Registered number: 03481736

# MEDIVET GROUP LIMITED

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 APRIL 2019

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | A S Levy<br>G Carter<br>J W H Smithers<br>K L Morris |
| **Registered number** | 03481736 |
| **Registered office** | Unit 4 Mowat Industrial Estate<br>Sandown Road<br>Watford<br>WD24 7UY |
| **Independent auditors** | Grant Thornton UK LLP<br>30 Finsbury Square<br>London<br>EC2P 2YU |

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# STRATEGIC REPORT
# FOR THE YEAR ENDED 30 APRIL 2019

**Introduction**

The Directors set out their Strategic Review of Medivet Group Limited (the Company) below. The Company is a subsidiary of Medivet Partnership LLP.

**Business review**

The Company is a leading operator of veterinary practices. It currently operates 305 practices in the UK, mostly under the Medivet brand. The company predominantly operates a "hub and spoke" business model with a network of advanced and specialist veterinary hospitals that are open 24 hours each day of the year, strategically placed at the heart of a cluster of smaller first opinion practices.

The Company performed strongly during the year. Revenue was £173.9m, a 37% increase over the same period last year. The increase in revenue was generated both from new acquisitions in the year and from continuing positive like for like sales growth in the Company's existing core practices.

The Company acquired 38 new practices in the year, focusing on acquisitions that meet our strict purchasing criteria. We seek to acquire strong, well established businesses with high quality veterinary surgeons and nurses that are motivated to join the Medivet family and practices that can benefit the most from our business model, including our dedicated Support Centre and "hub and spoke" strategy.

During the year the Company has continued to invest significantly in our business and our brand. We have built a strong and efficient central platform to support our current network of practices, whilst also investing "ahead of the curve" to support future growth. Investment to date has focused on Information Technology, Human Resources, Marketing and Brand and direct field support for our practice network. These investments are expected to continue to improve our business and the performance of our branches now and in the future. This investment, which is now substantially complete, has increased operating costs in the current year as expected.

The financial statements for the year ended 30 April 2019 have been prepared under FRS101 which is more closely aligned with International Financial Reporting Standards and as this is the first year of adoption, the comparatives have been restated. Accounting Policies describing the effects of these changes are set out in the note below.

Profit from Operations remained almost static at £10.4 million in 2018 (as restated under FRS101) to £10.1m in 2019.

The directors consider that Adjusted EBITDA (earnings before interest, taxation, depreciation and amortisation), which is a non-statutory measure of profitability, more closely reflects the ongoing underlying performance of the Company. This measure is not defined by FRS101 and is not intended to be a substitute for, or superior to, IFRS measurements of profit. This measure excludes certain material one-off and non-recurring items including one-off legal and professional fees relating to refinancing and restructuring activities that are not continuing, one off costs of rebranding Medivet and costs of integrating and assimilating acquired practices.

Adjusted EBITDA increased from £14.7m in 2018 to £20.8m in 2019.

The Company recorded a net loss for the year of £6.6m (2018: Net profit of £2.1m) due mainly to increased net financing costs and non-cash accounting adjustments associated with the transition from UK GAAP to FRS101 of £5.3m (see Note below).

The Company's board of directors is pleased with the performance for the year and confident that the business will continue to grow and strengthen further as we continue to execute our strategy.

*Non-cash accounting adjustments associated with the transition from UK GAAP to FRS 101 of £5.3m represent £2.4m of acquisition costs that were previously capitalised under UK GAAP and a goodwill impairment charge of*

*£2.9m.*

**Charitable events**

During the year, the Company has continued to raise funds for its nominated charity. In August 2019 the Group and its clients passed the milestone of having donated £500,000 to help Will Fowlds's work in South Africa to Save the Rhino. Collections have come from several charitable events held through the year.

This work continues, and additionally the Company is working closely with Battersea Dogs Home to provide treatment to a number of their animals as well as sponsoring a number of Battersea Dogs Home's initiatives.

**Principal risks and uncertainties**

**Brexit and a decline in the UK economy**

The continued uncertainty following the UK's referendum on leaving the European Union could result in a reduction in consumer confidence and a decline in spending on veterinary services. In common with all other consumer facing business, any downturn in the UK economy resulting in reduced consumer confidence or consumer spending may have an impact on spending, although this remains uncertain.

The company does not currently trade outside the UK and caters solely to the domestic market. The company does however employ veterinary surgeons, nurses and some other colleagues that are citizens of other EU countries. There is therefore a risk that the company has difficulty recruiting and retaining staff from other EU countries.

In the short term this risk is mitigated by the Home Office indicating that citizens of other EU counties currently working in the UK will be allowed to continue to do so. In the medium term the risk is mitigated by the current UK government having added veterinary surgeons to the Shortage Occupation List.

The Company also imports some veterinary products and medicines from other EU countries. In the short term there is a risk of disruption in supply following a disorderly Brexit. This risk has been mitigated by the Company working closely with its suppliers and increasing its stockholding in these products. In addition, veterinary medicines have been confirmed as Category 1 listed, meaning that in the event of disruption at the border they will be given the highest prioritisation.

**Recruitment of veterinary surgeons and nurses**

The market for veterinary surgeons and veterinary nurses is highly competitive and there is a risk in relation to the Company's ability to attract and retain key staff.

The Company offers competitive salaries and has invested heavily in providing multiple additional benefits to all staff in order to make Medivet the best place to work within the UK veterinary industry.

The Company also maintains close relationships with UK veterinary schools and organisations in the UK and overseas and runs its own highly regarded training college for veterinary nurses. A professional recruitment team based in our Support Centre facilitates the recruitment of colleagues from the UK and overseas.

**Liquidity**

The Company finances its acquisitions of veterinary practices through a combination of operating cashflow and external debt and manages liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. There are substantial committed credit facilities available and, since the year end, the Company has secured an additional committed Revolving Capital Facility of £10 million to help manage its seasonal cashflows. The company is in position to meet its commitments and obligations as they come due.

**Customer credit exposure**

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The Company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and the fact that the vast majority of this debt is due from major insurance companies.

**Financial key performance indicators**

The directors regularly monitor key performance indicators including growth in turnover, like for like sales performance (sales growth in branches owned for more than one year), gross profit percentage (turnover less direct costs which are principally medicines and clinical wage costs), operating cashflow generation and cash conversion (percentage of EBITDA converted into cashflow).

The company also regularly monitors its ability to operate within its external lending covenants and its ability to fund its financial obligations from operating cash flow.

As referenced above, the directors believe that Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is a key financial performance indicator and this is set out in detail on the Statement of Profit and Loss and Other Comprehensive Income.

**Other key performance indicators**

Other non-financial indicators include the acquisition of new customers and retention of existing ones. The company also regularly monitors client satisfaction. The company operates a Medivet branded pet health plan which provides members with valuable benefits and this allows the directors to monitor other non-financial performance indicators including the growing number of plan members.

Furthermore, the directors are always considering improved and new sources of supply and cost effectiveness. Clinical excellence is at the core of our business and our clinical operational team monitor a suite of KPIs to ensure that we remain in the forefront of this area.

Colleague vacancy rates and retention rates are also key performance indicators, particularly for both veterinary surgeons and veterinary nurses.

Key financial and non-financial KPIs are reviewed each month by the operating board and the main board.

This report was approved by the board on 24 February 2020 and signed on its behalf.

**A S Levy**
Director

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 30 APRIL 2019

The directors present their report and the financial statements for the year ended 30 April 2019.

**Directors' responsibilities statement**

The directors are responsible for preparing the directors' report and the financial statements, in accordance with applicable law.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 '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.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

**Principal activity**

The principal activity of the company continues to be the provision of veterinary services.

**Results and dividends**

The loss for the year, after taxation, amounted to £6,616,000 *(2018 - profit £2,156,000)*.

Profit from operations for the year was £10,123,000 (2018: £10,422,000).

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 30 APRIL 2019

**Directors**

The directors who served during the year were:

A S Levy
G Carter
J W H Smithers
K L Morris

**Future developments**

Future developments of the company are discussed in the Strategic Report.

