Foundations in place for long term growth

CVS Group plc
Annual Report and Financial Statements
for the year ended 30 June 2024

Excellent care and attention paid to ensure Jaxon and I were well looked after on our visit to the vets. Well done, Stow Vets.”

Stow Veterinary Centre

Took my puppy to get his first check up and all I can say is what a great group of people they have working there. I had everything explained as it was happening. The girls on reception were fantastic as well. Very friendly service. Thank you all.”

3 Mile Veterinary Centre

My dear little cat went to have dental work and a good clean of teeth and a full check up. They looked after him very well and being a member of the Healthy Pet Club saved me a lot of money!!! Thanks guys!!”

Westmoor Vets

Unbelievable top-class level of care, compassion and treatment of our cat following a road traffic accident recently. Thanks to everyone kindly involved.”

Melbourne Veterinary Centre

They have taken care of my dog for almost ten years. Usually, just as simple as a health check or vaccinations, but when my dog needed a serious operation due to cancer they also did a fantastic job from start to finish.”

The Johnston Veterinary Clinic

Cannot thank the team at Chestergates enough for the care of my dog Bert after he was referred due to “stroke” type symptoms. Megan from the neurology team and Matt from the medical team, thank you again.”

Chestergates Veterinary Specialists

Tha
Yo

Special thanks to all the vets, nurses and care staff for the professionalism, love and care given to my little sausage dog Dexter who nearly drowned in the river. I cannot thank you all enough.”

Okeford Veterinary Centre

"The vet that examined my dog was fantastic and did all the tests I was after for my pooch. I also liked how I was made aware of the cost of examination and treatments to give me that option."

Tremain Veterinary Group

"Tommy was rushed to Lumbry Park after an artery bleed and losing 30% of his blood. Amazing care and communication. Thank you."

Lumbry Park Veterinary Specialists

ank
ou

"Thank you so much to all the staff at Castle Vets who helped and supported me when the time came to say goodbye to my beloved Buddy. It's the worst part of pet ownership having to let them go, but the staff made a really difficult decision that little bit easier. Caring, considerate and respectful."

Castle Vets

"We were referred here following Bailey's cancer diagnosis and it soon became evident that her prognosis was poor (three weeks without treatment) that was in May. We opted for radiotherapy to hopefully give us more time with her under the guidance of Oncology, who we have to say has been absolutely brilliant along with her team, going above and beyond on numerous occasions. Bailey is still with us more than three months later and for that we are forever grateful."

Bristol Vet Specialists

"Pembrokeshire vets definitely always gives first-class service and advice and I always feel happy with my herd success in the show ring, which comes from great management and a great vet."

Pembrokeshire Farm Vets

Care is at the heart of what we do and this starts with the dedication and passion of our colleagues as they give the best possible care to our clients and their animals.

This is demonstrated by some of the thank you notes received.

Delivering on our strategy

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 care to its clients and their animals, with outstanding and dedicated clinical and support teams at the core of its strategy.

Operational highlights

- We have continued investment in our facilities and equipment, with total capital expenditure of £43.1m, including the rollout of a new cloud-based practice management system
- We entered the Australian veterinary services market and completed 22 acquisitions of 28 practice sites in the year
- We have acquired a further five practices in the UK (six practice sites)
- We divested our sub-scale Netherlands and Republic of Ireland operations
- We have increased the number of vets by 5.8% (10.7% including acquisitions)
- We have reviewed our colleague benefits and increased our employer pension contributions

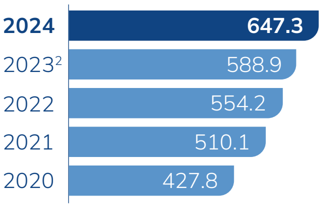
Read more about our strategy on pages 22 and 23

Read more about CVS within our Sustainability Report 2024 at cvsukltd.co.uk

Highlights

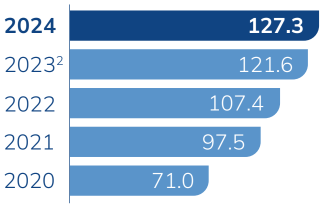
Revenue (£m)

£647.3m
+9.9%



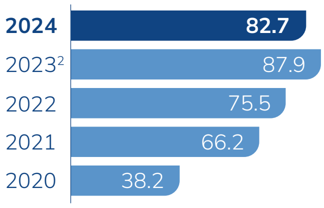
Adjusted EBITDA[1] (£m)

£127.3m
+4.7%



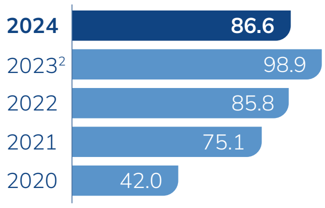
Adjusted profit before tax[1] (£m)

£82.7m
-5.9%



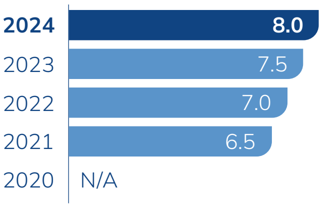
Adjusted earnings per share[1] (p)

86.6p
-12.4%



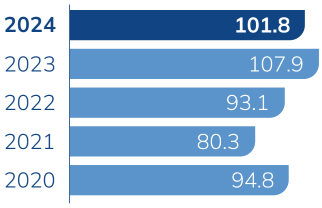
Proposed dividend per share (p)

8.0p
+6.7%



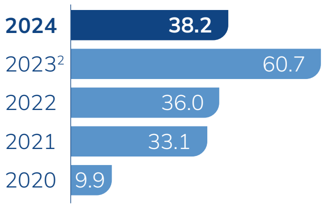
Cash generated from operations (£m)

£101.8m
-5.7%



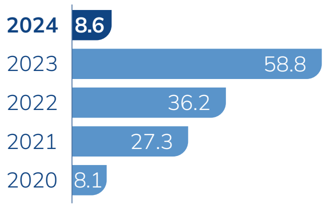
Profit before tax (£m)

£38.2m
-37.1%



Basic earnings per share (p)

8.6p
-85.4%



Financial highlights[1]

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

> In the year, we disposed of our sub-scale Netherlands and Republic of Ireland operations. We have re-presented our numbers in 2024 and 2023 to reflect these operations as discontinued

> Revenue increased 9.9% to £647.3m (2023: £588.9m), benefitting from acquisitions made in the current and prior year and a continued focus on people and the provision of high-quality care

> Like-for-like (LFL) growth was 2.9%, impacted by: disruption from the cyber incident and subsequent actions; softer demand with cost of living pressure; publicity from the ongoing Competition and Markets Authority process; and the puppies and kittens from the COVID-19 boom being in their young adult age, requiring less veterinary intervention. Adjusted for the disruption from the incident, LFL sales growth would have been c.4.1% (unaudited)

> Adjusted EBITDA increased 4.7% to £127.3m from £121.6m and margin decreased to 19.7% from 20.6% due to the disruption from the cyber incident, cost inflation and investment in people, partially offset by Research and Development Expenditure Tax Credits of £12.8m (2023: £9.6m)

> Profit before tax decreased by 37.1% to £38.2m from £60.7m, impacted by the increase in business combination costs, finance expense and depreciation, all following an increase in acquisitions and capital expenditure in line with our strategy. In addition, there are £5.8m of exceptional items in relation to the CMA and the cyber incident

> We continue to have strong cash generation with cash generated from operations of £101.8m down from £107.9m in the prior year, with the increase in adjusted EBITDA offset by the year-on-year increase in acquisition costs and adverse working capital movements

> Leverage increased to 1.54x from 0.73x with cash generated from operations offset by increased investment in acquisitions and existing practices

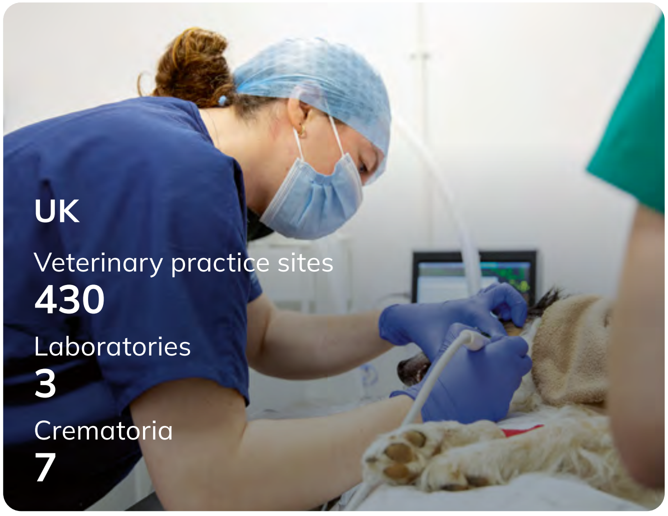
1. Definitions and reconciliations to financial measures defined by International Financial Reporting Standards (IFRS) of adjusted financial measures (adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (adjusted EBITDA), adjusted profit before tax, adjusted earnings per share, like-for-like sales, leverage and net debt) are defined on pages 107 and 108.

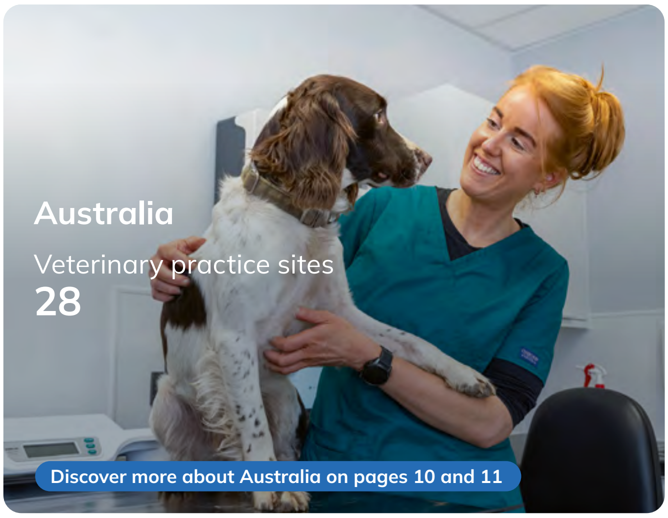
   Adjusted financial measures are used as financial metrics that removes the cost of debt, costs relating to depreciation and amortisation and one-off costs to achieve a normalised earnings figure that is not distorted by irregular items or structural investment.

2. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as discontinued operations, see note 32 on page 147 for further details. Years 2022 and prior have not been re-presented and include the Netherlands and Republic of Ireland operations.

Our people focused strategy delivers the best possible care to animals

Our locations as at 30 June 2024:





86.1%*

Veterinary practices

Our first-opinion and referral practices provide expert treatment for companion, equine and farm animals. We provide high-quality healthcare either when required, or through our preventative healthcare schemes: the Healthy Pet Club (HPC) and Horse Health Programme (HHP)**.

We also operate buying groups and a veterinary consumable business, "Vet Direct", and we supply a number of own-brand medicines and products.

4.7%*

Laboratories

Our laboratories provide diagnostic services to CVS veterinary practices and third parties. We offer an extensive range of tests with the ability to tailor specific profiles to our customers' needs. Our team of pathologists and experts specialise in a variety of disciplines in all areas of the laboratory and their aim is to offer a level of service and expertise beyond our customers' expectations.

1.7%*

Crematoria

Our crematoria provide pet cremation and clinical waste services to CVS practices and third-party practices, and cremations to animal owners. We offer a range of services to help our clients remember and say goodbye to their pets.

7.5%*

Online retail business

Our online retail business, "Animed Direct", sells prescription and non-prescription medicines, premium pet foods and an ever-increasing range of pet care products, which can be delivered directly to our customers' doors.

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

** Throughout this report, references to Healthy Pet Club are inclusive of Healthy Pet Club and Horse Health Programme.

Discover more about our market on pages 12 to 15

Our clear strategy puts our people at the heart of what we do

Our purpose

To give the best possible care to animals

Our vision

To be the veterinary company people most want to work for

Supported by four strategic pillars:

- We recommend and provide the best care every time
- We are a great place to work and have a career
- We provide great facilities and equipment
- We take our responsibilities seriously

All underpinned by our ESG strategy "Care at our Heart"

Our values

- Just culture
- Inclusive leadership
- Teamwork
- Systems thinking
- Accountability

Read more about our new values on page 21

Cultivating a strong culture

David Wilton
Chair

"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."

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). These subjects are considered in more detail elsewhere on page 8.

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 90,000 miles over a four-week period.

Read more about our people and culture on pages 18 to 21

Read more about CVS within our Sustainability Report 2024 at cvsukltd.co.uk

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.

Read more about the skills of our Board on pages 58 and 59

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

Foundations laid for further long-term sustainable growth

Richard Fairman
Chief Executive Officer

"I would like to begin by thanking each and every one of our colleagues for their hard work and support over the past year, who, despite the challenges within the sector, continue to deliver great care to our clients and their animals."

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.

Capital allocation

Healthy balance sheet and strong free cash flow underpins 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.

Read more about our Clinical Governance Framework on page 21

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).

Read more about our people focus on pages 18 to 21

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.

Read more about our cloud-based practice management system on page 9

Chief Executive Officer's review continued

Strategic update continued

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.

Read more about our strategic progress on pages 22 and 23

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, 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.

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.

Discover more about our sustainability on pages 32 to 39

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

Our five-year plan

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. 2. Further information on underlying like-for-like is shown on page 42.

Investment in new technology

Graham Dodds, Director of Innovation, explains the benefits of a cloud-based practice management system.

Why did CVS choose Provet Cloud?

After assessing a number of systems, the decisions to migrate to Nordhealth's "Provet Cloud" was unanimous. As the profession adopts more technology across all facets, Provet Cloud has proven to be an agile and secure system which, crucially, can integrate with many existing technologies to deliver a joined-up experience for users and clients.

How will a cloud-based practice management system help clinical colleagues?

Since it utilises one database, Provet Cloud enables broader and faster access to case records. This will enable simpler internal referrals and drive collaboration across the Group, driving better clinical outcomes for our patients.

Provet Cloud also works on tablets and mobile devices, so clinicians can access the system securely on the move or beside patients. Integration with internal and external laboratories and other diagnostic technologies will further aid our clinical teams, ensuring a single source of access to all clinical information.

What are the operational benefits of Provet?

Client reminders can be automated and bespoke, while online appointment booking, payments and other tasks can be made simpler and more accessible to pet owners. In addition, there are emerging applications of artificial intelligence that could support teams in otherwise time-consuming tasks, such as note taking and report writing. Driving efficiencies in these areas will allow our people to focus more time on delivering great care to our patients and clients.

Our new market with lots of potential

Australia market entry

In July 2023, CVS entered the Australian veterinary services market and we are pleased to have completed 22 acquisitions (comprising 28 practice sites) during the financial year ended 30 June 2024, with a further two acquisitions completed during the 2025 financial year to date, bringing the total number of practice sites in Australia to 31. Furthermore, we have a strong pipeline of additional opportunities.

70% of the Australian population live in the top eight most populous cities. Accordingly, with acquisitions in Sydney, Melbourne, Brisbane, Perth, Adelaide, Newcastle and Canberra, we have established a presence in seven of the eight main cities in Australia. The acquisitions comprise high-quality, companion animal first-opinion practices. We expect to continue to expand our presence in these areas and other significant urban areas during 2025 and beyond.

CVS's expansion into Australia is in accordance with its growth objectives, outlined in the five-year plan at the Group's Capital Markets Day in November 2022, to execute on scalable international consolidation opportunities, subject to maintaining its disciplined acquisition criteria.

The Board identified Australia as a particularly attractive market given the relatively low levels of corporate consolidation, favourable market dynamics and strong similarities with the UK, including highly trained veterinary surgeons, shared language and culture, and the Group's experience with UK vets working between Australia and the UK.

Attractive features of the Australia market

The Australian veterinary services market has relatively low levels of consolidation with two major established competitors, collectively owning c.11% of the market. With c.3,500 practices, there is a significant potential opportunity for CVS to build scale.

The Australian market has similar characteristics to the UK with an increasing pet population post the COVID-19 pandemic, humanisation of pets and consumers willing to invest in veterinary care for their animals.

There is a history of UK and Australian vets spending time working in the two markets and the approach to clinical care is similar.

CVS's purpose to give the best possible care to animals and its vision to be the veterinary company people most want to work for fit well with the Australian market and we are excited by the opportunity. Our expansion into Australia will also provide career progression opportunities for both UK and Australian vets and nurses who may wish to gain experience in each country.

Acquisition pipeline

As at the date of this report, we have completed a further two acquisitions (consisting of three practice sites), exchanged contracts on a further two acquisitions of four practice sites and have a number of further opportunities in exclusivity in order to complete due diligence having reached agreement with non-binding offers.

The Group has identified a strong pipeline of opportunities and its focus will be on acquisition opportunities in the major urban conurbations, including Sydney, Melbourne, Brisbane, Perth, Adelaide, Newcastle and Canberra.

Management of Australia practices

The Group has established an Australian-based senior management team to support acquired practices and continue to develop the pipeline of new acquisition opportunities. Along with our highly experienced Operational Director seconded from the UK, and an Acquisition Director with extensive experience of the Australian veterinary market, we have expanded our local support with regional directors, HR and finance support.

In addition to the in-country support, our UK support teams provide ongoing support to ensure high levels of control, governance and oversight to support the establishment of our new operations.

