Registered number: 03252801

PET VACCINATION CLINIC LIMITED

UNAUDITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

PET VACCINATION CLINIC LIMITED

COMPANY INFORMATION

Directors	R Fairman R Alfonso B Jacklin
Company secretary	J Farrer
Registered number	03252801
Registered office	CVS House Owen Road Diss Norfolk IP22 4ER United Kingdom

PET VACCINATION CLINIC LIMITED

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2022

Introduction

The Directors present their Strategic Report for the year ended 30 June 2022.

The principal activity of the Company is to operate companion animal veterinary practices. It is a subsidiary of Pet Vaccination UK Limited.

Business review

Revenue for the Company of £12,617,000 (2021: £11,784,000) was ahead of expectations. This increase in revenue was driven by both an increase in volumes and prices throughout the year. The Company made a profit after tax of £2,166,000 (2021: £1,723,000).

The Company has seen an increase in net current assets of £2,291,000, and an increase in net assets of £2,166,000.

The Directors consider the result for the year and the year-end position to be satisfactory. The Directors do not recommend the payment of a dividend (2021: £Nil) and no dividends (2021: £Nil) have been paid during the year.

The Company is an integral part of the operations of its ultimate parent undertaking CVS Group plc ("the Group") and as such the "Strategic Report" on pages 1 to 68 of the CVS Group plc 2022 Annual Report, which does not form part of this report, should be read for a full review of the Group's business and developments in the year.

Outlook

The Directors consider the outlook of CVS Group plc and all its subsidiaries as a whole. CVS Group plc and its subsidiaries operate in a sector with favourable market and consumer trends, with pet owners who remain willing to spend money on their pets, and clinical enhancements increasing the range of services we can offer. The companion animal market has grown significantly, both in the number of pets owned and in the willingness of owners to spend money on their pets' health and wellbeing.

There has been a growing trend towards "humanisation" of pets, with owners treating them increasingly like family members, which translates into increased spend on both clinical care of the animals, purchases of ancillary products such as pet food and toys, and preventative healthcare such as regular vaccinations.

Financially, the Group has delivered growth both organically and through acquisitions. The Group has strong foundations to continue to develop and grow within the veterinary market and our investors have demonstrated confidence in our ability to do that.

Looking ahead, we are optimistic for future growth and development of the Group, its services and its people. We will continue our strategy of synergistic acquisitions to complement our organic growth.

Principal risks and uncertainties

The Directors consider that the principal risks (including financial risks) and uncertainties of the Company are integrated with the principal risks and uncertainties of the Group and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are: Key employees, Economic environment and consumer trends, Competition, Adverse publicity, Information technology, Changes in industry regulations, Sourcing pharmaceutical supplies, Sourcing and integrating acquisitions, Health and Safety legislation, Corporate legislation and regulatory requirements, Bank facilities, Future pandemic or lockdown, Sustainability and climate change, Epidemiology, and Cyber attack. These are discussed further, within the "Principal risks and uncertainties" on pages 60 to 68 of the CVS Group plc 2022 Annual report which does not form part of this report. The Group has also considered their environmental impact as disclosed in the "Streamlined Energy and Carbon Reporting" on pages 99 and 100 of the CVS Group plc 2022 Annual Report.

Financial risk factors

The Company's operations expose it to a variety of financial risks that include market risk (including currency risk), credit risk and liquidity risk. Given the size of the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of Directors are implemented by the Group's finance department.

a) Market risk

As the Company has no significant interest-bearing assets, the Company's income and operating cash inflows are substantially independent of changes in market interest rates.

b) Credit risk

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is recognised on trade receivables if there is considered to be expected credit losses. The amount of expected credit losses is calculated using the simplified approach as allowable under IFRS 9 and is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Concentrations of credit risk with respect to trade receivables are limited due to the Company's diverse customer base. The Company also has in place procedures that require appropriate credit checks on potential customers before sales, other than on a cash basis, are made. Customer accounts are also monitored on an ongoing basis and appropriate action is taken where necessary to minimise any credit risk. The Directors therefore believe there is no further credit risk provision required in excess of normal provision for impaired receivables.

