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VETPARTNERS GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham
Gloucestershire
GL50 3AT

VETPARTNERS GROUP LIMITED

CONTENTS

VETPARTNERS GROUP LIMITED

COMPANY INFORMATION

Directors	J C Malone M Stanworth
Registered Office	Leeman House Station Business Park Holgate Park Drive York YO26 4GB
Bankers	National Westminster Bank Plc 3rd Floor 2 Whitehall Quay Leeds LS1 4HR
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT

The directors present their strategic report for the year ended 30 June 2020.

Principal activity
The principal activity of the group is the provision of veterinary services. The principal activity of the company is that of a holding company.

Business ownership
The Group is owned by BC European Capital X, advised by BC Partners LLP, who acquired the Group from Ares Management Limited and Ares Management UK Limited on 29 November 2018. Ares Management and Ares Management UK Limited previously owned the Group since 6 April 2018.

BC European Capital X's ownership of the Group is through a collection of limited partnerships with no individual or institutional investor holding, directly or indirectly, more than 10%.

Directors
The Board of VetPartners Group Limited consists of two Executive Directors. The directors are not members or employees of BC Partners. The directors who held office during the year were:

Jo Malone – Chief Executive Officer – appointed 25 February 2016

Jo Malone qualified as a vet at Glasgow University in 1998 and began her working life at a mixed practice in Market Harborough, before returning to her home city of York to work at Minster Vets, where she became a partner in 2009. Jo established VetPartners in October 2015 with three practices, including Minster Vets, and it has grown into one of Europe's leading veterinary groups.

Jo was Managing Director of VetPartners until February 2016 when she became Chief Executive Officer.

Mark Stanworth – Chief Operations Officer – appointed 31 January 2017

Mark Stanworth has vast experience from 25 years working in a variety of sectors, including private equity-owned businesses. He was interim Chief Financial Officer at Hovis, Group Finance Director for the Royal Bank of Scotland's car division and the Kalon Group, owners of Leyland and Johnstone's Paint.

Mark joined VetPartners in 2017 initially as Chief Financial Officer and his knowledge and experience of the Group led to him becoming Chief Operations Officer in 2020.

Group Strategy

The Group's mission is to deliver the best possible care for pets and clients. We provide a secure home for veterinary practices and our people. We deliver this by working as true partners; investing in people and infrastructure and by listening and evolving.

VetPartners vision is to be the Veterinary Group of choice for employees, customers, owners of vet practices and related businesses as well as other key stakeholders and suppliers.

The Group's key strategies centre around 5 key areas;-

- **To be the veterinary employer of choice.** In order to attract and retain the very best clinical and non-clinical teams. The Group supports its team members at all stages of their career progression. The Group's career pathways launched during FY19/20 to support this further. The Group has an active wellbeing group which provides literature and support to ensure focus on the wellbeing of its team members.
- **Provide excellence in customer care and service.** The Group's team members are developed with a customer-centric focus. All customer care team members are enrolled into the British Veterinary Receptionist Association in order to receive training and qualifications. All practices have social media pages in order to promote interaction with customers, advice and content is supplied by the Group, and key concepts shared. Practices are encouraged to get feedback from customers in order to further progress.
- **Provide outstanding care for our patients.** At all times the Group would expect its teams to put patient care at the forefront of what they do. The Group provides investment in facilities and equipment in order to aid the delivery of this. The Group also promotes training at all clinical levels in order to ensure the skill of our clinical teams can provide the fullest range of treatment options. Patient care is championed and promoted throughout the Group. Sharing of best practice happens

at local and national facilitated events and training sessions. The Group's clinical boards and special interest groups share best practice and the latest innovations.

- **Develop our business in an efficient, ethical, sustainable and profitable way.** The Group uses its scale and community to leverage efficiencies. Sharing of out of hours teams is a key example of this. Whilst the Group's focus is on sustainable growth and profit levels we are also focused on environmental impact and sustainability in a much broader sense.
- ***Be the acquirer of choice in the UK and across Europe.*** *A key strategy for the Group during* 2020 and beyond is growth across Europe.

In addition to the Group's 5 core strategies, there has been a move to increase the expertise in the central support team.

Financial Review

The results of the year show that the Group is continuing to achieve significant growth with turnover up by 30%, whilst, at the same time, maintaining a healthy gross margin of 75%. Group overheads have increased due to continued expansion and overheads as a percentage of turnover have increased from 57% to 60%. This has all been achieved despite considerable economic turbulence caused by Covid-19 in the latter part of the financial year.

The Group's operating profit for the year ended 30 June 2020 was £32,951,000 (year ended 30 June 2019 £24,797,000). The Group's growth is partly driven by acquisitions, with twenty practices joining the Group in the year. In each financial period the Group expects to incur professional fees for both completed and aborted transactions together with the costs of restructuring, integrating and combining acquired businesses. The Group operating result for the year ended 30 June 2020 included £4,338,000 of such costs (period ended 30 June 2019: £7,418,000).

Summary Financial Results	2020	2019
	£'000	£'000
Revenue	339,732	261,688
Gross Profit	255,673	197,308
Group Operating Profit	32,951	24,797
Restructuring, integration and combination costs	4,338	7,418

The Group identifies its revenue into four categories: Fees, Drugs and Vaccines, Pet Care Plans and Other Sales including testing, training and on-line sales. Veterinary Fees are the largest component and account for 64% of the Group's revenue (2019: 67%). The gross margin percentage has remained stable at 75%, due to changes in the sales mix and as a consequence of the Group's improved procurement processes.

People Costs, which include locum and consultant costs, training, recruitment and CPD expenses as well as staff costs, account for the largest element within Overheads and represented 49% of turnover (2019: 48% of turnover) when the cost of locum vets is included.

Consolidated Cash Flow Statement

Cash generated from operations amounted to £69,375,000 compared to £38,242,000 for the previous year; payments for acquisitions amounted to £93,042,000 (2019: £211,522,000) and borrowings, net of repayments, were £93,060,000 (2019: £128,914,000).

As at 30 June 2020, the Group's utilised borrowing facilities totalled £518,564,000 (June 2019 £425,121,000) – comprising Unitranche and Super Senior Debt and a Revolving Credit Facility.

Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk.

Credit Risk: The Group's principal assets are bank balances and trade debtors, The Group's credit risk is primarily attributable to its trade debtors, which totalled £25,813,000 at 30 June 2020, (2019: £24,908,000). This risk is managed through credit control procedures including limits on customer spending and the use of a dedicated credit collection team. The amounts presented in the balance sheet are net of the provision for doubtful debts. The credit risk in respect of bank balances is safeguarded by using banks with high credit ratings. The Group has no significant concentration of credit risk, with its exposure spread across a large number of customers.

Liquidity Risk: In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and developments, the Group operates a centralised treasury function, including intercompany cash transfers. The Group has sufficient funds through existing cash balances, free cash flow and its credit facility to service the annual cost of its financing and to meet its other business needs.

Interest Rate Risk: The Group's bank loans are at variable rates linked to LIBOR; the board continues to monitor the Group's position regarding interest rate risk and to implement strategies to manage this as considered appropriate.

Development and Performance During the Year

In line with the majority of businesses Covid-19 has had a significant effect on the performance of the Group. Therefore, the analysis of the development and performance of the Group during the year has been split into two parts:

Pre-Covid-19

During the financial year the Group has continued to build on the structures laid down in the previous financial year to realise improvements in operating profit and each of the species groups tracked to market levels. There has been a focus to drive organic growth and this has been particularly successful in the small animal practices.

The Group continued to invest in new facilities and acquisitions: Three new hospital sites were opened during the year and a further 20 acquisitions have been completed during the year. The Group has made tangible progress in its strategy of expansion into continental Europe by recruiting country leads in Italy and France, acquiring five veterinary practices in Italy and establishing a pipeline of potential acquisitions in both Italy and France.

Covid-19

The Group has had to demonstrate exceptional resilience during the Covid-19 period and has had to adapt working patterns and methods, reduce the number of operating sites, furlough team members, agree changes in hours and rephase payment obligations.

Covid-19 started affecting the business from March 2020 with the most significant effects being seen in April. At the peak 126 of our sites were closed, of which 16 remain closed. The UK veterinary governing body, The Royal College of Veterinary Surgeons (RCVS), restricted the ability of vets to perform routine tasks in small animal and equine practices and, in general, clients were not allowed in the practices.

The Group responded quickly to the drop in revenue and utilised the Job Retention Scheme to furlough almost 2,000 employees at the peak. Other employees agreed to amended hours and/or pay reductions and we worked with suppliers to ensure continuity of supply and to agree enhanced payment terms.

As lockdown was gradually eased, we ensured that Perspex screens, risk assessments and other safety measures were put in place to facilitate a safe and quick return to near normal workloads.

Equine has been the most severely impacted area of the business as most of the equine work does not allow for social distancing to be maintained. This division however saw a significant upturn, due to pent up demand, when restrictions were lifted at the end of June.

Farm work was the least impacted area of the business. Farm vets were identified as key workers and the food chain requirements meant that normal workloads were maintained.

The Group has put detailed risk assessments in place to avoid practice closures due to Covid-19. The Group can restart remotely operated Telemed appointments should another lockdown occur.

The Group's revenue numbers have recovered post lock down to pre lock down levels, demonstrating growth on prior year.

Principal risks and uncertainties

The Group has identified the following major risks:

Group reputational risk: Internal reporting lines have been established to ensure fair and compliant processes are in place in order to avoid incidents and to manage PR risks if they occur.

Brexit and resultant risks: The procurement team has been working with suppliers and there is a continued focus on the retention of people and effective networking to ensure timely visibility of regulatory changes.

Compliance Breach: Internal processes have been developed and shared alongside systems being implemented to mitigate this risk.

Regulatory or Legislative change: The Group undertakes professional networking and has a recruitment process to provide specialist sector knowledge and engages legal services for regular updates.

IT failure: The Group's disaster recovery plan builds in elements of redundancy, such as duplicated servers in geographically distinct locations and appropriate service level agreements for third party suppliers.

Significant data breach: The Group maintains an ongoing focus on training around data protection policies alongside IT resources being regularly stress tested.

Acquisitions reducing: This has been foreseen in more consolidated territories, hence the Group's expansion into new territories.