Value creation

Our focus is on acquiring high-quality, first-opinion practices, for small animals with excellent facilities and strong management teams in populous locations. We are committed to our vision to be the veterinary company people most want to work for and will work closely with these management teams in supporting the growth of their practices and in generating value from our Australia presence.

Acquisition multiples in Australia remain lower than other countries although practice margins are similar. We expect the internal rate of return to be similar to UK opportunities as synergies have not been included initially, and the rate of corporation tax is higher at 30% in Australia.

The Group expects to benefit from additional advantages of scale as it further expands in Australia, including improved drug purchasing terms, alongside improving the clinical offering to focus on delivering high-quality clinical care. We have made good progress during the course of the year in securing improved terms with a number of drug, equipment and consumables suppliers and look forward to establishing long-term sustainable relationships with our supply chain.

Our practices

Acquisition of McDowall Veterinary Practice

McDowall Veterinary Practice was the Group's first acquisition in Australia, which completed in July 2023. The practice is well established and located in a high-socio-economic area of North Brisbane with an excellent local reputation for delivering high-quality services. The practice is close to Queensland University for recruitment of new graduates.

Dr Rob Heath BVSc (Hons) MRCVS GPCert SAM, Minority Shareholder and Clinical Director, has a wealth of experience as well as post-graduate qualifications. The practice is performing very well and Rob has been actively engaged in building a wider leadership team in Australia in order to share knowledge and best practice.

Since joining CVS, the practice has upheld its outstanding reputation, with a multitude of five-star reviews. This is a testament to the hard work of the exceptional team at McDowall Veterinary Practice, as well as the wider team within CVS Australia which has been working closely with the practice since completion.

> "From the outset, their motivation has been transparent and clear, with the long-term success of the practice and veterinary care in Australia being paramount. They have the people, experience, stability and financial strength to accomplish this."

Rob Heath, former owner and minority shareholder

Well-established practice in Brisbane, Queensland

9
veterinary surgeons

4
consultation rooms

> High-socio-economic suburb of North Brisbane
> Excellent local reputation, high-quality services
> Close to Queensland University for recruitment of new graduates

Pet owners place high importance on high-quality clinical care

The veterinary market continues to benefit from increased pet ownership alongside trends of humanisation of pets and a growing appetite for high-quality care.

Geographical markets

The Group operates veterinary practices in the UK and Australia.

The UK companion animal market remains our largest market and has proven extremely resilient. CVS is well placed to benefit from favourable market trends in both the UK and Australia.

Market size

UK

Market size
£7.2bn
in 2023 (2022: £6.3bn)[1]

c.5,400
veterinary practices in the UK (2023: c.5,300)[2]

430
veterinary practices operated by CVS in the UK

Pet populations[3]
Pets
c.36m

Including:
Dogs
c.13.5m

Cats
c.12.5m

Australia

Market size
$5.3bn
in 2023[4]

c.3,500
veterinary practices in Australia[4]

30
veterinary practices operated by CVS in Australia

Pet populations[5]
Pets
c.29m

Including:
Dogs, cats and small mammals
c.13m

1. 09.3.5 Other recreational goods Veterinary and other services for pets CP NSA £m – Office for National Statistics (ons.gov.uk).
2. Find A Vet (rcvs.org.uk).
3. UK Pet Food formerly the Pet Food Manufacturers Association (PFMA) – UK Pet Industry Statistics | UK Pet Food; Paw-some new pet population data released by UK Pet Food | UK Pet Food.
4. www.ibisworld.com/au/industry/veterinary-services/623/
5. Animal Medicines Australia, Pet Ownership Report, 2022.
6. pdsa_paw-report-2024.pdf

According to a recent market report, 91% of pet owners say that **owning a pet improves their life**, with 88% saying **their pet makes them mentally healthier.** This often means pet owners place a high importance on the health and longevity of their pet to ensure the continued companionship and stability of the family or household. For this reason, pet owners are increasingly prioritising veterinary care[6].

The **UK pet population increased significantly between 2020 and 2024** and c.60% of UK households now own a pet[3].

The Group's focus on high-quality care and on employing and retaining clinicians who truly place care at the heart of their work has supported the inherent resilience demonstrated through our continued revenue growth.

We provide care throughout the lifecycle

Typical life expectancy of 12 years for a dog (14–17 years for a cat), which is increasing

1–3 years | **3–8 years** | **8+ years**

First-opinion practices servicing whole-life veterinary care requirements

Online retail business food sales

Laboratory tests

Specialist referral interventions

Compassionate end-of-life care and cremation service

Puppy Adult Senior

Market drivers and responses

A growing pet population

- The UK and Australian pet population has grown strongly in recent years, and now remains stable with c.36m and c.29m pets respectively.
- This increase in the pet population is a helpful market driver in the short term when kittens and puppies require vaccinations, initial check-ups and in some cases neutering.
- The COVID-19 pet population increase are now in their healthy adult life stage, as they become mature animals they will require more veterinary intervention providing growth in the medium and longer term.

Our approach

- We continue to expand our network of high-quality facilities, accessible across the UK and Australia, for all species of companion animals.
- We provide access to preventative care through our successful Healthy Pet Club scheme which provides preventative healthcare including regular check-ups, annual vaccinations and regular flea and worming treatments.
- We also provide advice to clients on the appropriate choice of pet for their individual circumstances and we offer puppy socialisation classes in a number of our first-opinion practices along with pet first aid.

Link to strategy

Advances in veterinary care

- Continued scientific research leads to further advances in veterinary care offering pet owners a variety of treatments for their animals.
- This along with improvements in technology have advanced the offering of telemedicine and remote specialist diagnostic image interpretation and advice.

Our approach

- We continue to invest in our clinicians, offering them industry-leading clinical training, and we provide a culture of recommending the best possible care individualised to each patient. Our two nurse training centres provide a range of qualifications for CVS and third-party owned practices. We opened a third dedicated nurse training centre in Harrogate in the autumn of 2024.
- We are striving to have a positive impact on the veterinary care sector as a whole, through investing in research projects designed to better understand and improve veterinary care. These projects are studying topics relating to animal health, clinical practices and the environment.
- We provide support for medical imaging and interpretation through our VetOracle™ business. Our VetOracle™ specialists are able to review images remotely and provide advice on clinical treatments for first-opinion vets within CVS and third-party-owned practices.

Link to strategy

Availability of vets to perform services

- There is a continued shortage of veterinary surgeons and, to a lesser extent, nurses across our markets which has been improving in recent years.
- We are working with our regulators and veterinary schools to increase the number of vets entering the profession, along with promoting the right work being performed by the right role to enhance job satisfaction.

Our approach

- Our vision is to be the veterinary company people most want to work for and our focus on achieving this vision has enabled us to outperform the market in colleague retention in recent years.
- In 2024, we saw an increase in the average number of vets we employ by 5.8% (10.7% including acquisitions) and nurses by 2.3% (6.4% including acquisitions).
- We continue to monitor our KPIs along with tracking colleague satisfaction through employee Net Promoter Score and colleague attrition. Post the year end we have seen positive trajectories in these metrics.

Link to strategy

Read more about our strategy on pages 22 and 23

Key to our four strategic pillars

- We recommend and provide the best care every time
- We are a great place to work and have a career
- We provide great facilities and equipment
- We take our responsibilities seriously

Online retail

> Increasingly, our customers are switching to shopping online for their pet food and pharmacy products, driven by convenience and product range.

> Whilst the majority of our clients purchase drugs in our practices, they can also purchase a prescription from our practices and then purchase drugs online.

Our approach

> We continue to explore opportunities within our online platform, increasing our website capabilities and ensuring we have sustainable competitive pricing.

> We have two pharmacy robots to revolutionise our veterinary pharmacy, improving logistics and fulfilment, increasing productivity by over 30% to date and improving quality control.

> We have installed a new packaging machine, saving over 160,000 single-use plastic bags reducing our waste and automating dispatches where possible, increasing productivity and improving quality control.

Link to strategy

Consolidated market

> We estimate, with the support of third-party economists, that approximately c.60% of the UK practices are under corporate ownership. In Australia, this is much less at c.15%.

> We recognise the importance of privately owned independent practices. Where private practice owners are looking to sell, we are well positioned to acquire and provide benefits to owners, colleagues and patients.

Our approach

> We support independent practices through our buying groups, our laboratories, our referral specialists, our Vet Oracle™ service and our crematoria, all of which offer services to non-CVS practices as well as our own.

> In the year, we acquired five practices in the UK. We have paused further acquisitions in the UK during the Competition and Markets Authority investigation and will review post conclusion of the investigation.

> We entered the Australian veterinary services market, which has similar dynamics to the UK with reduced consolidation, providing increased runway for future growth of the Group. In the year, we acquired 22 practices and have a strong pipeline of opportunities.

Link to strategy

Humanisation of pets

> The veterinary sector has benefited from the humanisation of pets in recent years as pets are treated increasingly as companions and seen as an important part of family and home life, as well as positive contributors to improved mental and physical health.

Our approach

> We continue to prioritise high-quality clinical care and provide all-round animal care, from first-opinion, specialist referrals, diagnostic testing, accessories, pet food and consumables, to end of life care and crematoria.

> We understand the emotional bond between our customers and their pets and the wider social benefits of pet ownership. With continued advances in clinical care, we can support our clients throughout their pets' lives.

Link to strategy

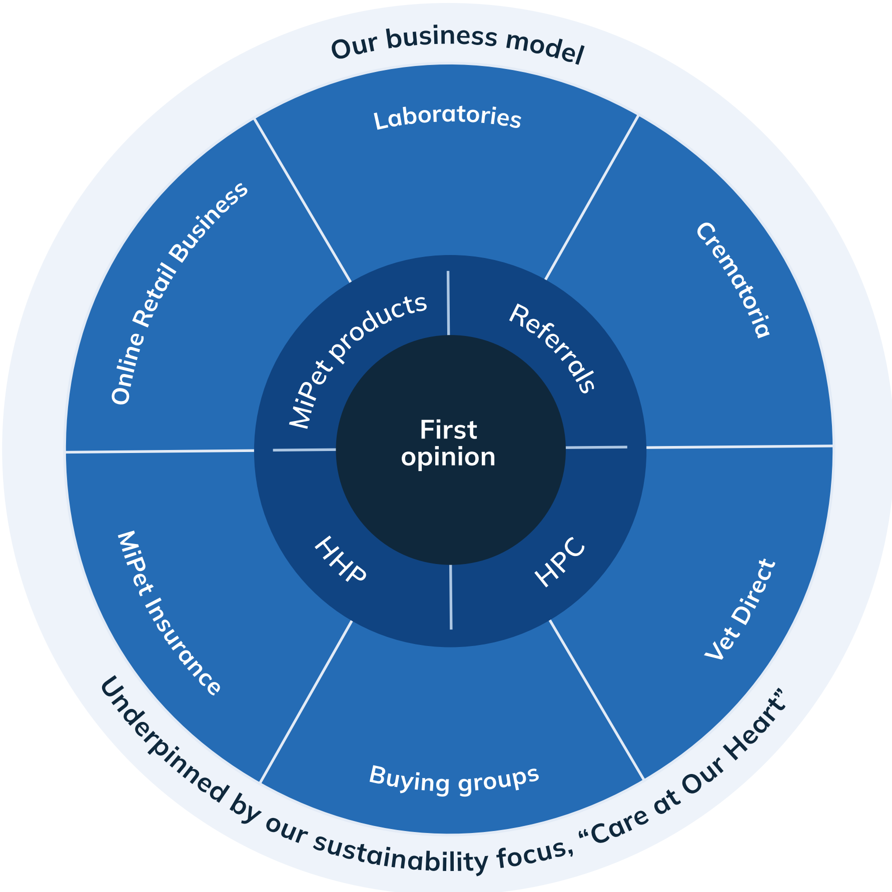
Read more about our strategy on pages 22 and 23

Delivering sustainable growth

The Group is well positioned to ensure delivery of high-quality end-to-end care to our patients and their owners.

How our Group works together

Multi-disciplinary collaboration is core to CVS Group's identity; our Veterinary practices work together to improve clinical outcomes supported by our Laboratories, Crematoria and support service teams, ensuring high-quality outcomes for our clients and their pets. Our Online Retail Business sits alongside this, supporting the Group's scale benefits.



Our business model with veterinary practices at our core

> High-quality clinical care

> Scale benefits

> Breadth of clinical expertise

Operating in a sizeable and growing market with resilient characteristics

> Increased population of pets

> Humanisation of pets with consumers willing to spend on care

> Recurring robust revenues

Supplemented by prudent capital allocation

> Investment in new facilities and equipment, and increase in clinicals, to drive organic growth

> Opportunity for accretive acquisitions

> Progressive dividend policy

A proven and growth-focused investment case

CVS is an AIM-listed veterinary group well positioned for both long-term organic and acquisitive growth

Established position in a mature and resilient market

> We continue to operate in a market with increasing demand and scope for growth in our market share

> The veterinary sector continues to benefit from increasing humanisation and appetite for improved clinical care

> 458 veterinary practices

Discover more about our market on pages 12 to 15

A strategy which is delivering sustainable growth

> Clear, people-focused strategy of organic growth, supported by investment in our facilities and equipment, and augmented by inorganic growth through investment in greenfield sites and selective acquisitions

> £43.1m invested in capital expenditure in 2024

Discover more about our strategy on pages 22 and 23

Strong financial position and returns potential

> A strong balance sheet with committed and available bank facilities to February 2028

> Highly cash generative with robust and recurring cash flows

> 70.5% operating cash conversion*

Discover more in our Financial Review on pages 42 to 46

A clinical-led approach

> Our passionate and skillful colleagues are the key to our strategic success

> Our leading learning, education and development offering fosters collaborative learning and success

> Over 2,300 veterinary surgeons

Discover more in our clinical update on pages 40 and 41

Management with a proven track record

> Strong management team with a broad range of experience and expertise, which has a proven track record of delivering growth even during periods of economic adversity

> 40% of our Executive Committee are clinicians

Discover more about our Board of Directors on pages 58 and 59

Our business model

> Veterinary services model, with first-opinion practices supported by specialist-led multi-disciplinary referral hospitals, Laboratories, Crematoria and an Online Retail Business

> Our model provides clinical collaboration at all levels, promoting improved clinical outcomes

> Nine specialist referral hospitals

Discover more about our business model on page 16

Multiple opportunities to build on strong foundations

> Alongside consistent organic growth, there are opportunities to build on our platform in Australia

> 27 acquisitions completed in 2024 of 34 practice sites across Australia and the UK

Discover more in our Chief Executive Officer's Review on pages 6 to 9

Care at our Heart, sustainability at our core

> Our sustainability strategy is at the heart of everything we do, designed to focus on material interests of our stakeholders

> Over 100 volunteer days, providing our colleagues paid time off to volunteer for causes of their choice

Discover more in our sustainability on pages 32 to 39

* Financial definitions are defined in note 1.

A culture where everyone can contribute

Our people are what set CVS apart. We are a great place to work and have a career.

Building a great team and culture

We are a leading veterinary group that aims to provide the best clinical care as well as providing our colleagues with a great place to work and have a career. We want to retain the very best people to enable us to deliver the best possible care to animals. Our veterinary professionals are given the freedom to make the best clinical choices for clients their animals, whilst sharing best practice across our Company. They are supported by experienced professionals and support colleagues. We are clinically focused, foster a collaborative and supportive working environment and assist all colleagues in achieving their career aspirations.

In order to empower ourselves and our leaders, and to cultivate a culture of a continuous improvement, we have recently refreshed our values. Read more about this on page 21.

Employees	Vets	Nurses
8,822	2,313	3,215

Supporting our colleagues' wellbeing

We aim to attract, develop and retain the best people and in the long term create a healthy, motivated and stable workforce. We will do this by creating a culture which supports wellbeing throughout our colleagues career, where employees feel safe to speak up, feel valued in their everyday work and are supported to do their best work.

We have created a Wellbeing Hub, from which colleagues can access a portfolio of over twelve wellbeing courses, alongside many further articles and resources which we share with our colleagues. We also have a Wellbeing Calendar; some of this years' topics included Neurodiversity and Mental Health, Ethnicity and Wellbeing and Self-Compassion.

During the year, a new course was created to introduce our leaders to the concept of "psychological safety" – what it is, why it's important and how to create it within a team environment – so leaders can further support the wellbeing of their teams.

We now have over 470 colleagues who are formally trained and certified to administer First Aid for Mental Health. They also play a critical role in engaging teams with our wellbeing resources and activities.

Our whole-organisation wellbeing event ran for its third year (the CVS Distance Challenge) and involved over 1,000 colleagues, with teams competing to see who could walk, run, cycle and row the furthest in four weeks. We also set aside over £1.3m to support local team welfare across the UK and Australia under our CVS Refresh initiative.

Supporting inclusivity

"I want to see a British Vet"
We produced colleague guidance and consultation room posters for all UK sites to assist with handling discriminatory client comments and conversations in practice.

Microaggressions training
A new course was launched to raise awareness of microaggressions' harmfulness to marginalised and minority groups, and to offer advice on what to do if experiencing or witnessing them.

"What's in a name?"
Mispronouncing someone's name can cause them to feel excluded or like they're losing part of their identity. Guidance on the importance of pronouncing someone's name correctly was issued to all colleagues.

Read more about wellbeing within our Sustainability Report 2024 at cvsukltd.co.uk

Fostering an inclusive and equitable workplace environment

We continue to cultivate a "just culture" – with fairness, openness and learning – by helping people feel confident to speak up when things go wrong, rather than fearing blame.