**Employee involvement**

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

**Disabled employees**

Applications for disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons, should, as far as possible, be identical with that of other employees.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Auditors**

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

A S Levy
Director

Date: 24 February 2020

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIVET GROUP LIMITED

### Opinion

We have audited the financial statements of Medivet Group Limited (the 'company') for the year ended 30 April 2019, which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:
- give a true and fair view of the state of the company's affairs as at 30 April 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MEDIVET GROUP LIMITED

**Matter on which we are required to report under the Companies Act 2006**
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors for the financial statements**
As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

**Use of our report**
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Westerman (Senior statutory auditor)
Grant Thornton UK LLP
for and on behalf of

**Grant Thornton UK LLP**

30 Finsbury Square
London
EC2P 2YU

24 February 2020

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2019

| | Note | 2019 £000 | *As restated 2018 £000* |
|---|---|---|---|
| **Revenue** | 6 | **171,293** | *127,285* |
| Cost of sales | | **(94,979)** | *(69,080)* |
| **Gross profit** | | **76,314** | *58,205* |
| Other operating income | 7 | **3,478** | *563* |
| Administrative expenses | | **(69,671)** | *(48,347)* |
| **Profit from operations** | | **10,121** | *10,421* |
| **Analysed as:** | | | |
| **Earnings before interest, tax, depreciation, amortisation, impairment, acquisition costs** | | 20,793 | 14,684 |
| Depreciation | 14 | **2,808** | 1,803 |
| Amortisation of intangible assets | 15 | **111** | 258 |
| Impairment of goodwill | 16 | **2,873** | 92 |
| Costs relating to business combinations | | **2,346** | - |
| Exceptional items | 10 | **2,533** | 2,109 |
| Finance income | 11 | **2** | - |
| Finance expense | 11 | **(15,152)** | *(7,514)* |
| Income from fixed assets and dividends | | **172** | *273* |
| **(Loss)/profit before tax** | | **(4,857)** | *3,180* |
| Tax expense | 12 | **(1,761)** | *(1,025)* |
| **(Loss)/profit for the year** | | **(6,618)** | *2,155* |
| **Total comprehensive income** | | **(6,618)** | *2,155* |

## STATEMENT OF FINANCIAL POSITION
## AS AT 30 APRIL 2019

| | Note | 2019 £000 | *As restated* *2018* *£000* |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | **19,429** | *14,844* |
| Other intangible assets | 15 | **2,994** | *675* |
| Goodwill | 16 | **270,017** | *214,461* |
| Other non-current investments | | **1,017** | *1,017* |
| Trade and other receivables | 19 | **1,173** | - |
| Deferred tax | 12 | **187** | *277* |
| | | **294,817** | *231,274* |
| **Current assets** | | | |
| Inventories | 18 | **4,211** | *4,526* |
| Trade and other receivables | 19 | **19,250** | *20,845* |
| Cash and cash equivalents | | **2,385** | *2,737* |
| | | **25,846** | *28,108* |
| **Total assets** | | **320,663** | *259,382* |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Trade and other liabilities | 20 | **1,326** | *592* |
| Loans and borrowings | 21 | **1,776** | *1,970* |
| Provisions | 22 | **305** | - |
| | | **3,407** | *2,562* |
| **Current liabilities** | | | |
| Trade and other liabilities | 20 | **232,938** | *166,471* |
| Loans and borrowings | 21 | **764** | *525* |
| Provisions | 22 | **26** | - |
| | | **233,728** | *166,996* |
| **Total liabilities** | | **237,135** | *169,558* |
| **Net assets** | | **83,528** | *89,824* |

## STATEMENT OF FINANCIAL POSITION (CONTINUED)
## AS AT 30 APRIL 2019

| | Note | 2019<br>£000 | *As restated*<br>*2018*<br>*£000* |
|---|---|---|---|
| **Issued capital and reserves** | 24 | | |
| Share capital | 23 | **32,946** | *38,512* |
| Other reserves | | **42,111** | *33,038* |
| Retained earnings | | **8,471** | *18,274* |
| **TOTAL EQUITY** | | **83,528** | *89,824* |

The financial statements on pages 11 to 59 were approved and authorised for issue by the board of directors on 24 February 2020 and were signed on its behalf by:

**A S Levy**
Director

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 APRIL 2019

| | Share capital (restated) | Other reserves | Retained earnings (restated) | Total equity (restated) |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **At 1 May 2017 (as previously stated)** | 710 | - | 16,311 | 17,021 |
| Prior year adjustment | 42,669 | 7,123 | (192) | 49,600 |
| **At 1 May 2017 (as restated)** | 43,379 | 7,123 | 16,119 | 66,621 |
| **Comprehensive income for the year** | | | | |
| Profit for the year | - | - | 2,156 | 2,156 |
| **Total comprehensive income for the year** | - | - | 2,156 | 2,156 |
| **Contributions by and distributions to owners** | | | | |
| Shares redeemed during the year | (4,867) | - | - | (4,867) |
| New equity in the year - contributions received | - | 27,523 | - | 27,523 |
| Equity contributions repaid | - | (1,609) | - | (1,609) |
| **Total contributions by and distributions to owners** | (4,867) | 25,914 | - | 21,047 |
| **At 30 April 2018** | **38,512** | **33,037** | **18,275** | **89,824** |
| **At 1 May 2018 (as previously stated)** | 710 | 33,038 | 23,645 | 57,393 |
| Prior year adjustment | 37,802 | - | (5,370) | 32,432 |
| **At 1 May 2018 (as restated)** | 38,512 | 33,038 | 18,275 | 89,825 |
| **Comprehensive income for the year** | | | | |
| Loss for the year | - | - | (6,617) | (6,617) |
| **Total comprehensive income for the year** | - | - | (6,617) | (6,617) |
| **Contributions by and distributions to owners** | | | | |
| Dividends | - | - | (3,186) | (3,186) |
| Issue of share capital | 3 | - | - | 3 |
| Shares redeemed during the year | (5,569) | - | - | (5,569) |
| New equity in the year - contributions received | - | 10,560 | - | 10,560 |
| Equity contributions repaid | - | (1,487) | - | (1,487) |
| **Total contributions by and distributions to owners** | (5,566) | 9,073 | (3,186) | 321 |
| **At 30 April 2019** | **32,946** | **42,111** | **8,472** | **83,529** |

The notes on pages 18 - 61 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 APRIL 2019

### 1. General information

Medivet Group Limited is a limited company, incorporated in Great Britain. The registered office is Unit 4, Mowat Industrial Estate, Sandown Road, Watford, WD24 7UY. The principal activity of the company is the provision of veterinary services.

### 2. Basis of preparation

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100 Application of Financial Reporting Requirements) issued by the Financial Reporting Council. Accordingly, in the year ended 30 April 2019 the company has undergone transition from reporting under FRS 102 (Financial Reporting Standard 102) to FRS 101 (Financial Reporting Standard 101 Reduced Disclosure Framework). The financial statements have therefore been prepared in accordance with FRS 101 as issued by the Financial Reporting Council. The effects of this transition can be seen in Note 33.

The company has taken advantage of the exemption provided by paragraph 4(a) of IFRS 10 not to prepare group accounts as it is a wholly owned subsidiary of Medivet Partnership LLP, an LLP incorporated in England and Wales, which produces publicly available consolidated financial statements in which the company is included. These financial statements present information about the company as an individual undertaking and not the group as a whole. Copies of the consolidated financial statements in which the company is included can be obtained from the company's registered office.

The directors believe that Medivet Partnership LLP is both the immediate and ultimate controlling party.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs). They were authorised for issue by the Company's board of directors on 24 February 2020.

Details of the Company's accounting policies, including changes during the year, are included in note 3.

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas where judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 5.