Subsequent pandemic and ongoing effects: Continued dynamic response to unfolding situations, using a focused crisis-response team at senior management level planning for the "worst-case".

The attraction and retention of excellent clinical employees, both vets and nurses: Feminisation of the vet profession, as well as comparatively low pay as a profession continues to drive vet shortages. Career breaks and part time working both impact on available working hours. The focus on attraction and retention of vet teams remains a key priority for the Group.

Remote prescribing of veterinary drugs is a potential revenue risk to the sector, both originating within the UK and from overseas – this is area is imminently due for consultation by the Royal College of Veterinary Surgeons (RCVS).

Financial and Non-Financial key performance indicators

The KPIs set out in the table below are fundamental to the business and reflect the focus on the drivers that enable the management team to achieve the Group's business plans, strategic aims and objectives:

		2020 Statutory Accounts	2019 Statutory Accounts
Revenue (£'000)		339,732	261,668
Operating Profit before amortisation, depreciation and exceptional items (£000)		61,758	46,844
Operating Profit (£'000)		32,951	24,797
Gross Profit Margin		75%	75%
Net Debt (£'000)		500,524	414,679
Staff Numbers		5,236	4,122
Number of Sites		448	429
Number of Vets		1,503	1,086

Business Model

The Group aims to provide outstanding veterinary care to its patients and thereby build a long-term relationship with its clients, recognising that customer care and professionalism are key to customer retention. In order to help to achieve this the Group shares benchmarking and best practice across its various sites in order to improve performance both financially and operationally. This is promoted by the Group's clinical boards sharing knowledge and looking to enhance patient and customer care.

The Group's small animal practices work on a hub and spoke model with local practices sending out of hours and more complex cases to larger hospital sites. Team members are frequently shared between the local and hospital sites in order to maintain consistent standards of care and utilise the range of experience provided by our staff.

The Group's business model is to allow veterinary practices to continue to operate under their original name in order to retain their local identity and their place in the community. The Group recognises that practices can only grow sustainably by providing excellent value care and that organic growth is driven by reputation and word of mouth. Whilst the business model is to grow turnover locally at a practice level another key feature is to create a streamlined and centralised support function enabling savings to be made through enhanced purchasing power and more efficient administrative functions.

This model has proved to be successful in the UK and the Group is now looking to expand into mainland Europe where a similar model will be adopted.

Future Outlook

In the UK, pet ownership is relatively static per capita, with a recent Statista survey estimating that 45% of UK households own a pet, with spend increasing. In contrast in Italy the estimate is that less than 35% of adults owned a pet. It has been identified that in many European territories there is a trend towards increased pet ownership which provides a significant market opportunity.

Whilst the underlying trend for the period 2015-2019 has been for an increase in consumer spending in equine, the sector is particularly susceptible to economic downturns.

Consolidation levels in Italy and France are at around 5% and so the progression into Europe is a priority for the Group. The recruitment of well-connected Managing Directors of our Italian and French businesses will help to facilitate this growth.

Expansion into other European countries will continue during 2021.

Brexit may impact the Group, in particular our farm sector. Details of export agreements made with the EU will be of particular significance to the UK farming industry.

The RCVS is looking at the roles of other members of the veterinary team, including Registered Veterinary Nurses, and is consulting on bringing them within the scope of regulation. Within this lies a mix of risks and possible opportunities.

Environmental matters

As a veterinary company with an estate comprising 448 sites operating throughout the UK and Europe, the Group recognises the potential scale of its environmental impact: through resource and energy consumption, and the size of our supply chain. The Group's sustainability strategy responds to this and is structured according to some of the core values upon which the Group was founded: ethical and sustainable business development, and a commitment to providing excellent experiences for customers and colleagues.

The sustainability strategy sets out a clear vision of future sustainability within the business, underpinned by specific five-year targets relating to waste; reduction in energy usage; water saving measures; zero plastic certification and carbon footprint reductions. The sustainability strategy and action plan are reviewed and updated annually.

Streamlined energy and carbon reporting (SECR)

As this is the first year of reporting, the previous year's figures are not available for comparison. In future years, comparative figures will be reported alongside the current year to indicate our progress.

In terms of the current reporting requirements, VetPartners Practices Limited is the only entity within the group for which reporting is required. At the beginning of the reporting year this comprised 75 veterinary practices, some covering multiple sites. Due to practice mergers, by the end of the year this comprised 73 veterinary practices. Activities by practices which moved out of VetPartners Practices Limited during the reporting year were accounted for during the period within which they were in scope.

The report covers the energy use and greenhouse gas (GHG) emissions arising from purchased electricity, consumption of transport fuels by company-owned vehicles, and the combustion of fuel for hot water and space heating. All the sites within this scope were assumed to use natural gas as fuel for hot water and space heating.

Energy use and greenhouse gas emissions

Activity	Volume	Associated GHG emissions
Combustion of natural gas	9.46 GWh	1739 tonnes CO_2e
Consumption of transport fuels	2.47 GWh	628 tonnes CO_2e
Purchased electricity	5.33 GWh	1243 tonnes CO_2e

Intensity ratio

Measure	Volume	GHG emissions
Number of practices	233 MWh/practice	49 tonnes CO_2e/practice
Floor area m^2 (internal)	423 kWh/m^2	89 kg CO_2e/m^2

Method

Natural gas
Natural gas consumption figures (in kWh) were obtained from energy invoices, via the Group's energy broker. Of 187 sites in scope with a gas supply, 39 (24%) had incomplete invoice data. For these sites, estimated consumption for missing time periods was calculated by assuming a load split of 32% hot water, 68% space heating (from the BEIS *UK Building Energy Efficiency Survey* figure for the health sector), and extrapolating from available data using calendar days for hot water load and 2019/20 degree days (from BEIS dataset *Average temperatures, heating degree-days and deviations from the long term mean*) for space heating load. In two instances where data from one of multiple meter points on a site was missing (rather than for a specific time period), a whole group per-meter average was applied.

Invoices for 41 sites (22%) could not be obtained. For these sites, the company-wide per site mean average consumption figure (excluding calculated estimates as above) was applied.

The *UK Government Conversion Factors for Company Reporting* (2020) were used to calculate CO_2e emissions arising from natural gas consumption.

Transport fuels
Company vehicle engine sizes, fuel type and average annual mileages were obtained from MOT records. Of 231 company owned vehicles, 27 (12%) were owned or used for only part of the reporting year. As the dates upon which they came out of scope were not known, it was assumed that they had on average been in scope for half of the reporting year.

Annual mileage was not available for 95 (41%) of the vehicles in scope. Where a vehicle was one of a fleet owned by a particular practice, mean average annual mileage for the other vehicles in the practice fleet was applied. Where a practice average was not available, mean average annual mileage for the entire company fleet was applied.

The *UK Government Conversion Factors for Company Reporting* (2020) were used to calculate fuel consumption volume and CO_2e emissions. Vehicles were categorised by fuel type and engine size.

Purchased electricity
Purchased electricity figures (in kWh) were obtained from energy invoices, via the Group's energy broker. Of 239 sites in scope, 33 (14%) had incomplete invoice data. For these meters, estimated consumption for the missing time periods was calculated by assuming a flat annual average load profile and extrapolating from available data using calendar days.

In one instance where data from one of multiple meter points on a site was missing (rather than for a specific time period), a whole group per-meter average was applied.

Invoices for 46 sites (19%) could not be obtained. For these sites, the company-wide per site mean average consumption figure (excluding calculated estimates as above) was applied.

The *UK Government Conversion Factors for Company Reporting* (2020) were used to calculate CO_2e emissions arising from purchased electricity.

Energy efficiency

In January 2020 the Group appointed a full time Sustainability Manager whose remit includes improvements to energy efficiency and GHG emissions reduction across the Group. While the Covid-19 crisis delayed several planned actions due to lack of staff resource and inability to visit sites, some energy efficiency measures were implemented over the reporting year. Informal audits (in person and remote) were conducted at practices to identify and advise on technical and behavioural energy saving measures. Energy contract harmonisation and improved reporting processes are currently being implemented, which will allow more targeted action in future.

A number of initiatives were also introduced to reduce consumption of transport fuels by encouraging and incentivising the use of public transport, active travel and car sharing (prior to the start of the Covid-19 pandemic). These included a communications campaign providing regionally bespoke information on public transport logistics and incentives, collaboration with a sustainable travel organisation to provide 'drop in' advice sessions with personalised route planning, and the provision of loans for bikes and cycle equipment under the Cycle to Work scheme.

The Group's sustainability strategy developed in 2020 sets out 21 five-year sustainability targets, of which four relate directly to reductions in energy use and GHG emissions, and at least five more are likely to indirectly lead to reductions (e.g. water efficiency, sustainability training for colleagues and enhanced monitoring and reporting).

Employee Matters

In order to ensure compliance with external regulations, Employee Handbooks are available to all the Group's employees, which outline the core employment related policies including Equal Opportunities, Disciplinary and Grievance and Health & Safety. Managers are invited to attend training programmes where they are kept up to date with employment law and management best practice.

Career Pathways have been developed for all clinical positions which allow practice-based employees to evaluate their current level of experience and capability. This is with a view to creating a development plan which they can follow to further improve specific skills or gain experience which will unlock opportunities for career advancement. As part of their employment contract the majority of employees receive a Continual Professional Development (CPD) allowance which can be used to fund their ongoing development by attending bespoke external programmes.

A range of internal training programmes are made available including The Manager Programme, a national Equine CPD and Business update event and a Middle/ Senior Manager strategy workshop.

Due to its rapid growth the Group had ongoing recruitment campaigns for a broad range of employment opportunities both in the practices and the Central Office. On average we welcomed 60+ new starters per month during 2019/20. The Group also recruited 89 Graduate Vets to work throughout the UK and participates in a 2-year structured Graduate Programme. An additional 77 student veterinary nurses were employed through an apprenticeship programme offering them the chance to qualify as registered Veterinary Nurses, at the same time as gaining practical on the job experience.

On the company intranet recruiting managers are given access to a wide variety of supporting documentation including advert templates, interview guides and candidate evaluation grids as a means of promoting best practice and compliance with recruitment legislation.

Social, community and human rights issues

The Group is committed to preventing slavery and human trafficking in our activities and ensuring that our supply chains are free from slavery and human trafficking. We view this as part of our wider responsibility to the Animal Health industry and to society.