We have an EDI Committee and colleague EDI working groups on ability and neurodiversity; ethnicity; gender; LGBTQIA+; and social mobility. Together, these groups create strategy, launch initiatives, monitor progression and form peer support networks.

A bite-sized training programme was launched to support CVS's revised flexible working policy. We have introduced menopause resources and a Menopause Support Forum peer support group so colleagues can share experiences, grow understanding and support each other.

We have also launched a pregnancy loss webinar and continue to develop resources to support colleagues through all stages of fertility, conception, pregnancy, adoption, pregnancy loss and in all cases supporting a successful return to work.

We continue to work with our partner, The Links Group, to provide support when colleagues face situations in which they suspect domestic abuse may be a factor.

We have expanded our available resources to support greater understanding of neurodiversity and held a webinar discussion on supporting autism in the workplace.

Our state secondary school visit programme is hosting vet talks, work experience and student mentoring. We launched a Schools and Colleges Outreach Workspace to provide extra guidance and resources for discussing career opportunities and offering work experience placements.

Supporting the development of our people

Our success in providing quality veterinary care in part depends of the capabilities of our colleagues and the leadership of our teams, in a continually advancing industry, whether that's advancing areas of preventative care, or innovating minimally invasive treatments. As such, the development of our people remains a key focus area. Our dedicated, industry leading, learning and development platform knowledge hub, has over 700 courses, webinars and programmes for all colleagues across all species, and over 8,200 of our colleagues have access to this learning tool. We have over 450 apprentices alongside providing both intramural and extramural study partnerships to a number of UK universities. Read more about our people development in our 2024 Sustainability Report.

A spotlight on our nurse development is shown on page 20

New graduates

200

New Graduate Programme

Our new graduate pastoral support vets work collaboratively across the business to positively influence the day-to-day lived experience of our graduates in practice. They provide direct one-to-one support for graduates, VetGDP advisors and practices but also, alongside the new graduate team, have a wider strategic focus, which has included the launch of:

> a structured new graduate induction plan used by practices to ensure a consistent experience for graduates joining CVS;

> regional tutor groups run by experienced vets to help our graduates build a local peer support network, providing a sense of community and a safe space for discussion; and

> a bespoke package of training and support for our VetGDP advisors, enabling experience and best practice to be shared across the mentor community, enriching the experience for all.

"The New Graduate Programme opened up the opportunity to network with other vets in the same cohort, building long-lasting friendships and a sense of community as we tackle the veterinary profession together. The tutor group sessions and new graduate CPD training have also played a significant role in continuous learning, and making the challenges encountered in the cases we see less daunting, whilst also being able to confront them with confidence."

Julian Chan – 2023 New Graduate

Development of our nurses

The new veterinary nursing career pathway has been instrumental in helping nurses to see how they can progress and how they can have a life-long career in CVS.

In August 2023, we appointed our first permanent Chief Veterinary Nursing Officer (CVNO), Tara Ryan.

Shortly after Tara's appointment, we launched the first nursing career pathway in CVS; the pathway was created to demonstrate clear routes of progression in both clinical and leadership roles.

The career pathway has been instrumental in helping nurses to see how they can progress and how they can have a life-long career in CVS.

We formed our very first Small Animal and Equine Nurse Committees, as well as our Clinical Support Committee. Chaired by the CVNO, the Committees have members from all areas of CVS and meet quarterly to discuss current topics, focus projects for the coming year, as well as reviewing and evaluating new knowledge, research techniques, therapeutics and equipment.

Nursing pathway in CVS

Registered Veterinary Nurse (RVN)

RVN Newly Qualified | **RVN** Clinical activity level 1 | **RVN** Clinical activity level 2 | **RVN** Clinical activity level 3

Leadership roles
Primary Care, Referral, Equine

Clinical Lead | **Team Lead**

Head Nurse

Nurse Manager

Hospital and practice nursing leadership roles

Practice Manager | **Practice Director** | **Senior Practice Director**

Regional Director | **CVS Senior Leadership**

Tara has spent much time profiling our talented nurses across CVS both in the UK and Australia, to show what amazing talent we have across our Group and to inspire nurses within the profession on how they can progress their career. CVS attracted over 500 delegates to their stand at the 2023 British Veterinary Nurse Association (BVNA) congress with plans to increase footfall in October 2024, Tara also plans to visit Australia in March 2025 where she will be promoting careers in CVS Australia at the Veterinary Nurse Council of Australia.

Tara is now beginning a nurse optimisation pilot, with our Director of Research, using the career pathway as a basis. The aim being to demonstrate what effective nurse optimisation in clinical practice should look like to increase nurse satisfaction, improve retention, add value to the role of the Registered Veterinary Nurse, attract new talent and increase both vet and nurse productivity.

Following on from our antimicrobial stewardship, Tara has been leading a trial using a synthetic germ, with the aim of finding a product that could help to improve cleaning processes in practices to ensure our teams are working in a clean safe environment and to ensure that a high quality of care and standards are being delivered to our patients. So far, the trial has seen really positive outcomes and has been extremely engaging for the teams in the trial. We are due to start phase two of the project in October 2024.

Alongside this, Tara has written articles for Veterinary Women "Champions for Change" and the veterinary nursing journal's where she talks about mindful self-care and how animals could help boost its benefits.

July 2024 saw the launch of Tara's vision for equine nursing in CVS where she talks about how fundamental our equine nurses are to the running of the veterinary practice and the huge variety of roles available to them in CVS.

Clinical Governance Framework

In November 2023, we launched our new Clinical Governance Framework encompassing our new values.

The framework is a system through which we will hold ourselves accountable for improving the quality of our services and cultivating a culture in which clinical care will continue to improve. This framework focuses on creating the environment in which high standards of care can thrive.

The components of the CVS Clinical Governance Framework are:

> a definition of what is meant by the term "Quality of Care" within animal healthcare in a way that can be individualised to every situation; and

> a description of the six pillars that represent the organisation's clinical priorities, namely:

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.**

Underpinning the framework, in order to cultivate a culture of a continuous improvement, **we refreshed our values.** These refreshed values, created following consultation with colleagues, support us in aspiring to a culture that includes the following:

Just culture – We foster a fair and impartial environment, where colleagues feel empowered to voice their concerns and learn without fear of bias or reprisal.

Accountability – We encourage leaders and teams to take ownership and be honest, with clear expectations and a shared sense of purpose with every colleague understanding the significance of their contributions.

Inclusive leadership – We believe in open and inclusive discussions by actively seeking diverse perspectives, embracing challenge, and valuing contributions that enrich our decision-making processes.

Teamwork – We prioritise trust, collaboration, and co-operation guiding our teams towards achieving our collective goals and providing the best possible care for animals.

Systems thinking – We recognise that all outcomes stem from the complex interaction between behaviours and processes. By taking this understanding into our problem solving we can learn more effectively.

Read more about our Clinical Governance Framework at cvsukltd.co.uk

A clear strategy for growth

1 We recommend and provide the best care every time

Our strategic objectives
- To have a culture of recommending the best possible care, individualised to our clients.
- To deliver industry-leading clinical training.
- To be committed to evidence-based medicine and have a robust quality improvement framework.
- To ensure our clinicians have access to the right medicines at the right time.

Our achievements in the year
- In November 2023, we launched our new Clinical Governance Framework, designed to drive increased standards of care in the profession which was the first dedicated veterinary Clinical Governance Framework for those involved in animal healthcare in the UK.
- We continue to contribute to the veterinary industry by publishing our research and in the last year CVS colleagues authored over 100 peer-reviewed research publications and over 40 colleagues presented CVS research at scientific conferences. Examples include studies into lungworm prevalence in dogs, veterinary nurse retention and analysis of antimicrobial use in first-opinion equine practices.
- We have increased our research support to all CVS residents who are now eligible to receive up to £5,000 to contribute to research required as part of their board accreditation.

Outlook
- As a business, we pride ourselves on our contribution to the veterinary industry, including our significant contributions to clinical research. This focus on driving forward standards within the profession will remain a key focus.
- We are currently funding five projects undertaken at universities or research institutes on topics such as the environmental impact of ectoparasiticides and the context of veterinary workplace injuries.
- We have just announced funding for the next year of our research awards and we will be prioritising research related to antimicrobial stewardship, to support projects run by CVS colleagues and also to fund a PhD project at a UK or Australian university.

Market drivers
This pillar is impacted by:
- a growing pet population;
- advances in veterinary care; and
- humanisation of pets.

Link to KPIs
A B C D E F G H I J K L

Read more on pages 24 to 27

Link to risks
1 2 3 4 6 7 9 11 12 13 14

Read more on pages 48 to 55

2 We are a great place to work and have a career

Our strategic objectives
- To create opportunities for our people to have diverse and rewarding careers.
- To be as flexible as possible in all our roles.
- To have the best leaders within our businesses.
- To offer the best learning, education and development in the profession.

Our achievements in the year
- During the year, we introduced further colleague benefits including matched pension contributions up to 6% and the Tusker salary sacrifice scheme for electric cars, aimed at encouraging employees to drive newer, greener vehicles.
- In the year ended 30 June 2024, we employed an average of 2,313 veterinary surgeons (2023: 2,089). This is a 10.7% (5.8% excluding acquisitions) increase from 2023 to 2024, demonstrating the success of our people-focused strategy.
- Our employee Net Promoter Score (eNPS), which tracks colleague engagement across our business, decreased from 14.6 to -2.8 from 2023 to 2024.
- Colleague attrition has improved 10%.
- During the year, we have introduced twelve new learning hubs within our knowledge hub platform, covering areas including leadership, species specific clinical training, client care, nursing and a country specific hub for our new colleagues in Australia.

Outlook
- Our vision is to be the veterinary company people most want to work for and therefore being a great place to work and have a career is, and will continue to be, a high priority. We monitor vet and nurse vacancy rates, attrition and eNPS monthly and seek actionable feedback from colleagues in relation to changes in these metrics.
- We will remain focused on colleague recruitment and retention. We have introduced further measures to prepare colleagues for future roles, such as our nurse career pathway and leadership academy. We will also continue to focus on our apprenticeship scheme, having been awarded Regional Apprentice Employer of the Year in 2023.
- During the year our EDI group launched their supporting inclusivity programme which included colleague guidance around "I want to see a British Vet", Micro-aggressions training and "What's in a name?".
- During 2024, we will develop a veterinary sector specific face-to-face leadership training programme for all of our leaders.

Market drivers
This pillar is impacted by:
- a growing pet population;
- advances in veterinary care;
- availability of vets to perform services; and
- humanisation of pets.

Link to KPIs
A B C D E F G H J K L

Read more on pages 24 to 27

Link to risks
1 2 3 4 6 11 12 13

Read more on pages 48 to 55

3 We provide great facilities and equipment

Our strategic objectives

- To ensure all our practices meet the RCVS Practice Standards Scheme accreditation standards, and to aspire to achieve further RCVS awards.
- To invest in our estate to ensure all our facilities meet excellent standards.
- To expand our network with high-quality facilities.
- To develop new ways to serve our clients and our patients.

Our achievements in the year

- We acquired 27 veterinary practices in 2024, with 22 of these being in Australia. We continue to focus on ensuring acquired practices have high-quality facilities which meet the expectations of a CVS practice for both our colleagues and clients. Where acquired practice facilities do not meet our usual standard, we factor in the costs of improving the practice facilities and equipment to our purchase consideration.
- We also completed 16 practice relocations and refurbishments. This included Bristol Vet Specialists (BVS), a state-of-the art flagship multi-disciplinary referral hospital, opened in October 2023, providing a range of services including cardiology, dermatology, diagnostic imaging, internal medicine, neurology/neurosurgery, oncology, orthopaedics, soft tissue surgery and anaesthesia and analgesia.
- During the year, we invested in modernising our IT infrastructure, including the rollout of Provet, our new cloud-based practice management system (PMS) to over 375 practices. This was a key focus for us in order to further enhance our IT security following the cyber incident in March 2024. This new PMS system will also open many opportunities to enhancing the client experience and creating efficiencies in the practices for our colleagues.
- Two practices were granted the new RCVS Environmental Sustainability Award, demonstrating that they are excelling with their environmental sustainability credentials and have embedded sustainable behaviours.

Outlook

- We remain committed to investing in practice refurbishments and relocations, and to bringing as many of our sites up to a new minimum "CVS Standard" of quality of practice facilities and equipment as possible.
- The quality of our existing facilities and the acquisition of high-quality veterinary practices will continue to be a key component of our growth ambition.
- We will continue the rollout of our Provet cloud-based PMS system, unlocking enhancements for both the client experience and efficiencies for our colleagues.
- Sustainability will continue to be a focus, and we look forward to further practices being awarded the RCVS Environmental Sustainability Award in 2024.

Market drivers

This pillar is impacted by:

- a growing pet population;
- advances in veterinary care;
- availability of vets to perform services; and
- consolidated market.

Link to KPIs

A B C D E F G H J K L

Read more on pages 24 to 27

Link to risks

1 2 3 4 5 6 8 9 11 12 13 14 15

Read more on pages 48 to 55

4 We take our responsibilities seriously

Our strategic objectives

- To make our Group as environmentally sustainable as possible.
- To implement the best levels of health and safety in the profession.
- To prioritise the wellbeing of our people.
- To engage with the veterinary profession and support its interests.

Our achievements in the year

- To provide the highest standard of medicine, we need to offer colleagues quality learning, excellent facilities and resources. We have increased the level of investment in projects aimed to improve education and development, share best practice, give access to top-tier clinical expertise and develop the leaders around our Company.
- During the year, we have provided additional training to site managers on conducting initial investigations into accidents reported though our safety hub platform to help identify root causes in order to reduce recurrence of common incidents. In addition to this, we have continued supporting the work of epidemiologist Dr John Tulloch into how our clinical teams define work-related injuries and their reactions to them.
- We have published our third annual Sustainability Report, providing detailed updates on the Group's strategy and the significant progress we have made towards a more sustainable future. Within this report we have disclosed financially material sustainability-related data under the Sustainability Accounting Standards Board (SASB) standards.
- The wellbeing of our colleagues continues to be a key priority. We have a network of 470 colleagues who are formally trained and certified to administer First Aid for Mental Health. Furthermore, we have created a new course to introduce our leaders to the concept of "psychological safety" so that leaders can further support the wellbeing of their teams.

Outlook

- As part of our Clinical Governance Framework, we will focus on contextualised care, whereby a veterinary surgeon must take into account the many and varied needs of an animal, their owner and the veterinary team when advising on a care plan. We are committed that our clinical teams will ask animal owners what matters to them, listen to what matters, acknowledge what matters and consider how best to incorporate into each individual patient's treatment plan.
- We are introducing a range of programmes to promote healthy lifestyles, support mental wellbeing, create a healthy and safe workspace, offer work-life balance and reduce work-based stress. These include our new Company values that we introduced in the year which aim to further empower colleagues in their roles.
- We aim to attract, develop and retain the best people and long term create a healthy, motivated and stable workforce. We will do this by creating a culture which supports wellbeing throughout the employee lifecycle, where employees feel safe to speak up, valued in their everyday work and supported to do their best work.

Market drivers

This pillar is impacted by:

- availability of vets to perform services; and
- humanisation of pets.

Link to KPIs

A B C D E F G H J K L

Read more on pages 24 to 27

Link to risks

1 2 4 5 6 7 9 10 11 12 13 14 15 16

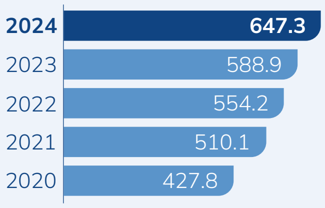
Read more on pages 48 to 55

Financial KPIs

Ensuring CVS tracks and monitors the correct KPIs, both financial and non-financial, is key in measuring our success.

A Revenue (£m)[1]

£647.3m
+9.9%



Why it's a KPI

Revenue is a key measure of performance across all divisions of the Group and demonstrates our ability to attract and retain customers.

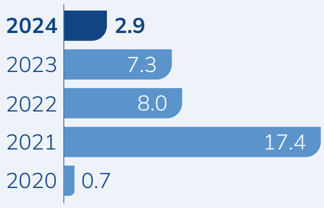
2024 performance

- Overall revenue has increased by £58.4m.
- Like-for-like sales, adjusted for intercompany revenue eliminations, increased by £20.2m (3.5%) as a result of investments in our people, facilities and clinical equipment. Adjusted for working days, like-for-like sales increased 2.9%.
- Acquisitions in the year and the full year impact of prior year acquisitions generated additional revenue of £38.2m.

Link to strategy

B Like-for-like sales (%)

2.9%
-4.4ppt



Why it's a KPI

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. This shows the underlying growth in revenue across all divisions, excluding the impact of acquisitions.

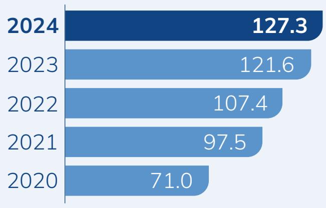
2024 performance

- Like-for-like revenue growth of 2.9% was impacted by the disruption of the cyber incident and subsequent decision to accelerate the IT modernisation programme to a cloud-based solution.
- Adjusting for the impact of the cyber incident, like-for-like sales increased by c.4.1% (unaudited).
- 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-19 puppy and kitten boom being in their healthy young adult stage requiring less veterinary care.