The maximum exposure to credit risk at 30 June 2022 is the fair value of each class of receivable as disclosed in note 13 to the financial statements.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

Key performance indicators

The Directors of the Company manage the Company's operations on a consolidated basis. For this reason, the Company's Directors believe that analysis using key performance indicators at the Company level (financial and non-financial) is not necessary or appropriate for an understanding of the development, performance or position of the business of Pet Vaccination Clinic Limited. The development, performance and position of CVS Group plc, which includes the Company, is discussed within the "Financial Review" on pages 54 to 58 of the CVS Group plc 2022 Annual Report which does not form part of this report.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

Future developments

The Directors expect the general level of activity to at least remain consistent with prior years, however the Company is well positioned for future growth.

This report was approved by the board on 24 NOVEMBER 2022 and signed on its behalf.

....

R Alfonso
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The Directors present their report and the financial statements for the year ended 30 June 2022.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Dividends

In respect of the year under review, the Directors do not recommend the payment of a dividend (2021: £nil).

Directors

The Directors who served during the year, and up to the date of this report, were:

R Fairman
R Alfonso
B Jacklin

Directors' third-party indemnity provision

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 was in force during the year and also at the Statement of Financial Position date for the benefit of each of the Directors in respect of liabilities incurred as a result of their office with the Company and any associated company, to the extent permitted by law. In respect of those liabilities for which Directors may not be indemnified, the Company maintained a directors' and officers' liability insurance policy throughout the financial year.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2022

Going concern

In preparing these financial statements, the Directors have had regard to both the forecasts of the ultimate parent company CVS Group plc ("the Group"), of which the Company is an integral part.

After having regard to the financial forecasts, cash position, liquidity and total available facilities of the Group and related covenant requirements, the Directors have concluded there is a reasonable expectation that the Group as a whole will continue to trade for at least 12 months from the date of approval of these financial statements. The Company will also continue to trade and meet its liabilities as they fall due for at least the same period. As a result, the Directors continue to adopt the going concern basis in preparing these financial statements.

Disclosures in the Strategic Report

The future developments and financial risks of the Company have been disclosed in the Strategic Report.

Events after the reporting period

Information relating to events after the reporting period have been disclosed in note 18 of these financial statements.

This report was approved by the board on 24 November 2022 and signed on its behalf.

....

R Alfonso
Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Note	2022 £'000	2021 £'000
Revenue	3	**12,617**	*11,784*
Cost of sales		**(7,008)**	*(6,530)*
Gross profit		**5,609**	*5,254*
Administration Expenses		**(2,870)**	*(3,003)*
Other operating income	4	**97**	*69*
Operating profit		**2,836**	*2,320*
Interest receivable and similar income		**1**	-
Interest payable and similar expenses	6	**(121)**	*(137)*
Profit before tax	7	**2,716**	*2,183*
Tax on profit	8	**(550)**	*(460)*
Profit for the financial year		**2,166**	*1,723*
Other comprehensive income		-	-
Total comprehensive income for the year		**2,166**	*1,723*

All activities derive from continuing operations.

The notes on pages 10 to 29 form part of these financial statements.

PET VACCINATION CLINIC LIMITED
REGISTERED NUMBER: 03252801

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Property, plant and equipment	9		2,518		2,602
Right of use assets	10		3,430		2,475
			5,948		5,077
Current assets					
Inventories	11	276		248	
Trade and other receivables	12	11,093		7,671	
Cash and cash equivalents		98		99	
		11,467		8,018	
Creditors: amounts falling due within one year	13	(7,043)		(5,885)	
Net current assets			4,424		2,133
Total assets less current liabilities			10,372		7,210
Creditors: amounts falling due after more than one year	14		(3,235)		(2,286)
Deferred taxation	15		(112)		(65)
Net assets			7,025		4,859
Capital and reserves					
Ordinary shares	17		-		-
Retained earnings			7,025		4,859
Shareholders' funds			7,025		4,859

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2022

The members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The Company was entitled to exemption from the requirement to have an audit under section 479A of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

....
R Alfonso
Director

Date: 24 November 2022

The notes on pages 10 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary shares	Retained earnings	Total equity
	£'000	£'000	£'000
At 1 July 2020	-	3,136	3,136
Comprehensive income for the year			
Total comprehensive income	-	1,723	1,723
At 30 June 2021	-	4,859	4,859
Comprehensive income for the year			
Total comprehensive income	-	2,166	2,166
At 30 June 2022	-	7,025	7,025

The notes on pages 10 to 29 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

1. Statutory information

Pet Vaccination Clinic Limited is a private company, limited by shares, incorporated in the UK under the Companies Act 2006 and is registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The presentational currency of the financial statements is the Pound Sterling (£).