**2.1 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date.

**Items**

**2.2 New standards adopted as part of transition to IFRS**

**i) New standards, interpretations and amendments effective from 1 May 2017**

**IFRS 9 and 15**

A number of new and revised standards, including IFRS 9 and 15, are effective for annual periods

## 2. Basis of preparation (continued)

### 2.2 New standards adopted as part of transition to IFRS (continued)

#### i) New standards, interpretations and amendments effective from 1 May 2017 (continued)

beginning on or after 1 January 2018. Adoption of these standards has not had an impact on the company's financial statements, except the following:

- IFRS 9 Financial Instruments came into effect for the company's period starting 1 May 2017 and impacted the rules relating to the classification, measurement and impairment of financial assets. The company holds all financial assets with the intention of collecting the contractual cash flows and no contractual terms have failed the "solely payments of principal and interest" test. Moving from the "incurred credit loss" model to the "expected credit loss model" under IFRS 9 has not given rise to a material change in bad debt provision.

- IFRS 15 Revenue from Contracts with Customers came into effect for the company's period starting 1 May 2018 replacing IAS 18 Revenue and related interpretations. It dealt with revenue recognition and established principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers;. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The company has carried out a review of existing contractual agreements as part of this process to identify the customer contracts, the performance obligations, the transaction price and when the performance obligation is satisfied, and has determined that there was no material impact on the company's revenue streams as set out in the notes to the financial statements.

The Company has applied IFRS 15 from 1 May 2018 using the cumulative effect method.

#### ii) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

**Standards and interpretations to existing standards (all of which have yet to be adopted by the EU) which are not yet effective and are under review as to their impact on the Company**

The following standards and interpretations to existing standards have been published that are mandatory for the company's accounting periods beginning on or after 1 May 2019 or later periods but which the Group has not early adopted:

- IFRS 9 Financial Instruments – Amendments to prepayment features with negative compensation (effective 1 January 2019)

- IFRS 16 Leases (effective 1 January 2019)

- IFRS 17 Insurance Contracts (effective 1 January 2021)

- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019)

2. **Basis of preparation (continued)**

- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective 1 January 2019)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020).

The directors anticipate that the adoption of these Standards in future periods is unlikely to have a significant impact on the results and net assets of the company, other than IFRS 16, which is detailed above.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation of the financial statements of the group.

3. **Accounting policies**

**3.1 Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**3.2 Revenue**

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control over a product or service to a customer.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Revenue is recorded net of VAT.

**(i) Sale of goods**

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

## 3. Accounting policies (continued)

### 3.2 Revenue (continued)

**(ii) Rendering of services**

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Revenue from the customer loyalty schemes, for example Medivet Health Care Plan, pay monthly subscription fees and receive preventative consultations and treatments over a twelve-month period. The monthly subscription fees are spread evenly over the twelve month period which broadly represents the profile of the services and drugs included within the Plan. Revenue is recognised net of refunds representing cancellations as a result of animal deaths due to our policy not to invoice our customers in such an event.

**(iii) Dividend and interest income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is possible that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**(iv) Rental income**

The Company's policy for recognition of revenue from operating leases is described in note 3.3.

## 3. Accounting policies (continued)

### 3.3 Leased assets

**The company as a lessee**

**Finance leases**

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the separate accounting policy for the depreciation methods and useful lives for assets held under finance leases.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

**Operating leases**

All other leases are treated as operating leases. Where the company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

**The company as a lessor**

The company also earns rental income from operating leases of its properties. Rental income is recognised on a straight-line basis over the term of the lease.

### 3.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 3.5 Employee benefits

**Retirement benefit costs and termination benefits**
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**3. Accounting policies (continued)**

**3.6 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

**(i) Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit or Loss and Other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

**(ii) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

**(iii) Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 3. Accounting policies (continued)

### 3.7 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

| | | |
|---|---|---|
| Long-term leasehold property | 15% | reducing balance |
| Motor vehicles | 25% | reducing balance |
| Fixtures and fittings | 15% | reducing balance |
| Computer equipment | 25% | straight line |

### 3.8 Intangible assets

**Internally-generated intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortisation period for these assets is 15 years.

3. **Accounting policies (continued)**

**3.9**

**Impairment of non-financial assets (excluding inventories and deferred tax assets)**

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

**3.10 Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**3.11 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**3.12 Financial instruments**

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## 3. Accounting policies (continued)

### 3.13 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 from impairment are recognised in the Income Statement.

### 3.14 Financial liabilities and equity instruments

**(i) Classification as debt or equity**

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**(ii) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Preference share capital**

Preference shares in the company are treated as equity share capital. Previously, they were treated as financial liabilities but have been reclassified as equity instruments. The effect of the prior year adjustment on the financial statements is described in Note 32.

**Other reserves**

Included within other reserves is an amount received by the company relating to contributions from lead vets at some branches. These contributions give the vets the rights to a proportion of the profits earned from a specific branch or branches. The reserves are only repayable to the vets if the company allows the vets to extinguish their relationship with the group. This is a different treatment of the consideration than in previous years and the effect of the prior year adjustments on the financial statements is described in note 33.

3. **Accounting policies (continued)**

**3.14 Financial liabilities and equity instruments (continued)**

**(iii) Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

*Financial liabilities subsequently measured at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

*Derecognition of financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**3.15 Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the statement of profit and losses and other comprehensive income in the year to which they relate.

**3.16 Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Dividends on preference shares, which are classified as a financial liability, are treated as finance costs and are recognised on an accruals basis when an obligation exists at the reporting date.

## 3. Accounting policies (continued)

### 3.17 Prior year adjustments

Having considered the accounting for entering into a partnership agreement with lead vets as part of the conversion to IFRS, the directors believe the appropriate accounting treatment under IFRS is to recognise contributions made by lead vets as a credit to other reserves instead of a disposal of goodwill. There was also an associated increase in the value of tangible fixed assets, which were previously accounted for as part disposed of alongside goodwill. These adjustments do not affect EBITDA or cash but do have a significant positive impact on the net assets of the company

.

The company has reclassified the existing preference shares as equity instead of debt, reflecting the correct treatment under IAS 32. The preference shares are now disclosed within the equity section of the statement of financial position rather than non-current liabilities. Additionally, the reclassification has required the reversal of prior years' fair value adjustments.

The company has restated the interest payable figure for the year ended 30 April 2018 to reflect the correct amount of the interest recharged by the parent company, Medivet Partnership LLP. Due to an administrative oversight, the incorrect amount was disclosed in the financial statements for the year ended 30 April 2018 and therefore this error has been corrected in these financial statements. The corresponding liability to the parent company has also been increased.

Refunds of £1m have been netted of turnover instead of added to cost of sales, as previously disclosed. This has no effect on the gross profit of the company, nor any effect on the statement of financial position or any other aspect of the financial statements.

Note 32 and note 33 summarise the total impact of all the prior year adjustments on the financial statements.

### 3.18 Use of non GAAP measures

The directors believe that adjusted EBITDA provides additional useful information for shareholders on performance. These measures are used for internal performance analysis. These measures are not defined by IFRS and therefore may not be directly comparable with other companies adjusted measures. It is not intended to be a substitute for, nor superior to, IFRS measurements of profit.

### 3.19 Cash flow statement

The company has taken advantage of the exemption permitted under FRS101 of the requirements set out in IAS 7 "Statement of Cash Flows" and accordingly has not prepared a cash flow statement in these financial statements.

## 4. Functional and presentation currency

These financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## 5. Accounting estimates and judgments

### 5.1 Judgment

**Transactions with lead vets**

The company regularly enters into trading arrangements with vets whereby the lead vet(s) in a practice and the company contribute cash and other assets to a new partnership. The profits of this partnership are distributed according to a pre agreed proportion as set out in the relevant partnership agreement, and in relation to each party's relative investment.

The directors acknowledge that the relationship between the vets and Medivet is complex and there is no specific accounting requirement under IFRS that deals with this scenario. The directors have therefore considered the substance of these types of transactions as well as its legal form.

Management do not consider that it is appropriate to treat the partnership arrangement as a separate entity for accounting purposes as a number of key factors which determine the appropriateness of accounting for the activity of the partnership separately from the company are missing from these arrangements. As the company will always retain the ability to exercise more votes than the lead vet on the operation of these partnerships, the trade of these partnerships is controlled by the company (regardless of the other partner's entitlement, that never exceeds 50% of the income and capital profits), is not operated by the company separate to the core trade of the company and the company intends to retain and continue the underlying business upon exit by the partner (either by acquiring their interest or inviting a new vet to join on similar terms). Additionally, the reserved matters result in the partnership arrangement having no substantive legal personality or governance function. As these arrangements do not meet the definition of an entity, they are therefore not treated as subsidiaries.

