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CVS Group plc
26 September 2024

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CVS GROUP plc

("CVS", the "Company" or the "Group")

Final results for the year ended 30 June 2024

Robust results with good progress made in strategic move into Australia

CVS, the UK listed veterinary group and a leading provider of veterinary services, is pleased to announce its final results for the year ended 30 June 2024 ("2024").

Financial Highlights[1]

- Revenue from continuing operations increased 9.9%, to £647.3m (2023: £588.9m)
- Group like-for-like[2] sales increased 2.9% (2023: 7.3%), below our stated ambition of 4%-8% due to a combination of softer demand given wider publicity around the veterinary sector and the continued cost of living pressures, the impact of the cyber incident announced on 8 April 2024, and disruption from the accelerated migration of our practice management system to the cloud
- Underlying like-for-like[2] sales growth was estimated to be 4.1% (unaudited) after excluding the impact of disruption from the cyber incident and cloud migration
- Adjusted EBITDA[3] growth of 4.7%, to £127.3m (2023: £121.6m), through acquisitions, a continued focus on the provision of high-quality care, and net Research and Development Expenditure Tax Credits of £12.8m (2023: £9.6m)
- Profit before tax on continuing operations decreased by 37.1%, to £38.2m (2023: £60.7m) due to an increase in business combination costs, finance expense and depreciation from investments made, and £5.8m of exceptional costs in relation to the cyber incident, cloud migration and the Competition and Markets Authority (CMA) process
- Statutory profit for the year decreased 84.7% to £6.4m (2023: £41.9m) after recognising a loss of £20.0m on disposal of the discontinued Netherlands and Republic of Ireland operations
- Leverage[7] increased to 1.54x (2023: 0.73x) as a result of the increased strategic capital and acquisition investment, comfortably within our stated guidance of <2.0x leverage
- Operating cash conversion[8] decreased 4.4ppts to 70.5% (2023: 74.9%) in line with our 70%+ guidance
- The Board is maintaining its progressive dividend policy and recommending the payment of a final dividend of 8.0p per Ordinary share (2023: 7.5p), reflecting the short-term nature of current headwinds and the Board's confidence in the long-term outlook for the Group
- Debt facilities successfully extended in January 2024 for a further year, with committed funds of £350m through to February 2028 with margin and covenants unchanged

£m except where stated	2024	2023[1]	Change %
Revenue	**647.3**	**588.9**	9.9%
Group like-for-like ("LFL") sales growth (%)[2]	***2.9%***	***7.3%***	*-4.4 ppts*
Estimated Underlying Group LFL sales growth (unaudited) (%)[2]	***4.1%***	***7.3%***	*-3.2 ppts*
Adjusted EBITDA[3]	**127.3**	**121.6**	4.7%
Adjusted EBITDA[3] margin (%)	***19.7%***	***20.6%***	*-0.9 ppts*
Adjusted profit before tax[4]	**82.7**	**87.9**	-5.9%
Adjusted earnings per share[5] (p)	**86.6**	**98.9**	-12.4%
Operating profit	**50.8**	**68.4**	-25.7%
Profit before tax	**38.2**	**60.7**	-37.1%
Profit for the year (after loss on discontinued operations)	**6.4**	**41.9**	-84.7%
Basic earnings per share (p)	**8.6**	**58.8**	-85.4%
Net bank borrowings[6]	**168.0**	**74.0**	127.0%
Final dividend (p)	**8.0**	**7.5**	6.7%

Notes

1 2023 numbers have been re-presented following the classification of the Netherlands and the Republic of Ireland operations as discontinued operations.

2 Like-for-like sales shows revenue generated from like-for-like operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2022, revenue is included from September 2023 in the like-for-like calculations. Underlying like-for-like sales is explained further in the Financial Review below.

3 Adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) is profit before tax adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations, and exceptional items. Adjusted EBITDA provides information on the Group's underlying performance and this measure is aligned to our strategy and KPIs.

4 Adjusted profit before tax is calculated as profit before amortisation, taxation, costs relating to business combinations, and exceptional items.

5 Adjusted earnings per share is calculated as adjusted profit before tax less applicable taxation divided by the weighted average number of Ordinary shares in issue in the year.

6 Net bank borrowings is drawn bank debt less cash and cash equivalents

7 Leverage on a bank test basis is net bank borrowings divided by 'Adjusted EBITDA', annualised for the effect of acquisitions, deducting cost in relation to acquisition fees and adding back share option costs, on an accounting basis prior to the adoption of IFRS 16.

8 Operating cash conversion is defined as cash flows from operating activities adjusted for discontinued operations, acquisition fees and contingent consideration paid, less lease liability repayment and maintenance capital expenditure; divided by adjusted EBITDA.

Successful expansion in Australia with foundations laid for further organic growth

- Entry into the Australian veterinary service market with 22 acquisitions of 28 practice sites in the financial year for total consideration of £82.5m. Practices performing fully in line with business cases with additional purchasing synergies identified and agreements in place with preferred laboratory and crematoria suppliers
- Investment in our UK facilities and equipment, with total capital expenditure of £43.1m including the rollout of a new cloud-based practice management system operational in 375 practice sites. This investment will improve client engagement and lay the foundation for new revenue streams, primarily from increased pet food sales
- Improved retention and a 5.8% increase in the average number of vets employed in the year (10.7% including acquisitions)
- Acquired a further five practices in the UK (six practice sites) for consideration of £12.7m
- Divested the sub-scale and loss making Netherlands and Republic of Ireland operations
- Improvement in Sustainability and ESG as set out in our third standalone Sustainability Report
- Continued success of our Healthy Pet Club preventative healthcare scheme, with growth of 2.9% to 503,000 members (2023: 489,000)

Outlook

- Fundamentals of the veterinary sector remain strong, and CVS is well positioned to deliver attractive growth in shareholder value over the medium term
- The Group continues to face short term headwinds in the UK from softer demand and the ongoing CMA process
- Capitalising on significant expansion opportunity in Australia with two further practice acquisitions completed in the new financial year to date for initial consideration of £5.3m, contracts exchanged for a further two acquisitions and a healthy deal pipeline. Strong management team in place in country and purchasing synergies expected to deliver upside from business cases. As at 30 August 2024, leverage is less than 1.5x.
- The Group continues to support the CMA in their Market Investigation with the CMA Panel Members visiting two practices in July 2024 and responses submitted to a number of detailed requests for information
- Whilst the Board remains mindful of short-term headwinds in the UK, the fundamental need for high quality veterinary care remains strong, and the expansion strategy into Australia is progressing well therefore the Board is comfortable with consensus estimates for FY25.

Richard Fairman, Chief Executive Officer, commented:

"We have faced a number of challenges in the past financial year with our financial results adversely impacted by the cyber attack, the subsequent migration to a new cloud based practice management system and the impact from the CMA Market Investigation announced in May 2024. Notwithstanding this, the fundamentals of the sector remain strong and we have laid the foundations for future growth.

We successfully entered the Australian veterinary services market with 24 practices (31 practice sites) acquired to date, and CVS' reputation established as an organisation that focuses on people and the provision of appropriate care to our clients and their animals. I am delighted to welcome colleagues from all our newly acquired practices to the Group.

In line with our stated strategy, we continue to invest in our UK practice facilities and equipment and have progressed our technology transformation with 375 of our 430 UK practices now operating on our new cloud-based practice management system. We also established a new clinical governance framework in the year which reflects our commitment to drive standards within the profession, and to support our clients in providing appropriate care to their animals.

I am privileged to lead a team of outstanding colleagues who care passionately about our clients and their animals under our care. I would like to take this opportunity to thank them all for their commitment and dedication and I look forward to delivering further growth in 2025 and beyond."

Results webcast

An audio webcast and presentation of these results will be available on https://stream.brrmedia.co.uk/broadcast/66be0e31ef33bcf5ad2914ab from 07.00am on 26 September 2024.

A Q&A for analysts and investors will be held today at 09.00am at Berenberg, 60 Threadneedle St, London EC2R 8HP, attendance is by invitation only. To access a live streaming of the event, please click of the following link https://brrmedia.news/CVS_PR_24

Those wishing to participate in the Q&A session remotely should email CVSG@camarco.co.uk for call details.

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About CVS Group plc (www.cvsukltd.co.uk)

CVS Group is an AIM-listed provider of veterinary services with operations in the UK, and Australia. CVS is focused on providing high-quality clinical services to its clients and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group now operates c.460 veterinary practices across its two territories, including specialist referral hospitals and dedicated out-of-hours sites. Alongside the core Veterinary Practices division, CVS operates Laboratories (providing diagnostic services to CVS and third-parties), Crematoria (providing pet cremation and clinical waste disposal for CVS and third-party practices) and an online retail business ("Animed Direct").

The Group employs c.9,000 personnel, including c.2,400 veterinary surgeons and c.3,300 nurses.

Chair's statement

Cultivating a strong culture

Introduction

This is my first statement as Chair having been appointed on 1 May 2024 two months before the financial year end. I must express my profound thanks to my two predecessors who held office during the year. Richard Connell had to step down for reasons of ill health in October 2023 having provided wise counsel and leadership for 16 years. He made a significant contribution to the success of CVS and we wish him all the best for the future. Deborah Kemp stepped in to act as Interim Chair in these circumstances at an eventful time for the Group and oversaw the recruitment process that led to my appointment as Chair after just over two and a half years as a Non-Executive Director.

The fundamentals of our sector remain very strong with an increased population of pets post the COVID-19 pandemic, with pet life expectancy increasing and the humanisation of pets resulting in owners generally willing to spend on veterinary care for their animals albeit subject to the cost of living pressures being widely experienced. I look forward to our next phase in delivering growth in both shareholder and client value.

Whilst CVS is a great business with strong long-term prospects and great people, we are facing short to medium-term headwinds with the cyber incident in March, announced on 8 April 2024, and the ongoing process with the Competition and Markets Authority (CMA).

We have had another successful year in which we have increased investment in future growth and in particular have successfully entered the Australian veterinary services market. Shortly before the year end, we made a strategic decision to divest our sub-scale and loss making operations in the Netherlands and the Republic of Ireland (ROI).

In November 2022 at our Capital Markets Day, we outlined our updated five-year plan in support of our growth strategy with continued focus on organic growth and on investment in people, practice facilities, clinical equipment and technology and further acquisitions in the UK and overseas. This strategy remains valid, although we are de-emphasising acquisitions in the UK for the time being and focusing our efforts on acquisitions in Australia.

I would like to thank all CVS colleagues for their continued professionalism and commitment in providing great care to our clients and their animals and I also thank all our stakeholders for their ongoing support.

Solid financial performance
We have delivered another positive set of financial results with increased revenue and adjusted EBITDA, strong operating cash conversion and continued balance sheet strength.

Revenue for the financial year for continuing operations increased by 9.9% to £647.3m (2023: continuing operations £588.9m). The like-for-like increase after adjusting for the effect of acquisitions and disposals was 2.9%.

Adjusted EBITDA for continuing operations increased by 4.7% to £127.3m (2023: continuing operations £121.6m) after recognising net Research and Development Expenditure Tax Credits of £12.8m (2023: £9.6m). Profit before tax decreased by 37.1% to £38.2m (2023: continuing operations £60.7m) with adjusted EPS decreasing by 12.4% to 86.6p (2023: 98.9p) and basic EPS decreasing by 85.4% to 8.6p (2023: 58.8p). In the year, we divested of our sub-scale operations in the Netherlands and ROI, resulting in a loss on discontinued operations of £20.0m. As a result we reported profit for the year of £6.4m, a reduction of 84.7% from £41.9m.

