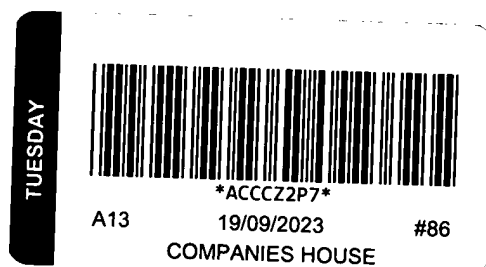


Medivet Group Limited

Annual report and financial statements

for the year ended on 30 April 2023



Contents

Company information	3
Strategic report	4
Directors' report	8
Independent auditor's report	11
Statement of comprehensive income	15
Balance sheet	16
Statement of changes in equity	18
Notes to the financial statements	19

Company information

Directors	Bart Borms Christiaan Cools
Company number	03481736
Registered office	First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ
Independent auditor	PricewaterhouseCoopers LLP 40 Clarendon Road, Watford, WD17 1JJ

Strategic report

for the year ended on 30 April 2023

The directors present the strategic report, together with the audited financial statements, of Medivet Group Limited ("the Company") for the year ended on 30 April 2023 ("the year"). The comparative results cover the year ended on 30 April 2022. This report should be read in conjunction with the directors' report immediately below.

Strategy

The Company's principal activity is providing veterinary services under the "Medivet" brand. It is part of the Medivet group ("the Group").

Medivet is a leading European veterinary group with strong local roots. It provides the very highest standards of pet care and customer service, and prides itself on its clinical excellence and breadth of care, offering routine and advanced care across a network of veterinary practices.

The Group's employees work hard to deliver the best possible patient experience, while making things simple, understandable and convenient for their customers. They are focussed on giving their patients every opportunity to live happy and healthy lives.

The Group offers its veterinary professionals sector-leading rewards, and the right infrastructure and equipment to enable them to practise the very highest standards of clinical care, whilst being part of a community that provides access to lifelong learning and development.

The Group is a community of like-minded colleagues who share knowledge and experience, and inspire each other in a functional, comfortable and safe working environment. It supports fully the identity and clinical independence of its vets, while its central support and shared services free up vets to focus both on their professional and personal lives, resulting in a better work-life balance, with ample career opportunities to grow within a large international network.

The directors have translated the Group's mission into tangible, strategic five-year targets, which they use to assess its performance. These include (amongst other things):

- Operating at least 1,000 veterinary practices across Europe;
- Achieving an EBITDA margin of at least 20%;
- High levels of penetration of the Medivet Healthcare Plan (for more information, see note 3.1 to the financial statements); and
- High levels of customer and employee satisfaction.

Business review

During the year, the Company acquired 26 veterinary practices (2022: 86) for consideration of £52.2m (2022: £216.1m). The Company recorded revenue of £345.9m (2022: £290.0m), EBITDA (earnings before interest, tax, depreciation, amortisation, impairment, other gains and losses, and non-underlying items) of £68.2m (2022: £62.6m) and a loss before tax of £59.7m (2022: £87.4m) for the year. The loss before tax was driven primarily by the fact that the operating profit was not high enough to offset the interest expense on borrowings.

At 30 April 2023, the Company operated 400 veterinary practices (2022: 390) across the United Kingdom. The practices are arranged in a "hub-and-spoke" model, whereby smaller first-opinion practices encircle larger specialist hospitals that are open all day, every day. The Company's business is driven by a "branch partnership" model, whereby the lead veterinary surgeon of a practice can become a branch partner by contributing cash and/or other assets to the Company in exchange for a share of the practice's profits (for more information, see note 4.1 to the financial statements.)

Strategic report

for the year ended on 30 April 2023 (continued)

Business review (continued)

The directors anticipate continued growth for the year ending on 30 April 2024, and continue to target expansion in the United Kingdom through the acquisition of successful, established veterinary practices which meet their strict criteria. On 9 June 2023, the Group raised £120.7m from new and existing investors.

Principal risks and uncertainties

Inability to recruit and retain veterinary professionals

There is a shortage of veterinary professionals in the United Kingdom, and Brexit has made it more difficult to attract prospective employees from the European Union. The Company's failure to attract and/or retain its employees may have a detrimental effect on its operations.

To mitigate this risk, the Company aims to become the employer of choice for vets. It offers competitive salaries and benefits, and endeavours to make Medivet a desirable place to work. It also employs a highly-skilled recruitment team, and maintains close relationships with veterinary schools in the United Kingdom and abroad. The directors view the Company's expanding learning and development proposition as a differentiating factor in the sector.

Inability to grow revenue

The world currently faces uncertainty from (amongst other things) the war in Ukraine, high inflation, and volatile markets. While demand for the Company's services still remains very strong, there is a risk that potential customers decide not to have pets, and that existing customers spend less.

External studies show that spending on pets is generally resilient in periods of economic uncertainty. Nevertheless, the Company is investing heavily in its estate and delivery model to improve the customer experience, which the directors believe will ensure customers continue using the Company's services.

Cybersecurity risk

The threat of the Company being targeted by cybercriminals is increasing as the Company grows and cyberattacks become more frequent and more sophisticated. A cyberattack could do the Company operational and reputational damage, and could also result in financial penalties.

To mitigate this risk, the Company is investing in its technological infrastructure, as well as focussing on improving its processes and its employees' understanding of the risk.

Financial risks

The Company holds financial instruments as detailed in the financial statements, which expose it to various financial risks. Its risk-management activities focus on the unpredictability of financial markets, and seek to minimise potential adverse effects on the Company's financial performance. The Company does not trade speculatively in financial instruments.

Strategic report

for the year ended on 30 April 2023 (continued)

Principal risks and uncertainties (continued)

Financial risks (continued)

The main financial risks to which the Company is exposed are as follows:

Liquidity risk

At 30 April 2023, the Company's intermediate parent, Hecate Bidco Limited, and its subsidiaries (together "the Group") had cash and cash equivalents of £7.9m (2022: £22.0m), and undrawn borrowing facilities of £175.0m (2022: £140.0m). None of the Group's central facilities is repayable until 2028.

On 9 June 2023, the Group raised £120.8m from new and existing investors, and at the date of signing of these financial statements, the Group's undrawn borrowing facilities still total £175.0m. These funds can be made available as required, and this level of committed funding allows the Company to pursue actively and invest in opportunities in line with its strategy.

Credit risk

The Company's credit risk arises mainly from its trade receivables. The amount receivable varies, depending on the timing of sales and of receipts from insurance companies and retail customers. The Company has very low retail credit risk due to transactions being principally of a high volume, low value and short maturity. Therefore, it also has very low concentration risk.

Section 172(1) statement

The directors of the Company act in the way they consider is most likely to promote the success of the Company for the benefit of its owner, considering (amongst other things):

Employees

As stated above, the Company aims to become the employer of choice for veterinary professionals. It is a "people" business. Exceptional employees are its foundation, and it invests heavily in their training and well-being. The directors view the Company's expanding learning and development proposition as a differentiating factor in the sector. The Company offers competitive salaries and benefits, and endeavours to make Medivet a desirable place to work, reviewing ongoing feedback from employees, and holding regular engagement sessions across all levels of the organisation.