Accordingly, 100% of the trade's income and expenditure of all of these partnership arrangements is recognised in the company's accounts less a deduction within expenses for the partnership share attributable to the lead vets. Individual branch partner shares in profits of £16.3m (2018: £14.5m) have therefore been treated as an expense. Income from wholly owned branches is shown in these financial statements with no deductions.

Cash proceeds, which have been treated as a financing cash flow, received from lead vets are credited to other reserves as the payment of this consideration entitles the vet to a residual interest in the profits of the associated branch. Whilst there is no accounting standard that deals with this transaction specifically, the directors consider that IFRS9 and IAS32 are the most relevant and accordingly it is appropriate to treat this transaction as a financial instrument and more specifically equity.

When Medivet agrees that a vet can terminate their relationship with the company, the proceeds are repaid to the vet at either the initial amount received or a different amount depending on the profitability of the branch in the period the vet has been consulting at the branch. If the amount repaid of the vet is more than the initial consideration, the difference between the amount paid and the amount originally received is created to profit and loss reserve. If the amount repaid to the vet is less than the initial consideration, the lower amounted is debited to other reserves. In all cases, once the vet leaves Medivet, the balance on other reserves is recycled to the profit and loss reserve.

When a vet leaves Medivet but identifies another vet to replace them in the relationship, there is no effect on reserves as any enhancement in the value is accounted for between the vets as individuals.

The amounts recycled to profit and loss reserve are treated as distributable but the amounts credited to other reserves are not.

## 5. Accounting estimates and judgments (continued)

### 5.1 Judgment (continued)

The prior year adjustment has amended the affects all these type of transactions with lead vets since 1 May 2014. There has been no impact on the accounting of goodwill or transactions with lead vets in periods prior to this, which were compliant with UK GAAP in existence at the time.

**Tax treatment of amortisation**

The directors have exercised judgemental when determining the accounting treatment for the acquisition of the branch practices by Medivet Group Limited from Medivet Partnership LLP. This has resulted in purchased goodwill of £41.2m which has been recognised on acquisition against which accumulated amortisation of £19m has been charged. This has had no impact on the current year tax charge due to the transition to IFRS but reduced the prior year charge by £0.4m due to tax relief on this amortisation. The cumulative reduction on the overall tax liability arising from tax relief on this amortisation is £2.7m (2018: £2.7m). This matter remains the subject of an ongoing HMRC enquiry.

### 5.2 Estimates and assumptions

**Expected credit losses**

Amounts receivable from customers have been reviewed in accordance with the requirements of IFRS 9 and an estimate of expected future credit losses has been made based on grouping the receivables into assets with similar characteristics and applying a loss rate to each group. As comparative amounts do not need to be restated under the transitional provisions of IFRS, the receivables balance for the comparative year has not been restated.

IFRS9 requires the Group to recognise a loss allowance for expected credit losses on financial assets. The Group has no significant concentrations of credit risk. The Group's principal financial assets are cash and bank balances, and trade and other receivables. A large number if receivables are very small, therefore there is not any concentration of credit risk in a single counterparty or group of counterparties with similar characteristics.

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.

## 6. Revenue

The following is an analysis of the Company's revenue for the year from continuing operations:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Sale of goods and services | **170,989** | *127,133* |
| Other income | **304** | *152* |
| | **171,293** | *127,285* |

As disclosed in the accounting policy, the company operates a customer loyalty scheme which allows customers to spread payments for a pre determined services over a certain period. In the opinion of the directors, this does not represent a different revenue stream as the goods and services included with the payment plan are available to all customers, not just loyalty scheme customers. Additionally, revenue from the loyalty scheme is not geographically different from non loyalty scheme revenue nor is the timing of the revenue materially different. The operation of the loyalty scheme is primarily to help customers with a more regular cash outflow and does not impact the timing, nature or extent of revenue recognition.

## 7. Other operating income

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Net rents receivable | **858** | *563* |
| Research and development tax credit | **2,620** | - |
| | **3,478** | *563* |

## 8. Services provided by the company's auditor

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Fees payable to the company's auditor for the audit of the financial statements | **75** | *100* |

The company has taken advantage of the exemption from disclosing the total value on non audit remuneration paid to the company's auditors as these amounts are disclosed in the consolidated accounts of which this company is a part.

## 9. Employee benefit expenses

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Employee benefit expenses (including directors) comprise:** | | |
| Wages and salaries | **60,592** | *43,319* |
| Social security costs | **6,457** | *3,116* |
| Defined contribution pension cost | **1,272** | *413* |
| | **68,321** | *46,848* |

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company listed on page 1. They did not receive any remuneration for their services as directors although did collectively receive payments of £1,508,000 (2018: £1,386,000) from redemption of preference shares.

## 10. Non recurring expenses

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Legal, professional and compliance costs | **1,560** | *1,853* |
| Rebranding and marketing costs | **1,319** | - |
| Restructuring costs | **(399)** | *256* |
| Other one-off costs | **53** | - |
| | **2,533** | *2,109* |

As noted in the Business Review, the directors consider adjusted EBITDA to be the most appropriate measure of financial performance. Exceptional costs are defined by management as non-recurring costs and are added back to retained profit in order to calculate adjusted EBITDA.

## 11. Finance income and expense

**Recognised in profit or loss**

| | 2019<br>£000 | *As restated*<br>*2018*<br>*£000* |
|---|---|---|
| **Finance income** | | |
| Interest on: | | |
| - Bank deposits | 2 | - |
| **Total interest income arising from financial assets measured at amortised cost** | 2 | - |
| **Total finance income** | 2 | - |
| **Finance expense** | | |
| Bank interest payable | 13 | - |
| Finance leases (interest portion) | 178 | *172* |
| Loans from group undertakings | 14,961 | *7,342* |
| **Total finance expense** | 15,152 | *7,514* |
| **Net finance income recognised in profit or loss** | (15,150) | *(7,514)* |

## 12. Tax expense

### 12.1 Income tax recognised in profit or loss

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Current tax** | | |
| Current tax on profits for the year | 1,183 | *1,363* |
| Adjustments in respect of prior years | 487 | *(53)* |
| **Total current tax** | **1,670** | *1,310* |
| **Deferred tax expense** | | |
| Origination and reversal of timing differences | 91 | *(285)* |
| **Total deferred tax** | **91** | *(285)* |
| | **1,761** | *1,025* |
| **Total tax expense** | | |
| Tax expense | 1,761 | *1,025* |
| | **1,761** | *1,025* |

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| (Loss)/profit for the year | (6,618) | *2,155* |
| Income tax expense | 1,761 | *1,025* |
| **(Loss)/profit before income taxes** | **(4,857)** | *3,180* |
| Tax using the Company's domestic tax rate of 19% (2018: 19%) | (923) | *604* |
| Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment | 847 | *317* |
| Capital allowances for the year in excess of depreciation | - | *1,304* |
| Adjustments to tax charge in respect of prior periods | 486 | *(53)* |
| Other timing differences leading to an increase/(decrease) in taxation | (11) | *(284)* |
| Non-taxable income | (242) | *(1,848)* |
| Corporate interest restriction | 1,604 | *985* |
| **Total tax expense** | **1,761** | *1,025* |

## 12. Tax expense (continued)

### 12.1 Income tax recognised in profit or loss (continued)

### 12.2 Current tax assets and liabilities

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Current tax assets** | | |
| **Current tax liabilities** | | |
| Corporation tax payable | 3,666 | *1,893* |
| | 3,666 | *1,893* |

### 12.3 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the statement of financial position:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Deferred tax asset | 187 | *277* |
| | 187 | *277* |

| | Opening balance £000 | Recognised in profit or loss £000 | Closing balance £000 |
|---|---|---|---|
| **2019** | | | |
| Property, plant and equipment | (277) | 90 | (187) |
| | (277) | 90 | (187) |

| | Recognised in profit or loss *£000* | Closing balance *£000* |
|---|---|---|
| **2018** | | |
| Property, plant and equipment | (277) | (277) |
| | (277) | (277) |