The principal activity of the Company is the provision of veterinary services.

2. Accounting policies

2.1 Basis of preparation of financial statements

These financial statements present the financial record for the year ended 30 June 2022 of Pet Vaccination Clinic Limited.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS.

The Company is a qualifying entity for the purposes of FRS 101 as a member of a Group where the parent of that Group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that entity must be included in the consolidation. Note 19 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These financial statements have been prepared on a going concern basis and under the historical cost convention.

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52 and the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

2.3 Going concern

In preparing these financial statements, the Directors have had regard to both the forecasts of the ultimate parent company CVS Group plc ("the Group"), of which the Company is an integral part.

After having regard to the financial forecasts, cash position, liquidity and total available facilities of the Group and related covenant requirements, the Directors have concluded there is a reasonable expectation that the Group as a whole will continue to trade for at least 12 months from the date of approval of these financial statements, and the Company will also continue to trade and meet its liabilities as they fall due for at least the same period. As a result, the Directors continue to adopt the going concern basis in preparing these financial statements.

2. Accounting policies (continued)

2.4 Critical judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates.

Judgement: Leases
Management exercises judgement in determining the likelihood of exercising break or extension options in determining the lease term.

When determining the lease term in accordance with IFRS 16 paragraph 18 -21, management have applied the following policy for all leases:

a) For properties in contract, the lease term has been determined as to the end of the contractual lease term;
b) For properties out of contract and therefore occupied on a rolling basis, in accordance with legislation that permits this, the lease term has been determined to be 7.5 years from the end of the contractual lease term; and
c) For properties where management have committed to close the site, the lease term is determined to be until the next break clause.

The discount rate used to calculate the lease liability is the rate implicit in the lease, if it can be readily determined, or the lessee's incremental borrowing rate if not. The Company has determined a weighted incremental borrowing rate of 4.0% for the right-of-use assets. The Directors considered all Company borrowings at the date of adoption in the determination of the incremental borrowing rates. The standard permits the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The Company has applied this practical expedient to its operating leases on adoption for leases with a similar class and remaining lease term. Refer to note 16 for additional disclosures related to leases.

2.5 Revenue

Revenue is measured in accordance with relevant accounting standards. For all contracts within the scope of IFRS 15, the Company determines whether enforceable rights and obligations have been created with the customer and recognises revenue based on total transaction price as estimated at the contract inception, being the amount which the Company expects to be entitled to and has present enforceable rights under contract. Revenue is allocated proportionately across the contract performance obligations and recognised either over time or at a point in time as appropriate.

Service revenue

Revenue represents sales of veterinary services, laboratory diagnostic services and crematoria services which are recognised in accordance with IFRS 15, at the point in time when the performance obligation is satisfied. Revenue is recognised when the laboratory test, veterinary consultation, veterinary procedure or cremation is completed.

2. Accounting policies (continued)

Members of customer loyalty schemes, for example Healthy Pet Club, pay annually or monthly subscription fees and receive preventative consultations and treatments over a twelve-month period, being the life of the contract. Annual subscription fees are received annually in advance and monthly subscription fees are received evenly over a twelve-month period. Revenue is recognised in line with the cost profile of individual performance obligations as they are completed in accordance with the contract and not in line with the receipt of subscription fees. For the majority of customers who pay monthly this results in revenue recognised in advance of cash received as performance obligations are weighted towards the beginning of the twelve-month contract.

The adjustments are made through deferred and accrued income and the contract asset and contract liability for this are shown in note 12 and note 14. Revenue is recognised net of provision to reflect cancellations as a result of animal deaths due to our policy not to invoice our customers in such an event. The provision is calculated based on historical membership calculation data. All other cancellations are accounted for as an impairment of receivables within administration expenses.