Suppliers and customers

The Company's procurement team comprises veterinary professionals. It works with reputable suppliers, and clinical performance is one of its criteria when selecting suppliers. The Company is investing in automation to enhance significantly its purchase-to-pay process, reducing the cost of operations for itself and its suppliers.

The Company's employees work hard to deliver the best possible patient experience, while making things simple, understandable and convenient for their customers, who often see their pets as being members of the family. They are focussed on giving their patients every opportunity to live happy and healthy lives.

Strategic report

for the year ended on 30 April 2023 (continued)


Section 172(1) statement (continued)

Community and environment

The Company is committed to giving back to the communities in which it operates. It contributes to local economies through creating jobs and supporting charities.

The Company is focussed on improving its operational efficiency and reducing waste, and is in the midst of a programme of investment across its estate, part of which is aimed at improving energy efficiency.

This report was approved by the directors and was signed on their behalf by:

DocuSigned by:

AC441D8B201849C...

Bart Borms
Director
Medivet Group Limited

Date: 18 August 2023

Directors' report

for the year ended on 30 April 2023

The directors present their report, together with the audited financial statements, of Medivet Group Limited ("the Company") for the year ended on 30 April 2023 ("the year"). The comparative results cover the year ended on 30 April 2022. This report should be read in conjunction with the strategic report immediately above.

Directors

The directors who served during the year and up to the date of signing of these financial statements were as follows:

- Bart Borms
- Christiaan Cools (appointed on 27 July 2022)
- Ciara McCormack (resigned on 22 July 2022)

Principal activity

The Company's principal activity is providing veterinary services under the "Medivet" brand.

Dividends

The directors have not recommended any dividends be paid for the year (2022: £nil).

Charitable donations

During the year, the Company supported its nominated charity, Save the Rhino International, as well as offering discounted services to various animal-related charities throughout the United Kingdom.

Financial instruments

Information on the Group's exposure to financial risks, and its approach to managing those risks is contained in the strategic report.

Post-balance sheet events

Information on the post-balance sheet events affecting the Company is contained in note 32 to the financial statements.

Future developments

Information on the Company's likely future developments is contained in the strategic report.

Directors' report

for the year ended on 30 April 2023 (continued)

Disabled employees

The Company considers fully and fairly all applications for employment made by disabled people, taking into account the aptitudes and abilities of each applicant. Where existing employees become disabled, the Company makes every effort to ensure they are able to continue their employment within the Company, and arranges appropriate training. The Company has policies in place to ensure that the training, career development and promotion of disabled employees are, as far as possible, identical to those of other employees.

Engagement with employees

The Group CEO presents to the Senior Leadership Team on a monthly basis. He provides an update on the status of the Group, including its financial and operational performance, risks and opportunities, and major projects. This information is then disseminated throughout the organisation by the Executive Committee. Employees are encouraged to contribute and ask questions in these sessions. There are also regular meetings and informal gatherings within smaller teams, where information is shared, and questions can be asked.

The Company operates a transparent bonus scheme for selected members of staff. The incentive programme is designed to reward collective performance as well as that of individuals.

Engagement with suppliers, customers and others in a business relationship with the Company

Information on how the directors have taken into consideration the need to foster the Company's business relationships with suppliers, customers and others is contained in the strategic report.

Corporate governance arrangements

The Company has not applied any corporate governance code for the financial year. However, the Company does have a board of directors whose role is to promote the purpose of Medivet. The Board comprises directors that have appropriate and complementary skills and experience. The Board meets on a regular basis to consider the Company's opportunities, and to identify and mitigate the risks it faces.

Through the Audit Committee, the Board monitors the integrity of the Company's financial statements, and the robustness of its internal controls, and oversees the external audit process.

Through the Remuneration Committee, the Board manages the compensation packages of the Company's employees, with an aim to recruit, train and retain the most appropriate individuals.

The Board has delegated operational responsibility of the Group to the Group CEO. The Group CEO leads the Executive Committee, which comprises experienced managers in their respective fields. The Executive Committee meets no less than once a month.

The Group CEO has further delegated powers within a very strict framework in Medivet's "Rules of Engagement". He meets with all divisions formally on a monthly basis, and there are significant additional interactions in between these meetings.

Directors' report

for the year ended on 30 April 2023 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing this annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), and in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). 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 the year. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies, and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether or not applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business.

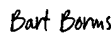
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies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

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this annual report and financial statements confirms that:

- As far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- They have taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This report was approved by the directors and was signed on their behalf by:

DocuSigned by:

AC44108B201849C...

Bart Borms
Director
Medivet Group Limited

Date: 18 August 2023

Independent auditors' report

to the members of Medivet Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Medivet Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 30 April 2023; the Statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report

to the members of Medivet Group Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 April 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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.

Independent auditors' report

to the members of Medivet Group Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with employment law, the Consumer Protection Act 1987 and veterinary-related regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with United Kingdom tax law and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journal entries to increase revenue or EBITDA and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and directors, including consideration of known and suspected instances of non-compliance with laws and regulations and fraud
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or journals posted by unexpected users
- Reviewing minutes of meetings with those charged with governance
- Reviewing financial statement disclosures made by management in their significant accounting estimates, as included in Note 4 of the financial statements, and
- As required by ISA 240, incorporating an element of unpredictability into our audit testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report

to the members of Medivet Group Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford

Date: 18 August 2023

Statement of comprehensive income

for the year ended on 30 April 2023

	Note	2023 £m	2022 £m
Revenue	6	345.9	290.0
Cost of sales	8	(207.4)	(160.5)
Gross profit		138.5	129.5
Other income	7	1.8	3.0
Administrative expenses	8	(125.9)	(122.7)
Operating profit		14.4	9.8
Finance income	12	7.9	2.3
Finance costs	12	(82.0)	(99.5)
Loss before tax		(59.7)	(87.4)
Income tax credit	13	1.1	8.6
Loss for the year and total comprehensive expense		(58.6)	(78.8)

EBITDA (earnings before interest, tax, depreciation, amortisation, impairment, other gains and losses, and non-underlying items)

	Note	2023 £m	2022 £m
Operating profit	-	14.4	9.8
Add back:			
Amortisation charge on other intangible assets	15	3.6	3.1
Depreciation charge on property, plant and equipment	16	2.7	3.4
Impairment charge on property, plant and equipment	16	1.2	11.5
Depreciation charge on right-of-use assets	17	10.7	8.3
Impairment charge on right-of-use assets	17	3.7	3.9
Reversal of impairment charge on right-of-use assets	17	(3.6)	-
Impairment charge on investments in subsidiaries	18	15.3	-
Gain on leases	8	(0.7)	-
Non-underlying items	11	20.9	22.6
EBITDA		68.2	62.6

EBITDA is not defined under Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"), but the directors believe it provides additional useful information about the underlying performance of the business. It is used to manage performance internally, and aids comparability with competitors. It is not intended to be a substitute for measurements of profit defined under FRS 101.