The Group recognises that the greatest societal impacts we can have are likely to be in our supply chain, and therefore has dedicated targets in our sustainability strategy to develop KPIs for human rights and CSR and to ensure that all tier 1 suppliers meet them within five years. Following this we will extend our focus to subsequent tiers within our supply chain.

The Group has a significant presence in communities all over the UK and Europe, where its practices provide vital support for companion animals and for the farming sector. In its sustainability strategy the Group has committed to working with farmers and farming organisations to promote sustainable agriculture, and to working with other organisations in the veterinary sector and beyond to participate in knowledge exchange and to promote the key role that vets have to play in responding to environmental and social issues.

Many of the Group's colleagues are passionate about fundraising for a variety of social causes, and in addition to its existing annual partnership with a chosen charity, the Group has committed to raising £50,000 a year for charity. The Group's sustainability action plan contains a number of measures to support its colleagues in volunteering and fundraising activities.

Section 172 statement

The Directors are of the opinion that they have effectively implemented their duties under section 172 of the Companies Act 2006. The Directors have considered the long-term strategy of the of the Group as disclosed in the Group strategy section of this report and consider that this strategy will continue to deliver long term success to the Group and its stakeholders.

The Directors recognise the importance of a wide range of stakeholders in delivering their strategy and achieving sustainability within the Group. The main stakeholders in the Group are considered to be the shareholders, employees, suppliers and customers. Information on the Group's considerations in respect of its employees, its suppliers the wider community in which it operates are detailed in this report. The Group's growth strategy clearly identifies our approach to continually add value for our shareholders.

Gender diversity

A summary of the gender diversity throughout the Group is as follows:

	2020		2019	
	Male	**Female**	**Male**	**Female**
Clinical Directors	58%	42%	62%	38%
Vets	25%	75%	35%	65%
Employees	16%	84%	19%	81%

The gender balance of the veterinary profession has changed dramatically in the last 30 years and women now account for almost 60% of practicing vets. This percentage is likely to increase further as almost 80% of students enrolling in veterinary degree courses are female (source: RCVS).

Clinical Directors are senior vets who manage the practices from an operational perspective, the gender diversity for this group is more in line with the gender balance of veterinary students from 25 years ago.

Approved by the board on 15/12/2020 and signed on its behalf by:

Jo Malone

J C Malone
Director

The directors present their report and the consolidated financial statements for the year to 30 June 2020.

Directors of the Group
The directors who held office during the period were as follows:

J C Malone
M Stanworth
H Hess (appointed 19 December 2019; resigned 30 April 2020)

Objectives and policies
The board constantly monitors the Group's trading results and projections as appropriate to ensure that the Group can meet its future obligations as they fall due.

Dividends
No dividends were declared in the year and no further dividends have been proposed by the directors.

Price risk, credit risk, liquidity risk and cash flow risk
The Group is exposed to the usual credit and cash flow risks associated with selling on credit terms and manages this through credit control procedures. The Group's bank loans are at variable rates linked to LIBOR; the board continues to monitor the Group's position with regard to interest rate risk and to implement strategies to manage this as is considered appropriate. Credit risk in respect of bank balances is safeguarded by using banks with high credit ratings.

Employment of disabled persons
The Group's policy is to consider the recruitment of disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement
The Group encourages the involvement of employees in its management through regular departmental meetings.

Information disclosed in the Strategic Report
The following information required to be reported on in the Directors Report has been reported on in the Strategic Report to the extent, in the opinion of the directors, that no further disclosure is considered necessary:

- Further information in respect of employees involvement;
- Further information on how the directors have had a regard to the need to foster business relationships with suppliers, customers and others;
- Further information in respect of the review of the business;
- Further information in respect of the growth strategy.

Disclosure of information to the auditors
Each director has taken the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and company's auditors are aware of that information. The directors confirm that there is no relevant information of which they know the auditors are unaware.

Reappointment of auditors
The auditors Hazlewoods LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the board on 15/12/2020 and signed on its behalf by:

Jo Malone
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J C Malone
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by The European Union. 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 group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Generally Accepted Accounting Principles have been followed and state which principles have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the applicable law and International Financial Reporting Standards (IFRSs) as adopted by The European Union. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VETPARTNERS GROUP LIMITED

Opinion

We have audited the financial statements of VetPartners Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020, which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows 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 International Financial Reporting Standards (IFRSs) as adopted by The European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2020 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 group 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 group's or the parent 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.

Opinion 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 Directors' Report and Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report or Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 11, 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 group's and the parent 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 group or the parent 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.

Martin Howard

....
Martin Howard (Senior Statutory Auditor)

Hazlewoods LLP, Statutory Auditor
Windsor House
Bayshill Road
Cheltenham
GL50 3AT

15/12/2020

Date:................................

VETPARTNERS GROUP LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020 £'000	Year ended 30 June 2019 £'000
Revenue	3	339,732	261,688
Cost of sales		(84,059)	(64,380)
Gross profit		255,673	197,308
Other income	4	8,927	-
Administrative expenses		(202,842)	(150,478)
Operating profit before amortisation, depreciation and exceptional items		61,758	46,830
Exceptional items	6	(12,075)	(10,177)
Profit on disposal of tangible fixed assets		64	14
Depreciation	15	(16,796)	(11,870)
Group operating profit	5	32,951	24,797
Other interest receivable and similar income	7	48	12
Profit on foreign exchange transactions		104	-
Interest payable and similar charges	8	(49,399)	(53,541)
Loss before taxation		(16,296)	(28,732)
Taxation	12	-	(92)
Loss for the financial year		(16,296)	(28,824)

The above results were derived from continuing operations.

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Year ended 30 June 2020 £000	Year ended 30 June 2019 £000
Loss for the year	(16,296)	(28,824)
Currency translation differences on foreign currency net investments	80	-
Total comprehensive loss for the year	(16,216)	(28,824)

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED
(Registration number: 10026937)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30 June 2020 £'000	30 June 2019 £'000
Fixed assets			
Intangible assets	13	702,772	602,134
Tangible assets	15	104,360	86,864
		807,132	688,998
Current assets			
Inventories	17	10,470	6,846
Trade and other receivables	18	46,812	38,253
Cash at bank and in hand		67,669	60,120
		124,951	105,219
Current liabilities	19	(119,530)	(68,851)
Net current assets		5,421	36,368
Total assets less current liabilities		812,553	725,366
Non-current liabilities	19	629,116	533,268
Provision for liabilities	12	1,554	1,400
Capital and reserves			
Called up share capital	22	250,092	242,691
Retained earnings	23	(68,289)	(51,993)
Foreign translation reserve	23	80	-
Total equity		181,883	190,698
Total capital, reserves and long term liabilities		812,553	725,366

Approved by the board and authorised for issue on 15/12/2020 and signed on its behalf by:

Jo Malone
....
J Malone
Director

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED
(Registration number: 10026937)

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30 June 2020 £'000	30 June 2019 £'000
Fixed assets			
Financial assets	16	250,092	242,691
Current assets			
Trade and other receivables	18	49,039	49,678
Current liabilities	19	(1,620)	-
Net current assets		47,419	49,678
Total assets less current liabilities		297,511	292,369
Non-current liabilities	19	47,257	49,678
Capital and reserves			
Called up share capital	22	250,092	242,691
Retained earnings	23	162	-
Total equity		250,254	242,691
Total capital, reserves and long term liabilities		297,511	292,369

Approved by the board and authorised for issue on 15/12/2020 and signed on its behalf by:

Jo Malone
....
J Malone
Director

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2020

	Share capital	Retained earnings	Foreign Translation reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1 July 2019	242,691	(51,993)	-	190,698
Issue of share capital	7,401	-	-	7,401
Loss for the year	-	(16,296)	-	(16,296)
Profit relating to foreign exchange differences	-	-	80	80
Total comprehensive income	-	(16,296)	80	(16,216)
Balance at 30 June 2020	250,092	(68,289)	80	181,883
Balance at 1 July 2018	145,041	(23,169)	-	121,872
Issue of share capital	97,650	-	-	97,650
Loss for the year and total comprehensive income	-	(28,824)	-	(28,824)
Balance at 30 June 2019	242,691	(51,993)	-	190,698

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2019	242,691	-	242,691
Loss for the period and total comprehensive income	-	162	162
Issue of share capital	7,401	-	7,401
Balance at 30 June 2020	250,092	162	250,254
Balance at 1 July 2018	145,041	-	145,041
Loss for the period and total comprehensive income	-	-	-
Issue of share capital	97,650	-	97,650
Balance at 30 June 2019	242,691	-	242,691

The notes on pages 21 to 56 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	30 June 2020 £'000	30 June 2019 £'000
Cash flows from operating activities:			
Loss for the year		(16,296)	(28,824)
Adjustments to cash flows from non-cash and non-operating activity items:			
Depreciation, amortisation and profit on disposal	5	16,796	11,870
Profit on disposal of tangible assets	5	(64)	(14)
Finance income	7	(48)	(12)
Finance costs	8	49,399	53,541
Taxation expense	12	-	92
		49,787	36,653
Working capital adjustments			
(Increase) / decrease in inventories		(2,442)	719
(Increase) / decrease in receivables		(4,891)	146
Increase in payables		26,921	724
Cash generated from operations		69,375	38,242
Corporation tax paid		(662)	(3,896)
Net cash flow from operating activities		68,713	34,346
Cash flows from investment activities			
Interest received		48	12
Acquisitions of tangible assets		(12,381)	(13,573)
Proceeds from sale of tangible assets		432	582
Acquisition of intangible assets		(66)	(111)
Acquisition of subsidiaries net of cash acquired		(93,042)	(211,534)
Net cash flows arising from prior year acquisitions		-	2,102
Net cash flows from investing activities		(105,009)	(222,522)
Cash flows from financing activities			
Interest and financing costs paid		(43,663)	(48,524)
Proceeds from bank borrowing		93,060	195,500
Repayment of borrowings		(1,832)	(66,586)
Issue of ordinary shares		7,401	97,650
Amounts (repaid to)/loaned by parent undertaking		(59)	29,552
Repayments to finance lease creditors		(11,072)	(3,029)
Net cash flows from financing activities		43,835	204,563
Net increase in cash and cash equivalents		7,539	16,387
Cash and cash equivalents at 1 July		60,120	43,733
Cash and cash equivalents at 30 June		67,659	60,120

The notes on pages 21 to 56 form an integral part of these financial statements

1 General Information

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:
Leeman House
Station Business Park
Holgate Park Drive
York
YO26 4GB

2 Accounting policies

Summary of significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

Basis of preparation
These financial statements have been prepared using the historical cost convention except for, where disclosed in these accounting policies, certain items that are shown at fair value.

