	**1.6**	**484.5**
Total liabilities	**(179.8)**	**(4.0)**	**(1.4)**	**(3.4)**	**(104.8)**	**(293.4)**
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	**49.5**	**8.4**	**2.4**	**2.7**	**(29.9)**	**33.1**
Finance expense	**4.1**	**-**	**-**	**-**	**2.9**	**7.0**
Depreciation and impairment of tangible and right-of-use assets[1]	**22.7**	**0.7**	**0.4**	**-**	**0.5**	**24.3**
Amortisation	**14.0**	**-**	**-**	**0.2**	**9.6**	**23.8**
Costs relating to business combinations	**8.1**	**-**	**-**	**-**	**1.2**	**9.3**
Adjusted EBITDA	**98.4**	**9.1**	**2.8**	**2.9**	**(15.7)**	**97.5**

Year ended 30 June 2020	Veterinary Practices £m	Laboratories £m	Crematoria £m	Online Retail Business £m	Head Office £m	Group £m
Revenue	384.1	21.1	7.2	32.1	(16.7)	427.8
Profit/(loss) before income tax	26.9	5.0	2.1	2.4	(26.5)	9.9
Adjusted EBITDA	72.3	5.8	2.5	2.5	(12.1)	71.0
Total assets	401.5	22.6	14.0	22.6	3.6	464.3
Total liabilities	(176.8)	(2.8)	(1.4)	(17.7)	(99.0)	(297.7)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	26.9	5.0	2.1	2.4	(26.5)	9.9
Finance expense	4.1	—	—	—	4.5	8.6
Depreciation[1]	21.7	0.8	0.4	0.1	1.2	24.2
Amortisation	14.7	—	—	—	7.5	22.2
Costs relating to business combinations	0.2	—	—	—	0.5	0.7
Exceptional items[1]	4.7	—	—	—	0.7	5.4
Adjusted EBITDA	72.3	5.8	2.5	2.5	(12.1)	71.0

1. Impairments in the year ended 30 June 2020 are shown in exceptional items.

3. Income tax expense

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

	2021 £m	2020 £m
Current tax		
Current tax on profits for the year	**12.9**	6.8
Adjustments in respect of previous years	**1.3**	(1.8)
Total current tax charge	**14.2**	5.0
Deferred tax		
Origination and reversal of temporary differences	**(5.0)**	(3.9)
Adjustments in respect of previous years	**0.3**	0.7
Effect of tax rate change on opening deferred tax balance	**4.3**	2.4
Total deferred tax credit	**(0.4)**	(0.8)
Total income tax expense	**13.8**	4.2

b) Reconciliation of effective income tax charge

The total income tax expense for the year differs from the theoretical amount that would arise using the standard rate of UK corporation tax of 19.0% (2020: 19.0%) as follows:

	2021 £m	2020 £m
Profit before tax	**33.1**	9.9
Effective tax charge at 19.0% (2020: 19.0%)	**6.3**	1.9
Effects of:		
Expenses not deductible for tax purposes	**2.4**	1.0
Tax rate change on opening deferred tax balances	**4.3**	2.4
Adjustments to deferred tax charge in respect of previous years	**0.3**	0.7
Adjustments to current tax charge in respect of previous years	**1.3**	(1.8)
Utilisation of brought forward losses previously unrecognised	**(0.1)**	-
Effect of difference between closing deferred tax rate and current tax rate	**(0.7)**	-
Total income tax expense	**13.8**	4.2

Factors affecting the current tax charge

UK corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate on reported profits is 41.7% (2020: 42.3%). The Group's effective tax rate for 2021 was influenced by the remeasurement of deferred tax balances in respect of UK jurisdictions from 19.0% to an average rate of 22.6% as a result of the substantively enacted increase in the UK corporation tax rate to 25.0% from 1 April 2023. It was further affected by an increase in expenses not deductible for tax purposes predominantly in respect of business acquisitions.

Changes in tax rates

The UK corporation tax rate for the year was 19.0% (2020: 19.0%). In March 2021, the UK Government announced an increase in the UK corporation tax rate to 25.0% from 1 April 2023. The increase in UK corporation tax rate was substantively enacted on 24 May 2021. As a result, the relevant deferred taxation balances have been re-measured using the rates expected to apply when the deferred tax balances reverse.