The notes on pages 19 to 42 form part of these financial statements.

Balance sheet

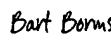
at 30 April 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Goodwill		579.9	530.5
Other intangible assets	15	12.0	10.6
Property, plant and equipment	16	17.1	7.0
Right-of-use assets	17	75.8	66.7
Investments in subsidiaries	18	10.9	19.4
Loans receivable	20	62.6	40.7
Trade and other receivables	21	0.3	-
Deferred tax assets	13	7.2	8.8
		765.8	683.7
Current assets			
Inventories	19	5.3	6.6
Trade and other receivables	21	27.8	38.5
Income tax receivable	13	5.8	4.6
Cash and cash equivalents	22	2.5	11.6
		41.4	61.3
Total assets		807.2	745.0
Liabilities			
Current liabilities			
Trade and other payables	23	(97.6)	(117.6)
Provisions	24	(0.4)	-
Lease liabilities	26	(7.1)	(7.4)
		(105.1)	(125.0)
Net current liabilities		(63.7)	(63.7)
Non-current liabilities			
Trade and other payables	23	(18.8)	(50.4)
Provisions	24	(9.0)	-
Borrowings	25	(762.7)	(604.7)
Lease liabilities	26	(74.1)	(71.2)
		(864.6)	(726.3)
Total liabilities		(969.7)	(851.3)
Net liabilities		(162.5)	(106.3)
Equity			
Share capital	27	19.6	19.3
Branch partner reserve	28	16.3	11.9
Retained losses		(198.4)	(137.5)
Total deficit		(162.5)	(106.3)

Balance sheet

at 30 April 2023 (continued)

These financial statements were authorised for issue by the directors and were signed on their behalf by:

DocuSigned by:

AC441D85201849C...

Bart Borms
Director
Medivet Group Limited

Date: 18 August 2023

The notes on pages 19 to 42 form part of these financial statements.

Statement of changes in equity

for the year ended on 30 April 2023

	Note	Share capital £m	Branch partner reserve £m	Retained losses £m	Total equity/ (deficit) £m
At 1 May 2021		21.6	11.3	(6.6)	26.3
Total comprehensive income					
Loss for the year and total comprehensive expense		-	-	(78.8)	(78.8)
Transactions with owner					
Redemption of preference shares		(2.3)	-	-	(2.3)
Capital contributions from parent		-	-	5.7	5.7
Total transactions with owner		(2.3)	-	5.7	3.4
Changes in ownership					
Capital contributions made by branch partners	28	-	1.9	-	1.9
Repayment of capital to branch partners	28	-	(1.3)	(57.8)	(59.1)
Total changes in ownership		-	0.6	(57.8)	(57.2)
At 30 April 2022		19.3	11.9	(137.5)	(106.3)
Total comprehensive income					
Loss for the year and total comprehensive expense		-	-	(58.6)	(58.6)
Transactions with owner					
Issue of ordinary shares	27	0.3	-	-	0.3
Changes in ownership					
Capital contributions made by branch partners	28	-	2.2	-	2.2
Repayment of capital to branch partners	28	-	2.2	(2.3)	(0.1)
Total changes in ownership		-	4.4	(2.3)	2.1
At 30 April 2023		19.6	16.3	(198.4)	(162.5)

The notes on pages 19 to 42 form part of these financial statements.

Notes to the financial statements

for the year ended on 30 April 2023

1. General information

Medivet Group Limited ("the Company") is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006 (company number: 03481736). The address of its registered office is First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ. These financial statements comprise the results of the Company, and cover the year ended on 30 April 2023 ("the year"). The comparative results cover the year ended on 30 April 2022. The Company's principal activity is providing veterinary services under the "Medivet" brand.

2. Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101: Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the United Kingdom, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company adopted all compulsory published standards, amendments to and interpretations of existing standards in the prior year, as well as new standards, amendments to and interpretations of existing standards which had been published but which it only had to adopt for its reporting periods beginning on or after 1 January 2023 and 1 January 2024. No new standards, amendments to or interpretations of existing standards have been published since then.

These financial statements are presented in pounds sterling, rounded to the nearest hundred thousand (unless stated otherwise), and have been prepared on the historical cost basis, modified by the revaluation of certain financial instruments which are held at fair value.

The Company has elected to take advantage of the exemption under Section 400 of the Companies Act 2006 not to prepare consolidated financial statements, since its financial statements are included in the consolidated financial statements of Hecate Bidco Limited.

The Company has also elected to take advantage of the exemptions available under FRS 101 not to include the following disclosures:

- Disclosures required under paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j), B64(k), B64(l), B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3: Business Combinations;
- All disclosures required under IFRS 7: Financial Instruments: Disclosures;
- Disclosures required under paragraphs 91 to 99 of IFRS 13: Fair Value Measurement;
- Comparative disclosures required under paragraph 38 of IAS 1: Presentation of Financial Statements for paragraphs 79(a)(iv) of IAS 1, 118(e) of IAS 38: Intangible Assets, and 73(e) of IAS 16: Property, Plant and Equipment;
- Disclosures required under paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111, 134, 135 and 136 of IAS 1: Presentation of Financial Statements;
- All disclosures required under IAS 7: Statement of Cash Flows;
- Disclosures of the compensation of key management personnel required under paragraphs 17 and 18A of IAS 24: Related Party Disclosures;
- Disclosures of transactions and balances with other wholly-owned entities within the same group required under IAS 24: Related Party Disclosures; and
- Disclosures required under paragraphs 130(f)(ii), 130(f)(iii), 134(d), 134(e), 134(f), 135(c), 135(d) and 135(e) of IAS 36: Impairment of Assets.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

2. Basis of preparation (continued)

The directors consider it appropriate to adopt a going concern basis of accounting in preparing these financial statements (for more information, see note 5.)

3. Summary of material accounting policies

3.1 Revenue

For all contracts that fall within the scope of IFRS 15: Revenue from Contracts with Customers, the Company determines whether or not enforceable rights and obligations have been created with the customer, and recognises revenue based on the total transaction price as estimated at the beginning of the contract, being the amount to which the Company expects to be entitled, and over which it has present, enforceable rights under the contract. Revenue is allocated proportionately across the contractual performance obligations, and is recognised either over time or at a point in time as appropriate.

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds twelve months. As a consequence, the Company does not adjust any of the transaction prices for the time value of money, or recognise any contract assets or liabilities.

Revenue is recorded net of value added taxes, discounts and refunds.

Sale of goods

Revenue from the sale of goods relates to the sale of veterinary products, and is recognised in full on delivery of the products to the customer.

Provision of services

Revenue from the provision of services relates to the sale of veterinary services, and is recognised in full on completion of the veterinary consultation or procedure.

Medivet Healthcare Plan

The Company operates the Medivet Healthcare Plan, under which customers pay a monthly fee for preventative consultations and treatments over a twelve-month period. The timing of the fees received reflects materially the profile of the revenue that should be recognised under IFRS 15, and so revenue is recognised evenly over the twelve-month period.