The presentational currency of the financial statements is Pounds Sterling, being the functional currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest thousand Pounds.

New and amended standards adopted by the Group
The group has applied the following standards and amendments, applicable to the Group, for the first time in their financial reporting period commencing 1 July 2019:

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective 1 January 2019); and
- IAS 12 – Income taxes (effective 1 January 2019).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Future standards in place but not yet effective
No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 July 2020 have been adopted early.

The following standards and amendments, applicable to the Group, are not yet applied at the date of authorisation of these financial statements:

- Revised Conceptual Framework for Financial Reporting (effective 1 January 2020);
- Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020); and
- Definition of a Business (Amendments to IFRS 3) (effective 1 January 2020).

The Group does not believe that there would have been a material impact on the financial statements from early adoption of these standards / interpretations or conceptual frameworks.

2 Accounting policies (continued)

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2020.

No Profit and Loss Account is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial period of £162,046 (2019 - £Nil).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the Profit and Loss Account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. In the event of non-controlling interests in a subsidiary, non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Going concern
After reviewing the group's forecasts and projections, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Critical judgements and key sources of estimation uncertainty
In the application of the Group's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

2 Accounting policies (continued)

Accounting for leases under IFRS 16
For leases where the Group is a lessee, the Group is required to recognise right-of-use assets and a corresponding lease liability to be realised over the term of the lease. The directors have applied their judgement in assessing the initial fair value of the right-of-use asset in line with the terms of the lease as well as the fair value of the lease liability at initial recognition. In assessing the fair value of the lease liability, the directors have applied their judgement in applying an interest rate, in line with the group's weighted average cost of debt, with which to present value future lease payments. See note 16 and note 24 for further information in respect of right-to use assets and lease liabilities.

Accounting for contracts with customers under IFRS 15
The Group derives revenue from the transfer of goods and services to customers over time and at a point in time. For revenue derived from goods and services at a point in time, revenue is recognised as and when the services are rendered or the goods have been sold in line with the Group accounting policy for revenue recognition. For services provided to customers over time, such as offered under the Group's Pet Care Plan schemes, a customer will be entitled to receive specified treatments over a period of time in line with the terms and conditions of the plan.

Pet care plans are provided by multiple suppliers, each of whose terms vary. Those contracts that allow the customer to cancel with one months' notice, are considered by the directors to be rolling month-long contracts and as such revenue is recognised in line with the monthly payments received. For contracts without the monthly cancellation condition, the terms of service are set in quarterly tranches of service and as such each of these contracts are deemed to be three-monthly rolling contracts. Due to the short term nature of these contracts, the directors have applied their judgement to recognise such revenue evenly over the term of the contract as in their opinion the revenue recognised would not be materially different from had revenue been recognised, for the portion of the contract relating to each individual quarterly obligation, at the point the obligation had been met. As a result of this judgement, no specific contract debtor or creditor is recognised. See note 3 for further details on contracts with customer revenue.

Key sources of estimation uncertainty
The key sources of estimation uncertainty at the balance sheet date are discussed below.

Impairment of goodwill
The directors are required to assess goodwill for any impairment annually. In order to assess whether goodwill is impaired, the directors apply their judgement in identifying different cash generating units within the Group. The directors consider the group to be made up of one cash generating unit on the basis that, operationally, all acquired practices are integrated into the Group as quickly as possible and are not managed or analysed into separate groups for both operational and financial management purposes.

As each practice is acquired for the purpose of generating revenue for the Group, the value-in-use valuation is used to value the goodwill of the Group. The directors also apply a number of estimates such as the expected growth rate and discounting rates used. These rates are assessed based on a number of factors that, in the opinion of the directors, will impact on the future growth of the Group, in the case of the growth rate, and the weighted average cost of available debt adjusted for various risk factors associated with Group's growth strategy, in the case of discount rates. See note 13 for further information in respect to these estimates along with appropriate sensitivity analysis.

Dilapidation provision
The Group's property leases may contain a clause requiring the Group to restore the property to its original state. In order to assess the required provision, the directors obtain a report from an independent third-party detailing what restorative work is required at the date of acquisition. The directors also perform an annual assessment of the provision based on an average square foot charge and based on the level of dilapidation at year end for each property. Where information is not available, the assessment for a relevant property is based on an average rate across the group, as this, in the opinion of the directors, is considered reasonable on the basis that similar trade is conducted across each of the properties are where each of the properties are considered to be not materially dissimilar from each other. In instances where the report differs substantially from the formula used, the directors then specifically assess the relevant property in order to identify which position represents a true and fair position in respect of the dilapidation provision to be recognised.

In the event that the rate used per square foot, which is derived from the level of dilapidation at year end changes on average by 25%, the dilapidation provision at year end will change by between £1,711,000 and £1,947,000. For those entities where an average square footage has been used, a change in this rate of 25% would see a change in the dilapidation provision at year end of £730,000.

2 Accounting policies (continued)

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Group's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities.

Sale of goods
The sale of goods is recognised at the point of sale as it is at that point that the sale meets the definition of revenue and the revenue can be reliably measured.

Rendering of service
Revenue from the rendering of services is recognised as and when the services are delivered. In most instances the service is performed at a point in time and revenue can be recognised at the point the service is performed. For services provided to customers over time, such as offered under the Group's Pet Care Plan schemes, a customer will be entitled to receive specified treatments over a period of time in line with the terms and conditions of the plan.

Contracts with customers
Revenue from contracts with customers is recognised in line with the terms of the contract based on the specific obligations of the contract. Where a specific contract allows for a cancellation notice period of one month by the customer, revenue is recognised at the earlier of satisfaction of an obligation or the due date for the monthly instalment. For other contracts, revenue is recognised at the earlier of the quarterly obligations being satisfied or quarterly in line with the terms of the contract limiting services evenly over the term of the contract.

Government grants
Income received as a result of a government grant are recognised in other income in the period in which the Group became entitled to receive the grant. Where the grant has conditional terms, the grant is recognised as a liability when received and recognised as revenue as and when the conditions attached to the grant have been met.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Foreign currency
Foreign currency transactions are translated into functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Consolidated Income Statement when they occur.

On consolidation, the income statements of foreign currency subsidiaries are translated into sterling at the average exchange rate. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, a weighted average rate is used. The balance sheets of such subsidiaries are translated at the rate of exchange at the balance sheet date. Resulting exchange differences arising on the translation of foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

2 Accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

Tangible assets
Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation
Depreciation is charged so as to write off the cost of assets to their residual values, over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold properties	Over the term of the lease
Fixtures, fittings and equipment	10% to 33% straight line
Motor vehicles	25% to 33% straight line

The residual values and useful lives of tangible assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets
Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised on the face of the balance sheet on the acquisition date and subsequently the excess up to the fair value of non-monetary assets acquired is recognised in profit or loss in the periods in which the non-monetary assets are recovered.

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences (including software) and customer-related intangible assets acquired in a business combination are recognised at fair value at the acquisition date.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on intangible assets other than goodwill so as to write down the cost, less any estimated residual value, over their useful life. Amortisation is not currently being provided on the grounds of materiality.

Investments
Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

2 Accounting policies (continued)

Business combinations

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at an estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the transaction price. All trade receivables are repayable within one year and hence are included at the undiscounted cost of cash expected to be received. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and all are repayable within one year and hence are included at the undiscounted amount of cash expected to be paid.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2 Accounting policies (continued)

Leases
Leases are classified as finance or operating leases only if the Group is the lessor. Whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. If the Group acts as lessee all contracts are recognised in the statement of financial position in accordance with the lessee's guidance in IFRS 16.

The Group as lessee
The Group recognises right-of-use assets under lease agreements in which it is the lessee. The underlying assets mainly include property, plant and equipment. The right-to-use assets comprise the initial measurement of the corresponding lease liability payments made at or before the commencement day as well as any initial direct costs. Furthermore, lease incentives are recognised separately and amortised during the lease term. The corresponding lease liability is included in the consolidated statement of financial position as a lease liability. Existing lease liabilities have been reclassified from borrowings to finance lease liabilities into the new separate line item lease liability.

The right-to-use asset will be depreciated over the lease-term and if necessary impaired in accordance with applicable standards. The Group has not made any adjustments for re-measurement of the lease liability nor for the right-to-use asset. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. No modification or reassessments of the lease liability have been made during the reporting period.

Variable rents are not part of the lease liability and the right-to-use asset. The payments are recognised as an expense in the period in which they are incurred. Variable payments are presented within the note Right-of-use assets.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Dividends
Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Financial instruments

Classification
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability on the balance sheet. The corresponding dividends relating to the liability component are charged as interest expenses in the profit and loss account. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

2 Accounting policies (continued)

Recognition and measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial assets or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, and impairment loss is recognised in profit or loss as described below.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units ('CGUs') of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value, had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

3 Revenue

	2020 £'000	2019 £'000
United Kingdom	335,528	261,688
Rest of Europe	4,204	-
	339,732	261,688

	2020 £'000	2019 £'000
Rendering of services and sale of goods	325,598	252,765
Customer contracts	14,134	8,923
	339,732	261,688

4 Other income

	2020 £'000	2019 £'000
Coronavirus job retention scheme	6,373	-
Research and development tax credits	2,554	-
	8,927	-

5 Operating profit

Arrived at after charging:

	2020 £'000	2019 £'000
Depreciation expense – property plant and equipment	9,561	6,693
Depreciation expense – right-to-use assets	7,235	5,176
Profit on disposal of tangible assets	(64)	(14)

6 Exceptional items

	2020 £'000	2019 £'000
Other non-recurring costs	4,348	1,086
Exceptional staff costs and redundancies	2,595	1,673
Exceptional professional fees	494	1,641
Costs of business combinations	3,844	5,777
COVID-19 costs	794	-
	12,075	10,177

Other non-recurring costs, exceptional staff costs and redundancies and exceptional professional fees are all costs which are costs that are, in the opinion of the directors, considered to be exceptional in their nature and are not expected to recur. These costs include once-off administrative costs, an amendment to the dilapidation provision, costs associated with redundancies or other once off staff related costs and once off professional fees not expected to recur.