Cash generated from operations decreased by 5.7% to £101.8m (2023: £107.9m). In accordance with our strategy, we have continued to invest in growth; as a result, net debt increased to £164.8m (2023: £70.7m) and leverage increased to 1.54x, from 0.73x.

Strategic progress
Our strategy, purpose and vision remain underpinned by our four strategic pillars: to recommend and provide the best clinical care every time; to be a great place to work and have a career; to provide great facilities and equipment; and to take our responsibilities seriously.

We have continued to invest in practice facilities, clinical equipment and technology with capital expenditure of £43.1m in the financial year (2023: £45.7m). We completed 16 property relocation and refurbishment projects in the year.

We acquired 22 veterinary practices (comprising 28 practice sites) in Australia and five veterinary practices (comprising six practice sites) in the UK in the year for initial cash consideration of £95.2m.

At the heart of our growth ambitions is our vision to be the veterinary company people most want to work for. We have taken further positive steps in the year to provide additional support to our colleagues including launching our new values to cultivate a culture where high clinical standards thrive, expanding our network of Wellbeing Champions and first aiders for mental health to 470 and promoting events such as the CVS Distance challenge, which saw nearly 1,000 colleagues travelled close to 100,000 miles over a four-week period.

Governance and the Board
We remain committed to the highest levels of corporate governance and, as an AIM-listed group, we voluntarily adopt the UK Corporate Governance Code 2018.

Aside from the changes to the Chair previously referred to, there were further developments - all of which have been previously announced. On 1 July 2023, Joanne Shaw was appointed as a new Non-Executive Director and Ben Jacklin resigned on 18 June 2024, leaving the Board on 8 July 2024. After the year end, on 25 July 2024, Paul Higgs joined the Board as Chief Veterinary Officer and Joanne was appointed Chair of the Audit Committee to succeed me in that role.

We continue to review the composition of the Board in order to ensure that we have the right balance of skills and experience.

We want to ensure that the Board's time and expertise is utilised to support the strategic development of the Group. We consider updates on developments in the profession and market trends. The Board takes its governance responsibilities very seriously. The structures and processes we have in place are summarised in this Annual Report. We place strong emphasis on Environmental, Social and Governance matters to ensure we have the right framework in place to enable our business to operate in a sustainable and responsible way.

Dividends
In recognition of our confidence in the outlook, the Board is recommending the payment of a final dividend of 8.0p per Ordinary share (2023: 7.5p). Subject to shareholder approval at the Annual General Meeting to be held on 20 November 2024, the dividend will be paid on 29 November 2024 to shareholders on the register at the close of business on 1 November 2024. The ex-dividend date is 31 October 2024.

Shareholder engagement
The Board engages actively with existing and potential new shareholders.

The Executive Directors attended a number of investor conferences and meetings in the UK, the US, Canada and Europe during the financial year and all Directors make themselves available to meet with investors on request. I spoke with a number of our larger shareholders following my appointment as Chair and have continued to have further contact thereafter.

Outlook
The financial performance achieved in the past financial year, and our clear strategy for future growth, positions CVS well to benefit from the sizeable and growing veterinary services market and the continued humanisation of pets.

I look forward to reporting on further success in the future.

David Wilton
Chair
26 September 2024

Chief Executive Officer's review

Foundations laid for further long-term sustainable growth

Introduction

The past financial year has seen further growth in line with the strategy we announced in 2022. We entered the Australia veterinary services market in July 2023 and have successfully established CVS's reputation there with our focus on people and clinical care. We have continued to invest in our UK practice facilities and equipment and have progressed our technology transformation with the majority of our UK practices migrating to our new cloud-based practice management system from which we expect to reap great efficiencies and unlock further growth opportunities.

We have also faced and managed a number of challenges with a cyber incident leading to significant operational disruption in the final quarter and the Competition and Markets Authority (CMA) in May 2024 announcing a market investigation into the veterinary sector for household pets in the UK.

Throughout the successes and challenges, our outstanding colleagues have continued to deliver great care to our clients and their animals and I would like to use this opportunity to thank them for the passion, dedication and commitment.

Financial performance

We delivered revenue from continuing operations of £647.3m, an increase of 9.9% over the prior year and adjusted EBITDA increased by 4.7% to £127.3m. Profit before tax decreased by 37.1% to £38.2m following increases in business combination costs, finance expense and depreciation as well as cloud migration and the one-off costs associated with the cyber incident.

Following our entry in Australia at the beginning of the year, we completed 22 acquisitions comprising 28 practice sites for consideration of £82.5m. We further expanded our UK operations with five acquisitions of six practice sites for consideration of £12.7m.

We made further investments in our facilities, equipment and technology to support growth with total capital expenditure of £43.1m (2023: £45.7m).

We also made the strategic decision to divest our sub-scale and loss making operations in the Netherlands and Republic of Ireland, reporting a loss on discontinued operations of £20.0m, of which £14.5m is a non-cash loss on divestment.

Operating cash conversion of 70.5% is in line with our stated target of c.70%. Our bank facilities were successfully extended in the year with committed facilities through to 22 February 2028.

In light of our increased investment, net debt has increased to £164.8m and leverage to 1.54x.

Our five year plan

2024 marked further progress against our plan to double adjusted EBITDA over five years, as outlined at our Capital Markets Day held November 2022:

Ambition	***2024 performance***
Organic revenue growth of 4% to 8% per annum	2.9% like-for-like sales[1] growth. Adjusting for the operational disruption caused by the cyber incident and subsequent rollout of our cloud-based practice management system, like-for-like growth is estimated to be 4.1%[2] (unaudited)
Margin expansion through investment - adjusted EBITDA margins 19% to 23%	19.7% adjusted EBITDA margin
Investment in practice facilities, clinical equipment and technology to deliver organic growth	£43.1m invested in capital expenditure to improve practice and clinical facilities, improve technology, support the retention and recruitment of vets and ultimately deliver great clinical care
Acquisitions subject to disciplined criteria for returns and earnings accretion	27 acquisitions completed in the financial year for combined initial consideration of £95.2m
Organic operating cash conversion of > 70% for the full year	70.5% operating cash conversion[1]
Leverage remaining < 2.0x	1.54x leverage[1] as at 30 June 2024

1. Definitions and reconciliations for financial measures are shown on page 107 of the FY24 Annual Report.
2. Further information on underlying like-for-like is shown on page 108 of the FY24 Annual Report.

Capital allocation

We have a healthy balance sheet and strong free cash flow which underpins our opportunity for disciplined investment in growth

Healthy balance sheet and strong free cash flow

- Committed facilities of £350m to February 2028
- Operating cash conversion c.70%
- Strong free cash flow

Investment opportunities and dividends

- Investment capex: c.£30m-£50m pa
- Australia acquisitions: £50m pa subject to timing
- Progressive dividend policy: Shareholder returns

Disciplined approach

- Leverage < 2.0x
- Disciplined investment: IRR of > c.10.0%
- Progressive dividend policy: Shareholder returns

Strategic update

Our purpose to give the best possible care to animals and our vision to be the veterinary company people most want to work for are underpinned by four clear strategic pillars: to recommend and provide the best clinical care every time; to be a great place to work and have a career; to provide great facilities and equipment; and to take our responsibilities seriously.

To recommend and provide the best clinical care every time

We launched, as an industry first in the UK, a new Clinical Governance Framework through which we will continue to understand what matters to our clients and deliver high-quality clinical care. This framework focuses on providing appropriate care in response to each client's requirements.

We continue to encourage our clinicians to advance the knowledge of the profession and as part of our Clinical Research Awards, we are funding a number of research projects across companion animal, farm and equine. This focus includes funding in support of our colleagues and we have enhanced our offering this year, with all CVS residents now receiving up to £5,000 to support the research required as part of their board accreditation.

To be a great place to work and have a career

Our colleagues remain at the core of our business and we remain focused on providing career development and support.

We launched a new nurse career pathway in October 2023 which is aimed at supporting our nurses in having long-term fulfilling careers. We continued our focus on recruitment and we have seen an increase in the average number of vets we employed in 2024 of 5.8% (10.7% including acquisitions) and nurses of 2.3% (6.4% including acquisitions).

To provide great facilities and equipment

As part of our clinical and people focus, we are investing in our practice facilities and clinical equipment. In 2024, we invested £43.1m in capital projects, completing 16 refurbishments and relocations. Our flagship multi-disciplinary referral centre, Bristol Vet Specialists, which opened in October 2023, allows us to provide the highest standards of care, including advanced oncology treatment.

Following our cyber incident at the end of March 2024, we took the opportunity to accelerate our rollout to a cloud-based practice management system and invest in our related technology infrastructure. The pace of the rollout naturally resulted in some short-term operational disruption, but I am pleased that over 375 practices are now fully operational on this new platform which will provide an opportunity for further growth.

To take our responsibilities seriously

Sustainability continues to be a key priority and I am pleased with the progress we have made in the past year. Our expanded network of 312 Environment Champions continues to drive environmental improvements in our practices. We have seen further improvement in reducing the volume of clinical waste, re-using material where possible and recycling packaging.

In November 2023, we acquired Brimbank Vet Clinic, the first certified carbon neutral veterinary practice in Australia, and the first for our Group. We are working with Dr Jeremy Watson and his Brimbank team to learn from their sustainable initiatives and to consider how these can be applied elsewhere across the Group.

Disposal of Netherlands and Republic of Ireland

We took the difficult decision to divest of our Netherlands and Republic of Ireland (ROI) operations, to a former colleague as disclosed on page 149 of the FY24 Annual Report, given their sub-scale nature, the particular challenges within these markets and the fact that they were loss making. We completed the exit on 29 May 2024 with nominal cash consideration of €2. These operations are shown as discontinued operations throughout this report.

Engaging with the Competition and Markets Authority (CMA)

Following the announcement of the CMA's investigation into the market for veterinary services for household pets, we are supporting the CMA with their process. We have held a "teach-in" session with the CMA panel and hosted them in a visit to two of our practice sites. We have responded to a number of detailed information requests and will continue to support them in their process.

As a listed company, we are highly conscious of our responsibility to our clients and their animals and to the veterinary sector as a whole. We are committed to the highest standards of governance and voluntarily adopt the Royal Colleague of Veterinary Surgeons (RCVS) Practice Standards Scheme (PSS), allowing the RCVS to independently review our practices and our operations. We have tracked this as a KPI since 2016 and more information can be found on page 26 of the FY24 Annual Report.

We recognise the challenges that the CMA market investigation is presenting for our colleagues, with negative press articles which at times have resulted in difficult client encounters. We remain extremely proud of the dedication and commitment of our colleagues in providing great care to animals and we will continue to support them through the investigation.

We look forward to updates from the CMA over the course of the new financial year.

Sustainability

We have published our third Sustainability Report which provides a detailed update on our six focus groups, namely: Energy and Carbon, Waste, One Health, People Development, Wellbeing and Equity, Diversity and Inclusion (EDI).

Since 2022, our ESG programmes have been galvanising a Company-wide effort involving our people and our suppliers. Last year, we outlined the metrics that we are targeting and I am pleased to see our considerable progress towards becoming a sustainable company. I would like to thank our teams and particularly our environment champions.