3.2 Rental income

The Company earns rental income from sub-letting some of its properties. All these sub-leases are operating leases, and so rental income is recognised within other income on a straight-line basis over the terms of the leases.

3.3 Dividend income

Dividend income is recognised within other income when the economic benefits will flow to the Company, and the amount of income can be measured reliably.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.4 Employment costs

Pension costs

The Company contributes to the defined contribution pension plans of its employees. Contributions are recognised as an expense in the periods the relevant employees render the services entitling them to the contributions.

Earn-out costs

As part of business combinations, the Group often agrees to pay amounts to the seller(s) which are contingent (amongst other things) on the continued employment of the seller(s) within the Group. These amounts are recognised within employment costs in accordance with IFRS 3: Business Combinations, and accrued for over the period of the arrangements.

3.5 Non-underlying items

The Company discloses separately certain items of income and expenditure which might otherwise skew its disclosed operating profit or loss. This aids the users of the financial statements in understanding the underlying performance of the Company, and in comparing its results with those of other businesses.

Non-underlying items include both items that are non-recurring, and items that are material by virtue of their size or nature. The directors determine which items to disclose as non-underlying each reporting period, and these include items such as earn-out costs, some transaction costs on business combinations, the profit or loss on disposal of assets, litigation costs, and the costs of restructurings.

3.6 Interest income and interest expenses

Interest income from a financial asset is recognised when the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income and expenses are recognised within finance income and finance costs respectively using the accrual basis of accounting, by applying the effective interest rate.

3.7 Transactions and balances in foreign currencies

Transactions in currencies other than pounds sterling are translated into pounds sterling at the spot exchange rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate at the reporting date.

The resulting gains or losses on foreign exchange are recognised within finance income or finance costs.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.8 *Income tax*

The tax charge or credit in the income statement comprises current and deferred tax:

Current tax

Current tax is payable on the taxable profit for the period. Taxable profit differs from profit before tax in the income statement because of items of income or expense that are taxable or deductible in different periods, and items that will never be taxable or deductible. Current tax is calculated using tax rates enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities on the balance sheet 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 also generally recognised for all deductible temporary differences, but only to the extent that it is probable that taxable profits will be available against which to utilise those deductible temporary differences.

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

The measurement of deferred tax assets and liabilities reflects the tax effects resulting from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Income tax charge or credit

Tax charges or credits are recognised in the income statement, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, they are also recognised in other comprehensive income or directly in equity respectively. Where current or deferred tax charges or credits arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.9 *Business combinations*

The Company uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business is the sum of the fair value of the assets transferred and any equity instruments issued by the Company. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of the acquisition. Transaction costs are recognised as an expense within administrative expenses in the periods in which they are incurred.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.9 Business combinations (continued)

The excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recognised as goodwill. If the fair value of the consideration is less than the net assets acquired, the gain from the bargain purchase is recognised immediately within administrative expenses.

3.10 Goodwill

Goodwill acquired as part of business combinations is held at cost, less any accumulated impairment. Goodwill is allocated to the groups of cash-generating units ("CGUs") expected to benefit from the synergies of the relevant business combinations (for more information, see note 4.2.)

On disposal of a CGU or group of CGUs, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.11 Other intangible assets

Acquired intangible assets

Customer relationships acquired externally are recognised at fair value at the date of acquisition, and held subsequently at cost, less accumulated amortisation and any accumulated impairment.

Customer relationships are amortised on a straight-line basis over ten years.

Internally-generated intangible assets

The Group recognises expenditure on research activities as an expense within administrative expenses in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised only if all of the following have been demonstrated:

1. The technical feasibility of completing the asset so that it will be available for use or sale;
2. The intention to complete the asset, and use or sell it;
3. The ability to use or sell the asset;
4. How the asset will generate probable future economic benefits;
5. The availability of adequate technical, financial and other resources to complete the development, and to use or sell the asset; and
6. The ability to measure reliably the expenditure attributable to the asset during its development.

The cost of internally-generated intangible assets recognised initially is the sum of the expenditure incurred from the date when the intangible asset first meets the above recognition criteria. Where the recognition criteria are not met, the Group recognises expenditure on development as an expense within administrative expenses in the period in which it is incurred.

Internally-generated intangible assets are held subsequently at cost, less accumulated amortisation and any accumulated impairment.

Internally-generated intangible assets are amortised on a straight-line basis over five years.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.11 Other intangible assets (continued)

Amortisation charges are recognised within administrative expenses.

3.12 Property, plant and equipment

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

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Property, plant and equipment is depreciated on a straight-line basis over the following periods:

Buildings	25 years
Property improvements	Period of underlying lease
Other fixtures, fittings, plant and machinery	Five to ten years

Depreciation charges are recognised within administrative expenses. Gains or losses on the disposal of assets are also recognised within administrative expenses.

3.13 Leases

The Company leases properties, as well as items of veterinary and computer equipment, and motor vehicles. The terms of leases are negotiated on an individual basis, and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants upon the Company.

At the beginning of a lease, the Company recognises a lease liability and dilapidations provision, and a corresponding right-of-use asset.

The lease liability is calculated as the total of all fixed payments agreed under the lease, discounted using the interest rate implicit in the lease if it can be readily determined, or the incremental borrowing rate if not. The dilapidations provision is calculated as the amount estimated to be required to return the underlying asset to the lessor in the condition specified by the lease agreement, discounted at the same rate as the lease liability. The right-of-use asset is recognised initially at the same amount as the sum of the lease liability and dilapidations provision, plus any payments made before the beginning of the lease and any direct costs incurred, less any incentives received.

A right-of-use asset is depreciated on a straight-line basis over the life of the lease. Lease payments reduce the lease liability, and interest is charged to unwind the discounting, such that the liability is derecognised at the end of the lease. Interest is also charged to unwind the discounting on the dilapidations provision.

The Company has elected to account for short-term leases and leases of low-value items using practical expedients. Instead of recognising a lease liability and right-of-use asset, the payments relating to these leases are recognised as an expense within administrative expenses on a straight-line basis over the lease terms.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.14 Investments in subsidiaries

Investments in subsidiaries are held at cost, less any accumulated impairment.

3.15 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiaries) to determine whether or not there is any indication that any of those assets have suffered an impairment charge. If such an indication exists, the recoverable amount of the relevant asset is estimated in order to measure any impairment charge. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment charge is recognised immediately within administrative expenses.

Recognised impairment charges are reversed only if the reasons for the impairment have ceased to apply. Where an impairment charge is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have applied had no impairment charge been recognised for the asset or CGU in the first place. The reversal of an impairment charge is recognised immediately within administrative expenses.

The Company also assesses goodwill for impairment at each annual reporting date, irrespective of whether or not there is any indication that it is impaired. Recognised impairment charges on goodwill are never reversed.