## 13. Dividends

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Interim dividend of 448 pence (2018: nil pence) per Ordinary share paid during the year | **3,186** | - |
| | **3,186** | - |

## 14. Property, plant and equipment

| | Long-term leasehold property £000 | Motor vehicles £000 | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|---|
| At 1 May 2017, as previously stated | 5,475 | 16 | 7,040 | 370 | 12,901 |
| Prior year adjustment | - | - | 1,164 | - | 1,164 |
| At 1 May 2017, as restated | 5,475 | 16 | 8,204 | 370 | 14,065 |
| Additions | 2,000 | 13 | 991 | 1,169 | 4,173 |
| Acquired through business combinations | - | - | 4,567 | - | 4,567 |
| Disposals | - | (3) | (744) | - | (747) |
| Prior year adjustment | - | - | 376 | - | 376 |
| **At 30 April 2018, as restated** | 7,475 | 26 | 13,394 | 1,539 | 22,434 |
| Additions | 3,737 | - | 1,219 | 458 | 5,414 |
| Acquired through business combinations | 406 | 7 | 1,820 | 37 | 2,270 |
| Disposals | (927) | (12) | (1,663) | - | (2,602) |
| **At 30 April 2019** | **10,691** | **21** | **14,770** | **2,034** | **27,516** |

## 14. Property, plant and equipment (continued)

| | Long-term leasehold property £000 | Motor vehicles £000 | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Accumulated depreciation and impairment** | | | | | |
| At 1 May 2017, as previously stated | 2,401 | 10 | 2,973 | 286 | 5,670 |
| Prior year adjustment | - | - | 154 | - | 154 |
| At 1 May 2017, as restated | 2,401 | 10 | 3,127 | 286 | 5,824 |
| Charge owned for the year | 575 | 4 | 1,021 | 203 | 1,803 |
| Disposals | - | - | (71) | - | (71) |
| Prior year adjustment | - | - | 34 | - | 34 |
| **At 30 April 2018, as restated** | 2,976 | 14 | 4,111 | 489 | 7,590 |
| Charge owned for the year | 981 | 4 | 1,394 | 429 | 2,808 |
| Disposals | (927) | (8) | (1,376) | - | (2,311) |
| **At 30 April 2019** | **3,030** | **10** | **4,129** | **918** | **8,087** |
| **Net book value** | | | | | |
| At 1 May 2017, as restated | 3,074 | 6 | 5,077 | 84 | 8,241 |
| At 30 April 2018, as restated | 4,499 | 12 | 9,283 | 1,050 | 14,844 |
| At 30 April 2019 | 7,661 | 11 | 10,641 | 1,116 | 19,429 |

## 15. Intangible assets

| | Computer software £000 |
|---|---|
| **Cost** | |
| At 1 May 2017, as previously stated | 2,922 |
| At 1 May 2017, as restated | 2,922 |
| Additions - external | 527 |
| **At 30 April 2018, as restated** | 3,449 |
| Additions - external | 2,430 |
| **At 30 April 2019** | **5,879** |

## 15. Intangible assets (continued)

| | Computer software £000 |
|---|---|
| **Accumulated amortisation and impairment** | |
| At 1 May 2017, as previously stated | 2,516 |
| At 1 May 2017, as restated | 2,516 |
| Charge for the year | 258 |
| **At 30 April 2018** | 2,774 |
| Charge for the year | 111 |
| **At 30 April 2019** | **2,885** |
| **Net book value** | |
| At 1 May 2017, as restated | 406 |
| At 30 April 2018, as restated | 675 |
| At 30 April 2019 | 2,994 |

## 16. Goodwill

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Cost | 294,039 | *235,610* |
| Accumulated impairment | (24,022) | *(21,149)* |
| | 270,017 | *214,461* |

| | 2019 £000 | *2018 £000* |
|---|---|---|
| **Cost** | | |
| At 1 May | 206,808 | *110,193* |
| Prior year adjustment | 28,802 | *3,475* |
| At 1 May, as restated | 235,610 | *113,668* |
| Additions | 6,412 | *113,151* |
| Prior year adjustment | - | *(1,677)* |
| Acquired through business combinations | 52,018 | *10,468* |
| **At 30 April** | 294,040 | *235,610* |
| **Accumulated impairment** | | |
| At 1 May | 28,592 | *19,822* |
| Prior year adjustment | (7,443) | *1,235* |
| At 1 May, as restated | 21,149 | *21,057* |
| Prior year adjustment | - | *92* |
| Impairment charge | 2,873 | *-* |
| **At 30 April** | 24,022 | *21,149* |

### 16.1 Allocation of goodwill to cash generating units

Goodwill is allocated to the Company's cash generating unit as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Branches | 270,017 | *214,461* |
| | 270,017 | *214,461* |

**Branches**

## 16. Goodwill (continued)

### 16.1 Allocation of goodwill to cash generating units (continued)

Each branch represents a unique cash generating unit. Due to the large number of branches, in a homogenous population, the cash generating units have been aggregated in the disclosure above.

**Impairment tests**

For the purpose of annual impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the benefit from the synergies of the business combinations in which the goodwill arises and is compared to its recoverable value.

The recoverable amount of each cash generating unit was determined based on fair value less costs to sell calculations, covering a detailed three-year forecast, adjusted to exclude financing and other non-market cashflows, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each cash generating unit is determined by applying a suitable discount rate reflecting current market assessments of the time value of money. The growth rate used was 2%, being an approximation of long term inflation and the discount rate used was 4%, being a market based discount rate of 4%.

Impairment testing resulted in a reduction in the value of goodwill by £2.9m to its recoverable amount. The estimate of the recoverable amount is not particularly sensitive to the growth rate or the discount rate, due to the age profile of the goodwill. Management are not currently aware of any other reasonably possible changes to key assumptions that would cause a unit's carrying amount to exceed its recoverable amount.

## 17. Subsidiaries

Details of the Company's material subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Company (%) 2019 | 2018 |
|---|---|---|---|---|
| 1) Complete Animal Care Limited | Seller of veterinary consumables | UK | 100 | 100 |
| 2) Lab Services Limited | Laboratory testing | UK | 72 | 72 |
| 3) Top Build (UK) Limited | Building services | UK | 50 | 50 |
| 4) Medivet Acquisitions Limited | Dormant | UK | 100 | 100 |

Details of dormant subsidiaries can be found in note 33.

17. **Subsidiaries (continued)**

**17.1 Details of non-wholly owned subsidiaries that have material non-controlling interests**

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests (%) 2019 | 2018 | Profit/(loss) allocated to non-controlling interests 2019 £000 | 2018 £000 | Accumulated non-controlling interests 2019 £000 | 2018 £000 |
|---|---|---|---|---|---|---|---|
| Lab Services Limited | UK | 28 | *28* | 103 | *88* | 167 | *115* |
| Top Build (UK) Limited | UK | 50 | *50* | 275 | *241* | 588 | *352* |
| | | | | | | 755 | *467* |

## 17. Subsidiaries (continued)

### 17.1 Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Lab Services Limited** | | |
| **As at 30 April 2019** | | |
| Non-current assets | 347 | 207 |
| Current assets | 304 | 280 |
| Non-current liabilities | (197) | (121) |
| Current liabilities | (142) | (47) |
| Equity attributable to owners of the Company | 145 | 204 |
| Non-controlling interests | 167 | 115 |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Period ended 30 April 2019** | | |
| Revenue | 2,402 | 1,736 |
| Expenses | (2,034) | (1,422) |
| **Profit for the year** | 368 | 314 |
| Net cash Outflow from operating activities | (83) | (168) |
| Net cash Outflow from investing activities | (189) | (165) |
| Net cash Outflow from financing activities | (194) | (21) |
| **Net cash Inflow** | (98) | (40) |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **Top Build (UK) Limited** | | |
| **As at 30 April 2019** | | |
| Non-current assets | **45** | *50* |
| Current assets | **986** | *1,082* |
| Non-current liabilities | **(18)** | *(26)* |
| Current liabilities | **164** | *(401)* |
| Equity attributable to owners of the Company | **589** | *353* |
| Non-controlling interests | **588** | *352* |

| | 2019 £000 | 2018 £000 |
|---|---|---|
| **As at 30 April 2019** | | |
| Revenue | **5,353** | *3,626* |
| Expenses | **(4,802)** | *(3,144)* |
| **Profit for the year** | **551** | *482* |
| Net cash outflow/inflow from operating activities | **(636)** | *(183)* |
| Net cash outflow/inflow from investing activities | **-** | *(82)* |
| Net cash inflow from financing activities | **(7)** | *48* |
| **Net cash inflow** | **(92)** | *265* |

## 18. Inventories

| | 2019 £000 | 2018 £000 |
|---|---|---|
| Finished goods and goods for resale | **4,211** | *4,526* |
| | **4,211** | *4,526* |

Stock recognised in cost of sales during the year as an expense was £31,346,000 (2018: £23,651,000).