Link to strategy

C Adjusted EBITDA (£m)[1,2]

£127.3m
+4.7%



Why it's a KPI

Adjusted Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) excludes costs relating to business combinations and exceptional items and assists in understanding the underlying performance of the Group.

2024 performance

- Adjusted EBITDA growth was impacted by the cyber incident in March 2024 and our decision to migrate the majority of the Group's companion animal practices to a new cloud-based practice management system which impacted revenue growth by c.£7m and adjusted EBITDA by c.£5m (unaudited).
- Acquisitions in the year and the full year impact of prior year acquisitions generating additional EBITDA of £9.9m.
- Adjusted EBITDA includes £12.8m (2023: £9.6m) of net Research and Development Expenditure Tax Credits offsetting investment in people and inflation. With effect from April 2023, the rate of research and expenditure tax credit increased to 20% from 13%.

Link to strategy

Read more about our strategy on pages 22 and 23

Key to our four strategic pillars

- We recommend and provide the best care every time
- We are a great place to work and have a career
- We provide great facilities and equipment
- We take our responsibilities seriously

1. 2024 and 2023 represent continuing operations only. Years 2022 and prior have not been re-presented to exclude discontinued operations. Further information on discontinued operations can be found on page 147.
2. Adjusted financial measures are defined in note 1 to the financial statements, and reconciled to the financial measures defined by International Financial Reporting Standards (IFRS) on pages 107 and 108.

D Adjusted EPS (pence)[1,2]

86.6p

-12.4%

Year	Adjusted EPS (pence)
2024	**86.6**
2023	98.9
2022	85.8
2021	75.1
2020	42.0

Why it's a KPI

This is profit before tax adjusted for: amortisation; costs relating to business combinations; and exceptional items net of the notional tax impact of these, divided by the weighted average number of shares.

2024 performance

> The decrease reflects the decrease of £5.2m in the year in adjusted profit before tax with adjusted EBITDA growth offset by 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.

> In addition the UK corporation tax rate increased from 19% to 25% in April 2023 reducing EPS by c.6.0p.

> Issued share capital has increased only by the number of shares required to satisfy the Group's Long-Term Incentive Plan and Save As You Earn schemes.

Link to strategy

E Total capex (£m)

£43.1m

-5.7%

Year	Total capex (£m)
2024	**43.1**
2023	45.7
2022	24.5
2021	16.6
2020	12.4

Why it's a KPI

This is the total amount spent by the Group on capital expenditure (capex). Capital expenditure is incurred on refurbishment, relocation of practice facilities and investment in new equipment and clinical facilities. Investing in our practices and clinical equipment is key to the achievement of our strategic goal of providing great facilities and equipment and our Capital Markets Day ambition of investment to deliver additional organic growth in practice facilities and technology.

2024 performance

> Total capital expenditure has decreased by £2.6m, consisting of a £0.5m decrease in maintenance capital expenditure, and a £2.1m decrease in development capital expenditure; despite the slight decrease, the Group continues to focus on improving client experience and growing our business with a more selective approach to investment.

Link to strategy

F Gross margin before clinical staff costs (%)[1]

78.0%

+0.3ppt

Year	Gross margin before clinical staff costs (%)
2024	**78.0**
2023	77.7
2022	76.9
2021	76.1
2020	75.5

Why it's a KPI

Gross margin represents revenue after deducting the cost of drugs, laboratory fees, cremation fees, and other goods sold or used by the business, expressed as a percentage of total revenue. Gross margin is a KPI because it helps us to monitor and measure our ability to purchase drugs at the best possible price whilst ensuring the highest quality.

2024 performance

> The increase in gross margin is principally due to our focus on providing great clinical care.

Link to strategy

G Cash generated from operations (£m)

£101.8m

-5.7%

Year	Cash generated from operations (£m)
2024	**101.8**
2023	107.9
2022	93.1
2021	80.3
2020	94.8

Why it's a KPI

Cash generated from operations shows the cash inflows before: payments of taxation and interest; business combinations; purchases of property, plant and equipment and intangible assets; repayment of right-of-use assets; payments of dividends; debt issuance costs; increase/repayment of bank loans; and proceeds from issue of shares. Delivery of increased cash generated from operations allows us to invest in further growth opportunities across our business.

2024 performance

> We continue to have strong cash generation with cash generated from operations of £101.8m during the year. This was down on the prior year of £107.9m, with the increase in adjusted EBITDA offset by year on year increase in acquisition costs of £3.9m and adverse working capital movements primarily an increase in Research and Expenditure Tax Credits receivable.

Link to strategy

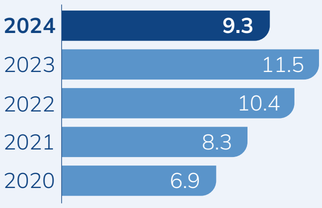
Read more about our strategy on pages 22 and 23

Non-financial KPIs

Tracking our non-financial measures allows us to monitor our performance against our core strategic goals.

H Vet vacancy rate (%)

9.3%
-2.2ppt



Why it's a KPI

The vet vacancy rate is calculated as the average number of live vet vacancies divided by the total number of vets by headcount plus vacancies. This shows the average level of vet vacancies for the Group during the year. This links to our strategic goal of being the veterinary company people most want to work for.

2024 performance

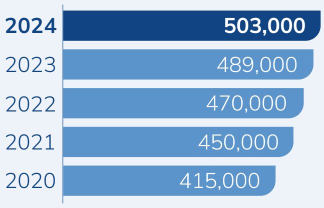
> The vet vacancy rate has decreased in 2024, as we continue to fill our vacant positions.

> During 2024, we on average employed 5.8% more veterinary surgeons than we did the year before (10.7% including acquisitions).

Link to strategy

I Healthy Pet Club members

503,000
+2.9%



Why it's a KPI

Healthy Pet Club is our preventative care scheme. It provides CVS with a robust and regular revenue stream, as well as improving customer loyalty.

2024 performance

> The number of Healthy Pet Club members has increased by 2.9% in the year.

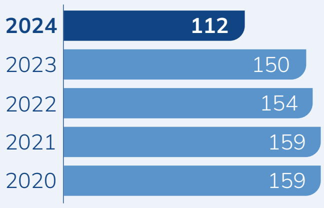
> This demonstrates the increased humanisation of pets and desire for our clients to invest in their pets' futures through preventative care.

> Our scheme provides great value to pet owners and an effective way of spreading the cost of preventative veterinary care over a twelve-month period.

Link to strategy

J Number of RCVS awards

112
-25.3%



Why it's a KPI

This shows the number of RCVS Practice Standards Scheme (PSS) Awards across the Group. These awards promote and maintain the highest standards of veterinary care across a range of different criteria including client experience and clinical governance. Monitoring the number of RCVS awards helps us achieve our strategic goal of taking our responsibilities seriously.

2024 performance

> In June 2023, the RCVS introduced a new award for sustainability and two of our practices have applied and have successfully received this award in the current year.

> Of our 112 PSS Awards, over 50% relate to client service, highlighting our focus on exceptional client service.

> The decrease in awards year on year is due to practices delaying renewing the award following the operational disruption coupled with upcoming renovation and relocations.

Link to strategy

Read more about our strategy on pages 22 and 23

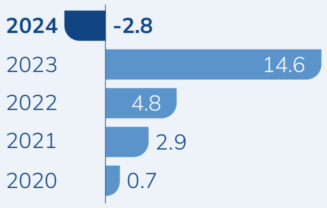
Key to our four strategic pillars

- We recommend and provide the best care every time
- We are a great place to work and have a career
- We provide great facilities and equipment
- We take our responsibilities seriously

K Employee NPS[1]

-2.8

-17.4



Why it's a KPI

Employee Net Promoter Score (eNPS) is a measure of how likely our colleagues are to recommend the Group as a place to work as reported on anonymous surveys. Monitoring eNPS shows the level of colleague satisfaction across the Group and helps us to ensure we are a great place to work and have a career.

2024 performance

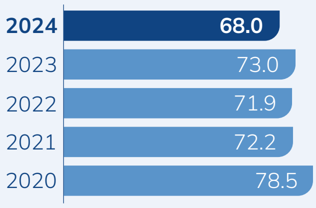
> We continued to see positive colleague engagement with our eNPS throughout the year and in March 2024 it remained strong at 13.9. Operational challenges for the final quarter, due to the cyber incident and accelerated rollout to a cloud-based practice management system, have impacted this score which reduced to -2.8 at June 2024. Now this disruption has finished, we are listening to our colleagues and post the year end we have seen positive trajectories in these metrics.

Link to strategy

L Client NPS[1]

68.0

-5.0



Why it's a KPI

Client Net Promoter Score (NPS) is a measure of the level of our clients' satisfaction with their experiences with the Group via anonymous reporting of the likelihood that clients would recommend the Group for our services. Monitoring NPS helps us to ensure we recommend and provide the best clinical care every time.

2024 performance

> Client engagement has decreased marginally compared with the prior year, but remains at very high levels.

> We continue to focus on high-quality clinical care and investment in our practice facilities to provide a safe and comfortable environment for our clients and exceptional care of their treasured animals.

Link to strategy

1. Net Promoter Score measures customer and colleague experience using the answer to a key question, "how likely is it that you would recommend CVS?", with a 0-10 scale. Responses are analysed using a weighted calculation to yield a score between a low of -100 to a high of 100.

Read more about our strategy on pages 22 and 23

Continuing to deliver value for our stakeholders

Section 172(1) Statement

Our Section 172(1) Statement sets out how the Board has given regard to the matters set out in Sections 172(1)(a)-(f) of the Companies Act 2006 (s172) in performing its duties over the course of the year. The Company's purpose, vision and strategy are reviewed and discussed annually by the Board to ensure that these continue to promote the long-term success of the Company for the benefit of its members as a whole, whilst also having regard to the matters set out in s172.

Purpose, vision and strategy

Our purpose is to give the best possible care to animals and our vision is to be the veterinary company people most want to work for. This purpose and vision are in alignment with the long-term interests of our customers, our colleagues and other stakeholders in the delivery of high-quality, sustainable clinical care for animals.

Stakeholder engagement

The Board has identified seven key stakeholders who are essential to the delivery of the Company's strategy and long-term success, details of which are set out in the following pages. Our colleagues, customers, shareholders, community, industry bodies, suppliers and environment are at the heart of what we do; it is of the highest importance to us that we engage with all of our stakeholders meaningfully to inform decision making and ensure that we provide value in all areas of our business. We promote an ongoing dialogue with all of our stakeholders to enable us to act on feedback and foster a culture of honesty and integrity.

Consideration of s172 factors by the Board

The following table sets out some key decisions taken by the Board during the year and how s172 factors and engagement with stakeholders have been discussed and taken into consideration.

The Board has a duty to act for the benefit of its members as a whole whilst having regard to the matters set out in s172:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationships with suppliers, customers and others;

d. the impact of the Company's operations on the community and the environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

Board decision	s172 considerations
Dividend The Board approved a final dividend of 7.5p per Ordinary share of 0.2p each in the capital of the Company for the year ended 30 June 2023. **Links to s172: a, c and f**	The Board considered the Company's capital position and performance and agreed the continuation of its progressive dividend policy which is based on growing the dividend per Ordinary share over time. The Board also considered whether it was appropriate to return capital to shareholders through the use of special dividends and share buybacks, but taking into consideration the long-term investment needs of the business, the Board decided to reinvest capital in supporting delivery of long-term growth.
Appointment of Non-Executive Chair During the course of the year, the Board commissioned a search for a new Non-Executive Chair. **Links to s172: a, e, f**	The Board considered the skills, experience and diversity of the Board and in the year commissioned a search for a new Non-Executive Chair. After a search and robust interview process, David Wilton was appointed from 1 May 2024.
Capital allocation The Board reviewed capital allocation in April 2024 and now includes this as a standing agenda item at each Board meeting. The Board also approved the one-year option to extend the bank facilities that now run to February 2028, alongside entering into an interest rate swap for £100m to mitigate interest rate risk for the Group. **Links to s172: a**	The Board regularly discusses and debates the capital allocation priorities of the Group, ensuring returns remain aligned to expectations and delivered accordingly. Given the macro market conditions and the acquisition opportunity in Australia, this is now a standing agenda item at the Board. The Board considered the growth opportunities available with its capital allocation plans and agreed that by having the capital available, it could continue its refurbishment and relocation plan, benefiting its employees and the care for animals, whilst providing growth for the longer term with entering a new market. The Board approved entering a one-year option to extend the bank facility through to February 2028 alongside mitigating interest rate risk by entering an interest rate swap for £100m.

Our colleagues

Who are they
Everyone who is directly employed by CVS.

Why we engage
Our vision is to be the veterinary company people most want to work for. By engaging with our colleagues, we can understand their motivations and work with them to maximise colleague engagement and welfare. Our focus is continuing to provide our colleagues with the flexibility and support they need to develop their careers.

How we engage
> Through regular calls with our team and practice leaders.

> Through our employee Net Promoter Score surveys.

> At our annual conference.

2024: Outcomes
> We held monthly "Practice Leaders Live" video calls to share business updates with our leaders and provide a forum for feedback.

> Our colleague eNPS score decreased to -2.8 from +14.6 in 2023 following the cyber incident and subsequent accelerated rollout of our cloud-based practice management system.

> We enhanced employer pension contributions with effect from 1 July 2024, matching employees' contributions up to 6%.

Sustainability focus: What are the long-term desired outcomes
> Becoming the veterinary company people most want to work for.

> Fulfilled vets and nurses who have the equipment and support to provide the best possible care for animals.

> Equal opportunities for all colleagues.

> A healthy and safe workspace.

> Having the best learning, education and development (LED) platform in the industry.

> Continued strong employee Net Promoter Score, and although this has decreased in the year to -2.8 (2023: +14.6), we would like to increase this to +5.0 for 2025.

> Continued reduction in colleague attrition which has reduced 10% compared to 2023. Our target is to reduce attrition by a further 5.0% in 2025.

> Diversity across our business. Female representation on the Board is 28.6% and Executive Committee is 40.0%.

Our clients and their animals (customers)

Who are they
All of the animals that we treat and their owners.

Why we engage
Customers rightly expect the highest quality care for their animals. We provide this through our veterinary services model which enables us to deliver high clinical standards and quality facilities.

We engage with our customers to ensure we are meeting their high standards of service and to identify opportunities to improve client service.

How we engage
> Regular clinical and business dialogue.

> Social media channels – for individual practices and for the Group.

> Our Vet Collection website which includes pet care and advice.

> Through listening to our Net Promoter Score (NPS).

> Emails, particularly to our Healthy Pet Club members.

> Events, such as open days, first aid evenings, puppy parties or external attending events.

2024: Outcomes
> Client NPS has decreased to +68.0 from +73.0 in 2023.

> We are undertaking a programme of investment in our veterinary practices, including changes designed to improve the experience for customers.

> In order to support our customers with pressures on household incomes, we offer a comprehensive preventative healthcare scheme, the Healthy Pet Club, which also includes discounts on various products and services. We have also introduced measures to support our customers with unexpected vet bills, including payment plans.

Sustainability focus: What are the long-term desired outcomes
> A healthy pet population.

> Outstanding clinical expertise.

> The best possible service for pet owners and their animals.

> Continued strong client Net Promoter Score.

> High levels of preventative healthcare, which we can support through membership of our preventative healthcare scheme, Healthy Pet Club, which has increased to 503,000 (2023: 489,000).

Section 172(1) statement and stakeholder engagement continued

Our investors (shareholders)

Who are they
Individuals or organisations which invest in CVS through shares.

Why we engage
We actively engage with our shareholders, highlighting our investment case and communicating our future plans, to ensure the Group's strategy is aligned to the interests of its shareholders.

Our shareholders hold us accountable for doing the right thing, and by engaging with them we can understand and act on their expectations, enabling us to drive the business forward, deliver sustainable growth in shareholder return and attract additional investors to support the business.

How we engage
- Shareholder consultation on key issues raised through AGM voting or through regular meetings.
- Shareholders have access to senior management and receive appropriate communications.
- Attendance at broker conferences.
- Engagement with investors.

2024: Outcomes
- At the 2023 AGM, 100.0% of resolutions were passed with all resolutions achieving over 90% votes for.
- During the year, we attended 13 investor roadshows and conferences alongside all Directors making themselves available to meet investors on request.
- During the year, we paid £5.4m in dividends relating to the year ended 30 June 2023, representing 7.5p per share. In 2024, we have proposed a dividend of 8.0p per share.

Sustainability focus: What are the long-term desired outcomes
- Sustainable shareholder value and long-term growth.
- Shareholder consultation on key issues raised through AGM voting or through regular meetings.
- Shareholders have access to senior management and receive appropriate communications.

Our communities

Who are they
Those who live in areas where we have practices and sites.

Why we engage
We regularly engage with local communities in which our practices operate, communities of pet owners and animal carers and the communities to which our colleagues belong, in order to understand how we can support them.

By engaging with our communities, we can find ways to contribute positively to the environments in which we work, promote employment satisfaction within our operations and support our communities to achieve common goals, such as the advancement of clinical care.

How we engage
- Our practices engage within their local communities, providing key care to animals for local charities or individuals who identify animals in need.
- We have a charity of the year, which is chosen by our colleagues; in 2023–24 was "Guide Dogs", which we held fundraising events from locally arranged events through and group wide initiatives.
- We are active within the veterinary community, engaging with industry bodies on topical subjects and supporting veterinary professionals to advance the profession, for example through our Clinical Research Awards. We also support charities, such as Vetlife, who support individuals and their families in the veterinary community.