3.16 Inventories

Inventories are held at the lower of cost (measured using the first-in, first-out basis) and net realisable value (the estimated selling price, less all estimated selling costs). At each reporting date, inventories are assessed for impairment. If inventories are impaired, their carrying amount is reduced to their net realisable value. An impairment charge is recognised immediately within cost of sales.

3.17 Financial instruments

Financial instruments are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.18 Loans receivable

Loans receivable are recognised initially at their fair values, plus any direct costs incurred, and held subsequently at amortised cost using the effective-interest method, with interest income recognised within finance income. Loans receivable are classified as non-current assets unless the Company expects them to be settled within twelve months of the reporting date.

3.19 Trade and other receivables

Trade and other receivables are recognised initially at their transaction price, and held subsequently at amortised cost, less any expected credit loss allowance. The expected credit loss allowance is calculated using historic payment profiles, while taking into account current and future macro-economic trends. Movements in the allowance are recognised within administrative expenses.

3.20 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Company has no cash equivalents.

3.21 Restructuring provision

The restructuring provision relates to future costs to be incurred in relation to veterinary practices which the Company has decided to close. It is held at the best estimate of the expenditure required to settle the obligation. Changes in estimate are recognised within administrative expenses.

3.22 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Financial liabilities are obligations to pay cash or other financial assets. They are recognised initially at their fair values, less any direct costs incurred, and held subsequently at amortised cost using the effective-interest method, with interest expenses recognised within finance costs. The exception to this is contingent consideration payable recognised as part of business combinations, which is held subsequently at fair value through profit or loss, with the gain or loss on revaluation recognised within finance income or finance costs respectively. A financial liability is derecognised only when the obligation is extinguished.

An equity instrument is any contract that gives a residual interest in the assets of the Company after deducting all of its liabilities.

3.23 Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for more than twelve months from the reporting date.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

3. Summary of material accounting policies (continued)

3.24 Share capital

Ordinary shares issued by the Company are recognised as the proceeds received, net of any direct issue costs. The nominal value of the issued shares is recognised within share capital.

4. Significant judgements, estimates and assumptions

4.1 Treatment of branch partnerships

The Company's business is driven by a "branch partnership" model, whereby the lead veterinary surgeon of a veterinary practice can become a branch partner by contributing cash and/or other assets to the practice in exchange for a share of its profits.

The relationships between the Company and its branch partners are complex, and not addressed specifically by any International Financial Reporting Standards. Therefore, the directors have had to consider the substance of these relationships, as well as their legal form.

The directors have concluded that it is not appropriate to treat the partnerships as separate entities for accounting purposes for two key reasons:

1. The partnership agreements always ensure that the Company has more votes than the branch partner, ensuring that all partnerships are controlled by the Company;
2. The reserved matters in the partnership agreements result in the partnerships having no substantive legal personality or governance function.

Accordingly, when a branch partner contributes cash to a practice initially, depending on the terms of the partnership agreement, the Company either recognises the receipt as a liability held at amortised cost or as a contribution to the branch partner reserve. Where a branch partner is granted a put option (i.e. they have the right (but not the obligation) to sell their interest back to the Company), the Company recognises a liability. Where no put option is granted, and the only way a branch partner will be able to exit the partnership is to sell their interest to another lead veterinary surgeon, the Company recognises a contribution to the branch partner reserve. This is consistent with the principles of IAS 32: Financial Instruments: Presentation.

The Company recognises all the income and expenses of the partnerships within the relevant lines in the income statement. It then recognises an expense within administrative expenses to reflect the profits payable to the branch partners.

When a branch partner exercises their put option, the Company repays them their initial contribution. Depending on the length of the partnership and the profitability of the partnership in the periods preceding the exercise of the option, the branch partner might also be entitled to an additional payment. The Company recognises any difference between the amount paid and the amount contributed initially immediately within administrative expenses.

A branch partner without a put option selling their interest to another lead veterinary surgeon has no effect on the Company's financial statements, since any gain or loss on disposal is borne by the seller. In some instances, the Company may repurchase a branch partner's interest in a partnership even if the partner does not have a put option. When this happens, the Company derecognises the initial contribution to the branch partner reserve, with any difference between the amount paid and the amount contributed initially recognised directly within retained earnings.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

4. Significant judgements, estimates and assumptions (continued)

4.2 Assessment of cash-generating units and allocation of goodwill

As defined in IAS 36: Impairment of Assets, a cash-generating unit ("CGU") is "the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets." The directors have determined that each veterinary practice is a CGU.

For the purposes of assessing impairment, the Company is required to allocate goodwill acquired as part of business combinations to the CGUs or groups of CGUs expected to benefit from the synergies of the combinations. The CGUs or groups of CGUs to which goodwill is allocated must represent the lowest level at which the goodwill is monitored for internal management purposes, and not be larger than an operating segment.

The directors monitor goodwill at the country level, and so the Company allocates goodwill to a group of CGUs representing the United Kingdom.

4.3 Contingent consideration payable

The Company often satisfies a portion of the consideration for business combinations through contingent consideration arrangements in the form of earn-outs. The level of growth (amongst other things) of an acquired business determines how much (if any) contingent consideration is paid.

Given that the Company holds contingent consideration at fair value, the directors' estimates as to how much consideration will be paid, as well as the discount rate used in the valuations, have a direct effect on the carrying amount of the liabilities and the gain or loss on revaluation recognised within finance income or finance costs.

At 30 April 2023, the maximum amount of consideration the Company might have to pay was £52.5m (2022: £72.5m), while the minimum amount was £4.6m (2022: £0.9m). The directors have estimated the amount likely to be paid to be £33.0m (2022: £58.0m), which has been discounted to a present value of £32.1m (2022: £52.3m), of which £27.7m (2022: £25.8m) has been recognised as current, and £4.4m (2022: £26.5m) as non-current.

An increase in the discount rate of 1.0pp would result in a reduction of the liability of £0.1m (2022: £0.4m), while a decrease of 1.0pp would result in an increase of £0.1m (2022: £0.4m).

5. Going concern

The Company has access to considerable financial resources. This funding, together with well-established relationships with many customers and suppliers across different geographies and industries, leaves the Company well placed to manage its business risk successfully.

At 30 April 2023, the Company's intermediate parent, Hecate Bidco Limited, and its subsidiaries (together "the Group") had cash and cash equivalents of £7.9m, and undrawn borrowing facilities of £175.0m. None of the Group's central facilities is repayable until 2028.

On 9 June 2023, the Group raised £120.8m from new and existing investors, and at the date of signing of these financial statements, the Group's undrawn borrowing facilities still total £175.0m. These funds can be made available as required, and this level of committed funding allows the Company to pursue actively and invest in opportunities in line with its strategy.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

5. Going concern (continued)

After reviewing profit and cash-flow forecasts, and considering the wider business risks faced by the Company, the directors have concluded that, at the time of approving these financial statements, the Company has adequate resources to continue in operational existence for the foreseeable future (and at least the next year). In addition, the Company's intermediate parent, Hecate Holdco Limited, has confirmed that it intends to provide financial support to the Company for at least twelve months from the date of approval of these financial statements such that it is able to continue operating as a going concern, and to settle its liabilities as they fall due. Accordingly, the Company has prepared these financial statements on a going concern basis.