The impact of change in tax rate in the prior year arose due to the previous enacted reduction in the UK corporation tax rate from 19.0% to 17.0% from 1 April 2020 being repealed, and the 19.0% tax rate being substantively enacted on 17 March 2020.

The impact of the change in tax rate has been recognised in total income tax expense in the Income Statement, except to the extent that it relates to items previously recognised outside of the Income Statement in which case it has been recognised in Other Comprehensive Income and Equity accordingly.

4. Earnings per Ordinary share

a) Basic

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

	2021	2020
Earnings attributable to Ordinary shareholders (£m)	**19.3**	5.7
Weighted average number of Ordinary shares in issue	**70,685,939**	70,654,009
Basic earnings per share (pence per share)	**27.3**	8.1

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 LTIP 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.

	2021	2020
Earnings attributable to Ordinary shareholders (£m)	**19.3**	5.7
Weighted average number of Ordinary shares in issue	**70,685,939**	70,654,009
Adjustment for contingently issuable shares – LTIPs	**237,307**	109,143
Adjustment for contingently issuable shares – SAYE schemes	**246,533**	3,017
Weighted average number of Ordinary shares for diluted earnings per share	**71,169,779**	70,766,169
Diluted earnings per share (pence per share)	**27.1**	8.1

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 number of Ordinary shares in issue in the period.

	Note	2021	2020
Earnings attributable to Ordinary shareholders		**19.3**	5.7
Add back taxation		**13.8**	4.2
Profit before income tax		**33.1**	9.9
Adjustments for:			
Amortisation of intangible assets		**23.8**	22.2
Costs relating to business combinations	2	**9.3**	0.7
Exceptional items	2	**—**	5.4
Adjusted profit before income tax		**66.2**	38.2
Tax charge amended for the above adjustments		**(13.1)**	(8.5)
Adjusted profit after income tax and earnings attributable to owners of the parent		**53.1**	29.7
Weighted average number of Ordinary shares in issue		**70,685,939**	70,654,009
Weighted average number of Ordinary shares for diluted earnings per share		**71,169,779**	70,766,169

	Pence	Pence
Adjusted earnings per share (pence per share)	**75.1p**	42.0p
Diluted adjusted earnings per share (pence per share)	**74.6p**	41.9p

5. Business combinations

Details of business combinations in the year ended 30 June 2021 are set out below, in addition to an analysis of post-acquisition performance of the respective business combinations, where practicable. The reason for each acquisition was to expand the CVS Group business through acquisitions in meeting our strategic goals.

Name of business combination	Date of acquisition
Darboe & Baily Limited	04 November 2020
Astonlee Limited	17 November 2020
White Lodge Veterinary Centre Limited	19 November 2020
Charter Veterinary Hospital Group Limited	03 December 2020
Market Hall Vets (trade and assets)	20 February 2021
Animal Health Centre Limited	23 February 2021
Polmont Veterinary Clinic Limited	01 March 2021
Enterprise Veterinary Services Limited	02 March 2021
Greensands Veterinary Clinic Limited	29 April 2021

All businesses were acquired via 100% share purchase agreement unless indicated otherwise in the table above.

Given the nature of the veterinary practices acquired and the records maintained by such practices, it is not practicable to disclose the revenue or profit or loss of the combined entity for the year as though the acquisition date for all business combinations during the year had been at the beginning of that year.

The table below summarises the total assets acquired through business combinations in the year ended 30 June 2021:

	Book value of acquired assets £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	0.6	-	0.6
Patient data records	-	8.8	8.8
Right-of-use assets	4.9	-	4.9
Inventories	0.4	-	0.4
Deferred tax liability	(0.1)	(2.0)	(2.1)
Trade and other receivables	1.4	(0.1)	1.3
Provision for impairment of trade receivables	(0.1)	-	(0.1)
Trade and other payables	(1.9)	-	(1.9)
Loans	(1.0)	-	(1.0)
Right-of-use liabilities	(4.9)	-	(4.9)
Total identifiable assets	(0.7)	6.7	6.0
Goodwill		14.1	14.1
Total initial consideration paid (net of cash acquired of £1.3m)			20.1
Initial consideration paid (net of cash acquired of £1.3m)			19.4
Deferred consideration payable			0.5
Contingent consideration payable			0.2
Total consideration (net of cash acquired of £1.3m)			20.1

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 an amount equal to the deferred tax that arises on the acquired non-tax deductible patient data records.