As part of our commitment to ensuring we focus on the material sustainability issues for our stakeholders, in 2025 we are undertaking an enhanced materiality assessment to ensure our focus continues to evolve with our stakeholders' priorities.

Outlook

I was pleased with the underlying trading performance in the financial year to 30 June 2024 notwithstanding the short-term operational challenges of the cyber incident and the resulting accelerated rollout of a new practice management system.

I am excited by the opportunity ahead for CVS through continued investment in the UK and through our expansion in Australia. With continued good operating cash conversion and headroom in both our loan facility and leverage target, we are well placed to complete further Australian acquisitions in 2025.

Whilst we continue to be mindful of cost of living pressures on household incomes, we are confident that our strategy for growth focused on our people and on high-quality clinical care positions us well to deliver further growth over the coming years.

Our clients continue to seek high-quality care and we are fortunate to employ such a talented team of colleagues who are passionate at providing the best possible care to our clients and to their animals. I look forward to sharing further success with them in 2025 and beyond.

Richard Fairman
Chief Executive Officer
26 September 2024

Clinical review

Clinical approach in CVS and the CVO role

CVS's core purpose is to deliver the best care for animals. This requires a complex interaction between the needs of animal owners, the needs and welfare of the animals themselves and how we as veterinary professionals use knowledge, experience and evidence to support this process.

To achieve this balance, the role of Chief Veterinary Officer (CVO) is critical. This role oversees clinical standards, sets out and supports the strategy for continuous improvement of these standards and acts as a steward at the interface of commercial and clinical outcomes.

To provide the transparency of how this process is undertaken, CVS published the UK first in the profession Veterinary Clinical Governance Framework in November 2023. This framework has three specific components.

1.
The definition of quality of care that we should expect to deliver. There are six components to this which define that our care should be (1) Welfare centred, (2) Contextualised, (3) Effective, (4) Equitable, (5) Efficient and (6) Timely in nature.

2.
The values that underpin the behaviours needed to create the environment in which continuous improvement can thrive. These five values are (1) Just culture, (2) Accountability, (3) Inclusive leadership, (4) Teamwork and (5) Systems thinking.

3.
Our six governance pillars which help us to identify areas of process that need ongoing review. These six pillars are (1) Clinical Effectiveness, (2) Research and Development, (3) Ethical Integrity and Sustainability, (4) Information Sharing and Collaboration, (5) Education and Training, and (6) Quality Improvement and Patient Safety.

Implementation of this framework is a continuous process and, to oversee the strategy of this, the Chief Veterinary Officer chairs our Integrated Care Council made up of a total of twelve representatives covering the critical elements of the pillars.

An example of how we maintain good governance of our pillars is the Clinical Advisory Committees. In Small Animal, there is a Committee of senior team members; however, the decision-making process is supported by 13 discipline-specific working groups who review protocols, products and new evidence that may benefit or improve the quality of care that we deliver.

Continuous improvement is the critical driving force in clinical governance and our teams are supported to engage in clinical research projects and quality improvement.

Our clinical research grants support £200,000 of clinical research projects annually. Many of these are undertaken within our practices.

For example: we support a study to identify the prevalence of lungworm in the South West. This has involved eleven practices and aims to analyse blood from 1,000 dogs. The information gained will help determine whether pre-operative testing for lungworm improves patient safety.

In addition, we financially support research by universities through funding post-graduate study. For example: we fund a PhD at the University of Bristol which is evaluating the environmental impact of ectoparasite usage in pets.

These are examples of the many areas in which we take our responsibilities seriously to improve animal welfare whilst also understanding what implications these might have from a "One Health" perspective.

Our strategy is to be proactive and help our teams to understand what areas of clinical care we believe our energies should be channelled into. By creating a collaborative network, we are able to develop "whole system improvements" where each team member, no matter where they are in the business, can experience autonomy over engaging with our priorities whilst seeing how their activities contribute to our overall goals.

Looking to the future, we are using our collaborative networks to focus on antimicrobial stewardship. Each clinical division will have its own priority areas of focus in either improving the responsible use of antibiotics or infection control. Each region will create its own sub-focus with each individual practice creating its own projects to engage with this.

Supported by our network of over 300 clinical improvement advocates, all volunteers who have received additional training in clinical governance, our practices can be truly engaged with our clinical improvement strategy. The result of this will be sustainable, continuous improvement in the standards of care that we deliver.

Paul Higgs
Chief Veterinary Officer
26 September 2024

Financial review

Continued progress against our plan to grow adjusted EBITDA over the next five years

Financial highlights[1]
2024 marked further progress against our plan to double adjusted EBITDA over five years, as outlined at our Capital Markets Day held November 2022 with revenue growth of 9.9% to £647.3m (2023: £588.9m) and adjusted EBITDA growth of 4.7% to £127.3m (2023: £121.6m).

During the year we made the strategic decision to dispose of our Netherlands and Republic of Ireland (ROI) operations due to specific challenges in both these markets and the sub-scale nature of the operations we had there. As such we have re-presented our numbers to reflect the Netherlands and ROI as discontinued in both the current and prior year. We wish all our former colleagues well for the future.

Like-for-like performance was softer in the year increasing by 2.9% (2023: 7.3%) against a backdrop of a challenging economic environment and an ongoing CMA process, as well as the COVID puppy and kitten boom being in their healthy young adult stage requiring less veterinary care. As those young adults age we expect the need for veterinary care to increase.

Like-for-like performance was also impacted by significant disruption from the cyber incident (the incident) and subsequent decision to accelerate plans to migrate to a new cloud-based practice management system. Comparing like-for-like performance post the incident to performance in the period immediately preceding the incident we estimate the disruption to have impacted revenue by c.£7m and EBITDA by c.£5m (unaudited). Adjusted for this underlying like-for-like sales growth is estimated to be c.4.1% (unaudited).

Costs directly relating to the cyber incident of £4.2m have been booked as exceptional. The disruption from the incident itself was short lived. However, the disruption from the move to a new practice management system continues as our colleagues get used to new ways of working and whilst further developments are made. We are nevertheless excited by the move to the new practice management system as it potentially opens up new revenue streams, primarily from increased pet food sales, as well as improving the ways we interact with our clients.

Whilst like-for-like performance was softer than in previous years we are really pleased with our expansion into the Australian veterinary services market and are delighted to welcome new colleagues from 24 practice acquisitions in Australia to date from July 2023, as well as welcoming new colleagues from five practice acquisitions in the UK. This represents a step up in practice acquisitions and performance has been in line with expectations. The Group's short-term expansion focus will be on the Australian market where there is a strong pipeline of exciting opportunities.

Leverage has increased to 1.54x from 0.73x and remains well within our stated guidance of <2.0x. The increase in net debt by £94.1m to £164.8m comes from acquisition investment of £95.2m (2023: £54.6m) and continued focus on investment in practice facilities of £43.1m (2023: £45.7m). Operating cash conversion remains strong at 70.5%.

The Group continues to deliver its strategy, which translates and is supported by the statutory financial highlights as shown below:

	2024	2023	Change %
Revenue (£m)	**647.3**	588.9	9.9%
Gross profit (£m)	**277.9**	258.1	7.8%
Operating profit (£m)	**50.8**	68.4	-25.7%
Profit before tax (£m)	**38.2**	60.7	-37.1%
Profit from continuing operations (£m)	**26.4**	48.1	-45.1%
Profit for the year including discontinued operations (£m)	**6.4**	41.9	-84.7%
Basic earnings per share (p)	**8.6**	58.8	-85.4%

Adjusted[1] financial highlights

	2024	2023	Change %
Adjusted EBITDA (£m)	**127.3**	121.6	4.7%
Adjusted profit before tax (£m)	**82.7**	87.9	-5.9%
Adjusted earnings per share (p)	**86.6**	98.9	-12.4%

1. Adjusted financial measures (adjusted EBITDA, adjusted profit before income tax and adjusted earnings per share) are defined in the financial statements, and reconciled to the financial measures defined by International Financial Reporting Standards (IFRS) on pages 107 and 108 of the FY24 Annual Report. Management uses adjusted EBITDA and adjusted earnings per share (adjusted EPS) as the basis for assessing the financial performance of the Group. These figures exclude costs relating to business combinations and exceptional items and hence assist in understanding the performance of the Group. These terms are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures.

Revenue

Total revenue increased 9.9% to £647.3m from £588.9m benefitting from acquisitions made during the current and prior year, and a continued focus on people and the provision of care our clients require.

Like-for-like revenue growth of 2.9% (2023: 7.3%) was impacted by the disruption of the cyber incident and subsequent decision to accelerate the IT modernisation programme to a cloud-based solution. We have also experienced softer like-for-like performance from cost of living pressures alongside wider negative publicity following the CMA announcement of the market investigation into the veterinary sector, in addition to the COVID puppy and kitten boom being in their healthy young adult stage requiring less veterinary care.

We are pleased that despite this backdrop our preventative Healthy Pet Club scheme continued to grow in the year increasing by 2.9% to 503,000 at June 2024 from 489,000 at June 2023.

Gross profit/gross profit margin

Gross profit of £277.9m increased by 7.8% from £258.1m benefitting from an increase in revenue partially offset by a decrease in gross profit margin to 42.9% from 43.8%.

Whilst cost of sales excluding clinical staff costs as a percentage of revenue decreased slightly to 22.0% from 22.3%, this was offset by an increase in clinical staff as a percentage of revenue to 35.1% from 33.9% as a result from the disruption from the cyber incident and subsequent roll out of the new practice management system. We continue to invest in our people and our focus on ensuring we purchase drugs at the best possible price whilst maintaining the highest quality to enable us to focus on great clinical care.

Operating profit

Operating profit decreased 25.7% to £50.8m from £68.4m impacted by an increase in depreciation following a step up in recent years in capex investment and an increase in amortisation from increased acquisition investment.

In addition operating profit was impacted by one-off exceptional costs in the year relating to the cyber incident and CMA market investigation and an increase in costs relating to business combinations following our entry into the Australian veterinary services market. The increase in costs relating to business combinations is driven by both the number of acquisitions being made but also an increase in deferred contingent consideration. It is common in Australia to defer a proportion of the acquisition consideration over a number of years. This cost is booked to the income statement and not to goodwill as a result of continuous employment being one of the conditions needed to be met for payment.

The impact of cost and wage inflation and continued investment in people was partially offset by an increase in Research and Development Expenditure Tax Credits (RDEC) to £12.8m (2023: £9.6m) of which £6.3m relates to a change in the discount applied, further information on our recognition approach is explained on page 109 of the FY24 Annual Report.

Profit before tax and basic earnings per share
Profit before tax decreased by 37.1% to £38.2m from £60.7m. Finance expense increased to £12.6m from £7.7m following an increase in the cost of borrowing and increased bank borrowing to support our strategy of investment in our practices and acquisitions. Consequently, basic EPS decreased by 85.4% to 8.6p from 58.8p.

Adjusted EBITDA and adjusted earnings per share
Adjusted EBITDA increased by 4.7% to £127.3m from £121.6m benefitting from an increase in revenue. Adjusted EBITDA margin decreased to 19.7% from 20.6% impacted by disruption from the cyber incident and subsequent roll out of the new practice management system. Adjusted EBITDA margin was also impacted negatively by wage and utility inflation in particular, as well as continued investment in people, partially offset by an increase in Research and Development Expenditure Tax Credits to £12.8m (2023: £9.6m).