2024: Outcomes
- Our colleagues, combined with donations from our clients, raised £68,000 in 2024 for our charity of the year, Guide Dogs. CVS also continued its annual donation to Vetlife.

Sustainability focus: What are the long-term desired outcomes
- Reduce inappropriate or unnecessary use of antimicrobials.
- Increasing the socio-economic diversity of qualified veterinary surgeons and nurses in CVS and the wider profession.
- Raising money for relevant charities.
- Promote the responsible use of antibiotics and reduce their use in a way, whilst balancing animal welfare.

Our industry bodies

Who are they
The veterinary profession, colleges, associations and schools.

Why we engage
We actively engage with our industry bodies, including the Royal College of Veterinary Surgeons (RCVS), the British Veterinary Association (BVA) and the British Veterinary Nurses Association (BVNA), to promote innovation and advancement within the veterinary industry.

How we engage
- Regular liaison with industry bodies including the RCVS, BVA, BVNA and more.
- Support of veterinary schools with intra-mural studies and extra-mural studies.
- Appropriate colleagues attend update calls and webinars with regulatory bodies to understand upcoming regulatory changes.

2024: Outcomes
- In March 2024, we again published our annual Quality Improvement Report. An organisation that is committed to quality improvement should be prepared to share its results, celebrate progress and recognise success in learning, which is what we aim to achieve with this report.
- A large proportion of all veterinary students pass through our practices for intra-mural studies and we are the top scoring placement.
- Over 500 students enrolled for extra-mural studies over the year.

Sustainability focus: What are the long-term desired outcomes
- Investment in the veterinary profession.
- Raising standards across the industry.
- Increasing the numbers of high-flying graduate veterinary professionals.
- Involvement in setting strategy and policy, collaborative projects, meetings and events.
- Tracking the numbers of veterinary and nurse students we have supported with training.

Our suppliers

Who are they

Organisations that provide us products and services.

Why we engage

We are proud to have long-term relationships with our wholesalers and manufacturers, regularly communicating with them to promote positive relationships. Through these relationships we can generate consistent custom for our suppliers, in return achieving mutually favourable terms on purchases.

We engage with our suppliers to deliver ongoing benefits to our businesses, collaboratively finding operational and sustainable improvements and delivering improved value.

We have shared sustainability goals with some of our key suppliers. We recognise that through working together we can reduce our impact on the environment.

How we engage

> We regularly communicate with our suppliers to review contract terms and identify mutually beneficial opportunities.

> Our suppliers are invited to attend our annual conference to understand our business, engage with other key stakeholders and ask any questions they may have.

> We attend industry conferences and events which are also attended by our existing suppliers, as well as other suppliers that we may work with in the future. We actively engage at these events to understand where our goals might be aligned to those of suppliers.

2024: Outcomes

> Our new Supplier Code of Conduct with new standards has been cascaded to all of our suppliers.

> We continued to nurture our strong working relationships with some of our key suppliers, including attendance at conferences, inviting suppliers to host stands at our annual colleague conference and inviting suppliers to be involved in charity initiatives such as our annual CVS Team Distance Challenge, which many of our suppliers were involved with, including sponsorship.

> Sustainability is a key priority for both us and many of our suppliers, and we have again worked with a number of suppliers to implement initiatives, including trials of reusable equipment, improved waste disposal, and promoting bulk buying and scheduled orders to reduce freight emissions.

Sustainability focus: What are the long-term desired outcomes

> Collaborative initiatives that reduce plastic, packaging and delivery emissions.

> Work with our suppliers to reduce waste entering via our supply chain and create environmental supplier standards to set out our expectations and promote good environmental practice from our partners.

> Reduce the volume of products we use that generate large amounts of waste.

Our environment

Who are they

Our natural environment.

Why we engage

Our long-term success depends on the sustainable use of the planet's resources.

How we engage

> As well as monitoring our KPIs closely, we also take part in accreditations that shows our environmental standards, such as the RCVS Practice Standards Scheme.

2024: Outcomes

> The Old Golfhouse has become our first practice to achieve the RCVS Environmental Sustainability Award.

> The award was introduced in July 2022, and practices must demonstrate that they have embedded behaviours and initiatives to meet their sustainability goals including measuring and reducing waste, minimising drug wastage and setting targets to reduce the practice's carbon footprint.

Sustainability focus: What are the long-term desired outcomes

> Monitoring and reducing our environmental impact.

> Reduced waste sent to landfill by 10% and increase the % of our non-medical waste recycled to 38%.

> Reduced emissions.

> Reduced carbon footprint.

> Partnership with National Trust and tree-planting initiative.

> Launch of CVS Print Hub to reduce environmental impact of printing.

> Reduction in Vet Direct catalogue printing.

Driving change for the future

Our Environmental, Social and Governance (ESG) strategy, “Care at our Heart”, is based on our care for animals, people and the environment.

Read more about CVS within our Sustainability Report 2024 at cvsukltd.co.uk

Our **Energy and Carbon** programme helps to reduce climate change risks and drives cost savings.

The **Waste** programme is helping us manage the substantial amount of environmental waste that is produced in veterinary medicine.

Our **One Health** programme focuses on the areas where veterinary medicine can impact upon the environment and public health while balancing our primary responsibility for animal welfare.

The **People Development** programme is all about building our long-term capability by attracting, developing and retaining the very best colleagues.

The **Wellbeing** programme aims to ensure we retain the best people and to create a healthy, motivated and stable workforce for the long term.

Our **Equity, Diversity and Inclusion (EDI)** programme aims to ensure we are fostering an inclusive and equitable workplace environment and cultivating a “just culture” where learning is continuous, diverse perspectives are invited and everybody is welcome to question and contribute.

	2022–2023	2023–2024		2024–2025
	Achievement	Target	Achievement	Target
Energy and Carbon				
Energy reduction	Reduced our business energy use by 12.3%.	Reduce our business energy use by a further 5.0%.	Reduced our business energy use by 2.8%.	Reduce our business energy use by a further 5.0%.
Carbon reduction	Reduced our operational carbon footprint by 11.1%.	Reduce our operational carbon footprint by a further 3.0%.	Reduced our operational carbon footprint by 1.7%.	Reduce our operational carbon footprint by a further 3.0%.
Waste				
Medical waste reduction	Reduced our annual medical waste by 5.6%.	Reduce our medical waste by a further 5.0%.	Reduced our medical waste by 13.9%.	
Medical waste incinerated		Reduce the medical waste that is incinerated by 5.0%.	Reduced medical waste incinerated by 34.7%.	
Waste to landfill				Reduce waste sent to landfill by 10.0%.
Non-medical waste recycled				Increase the % of our non-medical waste recycled to 38.0%.
One Health				
Antimicrobial stewardship (AMS)		Promote the responsible use of antibiotics and reduce their use, whilst balancing animal welfare. For this reason there are no specific targets on AMS.		Promote the responsible use of antibiotics and reduce their use, whilst balancing animal welfare. For this reason there are no specific targets on AMS.
Anaesthetic gases reduction		Eliminate the use of nitrous oxide in practices.	Eliminated the use of nitrous oxide in practices from July 2023.	
People Development				
Employee Net Promoter Score (eNPS)	Achieved an improvement in our employee Net Promoter Score (eNPS).	Increase our eNPS score by 5%.	We continued to see positive colleague engagement with our eNPS throughout the year and in March 2024 remained consistent with the year before at 13.9. External challenges in the final quarter (the Cyber incident and accelerated Cloud-based practice management system rollout along with CMA) have impacted this score which reduced to -2.8 at June 2024.	To increase our eNPS score to 5.
Reduce attrition	Reduced our colleague attrition.	Reduce attrition rates by 5%.	Reduced attrition rates by 10.0%.	Reduce attrition rates by 5.0%.
Wellbeing				
Regular check-ins		Ensure colleagues are having regular check-ins where wellbeing is a key topic of conversation.	84.0% of colleagues have had regular check-ins where wellbeing is a key topic.	Ensure 85.0% of colleagues are having regular check-ins where wellbeing is a key topic of conversation.
Wellbeing resources useful	66.4% of colleagues said our wellbeing resources are relevant and useful.	Increase the % of colleagues saying we provide relevant and helpful wellbeing resources to 70.0%.	64.0% of colleagues said our wellbeing resources are relevant and useful.	Increase the % of colleagues saying we provide relevant and helpful wellbeing resources to 70.0%.
Equity, Diversity and Inclusion				
Equally included	83.6% of colleagues said they felt equally included at work.	Increase the % of colleagues saying they feel equally included at work to 85.0%.	83.4% of colleagues said they felt equally included at work.	Increase the % of colleagues saying they feel equally included at work to 85.0%.
Safe to present themselves	84.6% of colleagues reported they felt safe to present themselves at work.	Maintain the % of colleagues reporting they feel safe to present themselves at current levels.	84.6% of colleagues reported they felt safe to present themselves at work.	Maintain the % of colleagues reporting they feel safe to present themselves at current levels.

* We set targets based on the current focus of our sustainability plan, whilst ensuring that we sustain the performance on previously targeted measures.

Sustainability statement

Caring for animals goes hand in hand with caring for the natural environment, so climate-related risks and opportunities are a key factor of consideration in the short, medium and long-term strategic planning of the Group. Our aim is to minimise our impact on the planet in a way that supports and develops our services and clinical expertise.

We continue to apply the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, as we continue the journey of understanding our impact on the environment.

We have further developed our climate-related scenario analysis, gathering an understanding of the potential climate scenarios in our future, the impacts of these on our business and the strategic steps we can take to ensure we are prepared.

Over the following pages we have applied the TCFD recommendations, including:

> scenario analysis which includes a global warming scenario as well as a net zero scenario;

> setting targets for the short, medium and long term to lessen harmful environmental impacts of our business and increase environmentally friendly activities; and

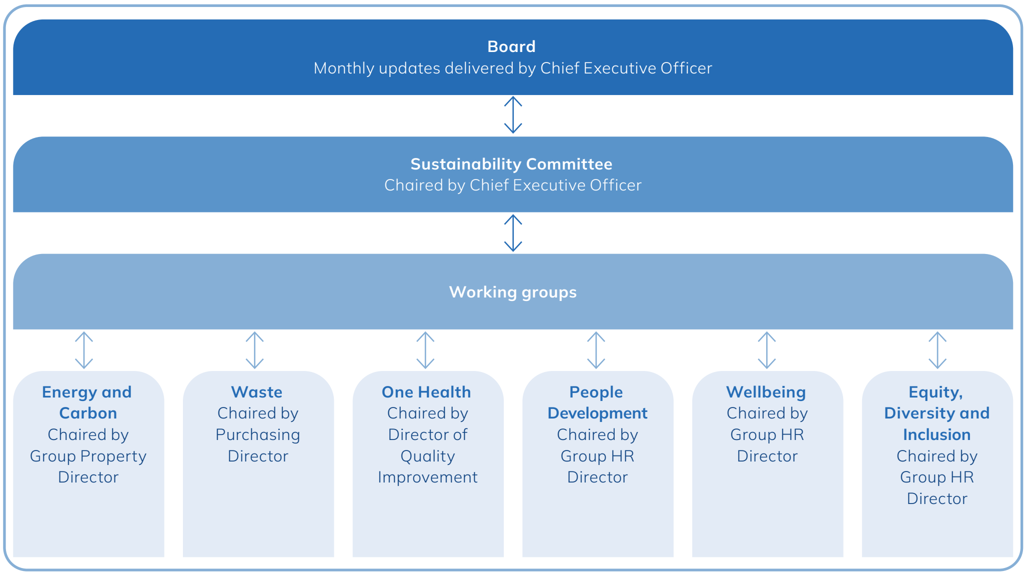
> reviewing and improving our processes around monitoring our environmental impact and managing climate-related risks.

To ensure open communication with stakeholders on progress, we have made the voluntary decision to early adopt the disclosure recommendations of the TCFD in this Annual Report. In the table below, we have set out our progress against the eleven recommended disclosures.

The Group has included climate-related financial disclosures as required by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31).

TCFD recommendations theme	Disclosures	Compliance status	Where is our TCFD disclosure
Governance	Board's oversight of climate-related risks and opportunities	Compliant	Page 35
	Management's role in assessing and managing climate-related risks and opportunities	Compliant	Page 35
Strategy	Climate-related risks and opportunities (short, medium and long term)	Compliant	Page 36
	Impact of climate-related risks and opportunities on the business, strategy and financial planning	Compliant	Page 37
	Resilience of the organisation's strategy, considering different climate-related scenarios, including a 2°C or lower scenario	Compliant	Page 37
Risk management	Processes for identifying and assessing climate-related risks	Compliant	Page 38
	Processes for managing climate-related risks	Compliant	Page 38
	Identifying, assessing and managing climate-related risks and integration into overall risk management	Compliant	Page 38
Metrics and targets	Metrics to assess climate-related risks and opportunities in line with the strategy and risks management process	Compliant	Page 39
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks	Compliant – disclosed in the SECR reporting	Page 90
	Targets used to manage climate-related risks and opportunities, and performance against targets	Compliant	Page 39

Disclosure requirement	Our progress
Governance	
Describe the Board's oversight of climate-related risks and opportunities	The CVS Group Board is responsible for overseeing the Company's approach to climate-related risks and opportunities. The Group's Board is diverse in its composition which enables wide-ranging perspectives and experience in identifying and addressing climate-related risks and opportunities. The expertise of the Group's Board is detailed in the biographies of the Board members on pages 58 and 59 of this Annual Report. The Board regularly reviews climate-related issues as a standing agenda item at Board meetings, incorporating them into strategic decision making and risk management processes. During 2024, there were ten Board meetings. The Board has empowered the Sustainability Committee with monitoring the Company's climate-related risk exposures and ensuring effective mitigation strategies are in place. It is the Sustainability Committee's responsibility to implement the strategies and targets set out by the Board. The Group and the Board continue to provide regular and detailed climate-related reporting and disclosures through this TCFD Statement along with the reporting against the SASB standards. Additionally, the Group has published its third iteration of the Sustainability Report in 2024, which provides greater detail on the inner workings and successes of the sustainability efforts the Group has undertaken along with targets and metrics against previously determined goals.
Describe management's role in assessing/managing climate-related risks and opportunities	The Sustainability Committee is compiled of the leaders across the Group who have the expertise relevant to the working groups: Energy and Carbon; Waste; One Health; People Development; Wellbeing; and Equity, Diversity and Inclusion (EDI). The combined efforts of said working groups are responsible for implementing the Board's directives on climate-related issues. The Sustainability Committee is chaired by the Chief Executive Officer (CEO) to ensure that the Board's strategies and targets are being effectively executed, and that information from the wider business is fed back to the Board guaranteeing a clear two-way channel of communication. The CEO leads the development and execution of CVS Group's climate strategy, working closely with various departments to integrate climate considerations into operational practices. During the year, there were two Sustainability Committee meetings, of which the Group set about putting into place the directives of the Board and monitoring against specified targets.



Disclosure requirement	Our progress
Business model and strategy	
Describe the climate-related risks and opportunities identified in the short, medium and long term	The Group understands that there are climate-related risks and opportunities that can have an impact on our business and how we operate and, therefore, the Group performs an annual scenario and risk analysis which assists in bringing the most pressing risks and opportunities to the forefront of the decision-making process whilst ensuring we do not jeopardise the future sustainability performance of the Group. To identify the risks and opportunities, the Group applied the PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis where we previously concluded, in 2023, that there were 36 potentially financially impacting risks and opportunities to the Group. A new analysis has been undertaken for 2024, which has confirmed that these 36 risks and opportunities still remain for the Group. For the Group to assess the risks and opportunities for their impact, we categorise these 36 risks and opportunities into a RAG (red, amber and green) status with red being the most impactful, which requires addressing with highest priority, and green being the least impactful. For the purposes of this TCFD Statement, we have determined the short to medium term relates to the period 0–5 years, the medium to long term as 5–10 years and, lastly, the long term which relates to the period greater than 10 years from now. We use these parameters to assess the risks and opportunities identified to determine the level of the action we need to take. Additionally, the Group reports against the Sustainability Accounting Standards Board (SASB) standards each year, which are used to assess the progression and performance of the Group and it's sustainability targets, which can be found on page 33 and further information in our 2024 Sustainability Report. The three scenarios that we used to assess and use as our targeted outcomes are Divergent Net Zero, Net Zero 2050 and Current Policies which are proposed scenarios by the Network for Greening the Financial System (NGFS). **Divergent Net Zero (2050)** The Divergent Net Zero scenario envisions achieving net zero emissions by 2050 but with higher costs due to inconsistent policies across sectors and an accelerated phase-out of fossil fuels. Within this scenario, we identified several risks and opportunities: Opportunities: The Group has the chance to solidify its position as a high-quality brand by maintaining transparency in carbon reporting. Risks: Supply chains dependent on less developed countries may struggle to decarbonise, potentially harming CVS's brand image. Alternatively, shifting supply chains to more developed regions could reduce environmental impact but may negatively affect profit margins. Rising costs due to declining crop yields and higher raw material prices could lead to inflation, reducing disposable incomes and potentially decreasing demand for veterinary services due to a shrinking pet population. The introduction of carbon tax schemes, including border taxes, which poses a risk of significant economic disruption, particularly within supply chains. **Net Zero 2050** Achieving global net zero CO_2 emissions by 2050 requires a comprehensive transition across all sectors. This scenario emphasises decarbonising electricity supply, enhancing energy efficiency, and developing new technologies. Key risks and opportunities include: Risks: Changing lifestyles, such as a shift towards meat-free diets, could significantly reduce the farm animal veterinary market. Environmental challenges persist, such as intense monsoons in Asia disrupting food production and hotter UK summers posing operational challenges. Major policy shifts, like the ban on new petrol and diesel car sales, could reduce household incomes and increase taxes, affecting demand for veterinary services. Slower global economic growth and rising carbon prices present further risks. Opportunities: Behavioural shifts, including reduced international travel and increased leisure time, may lead to a rise in pet populations and greater demand for preventative veterinary care. **Current policies** Current climate policies, while in place, are insufficient to meet global commitments, potentially leading to over 3°C of warming by 2100. This would exacerbate living conditions globally and cause irreversible impacts like sea-level rising. Key risks include: Physical risks: Economic disruption due to impacts on ecosystems, health, infrastructure, and supply chains. Warming projections: With greenhouse gas emissions at their highest since the industrial revolution, global warming could reach 1.5°C in the 2030s, 2°C by 2050, and 3°C by the 2090s, leading to extreme temperature changes throughout the 21st century.