## 19. Trade and other receivables

| | 2019<br>£000 | 2018<br>£000 |
|---|---|---|
| Trade receivables | 4,917 | 6,928 |
| Less: provision for expected credit losses on trade receivables | (841) | (793) |
| **Trade receivables - net** | 4,076 | 6,135 |
| Receivables from related parties | 3,458 | 4,943 |
| **Total financial assets other than cash and cash equivalents classified as loans and receivables** | 7,534 | 11,078 |
| Prepayments and accrued income | 7,352 | 4,197 |
| Other receivables | 5,537 | 5,570 |
| **Total trade and other receivables** | 20,423 | 20,845 |
| Less: current portion - trade receivables | (4,076) | (6,135) |
| Less: current portion - prepayments and accrued income | (7,351) | (4,197) |
| Less: current portion - other receivables | (4,364) | (5,570) |
| Less: current portion - receivables from related parties | (3,459) | (4,943) |
| **Total current portion** | (19,250) | (20,845) |
| **Total non-current portion** | 1,173 | - |

## 20. Trade and other payables

| | 2019<br>£000 | *As restated*<br>*2018*<br>*£000* |
|---|---|---|
| Trade payables | **8,644** | *8,072* |
| Payables to related parties | **207,197** | *140,843* |
| Other payables | **3,916** | *7,966* |
| Accruals | **4,987** | *3,950* |
| **Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost** | **224,744** | *160,831* |
| Other payables - tax and social security payments | **9,519** | *6,232* |
| **Total trade and other payables** | **234,263** | *167,063* |
| Less: current portion - trade payables | **(8,644)** | *(8,072)* |
| Less: current portion - payables to related parties | **(207,197)** | *(140,843)* |
| Less: current portion - other payables | **(12,110)** | *(13,606)* |
| Less: current portion - accruals | **(4,987)** | *(3,950)* |
| **Total current portion** | **(232,938)** | *(166,471)* |
| **Total non-current position** | **1,325** | *592* |

## 21. Loans and borrowings

| | 2019<br>£000 | *As restated*<br>*2018*<br>*£000* |
|---|---|---|
| **Non-current** | | |
| Bank loans - unsecured | **454** | *329* |
| Finance leases | **1,322** | *1,640* |
| | **1,776** | *1,969* |
| **Current** | | |
| Bank loans - unsecured | **120** | *118* |
| Finance leases | **644** | *408* |
| | **764** | *526* |
| **Total loans and borrowings** | **2,540** | *2,495* |

## 22. Provisions

| | Onerous lease provision £000 |
|---|---|
| Charged to profit or loss | 331 |
| **At 30 April 2019** | **331** |
| Due within one year or less | 26 |
| Due after more than one year | 305 |
| | **331** |

## 23. Share capital

**Issued and fully paid**

| | **2019 Number** | **2019 £000** | *2018 Number* | *2018 £000* |
|---|---|---|---|---|
| **Ordinary £1 shares of £1.00 each** | | | | |
| At 1 May | **710,000** | **710** | *710,000* | *710* |
| Shares issued | **2,539** | **3** | - | - |
| **At 30 April** | **712,539** | **713** | *710,000* | *710* |

**23. Share capital (continued)**

| | 2019 Number | 2019 £000 | *As restated 2018 Number* | *As restated 2018 £000* |
|---|---|---|---|---|
| **Preference shares of £1.00 each** | | | | |
| At 1 May | **37,801,730** | **37,802** | *42,669,137* | *42,669* |
| Shares redeemed | **(5,568,577)** | **(5,569)** | *(4,867,407)* | *(4,867)* |
| **At 30 April** | **32,233,153** | **32,233** | *37,801,730* | *37,802* |

The preference shares have no voting rights attached to them and attract a cumulative, non-compounding coupon of 0.1% of the aggregate nominal value of the shares. They rank ahead of the ordinary shares in the event of a winding up of the company. They are redeemable at the option of the company. During the year the subsidiary company redeemed preference shares to the value of £5,568,578 (2018: £4,867,407). See note 33 for details of the prior year adjustment in respect of these shares.

## 24. Reserves

### Retained earnings

Retained earnings includes all accumulated profits and losses.

## 25. Other reserves

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Other reserves, as restated | **33,038** | - |
| Other reserves - Prior year adjustment | - | *7,123* |
| Increase in other reserves | **10,560** | *27,523* |
| Decrease in other reserves | **(1,487)** | *(1,609)* |
| | **42,111** | *33,037* |

The increase in other reserves relates to contributions received in the year from lead vets, as described in accounting policy 5.1 and note 33.

## 26. Leases

### Finance lease - lessee

Future lease payments are due as follows:

| | Minimum lease payments £000 | Interest £000 | Present value £000 |
|---|---|---|---|
| **2019** | | | |
| Not later than one year | (518) | (126) | (644) |
| Between one year and five years | (1,207) | (114) | (1,321) |
| | **(1,725)** | **(240)** | **(1,965)** |

| | |
|---|---|
| Non-current liabilities | 1,321 |
| Current liabilities | 644 |

## 26. Leases (continued)

| | Minimum lease payments £000 | Interest £000 | Present value £000 |
|---|---|---|---|
| **2018** | | | |
| Not later than one year | (268) | (138) | (406) |
| Between one year and five years | (1,572) | (69) | (1,641) |
| | **(1,840)** | **(207)** | **(2,047)** |

| | |
|---|---|
| Non-current liabilities | 1,640 |
| Current liabilities | 407 |

**Operating leases - lessee**

The total future value of minimum lease payments is due as follows:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Not later than one year | **7,827** | *6,799* |
| Between one year and five years | **28,762** | *25,507* |
| Later than five years | **44,344** | *40,754* |
| | **80,933** | *73,060* |

Amounts recognised in profit or loss:

| | 2019 £000 | *2018 £000* |
|---|---|---|
| Property leases | **8,622** | *5,750* |
| Motor vehicle leases | **1,065** | *497* |
| Other equipment leases | **273** | *147* |
| | **9,960** | *6,394* |

## 26. Leases (continued)

**Operating leases - lessor**

Amounts recognised in profit or loss:

| | **2019** **£000** | *2018* *£000* |
|---|---|---|
| Net rents receivable | **858** | *563* |
| | **858** | *563* |

## 27. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Medivet Property Holdings Limited is a related party by virtue of common directors.

**27.1 Trading transactions**

During the year, group entities entered into the following trading transactions with related parties that are not members of the Group:

| | **Purchases of goods** | |
|---|---|---|
| | **2019** **£000** | *2018* *£000* |
| Medivet Property Holdings Limited | **984** | *395* |
| Lab Services Limited | **2,269** | *1,614* |
| Top Build UK Limited | **4,461** | *2,886* |
| | **7,714** | *4,895* |

## 27. Related party transactions (continued)

### 27.1 Trading transactions (continued)

The following balances were outstanding at the end of the reporting period:

| | Amounts owed to related parties | |
|---|---|---|
| | **2019** | *2018* |
| | **£000** | *£000* |
| Medivet Property Holdings Limited | **196** | *139* |
| Lab Services Limited | **427** | *470* |
| Top Build UK Limited | **611** | *52* |
| | **1,234** | *661* |

No expense has been recognised in the current year or prior years for expected credit losses in respect of the amounts owed by related parties. No guarantees have been given or received.