Despite the increase in adjusted EBITDA, Adjusted EPS (as defined in note 1 of the FY24 Annual Report) decreased 12.4% to 86.6p from 98.9p impacted by an increase in UK corporation tax rate from 19% to 25% in April 2023 reducing EPS by c.6.0p; an increase in depreciation from increased capital investment in recent years; and an increase in finance expense from increases in both cost of borrowing and net debt. Adjusted EBITDA and adjusted EPS excludes the impact of amortisation of intangible assets, costs relating to business combinations and exceptional items.

A reconciliation between adjusted EBITDA and Operating profit is shown below:

	2024 £m	2023 £m
Adjusted EBITDA	**127.3**	121.6
Adjustments for:		
Amortisation, depreciation, impairment and profit on disposal	**(55.6)**	(47.1)
Costs relating to business combinations	**(15.1)**	(6.1)
Exceptional items*	**(5.8)**	-
Operating profit	**50.8**	68.4

* Exceptional items relate to the cyber incident of £4.2m, and costs incurred regarding engagement with the Competition and Markets Authority of £1.6m.

Long-term prospects for the Group continue to be strong supported by its great people, despite some short-term headwinds the Group has faced over the past twelve months. The fundamentals in the sector remain strong with an increasing pet population, pet life expectancy increasing and continued advancements in the provision of clinical care.

Taxation
The adjusted effective tax rate on profit before tax on continuing operations was 30.9% in 2024 (2023: 20.8%), which reflects the mix of tax rates in the jurisdictions where the Group operates, together with the impact of an increase in non-deductible expenses predominantly in connection with acquisitions.

The loss on disposal of subsidiaries met the conditions of substantial shareholding exemption and resulted in a non-allowable tax loss. The adjusted effective tax rate including discontinued operations was therefore 65.1% in 2024 (2023: 22.2%) and the Group's tax charge for the year was £11.8m (2023: £12.6m).

All of the Group's revenues and the majority of its expenses are subject to corporation tax. The main expenses that are not deductible for tax purposes are costs relating to acquisitions and depreciation on fixed assets that do not qualify for tax relief.

Dividend
The Board is recommending the payment of a final dividend of 8.0p per Ordinary share (2023: 7.5p). Subject to shareholder approval at the Annual General Meeting to be held on 20 November 2024, the dividend will be paid on 29 November 2024 to shareholders on the register at the close of business on 1 November 2024. The ex-dividend date is 31 October 2024.

Cash flow and movement in net debt

	2024 £m	2023 £m
Adjusted EBITDA	**127.3**	121.6
Working capital movements	**(12.5)**	(5.8)
Capital expenditure - maintenance	**(10.3)**	(11.4)
Repayment of right-of-use liabilities	**(14.8)**	(13.3)
Operating cash flow	**89.7**	91.1
Operating cash conversion (%)	**70.5%**	74.9%
Taxation paid	**(15.7)**	(14.9)
Net interest paid	**(12.0)**	(6.5)
Free cash flow	**62.0**	69.7
Capital expenditure - investment	**(32.2)**	(33.2)
Business combinations (net of cash acquired)/other investments	**(96.2)**	(54.6)
Contingent consideration and acquisition costs	**(11.6)**	(4.4)
Dividends paid	**(5.5)**	(5.0)
Other financing activities	**(5.3)**	(3.1)
Cash movement in relation to discontinued operations	**(4.6)**	(7.4)
Impact of foreign exchange	**(0.6)**	-
Net outflow	**(94.0)**	(38.0)
(Decrease)/increase in unamortised borrowing costs	**(0.1)**	2.6
Increase in net debt	**(94.1)**	(35.4)

The Group's operating cash flow for continuing operations decreased by 1.5% to £89.7m (2023: £91.1m) with the increase in adjusted EBITDA offset by negative working capital movements and increase in repayment of right-of-use liabilities. The negative working capital movement was largely driven by RDEC submissions awaiting payment and an increase in stock. The Group's operating cash conversion remained stable at 70.5% in line with expectations set at our Capital Markets Day November 2022.

Free cash flow decreased 11.0% to £62.0m from £69.7m with an increase in finance expense from increases in both cost of borrowing and net debt to support our strategy of investment in our practices and acquisitions.

Net debt increased by £94.1m from £70.7m to £164.8m mainly from an increase in acquisition investment to £96.2m (2023: £54.6m) and continued focus on investment in practice facilities of £42.5m (2024: including discontinued operations £43.1m) (2023: £44.6m, £45.7m including discontinued operations). In addition there were cash outflows in the year for exceptional costs within other financing activities, discontinued operations and an increase in contingent and acquisition costs from an increase in the number of acquisitions made during the year.

Divisional highlights

	2024 £m	2023 £m	Change %
Revenue			
Veterinary practices	**577.5**	522.2	10.6%
Laboratories	**31.6**	29.3	7.9%
Crematoria	**12.0**	10.9	9.7%
Online retail business	**50.0**	49.1	1.8%
Central administration	**(23.8)**	(22.6)	5.3%
Total Group revenue	**647.3**	588.9	9.9%

	2024 £m	2023 £m	Change %
Adjusted EBITDA			
Veterinary practices	**120.1**	116.8	2.8%
Laboratories	**9.2**	9.2	0.8%
Crematoria	**4.3**	3.6	18.7%
Online retail business	**3.3**	3.9	-16.3%
Central administration	**(9.6)**	(11.9)	-19.3%
Total Group adjusted EBITDA	**127.3**	121.6	4.7%

Veterinary practices

Our Companion Animal division forms the majority of our Veterinary Practices division. The focus of our Companion Animal division on delivering care our clients require and benefits from a growing market as customers continue to seek out veterinary care for their pet.

We continue to focus on the recruitment, retention and development of our highly skilled and dedicated colleagues. We employed an average of 5.8% more vets in 2024 vs 2023, reflecting a further reduction in attrition, a record graduate vet intake and the ongoing recruitment of some of the best talent in the profession.

The division also includes Referrals, Equine, Farm, Vet Direct, Mipet Products and our Healthy Pet Programme.

During the year, we opened our state-of-the-art Referral facility Bristol Veterinary Specialists which, since opening, is off to a pleasing start.

We are delighted with the performance of our Australian practices which are all performing in line with expectations.

Laboratories

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

The strong revenue performance in the year was offset by increased inflationary pressures which led to EBITDA remaining flat year on year. However, we continue to see an increase in case volumes with a 7.6% increase to c. 495,000 tests.

4.7%*

Crematoria

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

The strong revenue and adjusted EBITDA growth in the division continued to be driven by the Direct Pet Cremation service, which puts customers directly in contact with crematoria to make pet aftercare arrangements, and giving them more time to consider their range of options which has resulted in significant changes to customers' choices and generated improved customer care.

1.7%*

Online retail business

Our online pet food and retailer "Animed Direct" focuses on supplying pet food and prescription and non- prescription medicine directly to customers.

During the year, we invested in a new packaging machine, enabling more efficient packing with less waste and a greater dispatch capacity.

It was a challenging year for Animed Direct in FY24 but we are confident the launch of our new website in 2025 will bring future growth.

7.5%*

* Revenue share for continuing operations before intercompany sales between practices and other divisions.

Net debt

	2024 £m	2023 £m
Borrowings repayable:		
Within one year	**-**	-
After more than one year:		
Loan facility	**184.5**	95.5
Unamortised borrowing costs	**(3.2)**	(3.3)
Total borrowings	**181.3**	92.2
Cash and cash equivalents	**(16.5)**	(21.5)

Net debt	**164.8**	70.7

The Group's loan facility comprises a £87.5m term loan and £262.5m revolving credit facility. This facility is supported by eight banks. During the year, the Group took the option to utilise the one-year extension and all facilities now run until February 2028. The facility has two key financial covenants:

- net debt to bank-test EBITDA of not more than 3.25x; and
- the bank-test EBITDA to interest ratio of not less than 4.5x.

Bank-test EBITDA is based on the last twelve months' adjusted EBITDA performance annualised for the effect of acquisitions deducting costs relating to acquisition fees and adding back share option expense, prior to the adoption of IFRS 16.

The Group manages its banking arrangements centrally. Funds are swept daily from its various bank accounts into central bank accounts to optimise the Group's net interest payable position.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. During the year, the existing two interest rate hedges in place for a combined amount of £70.0m ceased in February 2024 and the Group entered into two new four-year fixed interest rate swap arrangements to hedge fluctuations in interest rates on £100.0m of its loan facility, which ends on in February 2028.

The Group continues to have a strong balance sheet coupled with the ability to generate cash, which enables it to effectively manage working capital. The Group targets a long-term net debt to EBITDA ratio of less than 2.0x and closely monitors this in line with acquisition investment opportunities.

Goodwill and intangible assets
The Group's goodwill and intangible assets of £334.9m (2023: £256.1m) arise from the various acquisitions undertaken. Each year, the Board reviews goodwill for impairment and, as at 30 June 2024, the Board believes there are no material impairments. The intangible assets arising from business combinations for customer relationships are amortised over an appropriate period.

Going concern
The Directors have considered the Group's medium-term cash forecasts and conducted stress test analysis on these projections in order to assess the Group's ability to continue as a going concern. Having also made appropriate enquiries, the Directors consider it reasonable to assume that the Group has adequate resources to continue for the period of at least twelve months from the date of approval of the financial statements and, for this reason, have continued to adopt the going concern basis in preparing the full year Group financial statements. Further detail is provided on page 86 of the FY24 Annual report.

Share price performance
At the year end, the Company's market capitalisation was £0.7bn (1,008p per share), compared to £1.4bn (1,970p per share) at the previous year end. The Board believes that the share price has been impacted by the CMA review and subsequent investigation into the veterinary sector.

Key contractual arrangements
The Directors consider that the Group has only two significant third-party supplier contracts which are for the supply of veterinary drugs. In the event that these suppliers ceased trading, the Group would be able to continue in business without significant disruption in trading by purchasing from alternative suppliers.

Forward-looking arrangements
Certain statements and arrangements described in the Annual Report and results release are forward looking. Although the Board is comfortable that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

Robin Alfonso
Chief Financial Officer
26 September 2024

The Group's principal risks and uncertainties are available on pages 47 to 55 of the Group's FY24 Annual Report and the Group's key performance indicators are available on pages 24 to 27 of the Group's FY24 Annual Report.

Consolidated income statement

for the year ended 30 June 2024

Continuing operations	Note	**2024 £m**	2023[1] £m
Revenue	2	**647.3**	588.9
Cost of sales		**(369.4)**	(330.8)
Gross profit		**277.9**	258.1
Administrative expenses		**(227.1)**	(189.7)
Operating profit		**50.8**	68.4
Finance expense		**(12.6)**	(7.7)
Profit before tax		**38.2**	60.7
Tax expense	3	**(11.8)**	(12.6)
Profit from continuing operations		**26.4**	48.1
Loss from discontinued operations	9	**(20.0)**	(6.2)
Profit for the year		**6.4**	41.9
Profit attributable to:			
Owners of CVS Group plc		**6.2**	41.9
Non-controlling interests		**0.2**	-
		6.4	41.9
Earnings per Ordinary share (EPS) for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic	4	**36.5p**	67.6p
Diluted	4	**36.5p**	67.3p
Earnings per Ordinary share (EPS) for profit attributable to the ordinary equity holders of the Company:			

equity holders of the Company:			
Basic	4	**8.6p**	58.8p
Diluted	4	**8.6p**	58.5p

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.