Owing to the nature of the COVID-19 pandemic, additional costs were incurred to ensure that the Group remain able to trade in a COVID secure environment. While such costs are likely to continue for the foreseeable future, due to the nature of these costs, it is in the opinion of the directors that such costs are exceptional to the Group.

Costs of business combinations are not by their nature exceptional to the group as a key part of the growth strategy of the Group is growth through acquisition. However, these costs do not form part of the normal day to day trade of the Group and have been classified as an exceptional cost on this basis.

7 *Other interest receivable and similar income*

	2020 £'000	2019 £'000
Interest income on bank deposits	48	12

8 Interest payable and similar charges

	2020 £'000	2019 £'000
Interest expense on loan notes	-	2,475
Interest on obligations under finance leases and hire purchase contracts	5,353	4,204
Interest on bank overdrafts and borrowings	39,148	24,163
Other finance costs adjacent to interest	2,553	18,183
Interest on intercompany loan	2,345	4,516
	49,399	53,541

9 Staff costs

Company
No staff costs are borne by the company. Directors of the company are remunerated via other companies within the group.

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No	2019 No
Directors	2	2
	2	2

Group
The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £'000	2019 £'000
Wages and salaries	125,168	104,002
Social security costs	11,411	9,522
Pension costs, defined contribution scheme	5,143	2,908
	141,722	116,432

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2020 No	2019 No
Vets	1,503	1,086
Nurses	1,458	868
Administration and support	2,275	2,168
	5,236	4,122

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £'000	2019 £'000
Remuneration	293	339
Contributions paid to money purchase schemes	8	12
	301	351

At the end of May 2020, the directors' employment contracts were transferred to the Group's parent undertaking.

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No	2019 No
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	2020 £'000	2019 £'000
Remuneration	167	194
Company contributions to money purchase pension schemes	4	7

11 Auditor's remuneration

	2020 £'000	2019 £'000
Audit of financial statements	100	100
Other fees to auditors		
All other non-audit services	322	388

Fees paid to the auditor for non-audit services above includes fees for taxation compliance services of £83,000 (2019 - £69,000), accountancy related services of £95,000 (2019 – £71,000) and corporate finance related services of £144,000 (2019 - £213,000) and other services of £nil (2019 - £35,000).

12 Taxation

Tax charged/(credited) in the profit and loss account

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax	-	92
UK corporation tax adjustment to prior periods	-	-
	-	92
Deferred taxation		
Arising from origination and reversal of timing differences	-	-
Tax charge	-	92

12 Taxation (continued)

A potential deferred tax asset arises on losses, principally resulting from the deductibility of interest. The Group are in the process of finalising calculations in this respect, but do not consider there to be sufficient certainty over the use of those losses to recognise a deferred tax asset at this time.

The tax on profit before tax for the year is higher than (2019 – higher than) the standard rate of corporation tax in the UK of 19% (2019 – 19%).

The differences are reconciled below:

	2020 £'000	2019 £'000
Loss before tax	(16,296)	(28,732)
Corporation tax at standard rate	(3,096)	(5,459)
Effect of expense not deductible in determining taxable profit (including disallowed interest)	1,106	4,365
Tax increase from effect of capital allowances, amortisation and depreciation	1,601	811
Other tax effects for reconciliation between accounting profit and tax expense	389	375
Total tax charge	-	92

Deferred tax

Group
Deferred tax assets and liabilities

2020	Liability £'000
Fixed asset timing differences	1,554
Balance as at 1 July 2019	1,400
Acquired as part of business combinations	154
Balance as at 30 June 2020	1,554

2019	Liability £'000
Fixed asset timing differences	1,400
Balance as at 1 July 2018	842
Acquired as part of business combinations	558
Balance as at 30 June 2019	1,400

13 Intangible assets

Group

	Goodwill £'000	Trademarks, patents and licences £'000	Total intangible assets £'000
At 1 July 2018	328,908	9	328,917
Additions	-	4	4
Arising on business combinations	272,801	107	272,908
Adjustments to goodwill acquired in previous years	305	-	305
At 1 July 2019	602,014	120	602,134
Additions		66	66
Arising on business combinations	99,069	85	99,154
Adjustments to goodwill acquired in previous years	1,418	-	1,418
At 30 June 2020	702,501	271	702,772

Goodwill arose on the acquisition of various subsidiaries and businesses as set out in note 14. The directors have utilised the provisions of IFRS 3 in respect of determining fair values on business combinations provisionally, and will adjust goodwill accordingly in the year ended 30 June 2021 for any amounts arising from the finalisation of those fair value within 12 months of the respective acquisitions.

Adjustments to goodwill acquired in previous years above relate to adjustments to consideration for business combinations completed in the prior period.

Impairment testing

The directors consider that the Group comprises a single cash generating unit ('CGU') for its UK entities as, operationally, all acquired UK practices are integrated into the Group as quickly as possible and are not managed or analysed into separate groups for both operational and financial management purposes. Foreign based entities are treated as separate CGU's as these are managed and monitored separately from the UK based entities.

The Group tests goodwill for impairment annually, using the value-in-use basis. This involves deriving a value for goodwill based on the net present value of future cash flows of the Group. The directors used the forecasts for the year ending 30 June 2021 (2019 – 30 June 2020) as the basis for the cash flow projections. Cash flows were estimated using the basis of EBITDA (earnings before interest, tax, amortisation and depreciation) less exceptional items, capital expenditure and taxation payments, and also taking account projected working capital movements (which are not expected to have a significant impact). Cash flows up to and including the year ending 30 June 2024 (2019 – 30 June 2023) were then estimated using a growth rate of 2% (2019 – 2%) per annum, which is considered by the directors to be a prudent estimate of the potential growth in the sector. A terminal value was then calculated based on the same factors, and the discount rate described below.

The discount rate used in the calculations was based on a calculation of the Group's weighted average cost of capital which has been applied at 8% (2019 – 10%). The discount rate has changed from the prior year due to the directors taking a more prudent approach of rounding the weighted average cost of capital up from 8% to 10% for the purposes of the impairment calculation. The decision by the directors to reduce the discount rate to be in line with the weighted average cost of capital is aimed at standardising discount rates used within the Group for monitoring and amortising figures within the Group's financial information.

13 Intangible assets (continued)

Based on the results of the impairment testing, no impairment charge has been made against the carrying value of goodwill at 30 June 2020 (2019 - £Nil). The directors have considered any reasonably possible changes in assumptions that could lead to an impairment charge arising. While there has been a change in the discount rate in the year, it is considered unlikely that this rate will change as any changes in the Group's weighted average cost of capital are considered unlikely for the foreseeable future up to and including a period of at least the 12 months following the signing of these financial statements. However, had there been no change to the discount rate, no impairment charge would arise. The only reasonably possible change, according to the directors, is considered to be a reduction in the growth rate. For any impairment to arise, the growth rate would need to reduce by 3.35% annually up to and including 30 June 2024. Such a sustained drop in the growth rate is considered, by the directors, to be highly unlikely given that a prudent assessment would see the growth rate decrease by no more than 1%.

The table below shows an analysis of the total assets acquired in the year via business combinations:

	Book value £'000	Adjustments £'000	Fair value £'000
Tangible and intangible assets	4,806	-	4,806
Inventories	1,743	(561)	1,182
Financial assets	11,136	(595)	10,541
Financial liabilities	(8,783)	(916)	(9,699)
Deferred tax balances	(154)	-	(154)
	8,748	(2,072)	6,676
Goodwill			99,069
Total Consideration			105,745
Less: contingent consideration			(5,830)
Cash acquired			(6,873)
Net cash consideration			93,042

Goodwill above represents the excess of consideration over the fair value of identifiable assets and liabilities acquired. Goodwill is considered to principally relate to the following:

- synergies arising, in particular from increased buying power and the use of central administrative functions;
- geographical location and convenience of practice sites; and
- acquired workforces, including the experience and reputation of veterinary surgeons.

The results of acquired businesses post-acquisition are included in the tables below. Given the nature of the group, it is not practicable to disclose the revenue and profit/loss of the combined entity for the year as though all entities had been acquired on 1 July 2019.

Goodwill and intangible assets acquired are not expected to be deductible for tax purposes.

Acquisition costs in relation to business combinations in the year were £3,844,000.

Each acquisition made during the year was done so in line with Group's growth strategy to grow through acquisitions of independent vet group's or practices. In the current year, the group expanded into mainland Europe with a view of further growth and expansion within the continent.

Certain business combinations, as highlighted below, include contingent consideration. The amount of contingent consideration payable on acquisitions in the year ranges from a minimum of £Nil to a maximum of £1,800,000.

The directors have provided for the maximum amount payable on the basis that the level of contingent consideration reflects the expected performance of the relevant businesses.

13 Intangible assets (continued)

Total contingent consideration included within liabilities, which includes amounts payable in respect of business combinations in the prior year, amounts to £14,840,000 (2019 - £12,915,000).

The tables below show details of business combinations considered to be individually material as well as a summary of those considered to be individually immaterial but material in aggregate.

14 Business combinations

On 14 August 2019, VetPartners Limited acquired 100% of the issued share capital of Bourton Vale Equine Clinic Limited, obtaining control.

Bourton Vale Equine Clinic Limited contributed £2,400,000 revenue and £44,000 profit to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,143
Stocks	54
Tangible and intangible assets	612
Financial liabilities	(709)
Deferred tax provision	(51)
Total identifiable assets	1,049
Goodwill	5,602
Total consideration	6,651
Satisfied by:	
Cash	6,051
Contingent consideration	600
Total consideration transferred	6,651
Cash flow analysis:	
Cash consideration	6,051
Less: cash and cash equivalent balances acquired	(338)
Net cash outflow arising on acquisition	5,713

14 Business combinations (continued)

On 1 November 2019, VetPartners Limited acquired 100% of the issued share capital of Blackhall VS Limited (Donview Veterinary Centre), obtaining control.