Products

Revenue relating to the sale of veterinary products is recognised according to the terms of sale, at the point in time when the performance obligations are satisfied.

2.6 Property, plant and equipment

Property, plant and equipment are stated at cost (being the purchase cost, together with any incidental costs of acquisition) less accumulated depreciation and any accumulated impairment losses. The assets' residual values and useful lives are reviewed annually, and adjusted as appropriate. Depreciation is provided so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets in equal annual installments at the following principal rates:

Improvements to property	Straight line over the life of the lease
Freehold property	2% straight line
Fixtures and fittings	20% - 33% straight line

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

2. Accounting policies (continued)

2.7 Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade and other receivables is recognised if there is considered to be expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the Statement of Comprehensive Income.

(b) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest related charges recognised as an expense in finance cost in the Statement of Comprehensive Income. A financial liability is derecognised only when the obligation is extinguished. An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities.

(c) Trade payables

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(d) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are initially recorded as the proceeds received, net of associated transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the Company Statement of Financial Position date.

2.8 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Inventories comprise of goods held for sale, and are stated at the lower of cost and net realisable value on a first in first out basis. Net realisable value is based on estimated selling price less further costs expected to be incurred on disposal. Where necessary, provision is made for obsolete, slow moving or defective inventories.

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from inception.

2.10 Retirement benefit costs

The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the Statement of Comprehensive Income in the period to which they relate.

The Company makes contributions to stakeholder and employee personal pension schemes, which are defined contribution schemes, in respect of certain employees. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Accounting policies (continued)

2.11 Taxation

The tax expense represents the sum of the current tax payable, deferred tax and any adjustments in respect of previous periods.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income because it excludes some items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or tax deductible. The Company's liability for current tax is calculated on the basis of tax laws and tax rates that have been enacted or substantively enacted by the Company Statement of Financial Position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the Statement of Financial Position liability method, on temporary differences arising between the tax bases of assets and liabilities used in the computation of taxable profits and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is also not accounted for if it arises from the initial recognition of goodwill. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Company Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is charged or credited in the Statement of Comprehensive Income, except where it relates to items charged or credited directly to other comprehensive income or equity, in which case the current and deferred tax is also recognised in other comprehensive income or equity respectively.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis, or to realise the asset and settle the liability simultaneously.

2. Accounting policies (continued)

2.12 Foreign currency translation

(a) Functional and presentational currency

The financial information in this report is presented in pound sterling, the functional currency of the Company, rounded to the nearest thousand.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into pound sterling (the functional currency of the Company) at the rate of exchange ruling at the date of transaction. All realised foreign exchange differences are taken to the Statement of Comprehensive Income. Monetary assets and liabilities denominated in foreign currencies are translated into pound sterling at the rates of exchange ruling at the Statement of Financial Position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in Statement of Comprehensive Income in the period in which they arise.

2.13 Leases

The Company as a lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the Statement of Financial Position.

2. Accounting policies (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'tangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occur and are included in 'Administrative expenses' in Statement of Comprehensive Income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. Accounting policies (continued)

2.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the Statement of Comprehensive Income on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in the Statement of Comprehensive Income in the period in which they become receivable.

2.15 Impairment of non-current assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

As permitted by IAS 36 Impairment of Assets for the purposes of assessing impairment, individual cash-generating units ("CGUs") are grouped at a level consistent with the Company's operating segments. Recoverable amounts for CGUs are based on value in use, which is calculated from cash flow projections using data from the Company's latest internal forecasts, being a one-year detailed forecast and extrapolated forecasts thereafter, the results of which are approved by the Board. The key assumptions for the value-in-use calculations are those regarding discount rates and growth rates.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

3. Revenue

The revenue and profit before taxation are attributable to the one principle activity of the company.