6. Revenue

	2023 £m	2022 £m
United Kingdom	345.9	290.0
Revenue	345.9	290.0

7. Other income

	2023 £m	2022 £m
Dividend income	0.7	2.2
Rental income	0.7	0.6
Other other income	0.4	0.2
Other income	1.8	3.0

8. Operating expenses

	Note	2023 £m	2022 £m
Cost of sales and administrative expenses include:			
Cost of inventories recognised as an expense		47.5	40.8
Employment costs	9	150.2	117.3
Auditor's remuneration	10	0.5	0.3
Amortisation charge on other intangible assets	15	3.6	3.1
Depreciation charge on property, plant and equipment	16	2.7	3.4
Impairment charge on property, plant and equipment	16	1.2	11.5
Depreciation charge on right-of-use assets	17	10.7	8.3
Impairment charge on right-of-use assets	17	3.7	3.9
Reversal of impairment charge on right-of-use assets	17	(3.6)	-
Impairment charge on investments in subsidiaries	18	15.3	-
Gain on leases		(0.7)	-
Increase in expected credit loss allowance		0.1	0.3
Rental expense on short-term leases and leases of low-value items		1.7	0.5

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

9. Employment costs

	2023 £m	2022 £m
Wages and salaries	124.4	95.3
Social security costs	13.4	11.5
Pension costs	5.8	4.5
Earn-out costs	6.6	6.0
Employment costs	150.2	117.3

	2023 number	2022 number
Veterinary employees	3,838	3,221
Administrative employees	356	325
Average monthly number of employees (including directors)	4,194	3,546

	2023 £000	2022 £000
Short-term employee benefits	750	744
Post-employment benefits	3	1
Termination benefits	-	373
Compensation of directors	753	1,118

During the year, retirement benefits were accruing to three directors (2022: two) in respect of defined contribution pension plans.

	2023 £000	2022 £000
Short-term employee benefits	402	429
Post-employment benefits	1	-
Termination benefits	-	52
Compensation of highest-paid director	403	481

10. Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	460	337
Auditor's remuneration	460	337

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

11. Non-underlying items

	Note	2023 £m	2022 £m
Earn-out costs	9	6.6	6.0
Restructuring costs		0.6	-
Other non-underlying cost of sales		4.4	-
Included within cost of sales		11.6	6.0
Transaction costs on business combinations		1.4	1.6
Costs relating to Competition & Markets Authority investigation		2.0	-
Restructuring costs		2.5	1.0
Other legal and professional fees		1.5	-
Costs relating to sale of Medivet Group Holdings Limited		-	11.5
Other non-underlying administrative expenses		1.9	2.5
Included within administrative expenses		9.3	16.6
Non-underlying items		20.9	22.6

Earn-out costs

As part of business combinations, the Group often agrees to pay amounts to the seller(s) which are contingent (amongst other things) on the continued employment of the seller(s) within the Group. These amounts are recognised within employment costs in accordance with IFRS 3: Business Combinations, and accrued for over the period of the arrangements.

Other non-underlying cost of sales

Other non-underlying cost of sales include one-off costs in relation to COVID-19 and a change in policy for stocktakes.

12. Finance income and finance costs

	2023 £m	2022 £m
Interest income on loans receivable	5.1	2.3
Gain on foreign exchange	2.8	-
Finance income	7.9	2.3
Interest expense on borrowings	(71.5)	(48.5)
Interest expense on lease liabilities	(6.6)	(6.4)
Interest expense on provisions	(0.7)	-
Loss on foreign exchange	-	(0.6)
Loss on revaluation of contingent consideration payable	(3.2)	(1.5)
Loss on revaluation of branch partner payables	-	(29.8)
Refinancing costs	-	(12.7)
Finance costs	(82.0)	(99.5)
Net finance cost	(74.1)	(97.2)

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

13. Income tax

Income statement

	2023 £m	2022 £m
United Kingdom Corporation Tax on loss for the year	(3.7)	(1.1)
Adjustments in respect of prior periods	1.1	0.9
Current tax credit	(2.6)	(0.2)
Origination and reversal of temporary differences	0.3	(6.2)
Effect of changes in tax rates	(0.4)	-
Adjustments in respect of prior periods	1.6	(2.2)
Deferred tax charge/(credit)	1.5	(8.4)
Income tax credit	(1.1)	(8.6)
	2023 £m	2022 £m
Loss before tax	(59.7)	(87.4)
Loss before tax multiplied by main rate of Corporation Tax in United Kingdom of 25.0% (2022: 19.0%)	(14.9)	(16.6)
Adjustments for:		
Non-taxable income	(0.1)	(0.4)
Expenses not deductible for tax purposes	4.6	11.6
Losses on which deferred tax has not been recognised	4.8	(0.2)
Effect of changes in tax rates	1.8	(1.7)
Adjustments in respect of prior periods	2.7	(1.3)
Income tax credit	(1.1)	(8.6)

In April 2023, the main rate of Corporation Tax in the United Kingdom increased from 19.0% to 25.0%.

Balance sheet

Current tax

	2023 £m	2022 £m
Income tax receivable	5.8	4.6

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

13. Income tax (continued)

Balance sheet (continued)

Deferred tax

Deferred tax (liabilities)/assets	Accelerated capital allowances £m	Tax losses £m	Other temporary differences £m	Total £m
At 1 May 2021	(0.3)	-	0.7	0.4
Amount credited to income statement	6.6	1.7	0.1	8.4
At 30 April 2022	6.3	1.7	0.8	8.8
Amount charged to income statement	(0.3)	(0.9)	(0.3)	(1.5)
Acquired as part of business combinations	(0.1)	-	-	(0.1)
At 30 April 2023	5.9	0.8	0.5	7.2

At 30 April 2023, the Company had £3.0m of unutilised tax losses (2022: £9.1m), and £11.6m of unutilised interest deductions (2022: £4.4m) available to offset future profits. Deferred tax assets of £0.8m (2022: £1.7m) have been recognised on £3.0m of the losses (2022: £9.1m) and £nil of the deductions (2022: £nil), the recovery of which is supported by the expected level of future profits.

At 30 April 2023, there were no unrecognised deferred tax liabilities in relation to temporary differences associated with investments in subsidiaries (2022: nil).

14. Business combinations

During the year, the Company acquired 17 businesses (2022: 49) (comprising limited companies and unincorporated businesses) in the United Kingdom, operating 26 individual veterinary practices (2022: 86). Due to the number of individual combinations and their commercial sensitivity, the disclosures in this area have been aggregated.