### 27.2 Loans to related parties

| | **2019** | *2018* |
|---|---|---|
| | **£000** | *£000* |
| Medivet Property Holdings Limited | **256** | *234* |
| | **256** | *234* |

### 27.3 Compensation of key management personnel

The remuneration of the directors and other members of key management personnel during the year was as follows:

| | **2019** | *2018* |
|---|---|---|
| | **£000** | *£000* |
| Short-term benefits | **1,257** | *1,386* |
| | **1,257** | *1,386* |

## 28. Business combinations during the year

### 28.1 Subsidiaries acquired

| Name | Principal activity | Date of acquisition | Proportion of voting equity interests acquired % | Consideration transferred £000 |
|---|---|---|---|---|
| Corporate acquisitions | Veterinary services | | 100 | 51,301 |
| Trade and asset purchases | Veterinary services | | 100 | 6,418 |
| | | | | - |
| | | | | - |
| | | | | - |
| | | | | 57,719 |

Due to both the large number of acquisitions throughout the year, all of which are individually immaterial, and the commercial sensitivity surrounding the data, the directors have aggregated the required disclosures in respect of acquisitions made during the year. This is also true for disclosures of acquisitions made in the prior period.

IFRS 3 requires certain disclosures for all material acquisitions. The directors consider that an appropriate materiality benchmark for this disclosure is 2% of gross assets and accordingly material acquisitions in excess of this benchmark have been disclosed. There was one individually material acquisition in the year. This was in the East Midlands and consideration of £10.5m was paid for one acquisition of two branches, in exchange for net assets of £2.4m resulting in goodwill of £8.1m.

In addition, details of the following smaller acquisitions are set out below.

During the year the company paid £3.7m for a branch in Lincolnshire, giving rise to goodwill of £3.6m. During the year the company paid £3.9m for a branch in Nottingham, giving rise to goodwill of £3.6m. During the year the company paid £3.4m for a branch in Harrow, giving rise to goodwill of £3.5m. During the year the company paid £2.9m for three branches in Coventry and Leicestershire, giving rise to goodwill of £2.9m. During the year the company paid £2.m for a branch in Ashford, giving rise to goodwill of £2.1m. During the year the compa paid £4.1m for a branch in North London, giving rise to goodwill of £4.1m. During the year the company paid £3.9m for a branch in South East London, giving rise to goodwill of £3.9m. During the year the company paid £2.2m for a branch in South London, with net assets of £2.6m.

### 28.2 Consideration transferred

| | Corporate acquisitions £000 | Trade and asset purchases £000 |
|---|---|---|
| Cash | 49,960 | 6,418 |
| Contingent consideration arrangement | 1,341 | - |

**28. Business combinations during the year (continued)**

**28.2 Consideration transferred (continued)**

| | | |
|---|---|---|
| | 51,301 | 6,418 |

Contingent consideration is payable depending on the post acquisition turnover and / or EBITDA achieved by the branch in the first two years post acquisition. Not all acquisitions give rise to contingent consideration. The range of contingent consideration likely to be paid is from £nil to £1.341m.

**28.3 Assets acquired and liabilities recognised at the date of acquisition**

| | Corporate acquisitions £000 | Trade and asset purchases £000 | Total £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 1,621 | 649 | 2,270 |
| **Current assets** | | | |
| Cash and cash equivalents | 3,569 | - | 3,569 |
| Trade and other receivables | 1,245 | - | 1,245 |
| Inventories | 634 | 207 | 841 |
| **Non-current liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other liabilities | (3,146) | - | (3,146) |
| | 3,923 | 856 | 4,779 |

**28.4 Goodwill arising on acquisition**

| | Corporate acquisitions £000 | Trade and asset purchases £000 | Total £000 |
|---|---|---|---|
| Consideration transferred | 51,301 | 6,418 | 57,719 |
| Fair value of identifiable net assets acquired | (3,923) | (856) | (4,779) |
| **Goodwill arising on acquisition** | 47,378 | 5,562 | 52,940 |

**28.5 Net cash outflow on acquisition**

| | 2019 £000 |
|---|---|

**28. Business combinations during the year (continued)**

**28.5 Net cash outflow on acquisition (continued)**

| | |
|---|---|
| Consideration paid in cash | **57,718** |
| Less: cash and cash equivalent balances acquired | **(3,569)** |
| | **54,149** |

**28.6 Impact of acquisition on the results of the company**

Post acquisition revenue and post acquisition profits for the above acquisitions were £14,450,000 and £3,409,000 respectively. The post acquisition period is from the date of acquisition to 30 April 2019.

Subsequent to the year end, the company has made 16 acquisitions which were purchased for a total cash consideration of £17,533m. Assets acquired comprised principally goodwill with a provisional fair value of £17,533m.

**29. Business combinations completed in prior periods**

**(i) Corporate acquisitions**

| | **Book value £000** | **Restated fair value £000** |
|---|---|---|
| Property, plant and equipment | 4,567 | 4,567 |
| Cash and cash equivalents | 1,936 | 1,936 |
| Trade and other receivables | 4,966 | 4,966 |
| Inventories | 1,301 | 1,301 |
| Deferred tax liabilities | (5,520) | (5,520) |
| | 7,250 | 7,250 |
| Goodwill | | 95,798 |
| **Consideration paid** | | 103,048 |

**(ii) Trade and asset acquisitions**

The company spent £11.7m to acquire the trade and assets of 10 veterinary practices. Consideration ranging from £330k to £4m was paid to acquire the trade and assets at each of these practices.

Post acquisition revenue and post acquisition profits for the acquisitions in the comparative year were £26,068,000 and £3,770,000 respectively. The post acquisition period is from the date of acquisition to 30 April 2018.

## 30. Events after the reporting date

Since the year end, the group has entered into a new finance arrangement with existing lenders for a £10m revolving credit facility. Additionally, since the year end, the bank facilities were transferred from Medivet Partnership LLP to Medivet Group Limited.

On 11 December 2019 a new company, Medivet Group Holdings Limited was incorporated, as a wholly owned subsidiary of Medivet Partnership LLP. On 23 December 2019, a share for share exchange was enacted, effectively replacing all outstanding ordinary and preference share capital in Medivet Group Limited with the same share capital in Medivet Group Holdings Limited. For avoidance of doubt the other reserves relating to capital contributions from lead vets remained in Medivet Group Limited.

## 31. Effects of changes in accounting policies

As stated in note 2, these are the first financial statements of both group and partnership prepared in accordance with FRS 101.

The accounting policies as set out have been applied in preparing the financial statements for the year ended 30 April 2019, the comparative information presented in the financial statements for the year ended 30 April 2018 and in the preparation of the opening balance sheet at 1 May 2017.

In preparing the opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with their previous basis of accounting (FRS 102). An explanation of how the transition from UK GAAP to FRS 101 has affected the financial position, financial performance of the company is set out below. There has been no affect on the cash flows of the group as a result of the transition.

The company has taken advantage of the exemptions in IFRS 1, Appendix C and has chosen not to restate comparatives in respect of Business Combinations.

The only amendment to the opening balances as a result of the transition to FRS 101 is the reversal of amortisation of £8,769,000 previously charged in the year to 30 April 2018.