Reconciliation of alternative performance measures

The Directors believe that adjusted measures, being adjusted EBITDA, adjusted PBT and adjusted EPS, provide additional useful information for shareholders. These measures are used by the Board and management for planning, internal reporting and setting Director and management remuneration. In addition, they are used by the investor analyst community and are aligned to our strategy and KPIs. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' adjusted measures.

Adjusted EBITDA is calculated by reference to profit before tax for continuing operations, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items. The following table provides the calculation of adjusted EBITDA:

Alternative performance measure: adjusted EBITDA	Note	**2024 £m**	2023[1] £m
Profit before tax from continuing operations		**38.2**	60.7
Adjustments for:			
Finance expense		**12.6**	7.7
Amortisation of intangible assets		**24.8**	22.6
Depreciation of property, plant and equipment		**17.7**	12.6
Depreciation of right-of-use assets		**16.0**	15.2
Depreciation and amortisation attributable to discontinued operations		**(2.6)**	(3.1)
Profit on disposal of property, plant and equipment and right-of-use assets		**(0.3)**	(0.2)
Costs relating to business combinations[2]		**15.1**	6.1
Exceptional items[3]		**5.8**	-
Adjusted EBITDA	2	**127.3**	121.6
Adjusted earnings per share (EPS):			
Adjusted EPS	4	**86.6p**	98.9p
Diluted adjusted EPS	4	**86.5p**	98.4p

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.
2. Includes amounts accrued in respect of contingent consideration in relation to acquisitions in prior years expensed to the income statement and acquisition fees.
3. Exceptional items relate to costs associated with the cyber incident of £4.2m and costs incurred regarding engagement with the Competition and Markets Authority of £1.6m. Further information is available in note 6 of the FY24 Annual Report.

Consolidated and Company statement of financial position

as at 30 June 2024

Company registration number: 06312831

	Note	**Group 2024 £m**	Group 2023 £m
Non-current assets			
Intangible assets		**334.9**	256.1
Property, plant and equipment		**123.0**	101.5
Right-of-use assets		**102.6**	102.9
Investments		**-**	-
Amounts owed by Group undertakings		**-**	-
Derivative financial instruments		**0.9**	-
		561.4	460.5
Current assets			
Inventories		**31.8**	28.4
Trade and other receivables		**67.7**	58.1
Derivative financial instruments		**-**	2.1
Current tax receivable		**12.6**	1.7
Cash and cash equivalents		**16.5**	21.5
		128.6	111.8
Total assets	2	**690.0**	572.3
Current liabilities			
Trade and other payables		**(102.6)**	(91.1)
Provisions		**(0.9)**	(0.7)
Current tax liabilities		**(0.7)**	-
Lease liabilities		**(13.9)**	(13.3)
		(118.1)	(105.1)
Non-current liabilities			
Borrowings	6	**(181.3)**	(92.2)
Lease liabilities		**(92.6)**	(93.6)
Deferred tax liabilities		**(37.5)**	(24.8)
		(311.4)	(210.6)
Total liabilities	2	**(429.5)**	(315.7)
Net assets		**260.5**	256.6
Shareholders' equity			
Share capital		**0.1**	0.1
Share premium		**109.0**	107.0
Capital redemption reserve		**0.6**	0.6

Capital redemption reserve	**0.6**	0.6
Treasury reserve	**-**	-
Cash flow hedge reserve	**0.5**	1.4
Merger reserve	**(61.4)**	(61.4)
Foreign exchange translation reserve	**0.4**	(0.2)
Retained earnings	**211.2**	209.1
	260.4	256.6
Non-controlling interest	**0.1**	-
Total equity	**260.5**	256.6

The financial information comprising the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement and related notes, were authorised for issue by the Board of Directors on 26 September 2024 and were signed on its behalf by:

Richard Fairman **Robin Alfonso**
Director ***Director***

Consolidated statement of changes in equity

for the year ended 30 June 2024

	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Foreign exchange translation reserve £m	Retained earnings £m	**Total £m**	Non-controlling interest £m	Total equity £m
At 1 July 2023	0.1	107.0	0.6	-	1.4	(61.4)	(0.2)	209.1	**256.6**	-	256.6
Profit for the year	-	-	-	-	-	-	-	6.2	**6.2**	0.2	6.4
Other comprehensive income and loss											
Cash flow hedges:											
Fair value loss	-	-	-	-	(1.2)	-	-	-	**(1.2)**	-	(1.2)
Deferred tax on cash flow hedge and available-for-sale financial assets	-	-	-	-	0.3	-	-	-	**0.3**	-	0.3
Exchange differences on translation of foreign operations	-	-	-	-	-	-	0.6	-	**0.6**	-	0.6
Total other comprehensive (loss)/income	-	-	-	-	(0.9)	-	0.6	-	**(0.3)**	-	(0.3)
Total comprehensive (loss)/income	-	-	-	-	(0.9)	-	0.6	6.2	**5.9**	0.2	6.1
Transactions with owners											
Issue of Ordinary shares	-	2.0	-	-	-	-	-	-	**2.0**	-	2.0
Purchase of Treasury shares	-	-	-	(0.9)	-	-	-	-	**(0.9)**	-	(0.9)
Disposal of Treasury shares	-	-	-	0.9	-	-	-	(0.5)	**0.4**	-	0.4
Credit to reserves for share-based payments	-	-	-	-	-	-	-	2.4	**2.4**	-	2.4
Deferred tax relating to share-based payments	-	-	-	-	-	-	-	(0.6)	**(0.6)**	-	(0.6)
Dividends paid	-	-	-	-	-	-	-	(5.4)	**(5.4)**	(0.1)	(5.5)
Total transactions with owners	-	2.0	-	-	-	-	-	(4.1)	**(2.1)**	(0.1)	(2.2)
At 30 June 2024	**0.1**	**109.0**	**0.6**	**-**	**0.5**	**(61.4)**	**0.4**	**211.2**	**260.4**	**0.1**	**260.5**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Treasury reserve £m	Cash flow hedge reserve £m	Merger reserve £m	Foreign exchange translation reserve £m	Retained earnings £m	**Total equity £m**	Non-controlling interest £m	Total equity £m
At 1 July 2022		0.1	105.4	0.6	-	1.6	(61.4)	-	171.1	**217.4**	-	217.4
Profit for the year		-	-	-	-	-	-	-	41.9	**41.9**	-	41.9
Other comprehensive income and loss												
Cash flow hedges:												
Fair value loss		-	-	-	-	(0.2)	-	-	-	**(0.2)**	-	(0.2)
Deferred tax on												

Deferred tax on cash flow hedge and available-for-sale financial assets	-	-	-	-	-	-	-	-	**-**	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(0.2)	-	**(0.2)**	-	(0.2)
Total other comprehensive loss	-	-	-	-	(0.2)	-	(0.2)	-	**(0.4)**	-	(0.4)
Total comprehensive (loss)/income	-	-	-	-	(0.2)	-	(0.2)	41.9	**41.5**	-	41.5
Transactions with owners											
Issue of Ordinary shares	-	1.6	-	-	-	-	-	-	**1.6**	-	1.6
Purchase of Treasury shares	-	-	-	(1.2)	-	-	-	-	**(1.2)**	-	(1.2)
Disposal of Treasury shares	-	-	-	1.2	-	-	-	(0.7)	**0.5**	-	0.5
Credit to reserves for share-based payments	-	-	-	-	-	-	-	1.7	**1.7**	-	1.7
Deferred tax relating to share-based payments	-	-	-	-	-	-	-	0.1	**0.1**	-	0.1
Dividends paid	-	-	-	-	-	-	-	(5.0)	**(5.0)**	-	(5.0)
Total transactions with owners	-	1.6	-	-	-	-	-	(3.9)	**(2.3)**	-	(2.3)
At 30 June 2023	0.1	107.0	0.6	-	1.4	(61.4)	(0.2)	209.1	**256.6**	-	256.6

Consolidated and Company statement of cash flow

for the year ended 30 June 2024

	Note	**Group 2024 £m**	Group 2023 £m
Cash flows from operating activities			
Cash generated from operations	8	**101.8**	107.9
Taxation paid		**(15.7)**	(14.9)
Interest paid		**(12.4)**	(7.2)
Exceptional items		**(5.9)**	(1.3)
Net cash generated from operating activities		**67.8**	84.5
Cash flows from investing activities			
Business combinations (net of cash acquired)	5	**(97.0)**	(54.6)
Purchase of property, plant and equipment		**(39.5)**	(42.3)
Proceeds from sale of property, plant and equipment		**0.2**	0.3
Purchase of intangible assets		**(3.6)**	(3.4)
Payments for financial assets at amortised cost		**(0.6)**	-
Proceeds from sale of other investments		**-**	0.1
Net cash used in investing activities		**(140.5)**	(99.9)
Cash flows from financing activities			
Dividends paid to Company's shareholders	7	**(5.4)**	(5.0)
Dividends paid to non-controlling interests in subsidiaries		**(0.1)**	-
Proceeds from issue of Ordinary shares		**2.0**	1.6
Proceeds from sale of Treasury shares		**0.4**	0.5
Purchase of Treasury shares		**(0.9)**	(1.2)
Repayment of obligations under right-of-use assets		**(15.6)**	(14.1)
Debt issuance costs		**(0.8)**	(3.6)
Repayment of borrowings		**(0.3)**	(0.8)
Increase in borrowings		**89.0**	10.5
Net cash generated from/(used in) financing activities		**68.3**	(12.1)
Effects of exchange rate changes gain		**(0.6)**	-
Net decrease in cash and cash equivalents		**(5.0)**	(27.5)
Cash and cash equivalents at the beginning of the year		**21.5**	49.0
Cash and cash equivalents at the end of the year		**16.5**	21.5

Cash flows from discontinued operations are shown in note 9.

Notes to the consolidated financial statements

for the year ended 30 June 2024

1. General information

The principal activity of CVS Group plc, together with its subsidiaries (the Group), is to operate veterinary practices, complementary veterinary diagnostic businesses, pet crematoria and an online pharmacy and retail business. The principal activity of CVS Group plc (the Company) is that of a holding company.

CVS Group plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England

CVS Group plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England and Wales and its shares are listed on AIM of the London Stock Exchange (CVSG). Its company registration number is 06312831 and registered office is CVS House, Owen Road, Diss, Norfolk IP22 4ER.

Statement under s498 - publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory financial statements for the years ended 30 June 2024 or 2023, for the purpose of the Companies Act 2006, but is derived from those financial statements. Statutory financial statements for 2024, on which the Group's auditors have given an unqualified report which does not contain statements under Section 498(2) or (3) of the Companies Act 2006, will be filed with the Registrar of Companies subsequent to the Group's next annual general meeting. Statutory financial statements for 2023 have been filed with the Registrar of Companies. The Group's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

Basis of preparation

The consolidated and Company financial statements of CVS Group plc have been prepared in accordance with United Kingdom adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and applicable law. The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except for certain financial instruments that have been measured at fair value. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the FY24 financial statements. Further details are provided in the Directors' Report of the Group's FY24 Annual Report.

The accounting policies set out in the FY24 Annual Report have, unless otherwise stated, been applied consistently to all years presented in the financial statements.