An analysis of revenue by class of business is given below:

	2022 £'000	2021 £'000
Veterinary services	**10,429**	*9,714*
Product sales	**2,188**	*2,070*
	12,617	*11,784*

An analysis of revenue by geographical market is given below:

	2022 £'000	2021 £'000
United Kingdom	**12,617**	*11,784*
	12,617	*11,784*

4. Other operating income

	2022 £'000	2021 £'000
Sundry income	**97**	*69*
	97	*69*

5. Employee benefit expense

Staff costs were as follows:

	2022 £'000	2021 £'000
Wages and salaries	5,504	5,048
Social security costs	492	441
Other pension costs	117	113
	6,113	5,602

The average monthly number of employees, including the Directors, during the year was as follows:

	2022 No.	2021 No.
Veterinary staff	210	200
Administrative staff	9	8
	219	208

The Company is part of a group arrangement for PAYE in the principal name of a parent company. Under the group arrangement salaries are borne by CVS (UK) Limited and recharged to the company. As a result, the employee information presented is in relation to employees of CVS (UK) Limited who are recharged to the company.

The total recharge for the year amounted to £6,113,000 (2021: £5,602,000) and are included within the values shown above.

Employee benefit expense included within cost of sales is £4,860,000 (2021: £4,425,000).

The Directors are paid a single salary by CVS (UK) Limited in respect of their services to the group by CVS (UK) Limited and it is not considered practicable to apportion this between the subsidiaries.

6. Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest expense - leases	121	137
	121	137

7. Profit before taxation

The profit before taxation is stated after charging:

	2022 £'000	*2021 £'000*
Cost of inventories recognised as expense	**1,259**	*1,272*
Depreciation - owned assets	**319**	*357*
Depreciation - right-of-use assets	**432**	*408*
Employees benefit expense	**6,113**	*5,602*

8. Taxation

	2022 £'000	*2021 £'000*
Corporation tax		
Current tax on profits for the year	**513**	*457*
Adjustments in respect of prior periods	**(10)**	*1*
Total current tax	**503**	*458*
Deferred tax		
Origination and reversal of timing differences	**38**	*(6)*
Tax rate change on opening balance	**-**	*11*
Adjustments in respect of prior periods	**9**	*(3)*
Total deferred tax	**47**	*2*
Taxation on profit on ordinary activities	**550**	*460*

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2021: higher than)* the standard rate of corporation tax in the UK of 19.0% *(2021: 19.0%)*. The differences are explained below:

	2022 £'000	*2021* *£'000*
Profit on ordinary activities before tax	**2,716**	*2,183*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**516**	*415*
Effects of:		
Effect of tax rate change on deferred tax balance	-	*11*
Adjustments to current tax charge in respect of previous periods	**(10)**	*1*
Adjustments to deferred tax charge in respect of previous periods	**9**	*(3)*
Expenses not deductible for tax purposes	**24**	*37*
Effect of difference between deferred tax and current tax rate	**11**	*(1)*
Total tax charge for the year	**550**	*460*

Factors that may affect future tax charges

The UK corporation tax rate for the period was 19.0% (2021: 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.

9. Property, plant and equipment

	Improvements to property £'000	Freehold property £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 July 2021	2,718	996	3,294	7,008
Additions	105	-	130	235
At 30 June 2022	2,823	996	3,424	7,243
Depreciation				
At 1 July 2021	1,919	130	2,357	4,406
Charge for year	197	29	93	319
At 30 June 2022	2,116	159	2,450	4,725
Net book value				
At 30 June 2022	707	837	974	2,518
At 30 June 2021	*799*	*866*	*937*	*2,602*

10. Right of use assets

The majority of the Company's veterinary practices, specialist referral centres are leased, with remaining lease terms of between 1 and 15 years. The Company also has a number of non-property leases relating to vehicle, equipment and material handling equipment, with remaining lease terms of between 1 and 4 years. Additions to right-of-use assets include new leases; extensions and amendments to existing lease agreements are disclosed as remeasurements.

	Property £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 July 2021	3,118	71	15	3,204
Additions	-	1	3	4
Disposals	(114)	-	(3)	(117)
Remeasurement of lease term	1,497	-	-	1,497
At 30 June 2022	4,501	72	15	4,588
Depreciation				
At 1 July 2021	695	25	9	729
Charge for the year	412	14	6	432
On disposals	-	-	(3)	(3)
At 30 June 2022	1,107	39	12	1,158
Net book value				
At 30 June 2022	3,394	33	3	3,430
At 30 June 2021	*2,423*	*46*	*6*	*2,475*

11. Inventories

	2022 £'000	*2021 £'000*
Finished goods	276	*248*
	276	*248*

The Directors do not consider the difference between the purchase price of inventories and their replacement cost to be material.