## 32. Prior year adjustments

| | 2018 £000 | *2017 £000* |
|---|---|---|
| Reversal of historic finance charges on preference shares, subsequently reclassified as equity | - | *3,387* |
| Accrued professional expenses | - | *(137)* |
| Correction of interest recharge to parent entity | (2,862) | - |
| Accrued professional expenses | (206) | - |
| Reversal of historic finance charges on preference shares, subsequently reclassified as equity | (10,121) | - |
| Increased depreciation charge on restated property, plant and equipment | (44) | - |
| Impairment review charge | (92) | - |
| Reversal of profit on disposal previously recognised | (622) | - |
| | **(13,947)** | *3,250* |

## 33. Restatement of opening balances at 30 April 2018

| | As previously stated £000 | Transition to IFRS £000 | Prior year adjustments £000 | As restated £000 |
|---|---|---|---|---|
| **Non current assets** | | | | |
| Property, plant and equipment | 13,492 | - | 1,352 | 14,844 |
| Intangible assets, other than goodwill | 675 | - | - | 675 |
| Goodwill | 178,216 | 8,769 | 27,476 | 214,461 |
| Investments | 1,017 | - | - | 1,017 |
| | 193,400 | 8,769 | 28,828 | 230,997 |
| **Current assets** | | | | |
| Inventories | 4,526 | - | - | 4,526 |
| Trade and other receivables | 20,845 | - | - | 20,845 |
| Cash and cash equivalents | 2,737 | - | - | 2,737 |
| | 28,108 | - | - | 28,108 |
| **Non current liabilities** | | | | |
| Trade and other payables | (592) | - | - | (592) |
| Loans and borrowings | (1,970) | - | - | (1,970) |
| Share capital treated as debt | (31,068) | - | 31,068 | - |
| Deferred tax | 277 | - | - | 277 |
| | (33,353) | - | 31,068 | (2,285) |
| **Current liabilities** | | | | |
| Trade and other payables | (163,278) | - | (3,194) | (166,471) |
| Loans and borrowings | (525) | - | - | (525) |
| | (163,803) | - | (3,194) | (166,996) |
| **Net assets** | | | | |
| | 24,352 | 8,769 | 56,702 | 89,824 |
| **Represented by** | | | | |
| Share capital | 710 | - | 37,802 | 38,512 |
| Other reserves | - | - | 33,038 | 33,038 |
| Retained earnings at start of year | 16,310 | - | (190) | 16,120 |
| Profit for the year | 7,332 | 8,769 | (13,947) | 2,154 |
| | 24,352 | 8,769 | 56,703 | 89,824 |

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 APRIL 2019**

**Goodwill**
Under UK GAAP, goodwill was amortised over its useful economic life. Under IFRS, amortisation is replaced with a mandatory impairment review. The company has taken advantage of the transitional provisions permitted by IFRS and has not reversed out the balance on the amortisation account at the transition date but has reversed out amortisation previously changed in the year to 30 April 2018. This has resulted in an increase to goodwill and to the profit for the year of £8.7m.

As described in Accounting policy 3.17, the directors have reviewed the accounting policy for the cash consideration received by lead vets. The directors consider that it is appropriate to treat these receipts as a credit to equity instead of a disposal of goodwill. In the year to 30 April 2018, net goodwill of £27m has been added back, together with profit on disposal of £0.6m.

**Property, plant and equipment**
The cash receipts referred too in the preceding paragraph also included an element of cash attributable to the property, plant and equipment of the branch or branches and therefore these assets that had previously been derecognised have been added back. This has resulted in a net increase in the value of property, plant and equipment of £1.4m in 2018.

**Preference shares**
The preference shares which had previously been classified as debt have been reclassified as equity. This has resulted in an additional equity reserve in 2018 of £38m. Additionally, due to the reclassification requiring the reversal of prior years' fair value adjustments, this has resulted in a charge to the income statement of £10.1m and an increase in the value of the preference shares at 30 April 2018 (included in the valuation of £38m) of £6.7m.

**Other reserves**
The accumulated restatement of other reserves arising from the cash consideration received from leads vets has lead to an increase in other reserves at 30 April 2018 of £33.0m.

**Profit for the year**
In addition to the adjustments above affecting the restated profit for the year ended 30 April, interest payable to Medivet Partnership LLP was incorrectly stated. An additional interest charge and equivalent intercompany balance of £2.9m has been included above.

## 34. Restatement of opening balances as at 1 May 2017

| | As previously stated £000 | Prior year adjustments £000 | As restated £000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 7,231 | 1,010 | 8,241 |
| Intangible assets, other than goodwill | 406 | - | 406 |
| Goodwill | 90,371 | 2,672 | 93,043 |
| Investments | 7,289 | - | 7,289 |
| | 105,297 | 3,682 | 108,979 |
| **Current assets** | | | |
| Inventories | 2,566 | - | 2,566 |
| Trade and other receivables | 19,647 | - | 19,647 |
| Cash and cash equivalents | 590 | - | 590 |
| | 22,803 | - | 22,803 |
| **Non current liabilities** | | | |
| Trade and other payables | (319) | - | (319) |
| Loans and borrowings | (894) | - | (894) |
| Share capital treated as debt | (46,057) | 46,057 | - |
| Deferred tax and other provisions | (41) | - | (41) |
| | (47,311) | 46,057 | (1,254) |
| **Current liabilities** | | | |
| Trade and other payables | (63,340) | - | (63,340) |
| Loans and borrowings | (428) | (136) | (564) |
| | (63,768) | (136) | (63,904) |
| **Net assets** | 17,021 | 49,603 | 66,624 |
| **Represented by** | | | |
| Share capital | 710 | 42,669 | 43,379 |
| Other reserves | - | 7,123 | 7,123 |
| Retained earnings at start of year | 13,340 | (53) | 13,287 |
| Profit for the year | 2,971 | (136) | 2,835 |
| | 17,021 | 49,603 | 66,624 |

## NOTES TO THE FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 30 APRIL 2019

**Goodwill**

As described in Accounting policy 3.17, the directors have reviewed the accounting policy for the cash consideration received by lead vets. The directors consider that it is appropriate to treat these receipts as a credit to equity instead of a disposal of goodwill. In the opening balance sheet at 1 May 2017, net goodwill of £2.7m has been added back, together with profit on disposal of £3.4m.

**Property, plant and equipment**

The cash receipts referred too in the preceding paragraph also included an element of cash attributable to the property, plant and equipment of the branch or branches and therefore these assets that had previously been derecognised have been added back. This has resulted in a net increase in the value of property, plant and equipment of £1.0m as at 1 May 2017.

**Preference shares**

The preference shares which had previously been classified as debt have been reclassified as equity. This has resulted in an additional equity reserve as at 1 May 2017 of £42m. Additionally, due to the reclassification requiring the reversal of prior years' fair value adjustments, this has resulted in a credit to retained earnings of £3.4m and an increase in the value of the preference shares at 30 April 2018 (included in the valuation of £42m) of £3.4m.

**Other reserves**

The accumulated restatement of other reserves arising from the cash consideration received from leads vets has lead to an increase in other reserves at 1 May 2017 of £7.1m.

## 35. Dormant subsidiaries

The companies listed below, all of which are registered in England and Wales are dormant, wholly owned subsidiaries of the company at 30 April 2019.

Medivet Acquisitions Limited
Abbeyfields Centre Limited
Afrivet (Uk) Ltd
Alfreton Park Veterinary Hospital Limited
Buckley House Veterinary Centre Limited
Darwin Veterinary Centre Limited
Doc Tales Limited
East Midlands Referrals Limited
G Toth & Associates Ltd
Happy Pet Vets Ltd
Hollyoak Petcare Limited
Hyde Park Veterinary Centre Limited
John Hankinson Veterinary Clinic Limited
Jolly Fine Vets Ltd
JP & KC Young Limited
Leicester Vetcall
Meadowbank Clinic Limited
Molly & Max Limited
Montgomery Veterinary Clinic Limited
Nel Partnership
QVP Limited
Rainsbrook Veterinary Group Ltd
Roehampton Veterinary Clinic Limited
Southfield Vets Limited
The Ashtead Veterinary Centre Limited
The Croft Veterinary Services Limited
Whitegate Veterinary Practice Limited
Woodlands Animal Centre Limited
ZV N4 Ltd
ZV N8 Ltd
ZV Nw3 Ltd
Abbeyfields Centre Limited
Afrivet (UK) Ltd
Alfreton Park Veterinary Hospital Limited
Buckley House Veterinary Centre Limited
Darwin Veterinary Centre Limited
Doc Tales Limited
East Midlands Referrals Limited
G Toth & Associates Ltd
Happy Pet Vets Ltd