Use of alternative performance measures

The Directors believe that adjusted performance measures, provide additional useful information for shareholders. These measures are used by the Board and management for planning, internal reporting and setting Director and management remuneration. In addition, they are used by the investor analyst community and are aligned to our strategy and KPIs. These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' adjusted measures. They are not intended to be a substitute for, or superior to, IFRS measurements of profit or earnings per share.

Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA), adjusted profit before tax (adjusted PBT) and adjusted earnings per share (adjusted EPS)

Adjusted EBITDA is calculated by reference to profit before tax for continuing operations, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items. An exceptional item is where the item is deemed to be outside the ordinary course of business or where the value of the item is such that it distorts the view of performance from the underlying ongoing business and operations.

Adjusted PBT is calculated as profit before tax, amortisation, costs relating to business combinations and exceptional items.

Adjusted EPS is calculated as adjusted PBT attributable to the owners of CVS Group plc, less applicable tax, divided by the weighted average number of Ordinary shares in issue in the period.

The following table provides the calculation of adjusted EBITDA as defined above:

Alternative performance measure: adjusted EBITDA	Note	**2024** **£m**	2023[1] £m
Profit before tax for continuing operations		**38.2**	60.7
Adjustments for:			
Finance expense		**12.6**	7.7
Amortisation of intangible assets		**24.8**	22.6
Depreciation of property, plant and equipment		**17.7**	12.6
Depreciation of right-of-use assets		**16.0**	15.2
Depreciation and amortisation attributable to discontinued operations		**(2.6)**	(3.1)
Profit on disposal of property, plant and equipment and right-of-use assets		**(0.3)**	(0.2)
Costs relating to business combinations[2]		**15.1**	6.1
Exceptional items[3]		**5.8**	-
Adjusted EBITDA		**127.3**	121.6
Adjusted earnings per share from continuing operations (EPS):			
Adjusted EPS	4	**86.6p**	98.9p
Diluted adjusted EPS	4	**86.5p**	98.4p

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.
2. Includes amounts accrued in respect of contingent consideration in relation to acquisitions in prior years expensed to the income statement and acquisition fees.
3. Exceptional items relate to costs associated with the cyber incident of £4.2m and costs incurred regarding engagement with the Competition and Markets Authority of £1.6m. Further information is available in note 6 of the FY24 Annual Report.

The reconciliations for adjusted PBT and adjusted EPS can be found in note 4.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue.

Net debt

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

	2024 **£m**	2023 £m
Borrowings repayable after more than one year:		
Term loan and revolving credit facility	**184.5**	95.5
Unamortised borrowing costs	**(3.2)**	(3.3)
Total borrowings	**181.3**	92.2
Cash and cash equivalents	**(16.5)**	(21.5)
Net debt	**164.8**	70.7

For bank covenant reporting, an alternative calculation for net debt is used. This definition can be found in note 3 of the FY24 Annual Report.

Leverage

Leverage on a bank test basis is drawn bank debt less cash at bank, divided by adjusted EBITDA annualised for the effect of acquisitions, including costs relating to acquisition fees and excluding share option costs, prior to the adoption of IFRS 16.

Like-for-like sales

Like-for-like sales show revenue generated from like-for-like continuing operations compared to the prior year, adjusted for the number of working days. For example, for a practice acquired in September 2022, revenue is included from September 2023 in the like-for-like calculations.

Operating cash conversion

Operating cash conversion is defined as cash flows from operating activities adjusted for discontinued operations, acquisition fees and contingent consideration paid, less lease liability repayment and maintenance capital expenditure; divided by adjusted EBITDA.

Free cash flow

Free cash flow is defined as cash flows from operating activities adjusted for discontinued operations, acquisition fees and
contingent consideration paid, less lease liability repayment, maintenance capital expenditure, net interest paid and taxation
paid.

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, operating segments, is based on the Group's management and internal reporting structure and monitored by the Group's Chief Operating Decision Maker (CODM).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest-bearing borrowings and associated costs, tax-related assets and liabilities, costs relating to business combinations, and Head Office salary and premises costs.

Revenue comprises £469.9m of fees and £177.4m of goods (2023: £428.0m and £160.9m respectively).

Operating segments

The Group is split into four operating segments (Veterinary Practices, Laboratories, Crematoria and Online Retail Business) and a centralised support function (Central administration) for business segment analysis. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services.

Each of these operating segments is managed separately as each segment requires different specialisms, marketing approaches and resources. Intra-group sales eliminations are included within the Central administration segment. Central administration includes costs relating to the employees and property and other overhead costs associated with the centralised support function together with finance costs arising on the Group's borrowings.

Year ended 30 June 2024	**Veterinary Practices £m**	**Laboratories £m**	**Crematoria £m**	**Online Retail Business £m**	**Central administration £m**	**Group £m**	Discontinued operations £m
Revenue	**577.5**	**31.6**	**12.0**	**50.0**	**(23.8)**	**647.3**	17.5
Adjusted EBITDA	**120.1**	**9.2**	**4.3**	**3.3**	**(9.6)**	**127.3**	(2.1)
Profit/(loss) before tax	**56.7**	**8.0**	**3.6**	**3.2**	**(33.3)**	**38.2**	(5.5)
Total assets	**567.6**	**49.3**	**25.9**	**21.2**	**26.0**	**690.0**	-
Total liabilities	**(190.0)**	**(2.2)**	**(2.3)**	**(15.5)**	**(219.5)**	**(429.5)**	-
Reconciliation of adjusted EBITDA							
Profit/(loss) before tax	**56.7**	**8.0**	**3.6**	**3.2**	**(33.3)**	**38.2**	(5.5)
Finance expense	**3.9**	**-**	**-**	**-**	**8.7**	**12.6**	0.8
Amortisation of intangible assets	**23.4**	**-**	**0.1**	**0.1**	**-**	**23.6**	1.2
Depreciation of property, plant and equipment	**14.9**	**1.0**	**0.7**	**-**	**0.4**	**17.0**	0.7
Depreciation of right-of-use assets	**14.6**	**0.1**	**-**	**-**	**0.6**	**15.3**	0.7
Profit on disposal of property, plant and equipment and right-of-use assets	**(0.2)**	**-**	**(0.1)**	**-**	**-**	**(0.3)**	-
Costs relating to business combinations	**6.1**	**-**	**-**	**-**	**9.0**	**15.1**	-
Exceptional items	**0.7**	**0.1**	**-**	**-**	**5.0**	**5.8**	-
Adjusted EBITDA	**120.1**	**9.2**	**4.3**	**3.3**	**(9.6)**	**127.3**	(2.1)

Year ended 30 June 2023	Veterinary Practices[1] £m	Laboratories £m	Crematoria £m	Online Retail Business £m	Central administration £m	Group[1] £m	Discontinued operations £m
Revenue	522.2	29.3	10.9	49.1	(22.6)	588.9	19.4
Adjusted EBITDA	116.8	9.2	3.6	3.9	(11.9)	121.6	(0.2)
Profit/(loss) before tax	66.5	8.2	3.1	3.8	(20.9)	60.7	(6.8)
Total assets	471.9	44.0	23.9	19.4	13.1	572.3	-
Total liabilities	(171.3)	(5.3)	(3.2)	(15.5)	(120.4)	(315.7)	-
Reconciliation of adjusted EBITDA							

Profit/(loss) before tax	66.5	8.2	3.1	3.8	(20.9)	60.7	(6.8)
Finance expense	3.5	-	-	-	4.2	7.7	0.7
Amortisation of intangible assets	21.0	-	-	0.1	-	21.1	1.5
Depreciation of property, plant and equipment	10.1	0.9	0.5	-	0.3	11.8	0.8
Depreciation of right-of-use assets	13.9	0.1	-	-	0.4	14.4	0.8
Profit on disposal of property, plant and equipment and right-of-use assets	(0.2)	-	-	-	-	(0.2)	-
Costs relating to business combinations	2.0	-	-	-	4.1	6.1	0.5
Exceptional items	-	-	-	-	-	-	2.3
Adjusted EBITDA	116.8	9.2	3.6	3.9	(11.9)	121.6	(0.2)

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.

Geographical segments

The business operates predominantly in the UK. As at 30 June 2024, it has 28 veterinary practice sites in Australia. It performs a small amount of laboratory work and teleradiology work for Europe-based clients and a small amount of teleradiology work for clients based in the rest of the world. In accordance with IFRS 8, 'Operating Segments', no segment results are presented for operations in Australia or trade with clients in Europe or the rest of the world as these are not reported separately for management reporting purposes and are not considered material for separate disclosure.

Revenue and non-current assets split between the United Kingdom and Australia are shown below. All prior year revenue and non-current assets relate to the United Kingdom.

Revenue

UK £625.2m

Rest of world £22.1m

Non-current assets

UK £459.8m

Rest of world £101.6m

3. Tax expense

a) Analysis of tax expense recognised in the income statement

	2024 £m	2023 £m
Current tax		
Current tax on profits for the year	**14.6**	14.1
Adjustments in respect of previous years	**(2.0)**	(2.3)
Total current tax charge	**12.6**	11.8
Deferred tax		
Origination and reversal of temporary differences	**(1.8)**	(0.2)
Adjustments in respect of previous years	**1.0**	0.4
Total deferred tax (credit)/charge	**(0.8)**	0.2
Total tax expense	**11.8**	12.0
Income tax expense attributable to:		
Profit from continuing operations	**11.8**	12.6
Loss from discontinued operations	**-**	(0.6)
	11.8	12.0

b) Reconciliation of effective tax charge

The UK corporation tax rate is calculated using the UK standard rate of tax for the year of 25.0% (2023: blended rate 20.5%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The total taxation charge for the year differs from the theoretical amount that would arise using the standard rate of UK corporation tax of 25.0% (2023: blended rate 20.5%) as explained below:

	2024 £m	2023 £m
Profit before tax for continuing operations	**38.2**	60.7
Loss before tax for discontinued operations	**(20.0)**	(6.8)
Profit before tax	**18.2**	53.9
Effective tax charge of 25.0% (2023: 20.5%)	**4.5**	11.1
Effects of:		
Expenses not deductible for tax purposes	**3.3**	1.3
Non-allowable loss on sale of subsidiaries	**3.6**	-
Adjustments to deferred tax charge in respect of previous years	**1.0**	0.4
Adjustments to current tax charge in respect of previous years	**(2.0)**	(2.3)
Current year tax losses not recognised/utilisation of brought forward losses previously unrecognised	**1.3**	0.6
Effect of difference between closing deferred tax rate and current tax rate	**-**	0.9
Impact of tax rates in overseas jurisdictions	**0.1**	-
Total tax expense	**11.8**	12.0

Factors affecting the current tax charge

The effective tax rate on reported profits is 65.1% (2023: 22.2%) and has increased from the prior year mainly due to an increase in non-deductible expenses predominantly in connection with acquisitions, and as a result of the loss on disposal of subsidiaries resulting in non-allowable tax losses as the conditions of substantial shareholding exemption were met.

Total tax expense of £11.8m (2023: £12.6m) on continuing operations would represent an effective tax rate on profit before tax for continuing operations of 30.9% (2023: 20.8%).

Changes in tax rates

The Group's future tax charge, and effective tax rate, could be affected by several factors including changes in tax laws and rates in the respective jurisdictions.

Uncertain tax position

The Group recognises taxation based on estimates of whether taxes will be due. No material uncertain tax positions exist at 30 June 2024.