Blackhall VS Limited contributed £1,473,000 revenue and £179,000 profit to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	2,097
Stocks	129
Tangible and intangible assets	134
Financial liabilities	(650)
Deferred tax provision	10
Total identifiable assets	1,720
Goodwill	4,617
Total consideration	6,337
Satisfied by:	
Cash	6,037
Contingent consideration	300
Total consideration transferred	6,337
Cash flow analysis:	
Cash consideration	6,037
Less: cash and cash equivalent balances acquired	(1,476)
Net cash outflow arising on acquisition	4,561

14 Business combinations (continued)

On 1 August 2019, VetPartners Limited acquired 100% of the issued share capital of Maes Glas Vets Limited, obtaining control.

Maes Glas Vets Limited contributed £4,143,000 and £693,000 profit to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	2,942
Stocks	153
Tangible and intangible assets	505
Financial liabilities	(1,536)
Deferred tax provision	(21)
Total identifiable liabilities	2,043
Goodwill	16,989
Total consideration	19,032
Satisfied by:	
Cash	19,032
Cash flow analysis:	
Cash consideration	19,032
Less: cash and cash equivalent balances acquired	(2,747)
Net cash outflow arising on acquisition	16,285

14 Business combinations (continued)

On 8 July 2019, VetPartners Limited acquired 100% of the issued share capital of St Peter's Vets Limited, obtaining control.

St Peter's Vets Limited contributed £3,455,000 revenue and £518,000 profit to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	957
Stocks	60
Tangible and intangible assets	412
Financial liabilities	(467)
Deferred tax provision	(35)
Total identifiable assets	927
Goodwill	10,860
Total consideration	11,787
Satisfied by:	
Cash	11,237
Contingent consideration	550
Total consideration transferred	11,787
Cash flow analysis:	
Cash consideration	11,237
Less: cash and cash equivalent balances acquired	(854)
Net cash outflow arising on acquisition	10,383

14 Business combinations (continued)

On 1 August 2019, VetPartners Practices Limited acquired 100% of the trade and assets of Damory Veterinary Clinic.

Damory Veterinary Clinic contributed £2,776,000 revenue and £(532,000) to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	276
Stocks	96
Tangible and intangible assets	563
Financial liabilities	(1,008)
Deferred tax provision	-
Total identifiable assets	(73)
Goodwill	10,035
Total consideration	9,962
Satisfied by:	
Cash	8,962
Contingent consideration	1,000
Total consideration transferred	9,962
Cash flow analysis:	
Cash consideration	8,962
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	8,962

14 Business combinations (continued)

On 28 November 2019, VetPartners Practices Limited acquired 100% of the trade and assets of New Era Veterinary Hospital.

New Era Veterinary Hospital contributed £2,890,000 revenue and £(889,000) to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	267
Stocks	223
Tangible and intangible assets	79
Financial liabilities	(797)
Deferred tax provision	-
Total identifiable assets	(228)
Goodwill	20,149
Total consideration	19,921
Satisfied by:	
Cash	18,121
Contingent consideration	1,800
Total consideration transferred	19,921
Cash flow analysis:	
Cash consideration	18,121
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	18,121

14 Business combinations (continued)

On 12 November 2019, VetPartners Limited acquired 100% of the issued share capital of Ospedale Veterinario S. Francesco S.r.l., obtaining control.

Ospedale Veterinario S. Francesco S.r.l. contributed £749,000 revenue and £28,000 profit to the group's loss for the period between the date of acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	3
Stocks	59
Tangible and intangible assets	1,604
Financial liabilities	(471)
Deferred tax provision	-
Total identifiable assets	1,195
Goodwill	4,100
Total consideration	5,295
Satisfied by:	
Cash	5,295
Contingent consideration	-
Total consideration transferred	5,295
Cash flow analysis:	
Cash consideration	5,295
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	5,295

14 Business combinations (continued)

Between 26 July 2019 and 20 March 2020, VetPartners Limited acquired 100% of the issued share capital in the following entities Willows Veterinary Centre Limited, Stable Close Equine Limited, Shipston Veterinary Centre Limited, Regent Court Veterinary Practice Limited, Quantock Veterinary Hospital Limited, Mourne Veterinary Clinic Limited, Broughton Vet Group Ltd, Clinica Veterinaria Costa d'Argento S.r.l., Vet Hospital H24 Firenze S.r.l., V.E.T.S. S.r.l., V.E.T.S. S.r.l., L'Ospedale degli Animali S.r.l., Ferrara Vet S.r.l., Ellepi S.r.l., Ospedale Veterinario Parma S.r.l., obtaining control. None of these acquisitions were considered to be individually material.

The above acquisitions contributed £6,809,000 revenue and £(210,000) to the group's loss for the period between the date of the respective acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	2,596
Stocks	330
Tangible and intangible assets	791
Financial liabilities	(3,460)
Deferred tax provision	(57)
Total identifiable assets	200
Goodwill	22,755
Total consideration	22,955
Satisfied by:	
Cash	21,885
Contingent consideration	1,070
Total consideration transferred	22,955
Cash flow analysis:	
Cash consideration	21,885
Less: cash and cash equivalent balances acquired	(1,458)
Net cash outflow arising on acquisition	20,427

14 Business combinations (continued)

Between 4 October 2019 and 21 February 2020, VetPartners Practices Limited acquired 100% of the trade and assets in the following entities Bridge Veterinary Clinic LLP and Aireworth Vets. None of these acquisitions were considered to be individually material.

The above acquisitions contributed £2,073,000 revenue and £(100,000) to the group's loss for the period between the date of the respective acquisition and the balance sheet date.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	260
Stocks	78
Tangible and intangible assets	106
Financial liabilities	(601)
Deferred tax provision	-
Total identifiable liabilities	(157)
Goodwill	3,962
Total consideration	3,805
Satisfied by:	
Cash	3,295
Contingent consideration	510
Total consideration transferred	3,805
Cash flow analysis:	
Cash consideration	3,295
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	3,295

15 Tangible assets

Group

	Land and Buildings £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Right-to-use assets £'000	Total £'000
Cost					
At 1 July 2018	4,934	13,531	581	44,647	63,693
Acquired through business combinations	6,168	6,355	1,117	-	13,640
Additions	6,708	5,588	1,277	17,641	31,214
Disposals	(357)	(150)	(208)	-	(715)
At 1 July 2019	17,453	25,324	2,767	62,288	107,832
Acquired through business combinations	584	4,044	93	-	4,721
Reclassification	(634)	620	14	-	-
Additions	4,137	7,116	1,128	17,558	29,939
Disposals	(54)	(216)	(392)	-	(662)
At 30 June 2020	21,486	36,888	3,610	79,846	141,830
Depreciation					
At 1 July 2018	694	4,102	124	4,326	9,246
Charge for the period	945	5,154	595	5,176	11,870
On disposals	-	(41)	(107)	-	(148)
At 1 July 2019	1,639	9,215	612	9,502	20,968
Reclassification	4	(20)	16	-	-
Charge for the period	1,422	7,186	953	7,235	16,796
On disposals	-	(62)	(232)	-	(294)
At 30 June 2020	3,065	16,319	1,349	16,737	37,470
Carrying amount					
At 30 June 2020	18,421	20,569	2,261	63,109	104,360
At 30 June 2019	15,814	16,109	2,155	52,786	86,864

Right-to-use assets relate to leases capitalised under IFRS 16 and consist of property leases with a carrying value of £61,937,000 (2019 - £51,498,000) and other leases with a carrying value of £1,172,000 (2019 – 1,288,000).

Certain motor vehicles and other assets were obtained on hire purchase arrangements and are therefore pledged as security accordingly.

16 Investments

Company

	2020	2019
	£	£
Investments in subsidiaries	250,092	242,691

Subsidiaries	**2020**	**2019**
	£	£
Cost and carrying amount		
At 1 July 2019	242,691	145,041
Additions	7,401	97,650
Carrying amount	250,092	242,691

16 Investments (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are given below. All subsidiaries are 100% owned in both the current and prior year unless otherwise stated. See disclosure below table for registered addresses of UK entities.

Undertaking	Country	Holding	Company number
Subsidiary undertakings			
VetPartners Limited	England and Wales	Ordinary	10026837
Minster Veterinary Practice Limited***	England and Wales	Ordinary	05872103
York Canine Hydrotherapy limited**	England and Wales	Ordinary	06700907
R&S Dowding Limited****	England and Wales	Ordinary	06843771
Westway Veterinary Centres Limited	England and Wales	Ordinary	07177168
Vetsavers UK Limited**	England and Wales	Ordinary	04046891
The Elisabeth Huntenburg Veterinary Practice Limited****	England and Wales	Ordinary	05775289
Beechwood Veterinary Group Limited	England and Wales	Ordinary	06497955
Eastfield Veterinary Clinic Limited***	England and Wales	Ordinary	05252911
Ashleigh Veterinary Clinic Limited****	England and Wales	Ordinary	07402286
Braid Vets Limited	Scotland	Ordinary	SC395761
Prince Bishop Veterinary Centre Limited****	England and Wales	Ordinary	05875379
VetPartners Practices Limited	England and Wales	Ordinary	10084952
Border Vets Limited****	Scotland	Ordinary	SC360960
Wilson Veterinary Limited	England and Wales	Ordinary	05063389
Hadrian Vets Limited****	England and Wales	Ordinary	07606135
Ashlands Veterinary Services (2006) Limited***	England and Wales	Ordinary	05911908
Woodcroft Veterinary Group Limited	England and Wales	Ordinary	07013686
Rutland House Surgery Limited	England and Wales	Ordinary	03984811
Southfields (Cheshire) Limited****	England and Wales	Ordinary	05942126
A & E Vets Limited**	England and Wales	Ordinary	05047115
Best Friends Group Limited	England and Wales	Ordinary	04378366
Vetsavers Joint Venture Partnership Limited**	England and Wales	Ordinary	09897566
Chantry Vets Limited***	England and Wales	Ordinary	10471388
Robert Young (Kelso) Limited****	Scotland	Ordinary	SC307969
Valley Vets Limited***	England and Wales	Ordinary	04672056
Veterinary Emergency Treatment Services Limited***	England and Wales	Ordinary	04676277
David Ashworth Limited	England and Wales	Ordinary	04627180
York Vets Limited****	England and Wales	Ordinary	06638521