Disclosure requirement	Our progress
Business model and strategy continued	
Describe the impact of climate-related risks and opportunities of the Group's business, strategy and financial planning	The Group persists with annual reviews of the business and its future direction with particular consideration of the impact of climate-related changes. This includes, but is not limited to, the inclusion of increased waste disposal costs in forecasts to ensure that our waste is disposed of in an environmentally sustainable manner. The Group performed a detailed assessment of its business, strategy and financial planning in 2024, where it was identified through the target of net zero 2050 strategy that a reduction in the consumption of meat products could result in a reduction in our Farm division and therefore result in a financial impairment of the assets in our Farm division. This continues to be a consideration for the Group, along with other climate-related scenarios identified. There is a desired focus on managing climate-related risks that we have detected in our scenario and risk analysis whilst also targeting the opportunities identified for progression and growth of our sustainability targets. **Financial planning** > Increased energy costs as carbon, capture and storage (CCS) and carbon dioxide removal (CDR) technologies are implemented and costs passed on to consumers. > Increased costs of consumables due to environmental impacts on the supply chain, including moving supply to more developed countries which are less impacted by climate change. > A reduction in disposable income as a result of inflation in raw material costs, declining crop yields and other factors, increasing cost of living pressures. > Potential fiscal measures such as carbon tax schemes and Government support schemes increasing the Group's tax expense. **Business model** > Reduced international travel and the resulting increased domestic leisure time increasing the demand for pets and therefore the pet population and number of clients for our Companion Animal veterinary division. > A more holistic understanding of prosperity increasing customers' desire for quality services and leisure time, increasing the demand for our preventative healthcare services to ensure longevity and good health of pets. > The share of online sales increasing due to a reduction in travel or during extreme weather events providing enhanced opportunities for our online retail business.
Describe the resilience of the Group's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	As detailed in the scenario and risk analysis, we have evaluated the impact of climate-related risks and opportunities on our business strategy in the short, medium and long term. To manage these identified risks and opportunities, we have outlined several strategic options for future business planning. Our growth strategy includes organic growth through capital investment in existing practices and new practices, and inorganic growth through acquisitions and development of our new territory in Australia. This flexibility allows us to incorporate climate-related issues, such as mass migration due to rising sea levels, into our strategy by selecting alternative investment sites. During the year, we performed a review and a thorough resilience assessment of the Group's strategy and in the short term, we continue to be strongly prepared and resilient to the assessed climate-related scenarios, including a 2°C or lower scenario. Additionally, we have identified key strategic focus areas: 1. increasing transparency and accuracy in carbon and climate-related reporting to align our brand with "green" goals; 2. emphasising high-quality clinical care and preventative veterinary care to meet the growing demand from conscientious customers and combat the decline of the "throw-away" culture; and 3. maintaining strong relationships with suppliers while auditing and monitoring supply chains to mitigate risks of supply disruption, increased costs from carbon taxes and potential "greenwashing" scandals.

Non-financial and sustainability information statement continued

Disclosure requirement	Our progress
Risk management	
Describe the Group's processes for identifying and assessing climate-related risks	The Group employs a comprehensive process for identifying and assessing climate-related risks, integrating these considerations into our overall risk management framework. This approach ensures that we proactively address potential threats and opportunities arising from climate change, safeguarding our business operations and supporting growth with a sustainable approach. The Group has set out more details on its process for identifying and assessing risks as a whole on pages 47 to 55 of this Annual Report. As detailed on page 36 ("Describe the climate-related risks and opportunities identified in the short, medium and long term"), we have conducted an in-depth scenario analysis, including a comprehensive assessment of risks and opportunities. This assessment rates the probability and impact of each identified risk with a RAG (red, amber, green) status – relating to the impact of each identified risk.
Describe the Group's process for managing climate-related risks	The Board routinely conducts thorough assessments of both emerging and principal risks facing the Group, with a particular focus on climate-related risks and their potential impacts on other risk areas. These assessments are integral to our strategic risk management process. The Sustainability Committee, alongside senior management, is responsible for the continuous monitoring of these risks on a daily basis, utilising a variety of tools and metrics to track changes in the climate-related landscape. Any significant changes or developments identified by the Sustainability Committee are promptly reported to the Board, ensuring that our risk management strategies remain effective and responsive to new challenges. It is our working groups that evaluates the risks and proposes corrective actions if we are to avoid/resolve the risk, monitoring if we aim to control and mitigate the risk and proposed assignment/movement of climate-related risk to transfer the risks. These actions and monitoring of risks is then presented to the Sustainability Committee which is headed by the CEO, which in turn is relayed to the Board for approval or alternative proposals for consideration by the Sustainability Committee.

Transition Risks ↑ / Physical risks →		
	Disorderly Assume significant climate action but with delays or regional tensions. The two associated narratives within this category are the Divergent Net Zero scenario, which reaches net zero by 2050, but where action only commences in 2030, and the Divergent Transition scenario, where different regions pursue uncoordinated policies of transition. These scenarios both result in around 1.5° of warming in 2100, respectively, but with much more severe economic disruption. Scenarios: Divergent Net Zero, Delayed Transition	**Too little, too late** Assume that a late transition fails to limit physical risks. No scenarios have been specifically designed for this purpose. This space can be explored by assuming higher physical risk outcomes for the disorderly scenarios.
	Orderly Assume global climate action occurs steadily and efficiently. The two associated narratives within this category are the Net Zero 2050 scenario, which limits end-of-century warming to below 1.5°C, and the Below 2°C scenario, a slightly less ambitious pathway that results in below 2°C of warming in 2100. Scenarios: Net Zero 2050, Below 2°C	**Hot house world** Assume limited additional climate action is taken, and physical damages from climate change continue to mount. In the more optimistic narrative, countries fulfil their Nationally Determined Contributions (NDCs) but nothing more, leading to warming of over 2.5°C in 2100. The more pessimistic narrative (termed "Current Policies") assumes climate policies are not strengthened, leading to warming of over 3°C by 2100. Scenarios: Current Policies, Nationally Determined Contributions (NDCs)

Disclosure requirement	Our progress
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management	The Group's comprehensive risk management approach is detailed in the principal risks and uncertainties report in the Annual Report. For 2024, one of the principal risks identified by the Board remains sustainability and climate change. This risk is evaluated rigorously, with its impact and probability being considered and evaluated against the RAG rating criteria. During these reviews, we also assess the effectiveness of existing mitigating factors and note any significant changes since the last evaluation. In addition, the Group has enhanced its framework for assessing climate-related risks by employing scenario analysis, which provides a structured method to explore and prepare for potential future climate scenarios. This detailed approach outlines how we anticipate and plan for various climate-related challenges and opportunities. This proactive strategy ensures that the Group remains resilient and adaptive in the face of evolving climate risks.

Disclosure requirement	Our progress
Metrics and targets	
Disclose the metrics used by the Group to assess climate-related risks and opportunities in line with its strategy and risk management process	"Care at our Heart" – ESG strategy underpinning the Group's overall strategy and business model which can be found on pages 16, 22 and 23 of this Annual Report. SECR – Streamlined Energy and Carbon Reporting – which can be found on pages 89 and 90 of this Annual Report. The key metrics used for assessing climate-related risks and opportunities are primarily those disclosed in our SECR which covers our energy and carbon usage. This is our most measurable, understandable and actionable data and therefore subsequent metrics can be applied. The Group also has other sustainability-related metrics and targets beyond the scope of climate-related metrics and targets which are disclosed in our SASB report which can be found in our dedicated Sustainability Report 2024 on pages 32 to 40 alongside page 33 of this Annual Report.
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	The Group's Scope 1, Scope 2 and Scope 3 emissions and the methodology for calculating these are disclosed in the SECR report on pages 89 and 90.
Describe the targets used by the Group to manage climate-related risks and opportunities and performance against targets	These metrics can be found on page 33.

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

> **"Paul is also a passionate champion for the role of veterinary nurses. He actively advocates for the professional development and recognition of veterinary nurses, ensuring they have ample opportunities for growth and are fully integrated into the clinical team."**

An introduction to Paul Higgs

Paul is an RCVS recognised and EBVS® European Veterinary Specialist in Small Animal Internal Medicine. His career to date is marked by a commitment to advancing clinical quality and fostering professional development.

In 2022, Paul became Chief Veterinary Officer for CVS and plays a pivotal role in steering clinical quality improvement across all species and practice types. His leadership ensures that the highest standards of care are consistently met, addressing both national and individual patient issues with a proactive and collaborative approach. Through this leadership, CVS was able to launch its Clinical Governance Framework, the first in the veterinary sector, which identifies how CVS upholds and prioritises clinical standards and an environment of continuous learning and improvement.

Paul is deeply involved in shaping the future of veterinary medicine through his work with professional bodies such as the RCVS, BVA and BSAVA. He has been instrumental in promoting collaborative efforts within the veterinary community, recognising that a team-oriented approach is crucial for the profession's growth and effectiveness. Previously, Paul has chaired the Congress Committee for the British Small Animal Veterinary Association, responsible for organising the UK's largest veterinary conference.

A key aspect of Paul's influence is his dedication to supporting veterinary research. Through initiatives like the CVS Research awards, he has facilitated significant advancements in veterinary science. These awards provide essential funding for clinical research projects, both within academic institutions and among practitioners, driving innovation and improving clinical practices across the board.

Paul is also a passionate champion for the role of veterinary nurses. He actively advocates for the professional development and recognition of veterinary nurses, ensuring they have ample opportunities for growth and are fully integrated into the clinical team. His efforts have led to important changes in how the role of veterinary nurses is perceived, highlighting their critical contribution to patient care. Read more about this on page 20.

Paul's leadership and vision continue to shape the veterinary profession, driving improvements in clinical care, research and professional development. His influence ensures that the veterinary community remains dynamic, collaborative, and committed to the highest standards of patient care.

Working with Paul is a similarly motivated and passionate team of leaders each supporting a specific area of clinical improvement. These critically important team members include the Chief Veterinary Nursing Officer, Director of Clinical Research, Director of Learning and Development and Director of Quality Improvement.

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

Robin Alfonso
Chief Financial Officer

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-19 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

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 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.

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%

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 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-19 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.

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 to the financial statements) 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.

Financial review continued

Adjusted EBITDA and adjusted earnings per share continued

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[1]

	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.

86.1%*

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%*

1. % change based on underlying numbers.

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

Financial review continued

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.

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

Focused approach to managing risk throughout the Group

Risk management structure

The Board has overall responsibility for ensuring risk is appropriately managed across the Group. The day-to-day identification, management and mitigation of risk is delegated to the Group's senior management.

Risk registers are prepared which evaluate the risks most likely to impact the Group. Colleagues across the business are involved in the preparation and regular review of these risk registers in order to ensure that all potential areas of risk are adequately identified, recorded and managed. Controls that are in place are assessed in order to determine the extent to which they mitigate risk and in circumstances where it is considered appropriate to reduce risk further, appropriate actions are determined.

Risk registers are prepared in detail at least twice per year which evaluate the risks most likely to impact the Group. The board evaluate the risks at each audit committee. During the year the risk register was kept under review for changing and emerging risks to the business and two detailed reviews with the business took place. A full risk update was provided to the board at each of the three audit committees which took place during the year.

The Group's business operations are subject to a wide range of risks. Some of the most significant risks are explained on pages 48 to 55 together with details of actions that have been taken to mitigate these risks.

The key roles and delegated responsibilities

Executive Committee

Collectively responsible for managing risks.

Audit Committee

Assists the Board to fulfil its corporate governance duties and oversees responsibilities in relation to financial reporting, internal control and the risk management structure.

Internal audit

Holds meetings with risk owners across the business, assesses the risk ratings and documents the controls in place to mitigate each risk, and recommends improvements and correction actions.

Risk appetite

The effectiveness of the Group's risk management approach relies upon a culture of transparency and openness that is encouraged by both the Board and senior management.

The Group's appetite for risk is considered low; whilst some risk is accepted in order to develop the business and invest in future growth, the Group has no appetite for major risks which cannot be effectively mitigated through appropriate controls.

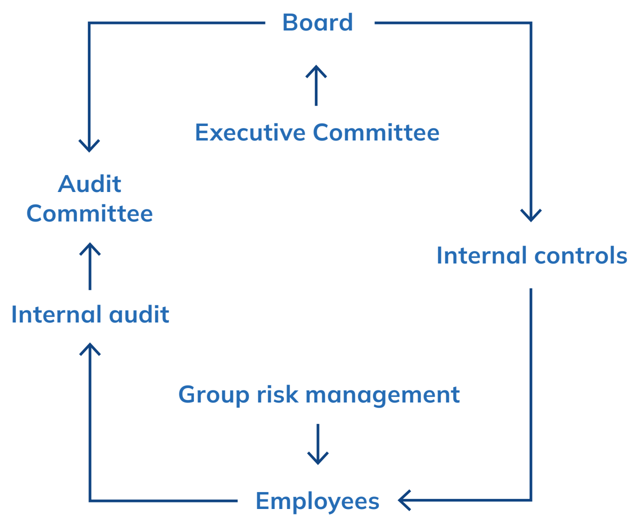
Emerging risks

We define emerging risks as those that can potentially have a significant impact on the Group, where the full extent of the scale, impact, or likelihood may not be fully understood but needs to be tracked. Identification and review of emerging risks follows our risk management structure described.

Assessment of principal risks

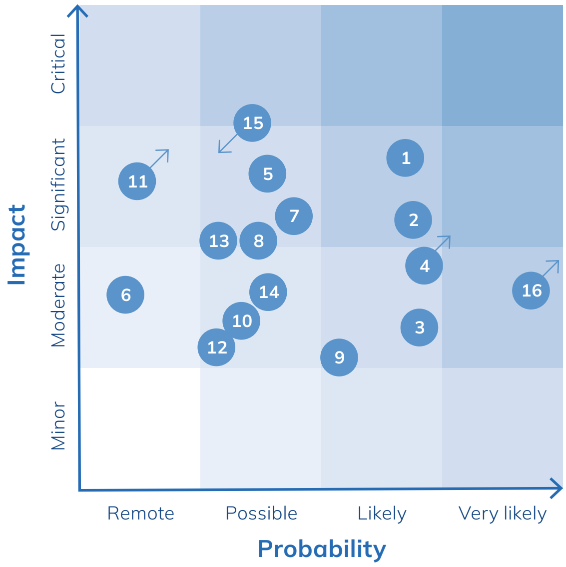
During the year, the Board undertook a robust, in-depth and comprehensive assessment of the emerging and principal risks facing the Group and specifically those that might threaten the delivery of its strategic business model, its future performance, solvency or liquidity. A summary of the principal risks and uncertainties that could impact the Group's performance is shown on pages 48 to 55.

Risk management framework



Principal risks and uncertainties continued

1 Key employees
2 Economic environment
3 Competition
4 Adverse publicity
5 Information technology
6 Change in industry regulations
7 Sourcing pharmaceutical supplies
8 Sourcing and integrating acquisitions
9 Health and safety legislation
10 Corporate legislation and regulatory requirements
11 Bank facilities
12 Future pandemic or lockdown
13 Sustainability and climate change
14 Epidemiology
15 Cyber attack
16 Competition and Markets Authority market investigation



1. Key employees

Description
Failure to retain and attract key staff, particularly veterinary surgeons due to structural shortages of qualified vets in the industry.

Potential impact
> Failure to be able to meet the increased demand from clients and their animals.

> Increased employment costs leading to adverse impact on financial performance of the Group.

> Failure to recruit may lead to increased locum fees leading to an adverse impact on financial performance.

> Increased pressure on our colleagues to cover vacancy gaps.

Mitigating factors
> Increasing number of veterinary schools and graduate intakes.

> Close relationship with UK veterinary schools.

> Market leading graduate induction programme.

> Summer and Winter Camps aid an increase in the number of graduate intake.

> Focused training programmes to cover clinical, customer service and management training.

> Appropriate reward and benefits, including health cash plan.

> Maximum of up to five additional days annual leave for each year of service.

> Annual bonus scheme and a Group Long-Term Incentive Plan (LTIP) scheme for senior colleagues. An annual Save As You Earn (SAYE) scheme is in place for all colleagues.

> Regular feedback from colleagues to address common issues or concerns.