12. Trade and other receivables

	2022 £'000	*2021* *£'000*
Amounts falling due within one year:		
Trade receivables	**129**	*206*
Amounts owed by group undertakings	**10,556**	*6,972*
Other debtors	**47**	*-*
Prepayments	**116**	*190*
Contract assets	**245**	*303*
	11,093	*7,671*

Amounts owed by group undertakings are unsecured, interest free and payable on demand.

At 30 June 2022 there is a contact asset recorded of £245,000 (2021: £303,000), relating to the Healthy Pet Club (HPC). The contract asset arises from customers having received consultations and treatment, which are weighted towards the beginning of the twelve month scheme, in advance of cash payments, as detailed more fully in note 2.

13. Creditors: Amounts falling due within one year

	2022 £'000	*2021* *£'000*
Lease liabilities (see note 16)	**265**	*224*
Trade creditors	**1,222**	*1,298*
Corporation tax	**967**	*671*
VAT	**538**	*488*
Amounts owed to group undertakings	**3,917**	*2,842*
Other creditors	**1**	*318*
Accruals	**74**	*44*
Contract liabilities	**59**	*-*
	7,043	*5,885*

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

At 30 June 2022 there is a contact liability recorded of £59,000 (2021: £Nil), relating to delayed treatments for our Healthy Pet Club members, as detailed more fully in note 2.

14. Creditors: Amounts falling due after more than one year

	2022 £'000	*2021 £'000*
Lease liabilities (see note 16)	**3,235**	*2,286*
	3,235	*2,286*

15. Deferred taxation

	2022 £'000
At 1 July 2021	**(65)**
Recognised in Statement of Comprehensive Income	**(47)**
At 30 June 2022	**(112)**

The provision for deferred taxation is made up as follows:

	2022 £'000	*2021 £'000*
Accelerated capital allowances	**(114)**	*(65)*
Other temporary differences	**2**	-
	(112)	*(65)*

The Company has no unprovided deferred tax assets or liabilities.

The deferred tax balance is considered to be non-current.

16. Lease liabilities

	2022 £'000	*2021 £'000*
Current:		
Leases	**265**	*224*
Non-current:		
Leases	**3,235**	*2,286*
	3,500	*2,510*

Terms and debt repayment schedule (undiscounted):

	1 year or less £'000	2-5 years £'000	More than 5 years £'000	Total £'000
Leases	398	1,881	1,906	4,185

Total cash flows for leases in the year amounted to £511,000 (2021: £479,000).

17. Ordinary shares

	2022 £	*2021 £*
Authorised, allotted, called up and fully paid		
2 *(2021: 2)* Ordinary A shares of £1.00 each	**2**	*2*

18. Events after the reporting period

There were no significant events between the Statement of Financial Position date and the date of signing of these financial statements.

19. Ultimate controlling party

The Company's immediate parent company is Pet Vaccination UK Limited, a company registered in England and Wales.

CVS Group plc, a company registered in England and Wales, is the ultimate parent company of Pet Vaccination UK Limited and is the parent undertaking of the smallest and largest group of which the Company is a member and for which group accounts are prepared. Copies of the group accounts of CVS Group plc can be obtained from its registered office at CVS House, Owen Road, Diss, Norfolk, IP22 4ER.

The shares of CVS Group plc are traded on the Alternative Investment Market and as such, the Directors considered that there is no ultimate controlling party.

20. Pension schemes

The Company contributes to certain employees' personal pensions schemes in accordance with their service contracts. The amounts are charged to the Statement of Comprehensive Income as they fall due. The amounts charged during the year amounted to £117,000 (2021: £113,000). The amount outstanding at the end of the year included in creditors was £Nil (2021: £Nil).

21. Guarantees and other financial commitments

Bank guarantees

The Company is a member of the Group banking arrangement under which it is party to unlimited cross-guarantees in respect of the banking facilities amounting to £170,000,000 at 30 June 2022 (30 June 2021: £170,000,000). The Directors do not expect any material loss to the Company to arise in respect of the guarantees.