OECD Pillar Two - Global Minimum Tax

The UK substantively enacted the OECD Pillar Two global minimum tax model rules of the OECD's Inclusive Framework on Base Erosion and Profit Shifting in June 2023 (the Pillar Two rules). The legislation will come into effect for accounting periods from 1 January 2024, making it effective for the Group from 1 July 2024.

Since the legislation was not effective at the reporting date, the Group has no related current tax exposure in FY24. The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two.

Under the Pillar Two rules, a top-up tax arises where the effective tax rate of the Group's operations in any individual jurisdiction, calculated using principles set out in Pillar Two legislation, is below a 15% minimum rate. Any resulting tax would be payable by CVS Group plc to the UK tax authority (HMRC) being the Group's ultimate parent.

The Group is in the process of assessing its exposure to Pillar Two legislation for when it comes into effect for the Group. The quantitative impact of the Pillar Two rules is not yet reasonably able to be estimated.

In May 2023, the Australian Government announced it will implement key aspects of Pillar Two. The measure is not yet law in Australia. The Group continues to monitor the enactment of Pillar Two rules in Australia to ensure compliance with obligations.

4. Earnings per Ordinary share

a) Reconciliation of earnings

	2024 £m	2023[1] £m
Profit from continuing operations	**26.4**	48.1
Profit attributable to non-controlling interest	**(0.2)**	-
Profit for the year from continuing operations attributable to equity holders of the Company	**26.2**	48.1
Profit for the year from discontinued operations attributable to equity holders of the Company	**(20.0)**	(6.2)
Profit for the year attributable to equity holders of the Company	**6.2**	41.9

b) Basic

	2024	2023[1]
Weighted average number of Ordinary shares in issue	**71,595,871**	71,272,880
Basic earnings per share from continuing operations attributable to the ordinary equity holders of the Company (pence)	**36.5**	67.6
Basic earnings per share from discontinued operations attributable to the ordinary equity holders of the Company (pence)	**(27.9)**	(8.8)
Total basic earnings per share attributable to the ordinary equity holders of the Company (pence)	**8.6**	58.8

c) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Ordinary shares outstanding to assume conversion of all dilutive potential Ordinary shares. The Company has potentially dilutive Ordinary shares, being the contingently issuable shares under the Group's LTIP schemes and SAYE schemes. For both share option schemes, a calculation is undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2024	2023[1]
Weighted average number of Ordinary shares in issue	**71,595,871**	71,272,880
Adjustment for contingently issuable shares - LTIPs	**-**	173,688
Adjustment for contingently issuable shares - SAYE schemes	**60,844**	205,853
Weighted average number of Ordinary shares for diluted earnings per share	**71,656,715**	71,652,421
Diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company (pence)	**36.5**	67.3
Diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the Company (pence)	**(27.9)**	(8.8)
Total diluted earnings per share attributable to the ordinary equity holders of the Company (pence)	**8.6**	58.5

d) Alternative performance measure: adjusted earnings per share

	2024 £m	2023[1] £m
Profit before tax for continuing operations	**38.2**	60.7
Adjustments for:		
Amortisation of intangible assets	**24.8**	22.6
Amortisation of intangible assets attributable to discontinued operations	**(1.2)**	(1.5)
Costs relating to business combinations	**15.1**	6.1
Exceptional items	**5.8**	-
Adjusted profit before tax	**82.7**	87.9
Tax expense amended for the above adjustments	**(20.4)**	(17.5)

Adjusted profit after tax	**62.3**	70.4
Less: adjusted profit after tax attributable to non-controlling interest	**(0.2)**	-
Adjusted profit after tax attributable to the parent	**62.1**	70.4
Weighted average number of Ordinary shares in issue	**71,595,871**	71,272,880
Weighted average number of Ordinary shares for diluted earnings per share	**71,656,715**	71,652,421

	Pence	Pence
Adjusted earnings per share	**86.6**	98.9
Diluted adjusted earnings per share	**86.5**	98.4

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.

5. Business combinations

Details of business combinations in the year ended 30 June 2024 are set out below. The reason for each acquisition was to expand the CVS Group business through acquisitions aligned to our strategic goals.

Name of business combination	% Share capital acquired	Date of acquisition	Country of incorporation
Vetright Pty Ltd t/a McDowall Veterinary Practice	75%	26 July 2023	Australia
McDowall Veterinary Hospital Pty Ltd t/a Warner Vet	100%	26 July 2023	Australia
Brunker Road Veterinary Centre Pty Limited	100%	17 August 2023	Australia
Cattle Dog Health Pty Ltd t/a Happy Pets Family Vet	100%	23 August 2023	Australia
North Road Veterinary Centre	Trade and asset	23 August 2023	Australia
3Tab Holdings Limited and Bridge Veterinary Practice Limited collectively trading as Bridge Veterinary Practice	100%	15 September 2023	United Kingdom
Masefield Veterinary Services Ltd t/a Masefield Veterinary Centre	100%	18 September 2023	United Kingdom
The Liverpool Vets Limited	100%	3 October 2023	United Kingdom
Northgate Veterinary Surgery and St Vincents Vets	Trade and asset	25 October 2023	Australia
Parkinson Veterinary Surgery	Trade and asset	25 October 2023	Australia
Fernside Veterinary Centre Limited	100%	9 November 2023	United Kingdom
Southside Animal Hospital Pty Ltd	100%	10 November 2023	Australia
Brimbank Veterinary Clinic	Trade and asset	28 November 2023	Australia
Toowoomba Family Vets and Vet Referral Pty Ltd t/a Red Vets Toowoomba	100% and Trade and asset	1 December 2023	Australia
Wattle Grove Veterinary Hospital	Trade and asset	12 December 2023	Australia
Bayside Animal Medical Centre	Trade and asset	14 December 2023	Australia
Biome Vet Pty Ltd t/a Weston Creek Veterinary Hospital	100%	15 December 2023	Australia
Ark Animal Services Limited t/a Ark Veterinary Surgery	100%	12 February 2024	United Kingdom
Walkerville Vet	Trade and asset	25 March 2024	Australia
Selwood House Vets Pty Ltd	80%	09 April 2024	Australia
GVHCO Pty Ltd t/a Gordon Veterinary Hospital	100%	11 April 2024	Australia
Mayfield Veterinary Hospital, Georgetown Veterinary Clinic and Stockton Veterinary Clinic	Trade and asset	16 May 2024	Australia
Grantham Street Veterinary Clinic and Dalkeith Veterinary Clinic	Trade and asset	22 May 2024	Australia
North Perth Veterinary Centre	Trade and asset	22 May 2024	Australia
Northam Veterinary Centre	Trade and asset	22 May 2024	Australia
The Gap Veterinary Surgery	Trade and asset	28 May 2024	Australia
Mossman Park Veterinary Hospital	Trade and asset	29 May 2024	Australia

The table below summarises the total assets acquired through business combinations in the year ended 30 June 2024:

	Book value of acquired assets £m	**Fair value adjustments £m**	**Fair value £m**
Property, plant and equipment	**2.3**	**-**	**2.3**
Patient data records	**-**	**45.4**	**45.4**
Right-of-use assets	**8.1**	**-**	**8.1**
Inventories	**0.8**	**-**	**0.8**
Deferred tax asset/(liability)	**0.2**	**(13.2)**	**(13.0)**
Trade and other receivables	**1.4**	**-**	**1.4**
Cash	**4.1**	**-**	**4.1**
Trade and other payables	**(4.4)**	**-**	**(4.4)**
Loans	**(0.3)**	**-**	**(0.3)**
Lease liabilities	**(8.1)**	**-**	**(8.1)**
Total identifiable assets	**4.1**	**32.2**	**36.3**
Goodwill			**64.6**
Total purchase consideration			**100.9**

Purchase consideration - cash outflow

	2024 £m	2023 £m
Total purchase consideration	**100.9**	62.3
Less:		
Deferred consideration payable	**(1.6)**	(1.2)
Contingent consideration payable	**-**	(1.5)
Cash acquired	**(4.1)**	(5.0)
Cash outflow for in-year acquisitions	**95.2**	54.6
Add:		
Deferred consideration paid on prior period acquisitions	**1.0**	-
Contingent consideration paid on prior period acquisitions	**0.8**	-
Net outflow of cash - investing activities	**97.0**	54.6

The total consideration of £100.9m is prior to the agreement of the completion accounts. The amounts recognised are subject to adjustment in line with IFRS 3 for up to twelve months from acquisition, with goodwill being adjusted accordingly.

Goodwill and intangible assets recognised in the year relating to business combinations are not expected to be deductible for tax purposes.

Acquired receivables

The fair value of acquired trade receivables is £1.4m. The gross contractual amount for trade receivables due is £1.4m with a loss allowance of £nil recognised on acquisition.

Acquisitions with non-controlling interests

On 26 July 2023, the Group acquired a 75% interest in Vetright Pty Ltd (included above) in Australia for consideration of £9.2m. The identifiable net assets at acquisition were valued at £3.8m, of which 25% will be attributed to non-controlling interest (NCI). NCI is measured at the proportionate share of the identifiable net assets at the date of acquisition. The acquisition comprised net assets (being principally patient data records) with a fair value of £3.8m, resulting in goodwill of £5.4m.

On 9 April 2024, the Group acquired an 80% interest in Selwood House Vets Pty Ltd (included above) in Australia for consideration net of cash acquired of £1.8m. The identifiable net assets at acquisition were valued at £0.7m, of which 20% will be attributed to NCI. NCI is measured at the proportionate share of the identifiable net assets at the date of acquisition. The acquisition comprised net assets (being principally patient data records) with a fair value of £0.7m, resulting in goodwill of £1.1m.

Goodwill recognised represents the excess of purchase consideration over the fair value of the identifiable net assets. Goodwill reflects the synergies arising from the combination of the businesses; this includes the assembled workforce and clinical knowledge, cost synergies arising from shared support functions as well as buying power synergies. Goodwill includes the recognition of an amount equal to the deferred tax that arises on non-qualifying fixed assets acquired under a business combination.

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Vetright Pty Ltd and Selwood House Vets Pty Ltd, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See note 2 of the FY24 Annual Report for the Group's accounting policies for business combinations.

Revenue and profit contribution

If the acquisitions made in the period had been owned for the full year it is estimated that revenue would have been £50.2m and adjusted EBITDA £13.1m for the acquired businesses.

Post-acquisition revenue and post-acquisition adjusted EBITDA were £26.9m and £7.2m respectively. The post-acquisition period is from the date of acquisition to 30 June 2024. Post-acquisition EBITDA represents the direct operating result of practices from the date of acquisition to 30 June 2024 prior to the allocation of central overheads, on the basis that it is not practicable to allocate these.

Acquisition-related costs

Acquisition costs of £9.0m (2023: £4.4m) are included within other expenses in note 6 of the FY24 Annual Report.

Contingent consideration, expensed to the income statement, of £6.1m (2023: £1.7m) are included within other expenses in note 6 of the FY24 Annual Report.

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

Contingent consideration

At the acquisition date of each acquisition contingent consideration of £nil is recognised. Contingent consideration is expensed to the income statement for a period of up to three years subject to meeting fixed profitability and employment targets. If these targets are met, an aggregated £11.5m of contingent consideration would be payable on the first anniversary of the acquisitions, an aggregated £11.2m would be payable on the second anniversary of the acquisitions and an aggregated £6.3m would be payable on the third anniversary of the acquisitions.