	2023 £m	2022 £m
Fair value of consideration paid/payable		
Cash consideration paid	49.6	196.5
Contingent consideration payable	1.5	9.8
Deferred consideration payable	1.1	9.8
Fair value of consideration paid/payable	52.2	216.1

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

14. Business combinations (continued)

	2023 £m	2022 £m
Fair value of identifiable assets and liabilities acquired		
Assets		
Non-current assets		
Property, plant and equipment	0.2	0.1
Right-of-use assets	3.9	19.1
	4.1	19.2
Current assets		
Inventories	0.6	1.4
Trade and other receivables	3.5	6.3
Cash and cash equivalents	1.4	9.9
	5.5	17.6
Total assets	9.6	36.8
Liabilities		
Current liabilities		
Trade and other payables	(2.3)	(12.2)
Borrowings	(0.1)	-
Lease liabilities	(0.3)	(0.9)
	(2.7)	(13.1)
Net current assets	2.8	4.5
Non-current liabilities		
Trade and other payables	(0.1)	-
Provisions	(0.3)	-
Borrowings	(0.3)	-
Lease liabilities	(3.3)	(18.2)
Deferred tax liabilities	(0.1)	-
	(4.1)	(18.2)
Total liabilities	(6.8)	(31.3)
Net assets	2.8	5.5
Contribution to income statement during year		
Revenue	16.8	43.4
EBITDA*	2.7	9.3

*Earnings before interest, tax, depreciation, amortisation, impairment, other gains and losses, and non-underlying items

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

14. Business combinations (continued)

During the current year, the Company made five individually-material acquisitions:

- Two practices in Cornwall with net liabilities of £0.1m, acquired on 5 May 2022 for consideration of £5.7m, resulting in the recognition of goodwill of £5.8m;
- Two practices in Derbyshire with net assets of £nil, acquired on 1 June 2022 for consideration of £3.7m, resulting in the recognition of goodwill of £3.7m;
- Two practices in Country Antrim with net assets of £nil, acquired on 16 June 2022 for consideration of £3.5m, resulting in the recognition of goodwill of £3.5m;
- One practice in London with net assets of £0.4m, acquired on 14 July 2022 for consideration of £7.8m, resulting in the recognition of goodwill of £7.4m;
- One practice in Birmingham with net liabilities of £0.1m, acquired on 25 August 2022 for consideration of £6.7m, resulting in the recognition of goodwill of £6.8m.

During the prior year, the Company made three individually-material acquisitions:

- Eight practices in Yorkshire and Lincolnshire with net liabilities of £0.1m, acquired on 1 June 2021 for consideration of £28.2m, resulting in the recognition of goodwill of £28.3m;
- Three practices in Cheshire and Shropshire with net assets of £0.3m, acquired on 25 August 2021 for consideration of £19.6m, resulting in the recognition of goodwill of £19.3m; and
- One veterinary practice in Bamber Bridge with net liabilities of £0.3m, acquired on 22 March 2022 for consideration of £8.0m, resulting in the recognition of goodwill of £8.3m.

15. Other intangible assets

	Customer relationships £m	Software £m	Total £m
Cost			
At 1 May 2022	0.2	17.1	17.3
Additions	0.5	4.5	5.0
Disposals	-	(3.3)	(3.3)
At 30 April 2023	0.7	18.3	19.0
Accumulated amortisation			
At 1 May 2022	-	(6.7)	(6.7)
Amortisation charge	(0.1)	(3.5)	(3.6)
Disposals	-	3.3	3.3
At 30 April 2023	(0.1)	(6.9)	(7.0)
Carrying amount			
At 30 April 2023	0.6	11.4	12.0
At 1 May 2022	0.2	10.4	10.6

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

15. Other intangible assets (continued)

	2023		2022	
	Carrying amount £m	Remaining useful life years	Carrying amount £m	Remaining useful life years
Individually-material assets				
Freedom*	11.4	10.0	10.4	10.0

*The Company's proprietary practice-management system

16. Property, plant and equipment

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Total £m
Cost			
At 1 May 2022	-	10.6	10.6
Additions	0.4	13.4	13.8
Acquired as part of business combinations	-	0.2	0.2
Disposals	-	(4.0)	(4.0)
At 30 April 2023	0.4	20.2	20.6
Accumulated depreciation			
At 1 May 2022	-	(3.6)	(3.6)
Depreciation charge	-	(2.7)	(2.7)
Impairment charge	-	(1.2)	(1.2)
Disposals	-	4.0	4.0
At 30 April 2023	-	(3.5)	(3.5)
Carrying amount			
At 30 April 2023	0.4	16.7	17.1
At 1 May 2022	-	7.0	7.0

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

17. Right-of-use assets

Carrying amount	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 1 May 2022	63.1	1.9	1.7	66.7
Additions	17.2	-	0.3	17.5
Depreciation charge	(9.1)	(0.8)	(0.8)	(10.7)
Impairment charge	(3.7)	-	-	(3.7)
Reversal of impairment charge	3.6	-	-	3.6
Other changes	2.5	(0.1)	-	2.4
At 30 April 2023	73.6	1.0	1.2	75.8

For information on the Company's impairment policy, see notes 3.15 and 4.2.

Typically, it is not possible to estimate the recoverable amount of an individual right-of-use asset, and so they are assessed for impairment as part of cash-generating units (veterinary practices).

The primary indicators that a practice's assets may be impaired are that it is closed or loss-making. This drives the impairment charge. The reversal of the charge arises from practices reopening or becoming profitable.

18. Investments in subsidiaries

At 30 April 2023, the Company's active, directly-held subsidiaries were as follows:

Name	Country of incorporation	Registered office	Proportion owned
AURA Veterinary Limited	England and Wales	70 Priestley Road, Guildford, Surrey, England, GU2 7AJ	45.0%
Complete Animal Care Limited	England and Wales	First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ	100.0%
Hecate French Bidco SAS	France	3 boulevard de Sébastopol, 75001 Paris	100.0%
Lab Services Limited	England and Wales	First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ	100.0%
Medivet Germany GmbH	Germany	c/o fincloud.one UG, (haftungsbeschränkt), Kaiser-Friedrich-Straße 65, 10627 Berlin	100.0%
Medivet Holdings (Poland) Sp. z o.o.	Poland	ul. Walońska 15/2, 50-413 Wrocław, Poland	51.0%
Medivet Iberia S.L.U.	Spain	Calle Velázquez, 12, 6º, 28001, Madrid	100.0%
TopBuild (UK) Ltd.	England and Wales	First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ	50.0%

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

18. Investments in subsidiaries (continued)

The Company holds only 45.0% of the issued share capital of AURA Veterinary Limited ("AURA"), but the directors have determined that the Company controls AURA on the basis that it has an option to subscribe for additional shares to take its stake to 51.0%.

The Company holds only 50.0% of the issued share capital of TopBuild (UK) Ltd. ("TopBuild"), but the directors have determined that the Company controls TopBuild on the basis that two of TopBuild's three directors are also directors of Medivet Group Limited, and as such are able to affect the Company's returns by directing TopBuild's operations.

During the year, the Company recognised an impairment charge of £15.3m in relation to its investment in Medivet Iberia S.L.U. as a result of worse-than-expected performance in its Spanish business.