16 Investments (continued)

Undertaking	Country	Holding	Company number
Littlecroft Vets Limited****	England and Wales	Ordinary	07690170
Tameside Veterinary Clinic Limited	England and Wales	Ordinary	06589306
Mimram Veterinary Centre Limited****	England and Wales	Ordinary	07721467
Natterjacks Vet Limited***	England and Wales	Ordinary	09002899
Uplands Way Vets Limited***	England and Wales	Ordinary	05749866
Ash Tree Veterinary Practice Limited***	England and Wales	Ordinary	07310306
Heywood Veterinary Centre Limited****	England and Wales	Ordinary	08443869
Parker and Crowther Limited****	England and Wales	Ordinary	07402696
Kinfauns Veterinary Centre Limited****	England and Wales	Ordinary	06550173
Oak Tree Vet Centre Limited****	Scotland	Ordinary	SC436360
Sanctuary Vets Limited****	England and Wales	Ordinary	08031649
Caerphilly Veterinary Clinic Limited****	England and Wales	Ordinary	07357355
M Nelson Limited****	England and Wales	Ordinary	07556169
Adelaide Clinic Limited****	England and Wales	Ordinary	07188781
NVH Limited****	England and Wales	Ordinary	08516119
Severn Veterinary Centre Limited****	England and Wales	Ordinary	07625669
Quarry Veterinary Centre Limited****	England and Wales	Ordinary	07690113
Meridian Veterinary Practice Limited	England and Wales	Ordinary	04244187
Gillivervet Limited****	England and Wales	Ordinary	04600408
Lancaster Veterinary Centre Limited****	England and Wales	Ordinary	07903053
Forest Veterinary Centre Limited	England and Wales	Ordinary	08455672
Hampden Partners Limited	England and Wales	Ordinary	07253071
Anderson Abercromby Veterinary Referrals Limited****	England and Wales	Ordinary	07681515
Ashlea Veterinary Centre Limited	England and Wales	Ordinary	04759132
Beeston Animal Health Limited****	England and Wales	Ordinary	02905946
Coastway (Hove) Limited	England and Wales	Ordinary	03773517
Hale Veterinary Group Limited	England and Wales	Ordinary	09256327
St David Veterinary Centre Ltd****	England and Wales	Ordinary	07203928
Liphook Equine Hospital Limited	England and Wales	Ordinary	10465731
Rainbow Equine Hospital Limited	England and Wales	Ordinary	08825966
Valentine Cogan & Deavin Limited****	England and Wales	Ordinary	07344954
Palmer & Duncan Vets Limited****	England and Wales	Ordinary	09033367
Gilmoor Vets Limited****	England and Wales	Ordinary	07403098
Milfeddygon Bodrwnsiwn Veterinary Group	England and Wales	Ordinary	10320038
Haven Veterinary Group Limited	England and Wales	Ordinary	08937418

16 Investments (continued)

Undertaking	Country	Holding	Company number
PVG (Cardiff) Tradeco Limited****	England and Wales	Ordinary	11576752
Westside Veterinary Clinic Limited****	England and Wales	Ordinary	07306139
Galedin Limited	Scotland	Ordinary	SC605570
Rosevean Veterinary Practice Limited	England and Wales	Ordinary	09496166
M & S EVP Limited	England and Wales	Ordinary	06620884
N & H Whieldon Limited	England and Wales	Ordinary	07701802
Abbeyserve Limited	England and Wales	Ordinary	09879023
Ashfield House Veterinary Hospital Limited	England and Wales	Ordinary	05194115
Fellowes Farm Equine Clinic Limited	England and Wales	Ordinary	06626682
Castle Vets Limited	England and Wales	Ordinary	06632506
Sound Equine Limited	England and Wales	Ordinary	06548413
AVC (Abergavenny) Limited	England and Wales	Ordinary	11794568
Abbey Veterinary Centres Limited	England and Wales	Ordinary	06481044
Kings Bounty Equine Practice Limited	England and Wales	Ordinary	08634181
Isle Valley Vets Limited	England and Wales	Ordinary	07986867
Wood Veterinary Group Limited	England and Wales	Ordinary	09053619
Calweton Veterinary Services Limited	England and Wales	Ordinary	04540277
Devon Equine Vets Limited	England and Wales	Ordinary	09253058
Clyde Vets Ltd	Scotland	Ordinary	SC437346
Clyde Vet Group Ltd	Scotland	Ordinary	SC544097
Lynwood Vets Ltd	England and Wales	Ordinary	08499179
LSVN Limited	England and Wales	Ordinary	10423717
Parklands Veterinary Ltd***	Northern Ireland	Ordinary	NI045393
Parklands Veterinary Portglenone Ltd***	Northern Ireland	Ordinary	NI627959
UK Farm Vets Limited	England and Wales	Ordinary	07331487
UK Farm Vets North Limited	England and Wales	Ordinary	09008149
LLM Farm Vets (Derbyshire) Limited	England and Wales	Ordinary	06972062
Origin Group Holdco Limited	England and Wales	Ordinary	08784951
Origin Group Finance Limited	England and Wales	Ordinary	08784972
Garth Pig Practice Limited	England and Wales	Ordinary	09467241
Westpoint Veterinary Group Limited**	Scotland	Ordinary	SC439231
Westpoint Veterinary Services (South East) Limited**	Scotland	Ordinary	SC277099
Stock1st Limited**	England and Wales	Ordinary	04461543
Westpoint Veterinary Services (South West) Ltd**	Scotland	Ordinary	SC399354

16 Investments (continued)

Undertaking	Country	Holding	Company number
Poultry Health Services Limited**	England and Wales	Ordinary	04161083
Myerscough Farm Vets Limited**	England and Wales	Ordinary	06927434
The Veterinary Farmacy Limited**	Scotland	Ordinary	SC256023
Westpoint Enterprise Support Limited	Scotland	Ordinary	SC437333
Xperior Farm Health Limited*****	England and Wales	Ordinary	08924524
Westpoint Group Trading Limited	England and Wales	Ordinary	08833557
Cedar Farm Practice Limited	England and Wales	Ordinary	05904064
Biobest Laboratories Limited	Scotland	Ordinary	SC199355
Kingshay Farming and Conservation Limited	England and Wales	Ordinary	02596568
Retford Poultry Partnership Limited	England and Wales	Ordinary	07134493
Farmvets Southwest Limited	England and Wales	Ordinary	05640845
Oakwood Veterinary Practice Limited	England and Wales	Ordinary	10556618
Oakwood Veterinary Referrals Limited****	England and Wales	Ordinary	09910044
Penbode Vets Limited	England and Wales	Ordinary	06313481
Sapphire Imaging Limited	England and Wales	Ordinary	07192380
Bromyard Vets Limited****	England and Wales	Ordinary	10129971
Wyre Forest Veterinary Centre Limited****	England and Wales	Ordinary	07761541
Robin Lewis & Associates Limited**	England and Wales	Ordinary	08564098
Caring Vets (RR) LLP****	England and Wales	Ordinary	OC387225
Nethan Valley Veterinary Centre Limited	Scotland	Ordinary	SC403696
Blackhall VS Limited*	Scotland	Ordinary	SC393588
Maes Glas Vets Limited*	England and Wales	Ordinary	09020534
St Peter's Vets Limited*	England and Wales	Ordinary	08481671
Bourton Vale Equine Clinic Limited*	England and Wales	Ordinary	05949470
Broughton Vet Group Limited*	England and Wales	Ordinary	09243007
Regent Court Veterinary Practice Limited*	England and Wales	Ordinary	04627991
Quantock Veterinary Hospital Limited*	England and Wales	Ordinary	07179413
Stable Close Equine Limited*	England and Wales	Ordinary	04873450
Willows Veterinary Centre Limited*/***	England and Wales	Ordinary	07104079
Shipston Veterinary Centre Limited*	England and Wales	Ordinary	05159186
Mourne Veterinary Clinic Limited*	Northern Ireland	Ordinary	NI608075
NEVH Limited*	Channel Islands	Ordinary	130121

16 Investments (continued)

Undertaking	Registered Office	Country	Holding	Company number
Ospedale Veterinario S. Francesco S.r.l.*	Via Feltrina 29, Paese (TV), Castagnole	Italy	Ordinary	03663280265
Clinica Veterinaria Costa d'Argento S.r.l.*	Strada dell'Airone 4, 58010 Orbetello (GR), Albinia	Italy	Ordinary	01456820537
Vet Hospital H24 Firenze S.r.l.*	Via dei Vanni 25, 50142, Finenze	Italy	Ordinary	05197610487
V.E.T.S. S.r.l.*	Via Annibale Zucchini 81-83, Ferara	Italy	Ordinary	01612720381
L'Ospedale degli Animali S.r.l.*	Via Annibale Zucchini 81-83, Ferara	Italy	Ordinary	01967970383
Ferrara Vet S.r.l.*	Via Annibale Zucchini 81-83, Ferara	Italy	Ordinary	02051980387
Ellepi S.r.l.*	Via Faustino Tanara 5, 34121 Parma (PR)	Italy	Ordinary	02548260344
Ospedale Veterinario Parma S.r.l.*	Piazza Meuccio Ruini 25/A, 43126 Parma (PR)	Italy	Ordinary	02548260344

The principal activity of VetPartners Limited is as an intermediate holding and investment company.

The principal activity of all other entities listed above is the provision of veterinary services.

* - Investment acquired in the year.
** - Dormant entity.
*** - Entity hived up into VetPartners Practices Limited at 30 June 2020 and is no longer trading.
**** - Non-trading entity.
***** - 50% joint venture indirectly held through Origin Group Finance Limited

The registered address for all subsidiaries registered in England and Wales is, Leeman House, Station Business Park, Holgate Park Drive, York, England, YO26 4GB.

The registered address of all subsidiaries registered in Scotland is, 171 Mayfield Road, Edinburgh, Scotland, EH9 3AZ.

The registered address of all subsidiaries registered in Northern Ireland is, 5 Old Moy Road, Dungannon, County Tyrone, Northern Ireland, BT71 6PS.

VetPartners Group Limited has provided guarantees in accordance with section 479A of the Companies Act 2006 to all of the above-named subsidiaries to allow them to claim exemption from audit.