Post-acquisition revenue and post-acquisition adjusted EBITDA were £6.1m and £1.3m, respectively. The post-acquisition period is from the date of acquisition to 30 June 2021. Post-acquisition EBITDA represents the direct operating result of practices from the date of acquisition to 30 June 2021 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 and prior year business combinations amounted to £9.3m for the year and are included within other expenses.

The Directors do not consider that any individual in-year acquisition to be material to the Group and therefore have not separately disclosed these.

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 2020.

Business combinations subsequent to the year-end

Subsequent to the year end, the Group has made one acquisition on 19 August 2021.The Group purchased 100% of the share capital of Quality Pet Care Limited, a company registered in England and Wales, for consideration of £20.4m. This is a business comprising eight companion animal veterinary practice sites across the UK.

The acquisition was purchased for total cash consideration of £20.4m. Assets acquired comprised principally goodwill and intangible patient data records with a provisional fair value of £20.4m.

6. Dividends

The Directors have proposed a final dividend of 6.5p (2020: £nil) per share, giving a total of £4.6m (2020: £nil). During the year no dividend was paid (2020: £3.9m).

7. Borrowings

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

Group	2021 £m	2020 £m
Within one year or on demand	**—**	0.1
Between one and two years	**—**	—
After more than two years	**83.9**	83.5
	83.9	83.6

The balances above are shown net of issue costs of £1.1m (2020: £1.5m), which are being amortised over the term of the bank loan. The carrying amount of borrowings is deemed to be a reasonable approximation to fair value.

The Group has total facilities of £170.0m. These facilities are provided by a syndicate of four banks: NatWest, HSBC, BOI and AIB, and comprise the following elements:

- a fixed term loan of £85.0m, repayable on 31 January 2024 via a single bullet repayment; and
- a four-year revolving credit facility ("RCF") of £85.0m that runs to 31 January 2024.

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

The two financial covenants associated with these facilities have remained unchanged, and are based on the ratios of Group borrowings to EBITDA and Group EBITDA to interest. The Group borrowings to EBITDA ratio must not exceed 3.25x. The Group EBITDA to interest ratio must not be less than 4.5x. The facilities require cross-guarantees from the most significant of CVS Group's trading subsidiaries but are not secured on the assets of the Group. EBITDA is based on the last twelve months' adjusted EBITDA performance adjusted for a twelve-month adjustment for businesses acquired, transaction costs and deferred consideration on business combinations and share option expenses, prior to the impact of IFRS 16.

Bank covenants are tested quarterly and the Group has considerable headroom in both financial covenants and in its undrawn but committed facilities as at 30 June 2021.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. On 28 February 2020, the Group entered into a four-year interest rate fixed swap arrangement to hedge fluctuations in interest rates on £70.0m of its term loan.

At the consolidated and Company statement of financial position date £70.0m 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 2021, the Group has a committed overdraft facility of £5.0m (2020: £5.0m) and an RCF of £85.0m (2020: £85.0m). Both the overdraft facility and the RCF were undrawn at 30 June 2021 and 30 June 2020.

8. Cash flow generated from operations

	Group	
	2021 £m	2020 £m
Profit for the year	**19.3**	5.7
Taxation	**13.8**	4.2
Total finance costs	**7.0**	8.6
Amortisation of intangible assets	**23.8**	22.2
Depreciation and impairment of property, plant and equipment and right-of-use assets[1]	**24.3**	24.2
Increase in inventories	**(0.4)**	(1.4)
(Increase)/decrease in trade and other receivables	**(3.4)**	8.5
(Decrease)/increase in trade and other payables	**(5.2)**	11.5
(Decrease)/increase in provisions	**(1.1)**	5.0
Share option expense	**2.2**	0.9
Exceptional items[1]	**-**	5.4
Total net cash flow generated from operations	**80.3**	94.8

1. Impairments in the year ended 30 June 2020 are shown in exceptional items.