19. Inventories

	2023 £m	2022 £m
Goods for resale and consumables	5.3	6.6
Inventories	5.3	6.6

20. Loans receivable

	2023 £m	2022 £m
Non-current		
Loans to subsidiaries	62.6	40.7
Loans receivable	62.6	40.7

Facility	Issue date	Repayment date	Interest rate	Interest payment frequency	Security	Carrying amount £m
€55.3m loans to subsidiaries	Various	October 2028	10.0%	Quarterly	None	56.4
€5.2m loans to subsidiaries	February 2023	October 2028	10.0%	Annually	None	4.7
£1.5m loan to subsidiary	August 2022	October 2028	SONIA + 5.8%	Quarterly	None	1.5
2023						62.6
€45.8m loans to subsidiaries	Various	October 2028	10.0%	Quarterly	None	40.7
2022						40.7

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

21. Trade and other receivables

	2023 £m	2022 £m
Other receivables	0.3	-
Non-current	0.3	-
Gross trade receivables	18.6	12.9
Less: Expected credit loss allowance	(1.3)	(1.7)
Trade receivables	17.3	11.2
Receivables due from group entities	3.6	20.6
Other receivables	0.5	0.5
Prepayments	3.7	3.5
Accrued income	2.7	2.7
Current	27.8	38.5
Trade and other receivables	28.1	38.5

22. Cash and cash equivalents

	2023 £m	2022 £m
Cash at bank and in hand	2.5	11.6
Cash and cash equivalents	2.5	11.6

23. Trade and other payables

	2023 £m	2022 £m
Trade payables	26.8	21.0
Payables due to group entities	1.2	36.0
Other tax and social security payable	11.1	11.1
Branch partner payables	15.1	3.5
Consideration payable	29.0	33.2
Other payables	0.5	0.7
Accruals	13.9	12.1
Current	97.6	117.6
Branch partner payables	13.1	23.9
Consideration payable	4.4	26.5
Accruals	1.3	-
Non-current	18.8	50.4
Trade and other payables	116.4	168.0

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

24. Provisions

	2023 £m	2022 £m
Dilapidations	0.3	-
Restructuring	0.1	-
Current	0.4	-
Dilapidations	9.0	-
Non-current	9.0	-
Provisions	9.4	-

	Dilapidations £m	Restructuring £m	Total £m
At 1 May 2022	-	-	-
Additions	9.3	0.1	9.4
Unwinding of discounting	0.7	-	0.7
Amounts used	(0.5)	-	(0.5)
Unused amounts reversed	(0.2)	-	(0.2)
At 30 April 2023	9.3	0.1	9.4

The Company recognises a dilapidations provision for leases of land and buildings. It is calculated as the directors' best estimate at the reporting date of the expenditure required to return the underlying assets to the lessors in the conditions specified by the lease agreements, discounted using the interest rates implicit in the leases if they can be readily determined, or the incremental borrowing rates if not.

At 30 April 2023, the directors have estimated the required payments to be £19.1m, which has been discounted to a present value of £9.3m.

25. Borrowings

	2023 £m	2022 £m
Non-current		
Loan from parent	762.7	604.5
Other borrowings	-	0.2
Borrowings	762.7	604.7

Facility	Issue date	Repayment date	Interest rate	Interest payment frequency	Security	Principal drawn £m	Principal undrawn £m
£645.8m loan from parent	October 2021	October 2028	10.0%	Quarterly	None	645.8	-
2023						645.8	-
£604.5m loan from parent	October 2021	October 2028	10.0%	Quarterly	None	604.5	-
Other borrowings	Various	Various	Various	Various	Various	0.2	-
2022						604.7	-

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

26. Lease liabilities

	2023 £m	2022 £m
Current	7.1	7.4
Non-current	74.1	71.2
Lease liabilities	81.2	78.6
	2023 £m	2022 £m
Total cash outflow relating to leases	15.4	13.0

27. Share capital

	1p ordinary shares m	Share capital £m
Allotted, called up and fully paid		
At 1 May 2022	1,927.9	19.3
Issue of ordinary shares	29.4	0.3
At 30 April 2023	1,957.3	19.6

28. Branch partner reserve

The branch partner reserve comprises contributions received by the Company from branch partners without a put option (for more information, see note 4.1.)

29. Contingent liabilities

HM Revenue & Customs investigation

There is an ongoing investigation by HM Revenue & Customs into the Company's historic accounting treatment of goodwill. The directors consider it unlikely that the Company will have to pay anything in relation to this investigation, and, even if it does, the amount is unlikely to be material.

Competition & Markets Authority investigation

On 21 December 2022, the Competition & Markets Authority served the Company with an initial enforcement order in respect of 15 business combinations and two purchases of customer relationships undertaken by the Company in 2021 and 2022.

On 6 April 2023, the Competition & Markets Authority announced it would be taking no further action in respect of two of the business combinations.

At 30 April 2023, it was unclear what actions (if any) the Competition & Markets Authority would require the Company to take, and so what the outflow of economic benefits from the Company (if any) would be, and when it would occur.

Notes to the financial statements

for the year ended on 30 April 2023 (continued)

29. Contingent liabilities (continued)

Competition & Markets Authority investigation (continued)

For more information, see note 32.

30. Related party transactions

Non-wholly owned subsidiaries

	2023 £m	2022 £m
Purchases made from TopBuild (UK) Ltd.	(6.2)	(2.8)
Dividend income from TopBuild (UK) Ltd.	0.1	0.4
Trade and other payables due to TopBuild (UK) Ltd.	(0.9)	(0.5)
Loan receivable from AURA Veterinary Limited	1.5	-
Interest received from AURA Veterinary Limited	0.1	-

31. Ultimate parent and controlling party

The Company's ultimate parent and controlling party is CVC Capital Partners VIII (A) L.P., a limited partnership incorporated in Jersey. CVC Capital Partners VIII (A) L.P. has no controlling party.

The Company's immediate parent and controlling party is Medivet Group Holdings Limited, a limited company incorporated in England and Wales. Hecate Bidco Limited, a limited company incorporated in England and Wales, is the smallest group to include these financial statements in its consolidated financial statements at 30 April 2023. Hecate Bidco Limited's consolidated financial statements can be obtained from First Floor, HYDE, 38 Clarendon Road, Watford, England, WD17 1HZ.

32. Post-balance sheet events

As explained in note 29, at the reporting date, the Competition & Markets Authority was investigating 13 business combinations and two purchases of customer relationships undertaken by the Company in 2021 and 2022.

On 3 May 2023, the Competition & Markets Authority announced it would be taking no further action in respect of another business combination. Then, on 18 May 2023, the Competition & Markets Authority announced it would be taking no further action of another two business combinations and one purchase of customer relationships.

However, on 18 May 2023, the Competition & Markets Authority also announced that it believed the remaining 11 business combinations and one purchase of customer relationships had resulted in a substantial lessening of competition, and that the Company had until 25 May 2023 to offer it acceptable undertakings to address its concerns, or it would refer the transactions for a phase 2 investigation.

On 2 June 2023, the Competition & Markets Authority accepted provisionally the Company's proposal to dispose of the veterinary practices acquired through ten of the remaining business combinations, and the remaining customer relationships.