Changes in the year
> We have increased the average number of vets and nurses employed by 5.8% and 2.3% respectively excluding acquisitions.

> Employee attrition rates improved during the year.

> Delivered our largest ever graduate intake of c.200+ vets taking a larger share of the population available.

> We have increased nurse utilisation, improving nurse job satisfaction and reducing pressure on vets.

Link to strategy

Read more on pages 22 and 23

Key to our four strategic pillars

We recommend and provide the best care every time

We are a great place to work and have a career

We provide great facilities and equipment

We take our responsibilities seriously

No change to risk

Increasing risk

Reducing risk

N New risk

2. Economic environment

Description
Risk of potential further decline in the UK economy.

Potential impact
> Reduction in consumer confidence and spending on veterinary services.

> Rising inflation costs impacting cost of product and adversely effecting margins.

Mitigating factors
> Diverse range and provision of services across the Group to a wide range of animals in the UK and Australia.

> Strong year-on-year growth in the Healthy Pet Club (HPC) preventative healthcare scheme, which increased by 2.9% to 503,000 members as at June 2024 from 489,000 at June 2023.

> Online retail business protects the Group against changes in consumer spending habits.

> Ability to source supplies from a number of manufacturers. We have strong relationships with our suppliers and manufacturers.

Changes in the year
> A fixed-term energy contract is in place to protect the Group against increasing energy prices.

> Latest PDSA "PAW" report highlights a continued increase in the pet population.

> The Group closely monitors rising inflation.

> The Group entered into a new £100m interest rate hedge in January 2024 to mitigate the impact of interest fluctuations.

Link to strategy

Read more on pages 22 and 23

3. Competition

Description
Increased competition for clients including the impact from consolidation and acquisition of veterinary practices.

Potential impact
> Third-party practices choose to use other Laboratories.

> Third-party practices choose to use other Crematoria.

> Loss of revenue from reducing client base.

Mitigating factors
> The Group has a wide range of services to offer its clients.

> Continuous investment to maintain high-class facilities and equipment in order to provide excellent clinical service.

> Detailed assessment of acquisition opportunities measured against clear target criteria.

> Regular reviews of pricing of products and services to ensure we remain competitive.

> Healthy Pet Club (HPC) scheme offers clients access to preventative healthcare for their pets while spreading the cost.

Changes in the year
> The Group has paused acquisition activity in the UK pending the outcome of the CMA market investigation.

> The Group successfully entered the Australian Veterinary Market in July 2023 and acquired 22 veterinary practices in the financial year.

> Steady increase in our HPC scheme.

> Growth in revenues in the year reflecting our focus to deliver organic growth.

> The number of registered veterinary practices in the UK increased to 5,439 (June 2023: 5,435).

Link to strategy

Read more on pages 22 and 23

Principal risks and uncertainties continued

4. Adverse publicity

Description
Any adverse publicity on the Group, other corporate veterinary groups or the veterinary sector as a whole.

Potential impact
> Reduction in customer numbers leading to adverse revenue.

> Adverse impact on our ability to attract and retain key colleagues.

Mitigating factors
> Policies and procedures in place to monitor service delivery and ensure continued levels of high-class veterinary care.

> Participation in the RCVS Practice Standards Scheme and RCVS Knowledge QI Champion accreditation.

> Established Clinical Advisory Committee to advise on clinical standards and drug lists across the Group.

> Dedicated Communications Director in place to respond swiftly to any issues.

> Prominent representation on national bodies and at industry events to enhance the Group's reputation and credibility.

> Financial PR agency in place to support with media communication offering enhanced level of support.

> Positive feedback from Summer and Winter Camp for Veterinary graduates.

> 2023 Quality Improvement report issued which outlines our approach to increasing clinical standards.

> Leading Learning and Educational programme offering a wide range of continued professional development courses for our Vets and Nurses.

Changes in the year
> Increased media coverage regarding veterinary consolidation and the impact on end user pricing.

> Continued monitoring of our clinical standards against our quality improvement frameworks for clinicians and practices and introduced our Clinical Governance Framework.

> We continue to engage with third parties to further enhance reporting of important issues such as sustainability.

> PR agency engaged to support with market review messaging and communication.

Link to strategy

Read more on pages 22 and 23

5. Information technology

Description
The Group is dependent on various aspects of Information Technology (IT) and support for its operations.

Potential impact
> Loss of connectivity and availability of systems across our network.

> A cyber attack could result in loss of systems and potential loss of client data.

Mitigating factors
> Policies and procedures are in place to ensure stability and security of our networks and systems.

> Restricted access to systems, networks and applications wherever possible.

> Scheduled programme of network security enhancement with external reviews performed periodically.

> Full system testing of any developments prior to live deployment.

> Regular backups and testing of the recovery of those system backups.

> New cloud-based Practice Management System "Provet" rolled out in the year, which will continue and complete full migration in the 2025 financial year.

> Appropriate training offered to all staff.

Changes in the year
> Strengthened IT team, with New Director of Technology appointed in August 2024.

> Continued detailed review of policies and procedures undertaken during the year.

> Enhanced focus on key projects and timelines to delivery.

> Roll out of our new cloud-based practice management system "Provet" to over 75% of our practices.

Link to strategy

Read more on pages 22 and 23

Key to our four strategic pillars

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No change to risk

Increasing risk

Reducing risk

N New risk

6. Changes in industry regulations

Description
The industry is subject to a number of laws and regulations.

Potential impact
> Failure to adhere to these could have a material impact on the Group through damage to reputation and/or financial penalties.

> Changes in regulations could adversely impact the Group.

Mitigating factors
> Policies and procedures in place to monitor compliance and any developments or proposed changes.

> Regular engagement with regulatory and legislative bodies to promote best practice and lobbying for change where considered appropriate.

> Clinical Directors in place to ensure high standards are maintained.

> Chief Veterinary Officer (CVO) on the Board who oversees all clinical quality improvement work to help enhance the care we provide to animals.

Changes in the year
> Appointed CVO to the Board in July 2024.

> We continue to review and respond to evolving government and regulatory guidance and able to adapt our services accordingly (e.g. use of tele-consultations).

> Continued focus on delivery of CVS Clinical Governance Framework led by CVO.

> Updated Veterinary Medicines Regulations came into force in May 2024 which includes further clarification of legislation relating to prescribing veterinary medications. These enhance existing understanding of "good practice" and no significant changes in working practices are expected.

Link to strategy

Read more on pages 22 and 23

7. Sourcing pharmaceutical supplies

Description
Failure to source pharmaceutical products at the required price and quantity.

Potential impact
> Inability to treat patients with the required prescription and non-prescription medicines.

> Adverse revenue impact.

> Adverse impact on margins through having to source alternative supplies on less favourable terms.

Mitigating factors
> Supply agreements in place with multiple major wholesalers and manufacturers to cover stocking issues.

> Supply of own-brand products in Group warehouses for onwards supply.

> Regular pricing reviews with all major suppliers across all divisions for best possible pricing.

> Increase in direct supply of products.

Changes in the year
> Warehouse system fully implemented for monitoring stock levels accurately.

> Where possible, we have included price caps in supplier contracts to protect the Group from price increases.

> We are establishing relationships with manufacturers in Australia and have now agreed terms with our wholesaler of choice.

Link to strategy

Read more on pages 22 and 23

Principal risks and uncertainties continued

8. Sourcing and integrating acquisitions

Description
Failure to attract, acquire and integrate acquisitions at the appropriate price with minimal disruption.

Potential impact
> Pressure that higher multiples reduce growth opportunities through acquisitions.

> Failure to integrate efficiently impacting actual performance versus business case.

Mitigating factors
> Dedicated team committed to sourcing acquisitions.

> Acquisitions Committee in place to ensure acquisitions are in line with business need.

> Clear list of criteria used to assess any potential acquisition targets.

> Multi-disciplined team communications in advance of acquisition to plan the integration.

> Use of professional advisors to ensure appropriate due diligence and legal advice are undertaken.

> Close monitoring of post-acquisition performance versus business plan.

> Liaise with Competitions and Mergers Authority (CMA) on acquisitions where appropriate.

> Liaise with Australian Competition and Consumer Commission (ACCC) on acquisitions in Australia where appropriate.

> Full review of potential territories conducted before entering,

Changes in the year
> Risk-based approach to pre-acquisitions checklist.

> Strengthened acquisitions team.

> Clear guidelines set by CMA on how to assess local market competition.

> Group announced entry into the Australian Veterinary Market in July 2023 and where appropriate submissions are made to ACCC for approval prior to completion for Australian acquisitions.

> The Group has paused acquisition activity in the UK pending the outcome of the CMA market investigation.

Link to strategy

Read more on pages 22 and 23

9. Health and safety legislation

Description
Failure to comply with health and safety legislation across our practices, laboratories, crematoria, warehouse and other sites.

Potential impact
> Colleagues, clients or the general public are injured.

> Required temporary closure of sites whilst any issues are addressed.

> Loss of revenue and potential claims against the Group.

Mitigating factors
> Robust health and safety procedures are in place ensuring full compliance with health and safety legislation.

> Mandatory employee training to ensure they can perform their duties safely.

> Appropriate protective equipment supplied to all employees in order for them to perform their duties safely.

> Specialist health and safety team which regularly reviews any risks and identifies areas for improvement.

> Participation in the RCVS Practice Standards Scheme to ensure the Group promotes the highest levels of clinical standards.

> Specialist and appropriately qualified third-party advisors undertake maintenance, inspections and property development.

> Health and safety committee in place.

> Experienced Director of Property and Health and Safety in place.

> Facilities Management outsourced to a market leading provider.

Changes in the year
> Continued focus on health and safety in all practices.

> Continued emphasis on ensuring health and safety standards are at the forefront when considering property improvements.

> Project to improve failsafe lighting in the provision of x-ray imaging services following clarification from the Health and Safety Executive.

Link to strategy

Read more on pages 22 and 23

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N New risk

10. Corporate legislation and regulatory requirements

Description
Failure to comply with laws and regulations.

Potential impact
> The Group could face fines and penalties leading to financial loss.

> The Group could face suspension of certain operations.

Mitigating factors
> Appropriate training supplied to colleagues in the relevant areas required.

> Suitable experts employed to ensure compliance and to regularly update policies and procedures.

> Appropriate insurance cover and third-party professional advice used as required.

Changes in the year
> Further strengthened corporate legal team during the year.

> Engage third parties to keep us informed of upcoming regulatory changes.

Link to strategy

Read more on pages 22 and 23

11. Bank facilities

Description
Failure to comply with bank covenants and ability to secure future funding.

Potential impact
> Lack of availability of funding.

> Increased borrowing costs.

Mitigating factors
> The Group maintains suitable facilities from a syndicate of leading banks with an appropriate term.

> £350m facilities comprise term debt, revolving credit facility and an overdraft to February 2028.

> Regular reporting of headroom and compliance to the Board and Executive Committee.

> Regular meetings with bank syndicate members to appraise performance.

> Focus on maintaining relationships with main lenders and other banking parties.

> Daily cash flow forecasts prepared and reviewed for a rolling three-month period to enable working capital requirements to be understood and to optimise bank drawings and interest costs.

> The Group is cash generative and has the ability to de-lever quickly.

Changes in the year
> Option for a one-year extension to February 2028 submitted and approved by all lenders.

> New £100m interest rate hedge entered into on 31 January 24 with HSBC and Lloyds.

> Strong cash generation continues; net debt has increased in line with investments made.

> Increase in leverage to 1.54x from 0.73x.

Link to strategy

Read more on pages 22 and 23

12. Future pandemic or lockdown

Description
Future uncertainty over COVID-19 or other pandemic and associated lockdowns.

Potential impact
> Future lockdowns affect our ability to service our clients if non-emergency services are unable to be undertaken.

Mitigating factors
> Multiple geographically spread locations across the UK and Australia protect the Group from any localised lockdowns.

> The Group operates across a diverse number of operations with an online retail business and provides veterinary care across companion, equine and farm animal species.

> The Farm Animal division is protected due to it being critical to the human food chain.

Changes in the year
> We continue to maintain the highest levels of protection for our staff and customers.

> We continue to offer flexible working where appropriate to promote safety across the Group as a whole.

Link to strategy

Read more on pages 22 and 23

Principal risks and uncertainties continued

13. Sustainability and climate change

Description
The Group's continued success depends on the social and environmental sustainability of its operations.

Potential impact
> Disruptions to our supply chain leading to stock shortage and financial loss.

> Adverse weather leading to a decline in our client demand.

> Changes in regulations increasing the cost of our operations.

Mitigating factors
> Sustainability and ESG is discussed as a standing agenda item in Board meetings.

> ESG working group formed which is chaired by the CEO. Supported by an additional six working groups in the following areas: (1) Energy and Carbon, (2) Waste, (3) One Health, (4) People Development, (5) Wellbeing (6) Equity, Diversity and Inclusion.

> Electric vehicles for the car fleet and use of energy from renewable sources.

> Focus on implementing targets to aim for Net Zero carbon emissions.

> ESG advisors help to assess our risks and to implement our ESG strategy, "Care at our Heart".

Changes in the year
> Sustainability Report published Annual Sustainability Report published with SASB-compliant data.

> We continue to voluntarily adopt TCFD reporting in 2024 Annual Report.

> Risks and opportunities assessment and scenario analysis performed in relation to climate change.

> Enhanced non-financial targets linked to our sustainability strategy introduced for Executive Committee bonuses for the 2025 financial year.

> First public targets set within our six workstreams.

Link to strategy

Read more on pages 22 and 23

14. Epidemiology

Description
There is a risk to the Group as a result of potential animal epidemics.

Potential impact
> New diseases entering the UK due to animal importation could lead to animal deaths, and loss of future revenues.

> Diseases transmitted from animals to humans may lead to operational disruption.

Mitigating factors
> The Group continues to invest in research and development and closely monitors trends and concerns through our well-established Clinical Advisory Committee.

> Investment in ensuring we drive quality improvement and continue to publish our Quality Improvement report.

> Notification system implemented to aid tracking and resolution of issues arising.

> Focus on increased protection if suspected cases are identified.

> Clinical Research awards supporting research projects which are open to both internal and external applicants via collaboration with universities and research institutions.

> We are prioritising research related to antimicrobial stewardship, to support responsible antibiotic prescribing or infection control, as well as supporting research projects within CVS in line with our antimicrobial stewardship priorities.

Changes in the year
> We funded a further four research projects in the year, bringing the total number of projects supported to twenty.

> Collaboration with the University of Liverpool to support the monitoring of infectious disease trend through surveillance generated from our companion animal practices, equine practices and our laboratories.

> The Animal and Plant Health Authority have been monitoring ruminant species for Blue Tongue Virus in the UK due to high levels of infection on mainland Europe. Positive cases have been identified in East Anglia in August 2024 with animal movement restrictions in place. Due to the mode of transmission (midges), veterinary care can continue as normal and the anticipated impact on working practices is currently minimal.

Link to strategy

Read more on pages 22 and 23

Key to our four strategic pillars

- We recommend and provide the best care every time
- We are a great place to work and have a career
- We provide great facilities and equipment
- We take our responsibilities seriously

- No change to risk
- Increasing risk
- Reducing risk
- N New risk

15. Cyber attack

Description
Potential for a targeted breach of the Group's IT security.

Potential impact
> Loss of client data resulting in reputational damage.

> Disruption to operations.

Mitigating factors
> The Group has a number of policies in place that are aimed at ensuring the stability and security of our networks and systems.

> Network security is regularly enhanced with external reviews being performed periodically to identify areas of risk. A scheduled programme of equipment and software replacement takes place to help ensure that the latest security features are available.

> Systems are regularly backed up and the recovery of those systems is tested.

> Use of antivirus software in place across the Group.

> Password policies are in place encouraging use of strong passwords. Forced password changes on a regular basis and multi-factor authentication used where appropriate.

> Fully encrypted payments terminals rolled out across the Group.

> Restricted access to systems, networks and applications wherever possible.

Changes in the year
> New Head of Cyber Security appointed.

> New Director of Technology appointed.

> Multi-factor authentication rolled out to remote access users.

> Practice Management System moved to the cloud with transition to Provet for the majority of our companion animal sites moving away from local servers.

> The Group has undertaken a review of key risks.

> We continue to review our equipment and software and regularly install updates.

> Active directory hardening implemented during the year.

> Review of privileged accounts to ensure appropriate level of restrictive access.

Link to strategy

Read more on pages 22 and 23

16. Competition and Markets Authority market investigation

Description
The Competition and Markets Authority (CMA) have launched a Market Investigation Reference.

Potential impact
> Potential that CMA process leads to additional requirements for our practices – e.g. pricing transparency, customer comms/disclosures, etc.

> The CMA has broad powers to impose remedies which could theoretically extend to forced divestment/intervention in pricing but such remedies have been very rare in reviews of other sectors.

Mitigating factors
> Ability to expand in other territories.

> Significant opportunities for organic growth with continued investment in our practices.

> The Group has an integrated veterinary platform with laboratory services, crematoria services and an online platform.

> Proactive engagement in CMA process to help shape outcome of the review.

> This is a cross-market investigation and thus any remedies are likely to apply to CVS's competitors as well as CVS.

Changes in the year
> The Group has entered the Australian Veterinary Market and has opportunity to widen its geographical footprint globally.

Link to strategy

Read more on pages 22 and 23

The Strategic Report is approved for issue by the Board of Directors.