Business combinations in previous years

Details of business combinations in the comparative year are presented in the consolidated financial statements for the year ended 30 June 2023. Adjustments to the provisional amounts during the measurement period has result in additional goodwill of £0.7m offset by a reduction in property, plant and equipment of £0.5m resulting in an increase in consideration payable of £0.2m.

During the year, £1.0m (2023: £nil) was paid to settle deferred consideration payable from the prior year and £0.8m was paid to settle contingent consideration payments (2023: £nil).

Contingent consideration of £0.8m paid relates to a business combination made in the prior year where consideration is payable over a three-year period based on the veterinary practice reaching certain adjusted EBITDA targets. This is held at fair value and it is expected that this will be payable. As at 30 June 2024, £0.7m remains payable (2023: £1.5m).

Business combinations subsequent to the year end

Details of business combinations made subsequent to the year end are set out below. The reason for each acquisition was to expand the CVS Group business through acquisitions aligned to our strategic goals.

% Share capital Country of

Name of business combination	acquired	Date of acquisition	incorporation
Pet Universe	Trade and asset	2 July 2024	Australia
Direct Vet Services	Trade and asset	2 September 2024	Australia

The table below summarises the total assets acquired through business combinations subsequent to the year end:

	Book value of acquired assets	**Fair value adjustments**	**Fair value**
	£m	**£m**	**£m**
Property, plant and equipment	**0.6**	**-**	**0.6**
Patient data records	**-**	**3.0**	**3.0**
Right-of-use assets	**0.8**	**-**	**0.8**
Deferred tax liability	**0.1**	**(0.9)**	**(0.8)**
Trade and other payables	**(0.2)**	**-**	**(0.2)**
Lease liabilities	**(0.8)**	**-**	**(0.8)**
Total identifiable assets	**0.5**	**2.1**	**2.6**
Goodwill			**2.8**
Total purchase consideration			**5.4**

Purchase consideration - cash outflow

	£m
Total purchase consideration	**5.4**
Less:	
Deferred consideration payable	**(0.1)**
Net outflow of cash	**5.3**

The total consideration of £5.3m is prior to the agreement of the completion accounts. The amounts recognised are subject to adjustment in line with IFRS 3 for up to twelve months from acquisition, with goodwill being adjusted accordingly.

Goodwill and intangible assets recognised in the year relating to business combinations are not expected to be deductible for tax purposes.

6. Borrowings

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

Group	**2024 £m**	2023 £m
Within one year or on demand	**-**	-
Between one and two years	**-**	-
After more than two years	**181.3**	92.2
	181.3	92.2

The balances above are shown net of issue costs of £3.2m (2023: £3.3m), which are being amortised over the term of the bank loan. The carrying amount of borrowings is deemed to be a reasonable approximation to fair value.

The Group has total facilities of £350.0m to 21 February 2028, provided by a syndicate of eight banks: AIB, Barclays, Danske, HSBC, JP Morgan, Lloyds, NatWest and Virgin Money. The facility comprises the following elements:

- a fixed-term loan of £87.5m, repayable on 21 February 2028 via a single bullet repayment;
- a revolving credit facility of £262.5m, available to 21 February 2028; and
- we retain our £5.0m overdraft facility, renewable annually.

The two financial covenants associated with these facilities are based on the ratios of bank-test net debt to bank-test EBITDA and bank-test EBITDA to interest. The bank-test net debt to bank-test EBITDA ratio must not exceed 3.25x. The bank-test EBITDA to interest ratio must not be less than 4.5x. The facilities require cross-guarantees from the most significant of CVS Group's trading subsidiaries but are not secured on the assets of the Group.

Bank-test EBITDA is based on the last twelve months' adjusted EBITDA performance annualised for the effect of acquisitions deducting costs relating to business combinations and adding back share option expense, prior to the impact of IFRS 16.

Bank covenants are tested quarterly and the Group has considerable headroom in both financial covenants and in its undrawn but committed facilities as at 30 June 2024. More information can be found in note 3 of the FY24 Annual Report.

Interest rate risk is also managed centrally and derivative instruments are used to mitigate this risk. On 31 January 2024, the Group entered into a four-year interest rate fixed swap arrangement to hedge fluctuations in interest rates on £100.0m of its term loan.

At the year end, £100.0m (2023: £70.0m) of the combined term loan and revolving credit facility was hedged using an interest rate swap. The remainder of the debt is not hedged. Further information on the cash flow hedge can be found in note 17 of the FY24 Annual Report.

Undrawn committed borrowing facilities

At 30 June 2024, the Group has a committed overdraft facility of £5.0m (2023: £5.0m) and an RCF of £262.5m (2023: £262.5m). The overdraft was undrawn at 30 June 2024 (2023: undrawn) and the RCF was £165.5m undrawn (2023: £254.5m undrawn).

7. Dividends

Dividends

The Directors have proposed a final dividend of 8.0p (2023: 7.5p) per share, giving a total of £5.7m (2023: £5.4m). During the year, the 2023 final dividend totalling £5.4m was paid (2023: £5.0m).

Dividends paid to non-controlling interests amount to £0.1m (2023: £nil).

8. Cash flow generated from operations

Group

	Group	
	2024	2023
	£m	£m
Profit/(loss) for the year	**6.4**	41.9
Tax expense	**11.8**	12.0
Finance expense	**13.4**	8.4
Loss on sale of discontinued operation	**14.3**	-
Amortisation of intangible assets	**24.8**	22.6
Depreciation of property, plant and equipment	**17.7**	12.6
Depreciation and impairment of right-of-use assets	**16.0**	15.2
Profit on sale of property, plant and equipment and right-of-use assets	**(0.3)**	(0.2)
Increase in inventories	**(3.0)**	(1.8)
(Increase)/decrease in trade and other receivables	**(17.4)**	(4.6)
Increase/(decrease) in trade and other payables	**10.2**	(0.8)
Decrease in provisions	**(0.3)**	(1.4)
Share option expense	**2.4**	1.7
Exceptional items	**5.8**	2.3
Total net cash flow generated from operations	**101.8**	107.9

9. Discontinued operations
On 21 May 2024, the Group announced the disposal of its Netherlands and Republic of Ireland operations. The subsidiary entities were sold on 29 May 2024 and this is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 28 May 2024 (2024 column) and the year ended 30 June 2023.

	2024	2023
	£m	£m
Revenue	**17.5**	19.4
Expenses	**(23.0)**	(26.2)
Loss before tax	**(5.5)**	(6.8)
Tax expense	**-**	0.6
Loss after tax of discontinued operations	**(5.5)**	(6.2)
Loss on sale of the subsidiaries after tax	**(14.5)**	-
Loss from discontinued operations	**(20.0)**	(6.2)
Exchange differences on translation of discontinued operations	**(0.2)**	(0.2)
Other comprehensive loss from discontinued operations	**(20.2)**	(6.4)
Net cash outflow from operating activities	**(2.7)**	(5.7)
Net cash outflow from investing activities	**(1.1)**	(0.9)
Net cash (outflow)/inflow from financing activities	**(0.8)**	(0.8)
Net decrease in cash generated by the discontinued operation	**(4.6)**	(7.4)

Details of the sale of the discontinued operation

	2024	2023
	£m	£m
Consideration received*	**-**	-
Carrying amount of net assets sold	**(14.3)**	-
Loss on sale before income tax and reclassification of foreign currency translation reserve	**(14.3)**	-
Reclassification of foreign currency translation reserve	**(0.2)**	-
Tax on gain	**-**	-
Loss on sale after tax	**(14.5)**	-

* Consideration received was €2.

The carrying amounts of assets and liabilities as at the date of sale (29 May 2024) were:

	29 May 2024
	£m
Intangible assets	**11.0**
Property, plant and equipment	**2.0**
Right-of-use assets	**6.2**
Inventories	**1.0**
Trade receivables	**2.8**
Total assets	**23.0**
Trade creditors	**(1.8)**
Lease liabilities	**(6.7)**
Deferred tax	**(0.2)**
Total liabilities	**(8.7)**
Net assets	**14.3**

10. Events after the reporting period
Since 30 June 2024, the Group has completed two acquisitions comprising of three practice sites for initial cash consideration of £5.3m (Australian 10.3m), detailed below. This is aligned with the Group's strategic goals.

Name of business combination	% Share capital acquired	Date of acquisition	Country of incorporation
Pet Universe	Trade and asset	2 July 2024	Australia
Direct Vet Services	Trade and asset	2 September 2024	Australia

Further information on these business combinations can be found in note 5.

In addition the Group has exchanged contracts in respect of a further two acquisitions of additional small animal first-opinion veterinary practices in Australia, with completion expected in due course. Consideration for these pending acquisition is £15.3m.

11. Related party transactions
Directors' and key management's compensation is disclosed in note 8 of the FY24 Annual Report.

Company
During the year, the Company had the following transactions with CVS (UK) Limited:

	2024 £m	2023 £m
Recharge of expenses incurred by CVS (UK) Limited on behalf of the Company	**(0.9)**	(0.8)
Cash advanced to fund payment of dividend	**(5.4)**	(5.0)

The following balances were owed by related companies:

	2024		2023	
	Receivable £m	**Payable £m**	Receivable £m	Payable £m
CVS (UK) Limited	**70.9**	**-**	75.2	-

Amounts owed by CVS (UK) Limited are unsecured and interest free and have no fixed date of repayment.

Transactions with Directors and key management
On 24 November 2022, the Group completed the purchase of 100.0% of the share capital of The Harrogate Vet Limited, a company registered in England and Wales, comprising one companion animal veterinary practice site in the UK. Prior to acquisition, the company was partially owned by the spouse of one of the Executive Directors of the Group, and as such the acquisition was considered a related party transaction. The terms of the acquisition, including consideration paid, were on an arm's length basis and consistent with acquisitions of other unrelated entities.

During the year, £0.4m contingent consideration was paid and £0.7m remains payable to the related party contingent on fixed EBITDA targets within the practice acquired. The related party remained in part-time employment within the Group and received a salary in 2024 of £23,556 (2023: £15,400) which is on an arm's length basis.

During the year, the Group divested its operations in the Netherlands and the Republic of Ireland to a member of key management personnel who was not a Director of the Company, and ceased to be an employee of the Group following divestment. A short-term interest-bearing loan on an arms-length basis was made to Global Veterinary Excellence Limited, a company owned by the member of key management personnel for £600,000, repayable in May 2025. Further information is shown in note 9. The following dividends were paid to the Directors of the Group:

	2024 £	2023 £
R Connell	**12,675**	11,830
R Gray	**450**	420
D Kemp	**601**	561
D Wilton	**488**	455
R Fairman	**4,904**	1,381
B Jacklin	**2,662**	467
R Alfonso	**1,183**	-
Spouse of R Fairman	**908**	848
Spouse of B Jacklin	**92**	86
Spouse of R Alfonso	**261**	243

Ultimate controlling party
The Directors consider there is no ultimate controlling party.

12. Exceptional items

	2024 £m	2023[1] £m
Competition and Markets Authority[2]	1.6	-
Cyber incident;		
Legal costs	2.2	-
Additional IT infrastructure	0.3	-
Security risk management software	0.5	-
Staff and consultant costs	0.7	-
Property cost provision	0.5	-
	5.8	-

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 9 for further details.
2. Cost incurred regarding engagement with the Competition and Markets Authority including legal and economist fees.

END

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