17 Inventories

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Finished goods and goods for resale	10,470	6,846	-	-

Group
The cost of inventories recognised as an expense in the year amounted to £69,879,000 (2019 - £52,576,000).

18 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade receivables	25,813	24,908	-	-
Amounts owed by group undertakings	-	-	49,039	49,678
Other receivables	14,210	7,192	-	-
Prepayments	6,789	6,153	-	-
	46,812	38,253	49,039	49,678
Less non-current portion	-	-	(49,039)	(49,678)
	46,812	38,253	-	-

Details of non-current trade and other receivables

Company

£51,401,000 (2019 - £49,678,000) of amounts owed by group undertakings is classified as non-current.

Credit risk and impairment

Due to the nature of the Group's customers, formal credit limits are not set. The Group establishes provisions for impairment in each operating entity based on the perceived credit risk arising, usually on the basis of ageing, and particularly concentrated on newly acquired entities where the credit quality of trade receivables may be weaker. In addition to the impairment assessment conducted in each operating entity, a general provision, based on past experience across the group, is provided for on initial recognition of the debtor, currently set at 0.2% (2019 – 0.2%). The amount of provision included at 30 June 2020 was £9,287,000 (2019 – £6,056,000), meaning gross trade receivables before deduction of impairment provisions were £35,100,000 (2019 – £30,964,000).

	£'000
Provision for doubtful debts at 1 July 2019	6,056
Increase in provision	1,347
Increase in provision through business combinations	1,884
Provision for doubtful debts at 30 June 2020	9,287

The Group does not have any significant concentrations of credit risk, as trade receivables represent a high volume of small amounts. There is no single customer or group of customers with similar characteristics that would lead to a concentration of credit risk. The Group has in place credit control procedures to minimise credit risk and the directors consider that no further provision is required in excess of the normal impairment provisions described above.

The maximum exposure to credit risk at 30 June 2020 is the value of trade receivables disclosed above.

19 Trade and other payables

		Group		Company	
		2020	2019	2020	2019
	Note	£'000	£'000	£'000	£'000
Due within one year					
Lease liabilities	24	11,668	4,766	-	-
Trade payables		22,553	19,745	-	-
Social security and other taxes		31,817	12,543	-	-
Other payables		23,000	10,713	-	-
Accrued expenses		30,207	20,147	1,620	-
Corporation tax payable		275	937	-	-
Overdraft		10	-	-	-
		119,530	68,851	1,620	-
Due after one year					
Loans and borrowings	20	568,183	474,799	47,257	49,678
Lease liabilities		56,912	51,975	-	-
Other non-current financial liabilities		4,021	6,494	-	-
		629,116	533,268	47,257	49,678

Other non-current financial liabilities relate to contingent consideration.

20 Loans and borrowings

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Non-current loans and borrowings				
Bank borrowings	518,564	425,121	-	-
Loan from group undertaking	49,619	49,678	47,257	49,678
	568,183	474,799	47,257	49,678

Loans from parent undertaking are unsecured, interest is charged at 5% per annum and is repayable on demand. The directors have obtained confirmation, from the parent undertaking, that the loan will not be called on for a period of at least one year and one day after the signing of these financial statements and as such, this loan has been classified as non-current.

Group

Included in the loans and borrowings are the following amounts due after more than five years:

	30 June 2020	30 June 2019
	£'000	£'000
After more than five years not by instalments	518,564	425,121

Total bank borrowings outstanding of £518,564,000 (2019 - £425,121,000) are stated net of costs associated with raising finance of £5,776,000 (2019 - £4,379,000).

£424,861,000 (2019 – £384,500,000) of the bank borrowings are secured by a fixed and floating charge over the assets of the Group and are repayable in full on 28 November 2025. Interest is levied at a rate of LIBOR plus 7.25% per annum. £99,479,000 (2019 – £45,000,000) of the bank borrowings are secured by a fixed and floating charge over the assets of the Group and are repayable in full on 28 May 2025. Interest is levied at a rate of LIBOR plus 2.75% per annum.

21 Pension and other schemes

Defined contribution pension scheme

The group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by group companies to the schemes and amounted to £5,135,000 (2019 - £2,908,000). The amount outstanding at year end totalled £736,000 (2019 - £616,000)

22 Share capital

Authorised, allotted, called up and fully paid shares

	30 June 2020		30 June 2019	
	No	£	No	£
Ordinary shares of £1 each	250,092,310	250,092,310	242,690,867	242,690,867

A reconciliation of the movement in the number of shares in year is shown below.

At 1 July 2018	145,040,857
Share issues in the year	97,650,010
At 1 July 2019	242,690,867
Issued 11 November 2019	7,401,443
At 30 June 2020	250,092,310

23 Reserves

Retained earnings represents accumulated profits and losses to date of the Group and Company respectively.

Foreign translation reserve represents accumulated gains and losses in relation to the translation of foreign subsidiaries into the group presentational currency of the Group and is not distributable.

24 Obligations under leases and hire purchase contracts

Group

The total of future minimum lease payments is as follows:

	2020 £'000	2019 £'000
Not later than one year	11,668	4,766
Later than one year and not later than five years	17,757	16,619
Later than five years and not later than ten years	23,363	20,269
Later than ten years	15,792	15,087
	68,580	56,741

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the group wide treasury management.

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. Interest expense on lease liabilities is disclosed in note 8. The majority of the Group's lease arrangements relate to properties from which the various trading subsidiaries operate. The terms of leases vary depending on factors such as the geography and size of each subsidiary. The Group also accounts for certain equipment acquired under lease arrangements as finance leases. For details on the right-to-use assets recognised, see note 15 and for the corresponding financial liability, see note 19. For information in respect of the cash payments made in the year, see the statement of cashflows. Where a lease contains extension or early termination clauses, an assessment is made on initial recognition as to the likelihood that such clauses will be exercised and accounted for accordingly.

The Group has certain lease arrangements to which the recognition exemptions for low-value and/or short-term leases have been applied. These are not considered material for further disclosure.

25 Financial Instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of net debt (borrowings disclosed in note 20 after deducting cash and bank balances) and equity of the Group (comprising issued capital and reserves).

The Group is not subject to any externally imposed capital requirements.

The Group's management regularly reviews the capital structure. As part of this review the management considers the cost of capital and the risks associated with each class of capital. The current capital structure is considered to be appropriate for the Group's ongoing needs.

Significant accounting policies
Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

The Group is exposed to risks that arise from its use of financial instruments. There have been no significant changes in the Group's exposure to financial instrument risk, its objectives, policies and processes for managing those from previous periods. The principal financial instruments used by the Group, from which financial instrument risk arises, are trade receivables, cash and cash equivalents, trade and other payables, accruals, bank borrowings and amounts owed to group undertakings.

25 Financial instruments (continued)

Categories of financial instruments

All financial instruments are recognised initially at their fair value and subsequently measured at amortised cost. The table below shows an analysis of the financial instruments held.

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	40,023	32,100	-	-
Cash and cash equivalents	67,669	60,120	-	-
Amounts owed by group undertakings	-	-	49,039	49,678
	107,692	92,220	49,039	49,678
Financial liabilities				
Trade and other payables	26,147	24,037	-	-
Accruals	30,207	20,147	1,620	-
Deferred and contingent consideration	14,879	12,915	-	-
Bank borrowings and overdrafts	518,574	425,121	-	-
Amounts owed to group undertakings	49,619	49,678	47,257	49,678
	639,426	531,898	48,877	49,678

Trade and other receivables consist of Trade receivables and other receivables.

Trade and other payables consist of trade payables and other payables meeting the definition of a financial liability, specifically excluding deferred and contingent consideration which is separately disclosed.

Financial risk management

Credit risk
Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2020 was £25,813,000 (2019 - £24,908,000). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory. Further details can be found in note 18.

Credit risk on liquid funds is considered to be minimal as the counterparties are major banks with high credit ratings.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to meet its liabilities when they fall due. The Group monitors cash flow on a regular basis. At the year end, the Group has sufficient liquid resources to meet its obligations. For further information on the maturity of financial obligations, see notes 20 and 24.

Market risk
Market risk arises from the Group's use of interest-bearing financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate. At the year end, the cash and cash equivalents of the Group were as shown above. The Group ensures that its cash deposits earn interest at a reasonable rate.

The Group's bank borrowings are subject to interest rate risk due to being linked to LIBOR. The Group's policy is to maximise trading returns from its various subsidiaries to ensure that interest payments can be met.

If interest rates had been 10% higher/lower and all other variables were constant, the Group's loss for the year would have increased/decreased by £51,925,000 due to its exposure to interest rates on its variable rate borrowings.

26 Related party transactions

Group

Summary of transactions with parties with significant influence
The bank borrowings disclosed in note 20 and the corresponding interest disclosed in note 8 are managed and controlled by Ares Management Limited, an entity that has a shareholding in the company sufficient for it to be able to exert significant influence.

Company

Summary of transactions with key management
Key management personnel are considered to be the directors of the company and key management personnel compensation is disclosed in note 10 to the financial statements.

27 Controlling party

The immediate parent undertaking, which is also the next most senior parent that prepares consolidated financial statements, is Scooby Bidco Limited, a company registered in England and Wales. The ultimate controlling party is BC European Capital X, a collection of limited partnerships with no single controlling party.

28 Non adjusting events after the financial period

Subsequent to the balance sheet date, the Group has completed the acquisition of the following entities where 100% of the voting rights were acquired, obtaining control, in line with the Group growth strategy:

- Tay Valley Vets (TVV Ltd) – Acquired 7 August 2020
- The Ark Veterinary Practice Limited – Acquired 16 September 2020
- The Hyperthyroid Cat Clinic Limited – 21 September 2020
- Armac Veterinary Group Limited & Armac Holdings Limited – 1 October 2020

In addition to the above acquisitions, the Group acquired 100% of the trade and assets of Cheshire Equine on 1 September 2020.

The total consideration paid in respect of the above share acquisitions and the trade and asset acquisition was £12,320,000. The acquisition accounting for these business combinations is not yet complete. Any goodwill acquired as a result of the above acquisitions is considered to principally relate to the following:

- synergies arising, in particular from increased buying power and the use of central administrative functions;
- geographical location and convenience of practice sites; and
- acquired workforces, including the experience and reputation of veterinary surgeons.