Scott Morrison
Company Secretary
26 September 2024

Appropriate governance and Board oversight of the Group’s operations

David Wilton
Chair

> **“We outlined our five-year growth plan at our Capital Markets Day in November 2022 and we remain committed to ensuring an effective corporate governance regime in support of this five-year plan.”**

Dear Shareholders,

I am delighted to introduce our Corporate Governance Report for the year ended 30 June 2024 on behalf of the Board. This section of our Annual Report outlines the approach we have adopted in voluntarily complying with the principles of the UK Corporate Governance Code (the Code) over the year as well as outlining improvements we have made in our governance structure, including strengthening the Board. We outlined our five-year growth plan at our Capital Markets Day in November 2022 and we remain committed to ensuring an effective corporate governance regime in support of this five-year plan.

Board effectiveness and enhancement

During the year, our Chair of 16 years, Richard Connell, stepped down due to ill health. Deborah Kemp as Senior Independent Director acted as Interim Chair whilst a recruitment process was conducted. Following this independent and rigorous process, supported by a leading third-party executive recruitment consultant, I was appointed to the position of Chair from 1 May 2024.

During the year, the Interim Chair conducted an internal evaluation to assess the effectiveness of the Board with input from our Company Secretary. On review of this work, I am satisfied that the Board remains effective in providing appropriate governance and control. We will continue to ensure sufficient time is set aside at Board meetings to review performance against our plans and to engage with the wider CVS employees. We held our annual CVS conference in November 2023 which was attended by the full Board, and this gave all Board members the opportunity to meet colleagues from all our business areas.

On 8 July 2024, Ben Jacklin resigned from the Board after a nine-year career at CVS to pursue new opportunities. We thank Ben for his contribution over his tenure.

On 25 July 2024, Paul Higgs, Chief Veterinary Officer, was promoted to the Board to recognise his outstanding contribution to clinical care within the Group. Paul, who has advised the Executive Committee since September 2022 on clinical matters, will now sit on the Executive Board and continue to lead the Group’s clinical focus across the UK and Australia.

In addition, Joanne Shaw who joined the Board on 1 July 2023, was appointed Chair of the Audit Committee from 25 July 2024. Joanne, who qualified as a Chartered Accountant, has significant healthcare experience from a number of executive and non-executive roles.

Chair appointment process

Key criteria

- Extensive experience in key roles in large, people-based, multi-site businesses with a track record of successful growth.
- Considerable experience in consumer-facing businesses with an understanding of the challenges of managing large teams providing professional services to consumers.
- UK plc experience gained as an Executive Director or Non-Executive Director.
- Fully up to date with UK corporate governance best practice.
- Past non-executive experience of a business of comparable scale and complexity. Experience of chairing a company would be advantageous but is not essential.
- Strong capital markets credibility.
- Internationally minded and able to see beyond the confines of the Group's existing markets.
- Significant M&A experience, including international expansion.
- Deep understanding and commitment to sustainability, ESG, diversity and inclusion.
- Experience of regulatory processes or investigation would be an advantage.

Stage 1

- The Nomination Committee considered the search strategy and a key criteria for the role, to best deliver the growth strategy for CVS, alongside promoting strong corporate governance and diversity. There was a strong preference to appoint a female Chair.
- The Nomination Committee appointed third-party independent blue-chip executive recruitment specialists to conduct a search.

Stage 2

- Over 102 candidates were screened with 19 candidates approached by our independent recruitment specialists.
- The longlisted candidates had a gender diversity of 50% and ethnic minority diversity of 13%.
- The Nomination Committee reviewed the candidates against the key criteria and prepared a shortlist for interview.

Stage 3

- The shortlisted candidates were invited to a competency-based interview with Deborah Kemp (Acting Interim Chair and Senior Independent Director) and Richard Fairman (CEO).
- Two preferred candidates were presented to the Nomination Committee for consideration.
- The Nomination Committee obtained references for the preferred candidates.

Stage 4

- Board members conducted individual interviews with the preferred candidates and provided feedback to the Nomination Committee.
- The Nomination Committee considered the feedback, alongside references received, and ultimately appointed David Wilton as Chair.

Equity, Diversity and Inclusion

Our vision is to be the veterinary company people most want to work for – regardless of who they are, how they identify or their background. Our colleagues tell us that feeling included and able to be yourself is vital to feeling engaged and therefore we continue to foster an inclusive and equitable workplace environment alongside cultivating a "just culture", with fairness, openness and learning, by helping people feel confident to speak up when things go wrong, rather than fearing blame.

More details about our people and culture is set out on pages 18 to 21

Section 172 and Stakeholder Engagement

Myself and the Board have held a number of meetings over the course of the year with our institutional shareholders. These meetings are helpful in understanding their priorities and in discussing our strategic focus and capital allocation priorities and any key developments in the business.

CVS has built a strong corporate culture with a focus on providing great care to our clients and their animals; and in investing in and developing our people. We continue to invest in the development of our business and we remain focused on attracting and retaining the very best talent. The Board considers the interests of all stakeholders when taking decisions and we have set out some examples of how the Board has fulfilled its Section 172 duties and engaged with stakeholders during the course of the year on pages 28 to 31.

Sustainability

Over the course of the year, the Board has received an update from the CEO at each Board meeting, setting out the focus of our sustainability and ESG working groups and updating on our progress.

We are delighted to publish our 2024 Sustainability Report detailing the progress we are making and explaining how our ESG strategy is closely aligned to our purpose, vision and key strategic pillars.

We understand the importance of continued evolvement in sustainability, recognising that no one can stand still. In light of this, I look forward to the outcome of our 2025 materiality assessment review to ensure we continue to focus on the material sustainability issues for our stakeholders.

Annual General Meeting (AGM)

We will hold our 2024 AGM on 20 November 2024 at 11:00 am. Full details, including the resolutions to be proposed to shareholders, will be set out in the Notice of AGM, which will be made available in the Investor Centre on our website.

Outcomes of the resolutions put to the AGM, including poll results detailing votes for, against and withheld, will be published on the Company's website and the London Stock Exchange once the AGM has concluded.

David Wilton
Chair
26 September 2024

Leading with experience

The Directors hold the necessary skills and experience relevant to the sector in which the Group operates, enabling the Board to effectively set the strategic direction and purpose of the Group and promote its long-term sustainable success.

David Wilton (61)
Chair

Appointed
Non-Executive Director: September 2021

Chair: May 2024

A R N

Career and experience
David is a qualified Chartered Accountant with more than 30 years' post-qualification experience as a Chief Financial Officer, Non-Executive Director (NED), Chair and consultant after many years in corporate finance, primarily in mid-cap M&A with Rothschild. David has held roles in both public and private equity backed companies including as Chief Financial Officer of Sumo Group plc, Group Finance Director of WYG plc and NED and Chair of the Audit Committee of Sweett Group plc. David was NED and subsequently Chair at Frontier Developments plc until November 2023.

Deborah Kemp (63)
Non-Executive Director

Appointed
January 2018

A R N

Career and experience
Deborah has held a variety of Chief Executive Officer roles in the consumer and hospitality sector, including as a FTSE 100 main Board Director at Punch Taverns plc. Her career started at Bass plc as a Chartered Surveyor, subsequently holding key strategic roles in the evolution and growth of the Punch Taverns pub company. Following a period in private equity and a trade sale of Laurel Funerals, she is now a Director of Vennco Limited and a consultancy and interim specialist in the consumer-facing retail and hospitality sector, and assists multi-site businesses through growth, change and transformation. Deborah is the Senior Independent Director.

Richard Gray (67)
Non-Executive Director

Appointed
July 2020

A R N

Career and experience
Richard is a career investment banker who has extensive capital markets and corporate finance experience. He is Chairman of CT Private Equity Trust PLC, a Non-Executive Director of Alpha Real Capital, Vice Chairman of Invescore Group and a Senior advisor to Zeus Capital. He has previously worked at Panmure Gordon. Lazard, Charterhouse and UBS.

Joanne Shaw (61)
Non-Executive Director

Appointed
July 2023

A R N

Career and experience
Joanne Shaw has significant healthcare experience from her current roles as Trustee and Audit Committee Chair at Cancer Research UK, Chair at the Royal College of Paediatrics and Child Health and Deputy Chair at Vitality UK. She has held a number of previous non-executive roles over the past 17 years, including as Non-Executive Director and Chair of the Audit and Risk Committee at NHS England and the National Audit Office, Chair of NHS Direct, Non-Executive Director at Kensington and Chelsea Primary Care Trust and Chair of the British Equestrian Association. Joanne, a Chartered Accountant, was a former management consultant at Boston Consulting Group and has previous executive roles at the Medicines Partnership, the Audit Commission and Coopers and Lybrand.

Committee membership
- A Audit Committee
- R Remuneration Committee
- N Nomination Committee
- Chair of Committee

Essential skills and experience
- Strategy and leadership
- Brand and product development
- Operational expertise
- E-commerce, sales and marketing
- Technology development
- Risk management
- Financial
- Governance and legal
- Mergers and acquisitions
- Sustainability

Richard Fairman (57)
Chief Executive Officer

Appointed
Director: August 2018

Chief Financial Officer: October 2018

Chief Executive Officer:
November 2019

Career and experience
Richard spent six and a half years at the RAC Group, including as Chief Financial Officer from 2016. Prior to this, Richard qualified as a Chartered Accountant at EY, later working at PwC, following which Richard held roles including Finance Director of Virgin Money, Chief Financial Officer of Central Trust and Finance Director of Virgin Money Giving.

Robin Alfonso (45)
Chief Financial Officer

Appointed
November 2019

Career and experience
Robin spent eight years at the RAC Group, initially as Group Financial Controller and then as Divisional Finance Director of its largest commercial division and profit centre, Consumer Roadside and Marketing. Prior to this, Robin qualified as a Chartered Accountant at PwC, following which he moved to Aviva where he performed a technical accounting role.

Paul Higgs (42)
Chief Veterinary Officer

Appointed
July 2024

Career and experience
Paul is responsible for the clinical stewardship of all our veterinary practices across all our territories. He joined CVS in 2018 as Clinical Director of Highcroft Referrals, now Bristol Vet Specialists. Paul qualified from the University of Cambridge in 2006 and accredited as an RCVS recognised and EBVS® European Veterinary Specialist in Small Animal Internal Medicine in 2014. Paul is also a Fellow of the Royal College of Veterinary Surgeons and has previously held the post of Congress Chair at the British Small Animal Veterinary Association.

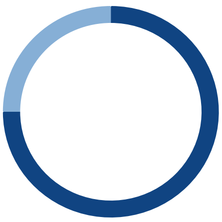
Scott Morrison (54)
Company Secretary

Appointed
June 2023

Career and experience
Scott qualified as a solicitor in 1998, working at Eversheds for some years before moving into in-house roles. Initially at Kwik-Fit as Legal Director, he later joined Craegmoor Group Limited (a healthcare business) as General Counsel and RAC Group where he had the role of General Counsel and Company Secretary.

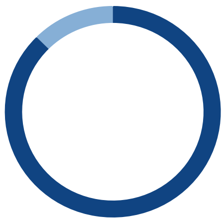
Read more about CVS within our Sustainability Report 2024 at cvsukltd.co.uk

Board gender diversity



Male	6
Female	2

Board ethnic diversity



White	7
Ethnic minority	1

Appropriate corporate governance in support of the Group's strategy

Scott Morrison
Company Secretary

This Corporate Governance Statement explains how the Company is managed, the roles of the Board, its Committees and Directors as well as the Group's compliance with the standards set out in the UK Corporate Governance Code 2018 (the Code) for the financial year ended 30 June 2024. For further information about the Code set by the Financial Reporting Council (the FRC), please visit the FRC's website at www.frc.org.uk.

During the year to 30 June 2024, the Company has fully complied with the principles set out in the Code throughout the financial year and up to the date of this Annual Report and Accounts. The Corporate Governance Report explains how the Company has applied the principles and provisions of the Code, and the guide below outlines where further information can be found within this report:

	Principles	Disclosure in the 2024 Report
Board leadership and Company purpose	A, B, C, D and E	Page 3 and pages 58 to 59
Division of responsibilities	F, G, H and I	Pages 61 to 63
Composition, succession and evaluation	J, K and L	Pages 70 to 73
Audit, risk and internal control	M, N and O	Pages 67 to 69
Remuneration	P, Q and R	Pages 74 to 84

Board activity during the financial year to 30 June 2024

Strategy, business and operational performance	> Overseeing the development of the five-year strategic plan as communicated to shareholders at our November 2022 Capital Markets Day > Reviewing and monitoring the Group's performance against the targets set out in the annual budget and five-year plan > Reviewing and approving major investments in property, facilities, clinical equipment, acquisitions and strategic divestments > Monitoring trading and market conditions, competitor activity and regulatory requirements
Financial performance	> Receiving Audit Committee Reports on full and half year financial results > Reviewing and approving the Group's annual budget and five-year strategic plan > Reviewing regular in-year forecasts prepared > Considering the Company's dividend policy and approving the allocation of capital for investment > Reviewing capital allocation priorities
Risk management and internal control	> Review of the Group's risk register > Receiving reports from the Audit Committee on the effectiveness of internal controls > Liaising with KPMG as internal auditor and reviewing internal audit reports from KPMG > Receiving regular updates on legal and regulatory matters
Board and Committee governance	> Receiving reports from the three Board Committees > Reviewing terms of reference for Board Committees > Adopting the schedule of matters reserved to the Board > Receiving corporate governance updates > Conducting an annual review of Board effectiveness

Our governance framework

The Group's governance framework includes a schedule of matters reserved to the Board and its Committees and clear terms of reference for each Committee. The Board has a delegated authority policy which ensures that decisions are made at the appropriate levels within the Group:

The Board

Four Non-Executive Directors

Our four Non-Executive Directors (including our Chair) provide independent oversight and constructive challenge to the Executive Directors.

Three Executive Directors

Our CEO, Deputy CEO*/Chief Veterinary Officer (CVO) and CFO are appointed to the Board.

* Ben Jacklin, the Deputy CEO resigned from the Company on 18 June 2024, stepping down as Director of the Board from 8 July 2024 and a new Executive Director, Paul Higgs as Chief Veterinary Officer (CVO), was appointed to the Board on 25 July 2024.

Board Committees

Audit Committee

Key responsibilities:

> reviewing and monitoring financial reporting;

> ensuring an appropriate internal control and risk management framework;

> monitoring internal and external audit arrangements (including auditor independence); and

> maintaining appropriate whistleblowing procedures.

Membership:

David Wilton – (Chair to 25 July 2024)

Joanne Shaw – (Chair from 25 July 2024)

Deborah Kemp

Richard Gray

Nomination Committee

Key responsibilities:

> making recommendations on all Board appointments and succession planning;

> monitoring and reviewing Board composition; and

> undertaking an annual evaluation of the effectiveness of the Board and its Committees.

Membership:

Richard Gray – Chair

Deborah Kemp

David Wilton

Joanne Shaw

Remuneration Committee

Key responsibilities:

> assisting the Board in ensuring appropriate remuneration policies are in place for the Group;

> ensuring Executive Director remuneration is aligned to the strategic priorities of the Group and its performance; and

> making recommendations regarding Long-Term Incentive Plan (LTIP) terms and conditions, and awards.

Membership:

Deborah Kemp – Chair

David Wilton

Richard Gray

Joanne Shaw

Executive Committee

The Executive Committee (Exco) comprises the Group CEO, Deputy CEO (until 18 June 2024), CFO, CVO, Group HR Director and Group Procurement Director. The Exco assists the CEO in managing the Group's operations and in the implementation of strategy. The Exco meets on a weekly basis to set performance targets, monitor key objectives and commercial plans, monitors risk and evaluate opportunities and business initiatives. Exco members report annually to the Board in person as well as providing monthly updates through the CEO, CFO and CVO Board reports.

Senior Leadership Group (SLG)

The SLG comprises of the heads of major business units and key service functions. The SLG meets on a monthly basis to collaborate, review Group performance and discuss major plans and developments.

Key elements of our culture

Element	Overview	Board and Committee oversight
Leading by example	The Board sets the tone from the top.	The Directors, Executive Committee and Senior Leadership Group lead by example through informed decision making and ongoing management.
Performance metrics	The Board reviews a broad range of non-financial KPIs that support CVS culture, through strong colleague development and succession planning, along with a focus on benefits and rewards that incentivise our people.	The Board receives regular reports addressing a wide range of non-financial considerations to assist in its function of overseeing and monitoring our culture. These are monitored regularly at Board meetings.
Employee voice	We are committed to nurturing a culture where everyone can contribute and we prioritise engagement with colleagues. We have a "What matters to you" framework which is aimed at increasing colleague wellbeing. We host an annual conference where many colleagues from across the business can engage with others. We actively monitor colleague satisfaction through our employee Net Promoter Score which is updated monthly. There are appropriate whistleblowing processes in place which allow reporting of wrongdoing on an anonymous basis.	Results from ongoing colleague engagement are reported at the regular Board meetings. Non-Executive Directors attend the annual conference and also regularly meet with colleagues to discuss key issues. Any whistleblowing reports are reviewed by the Board.
Policies, pay, diversity and inclusion	We provide competitive financial and non-financial rewards and we are committed to equal opportunities and equal pay to achieve an inclusive culture. Our policies and procedures also support this through, for example, a zero-tolerance policy towards abusive clients. We have an EDI working group and we have been awarded a "Disability Confident Committed" certificate reflecting our commitment to an accessible recruitment process, offering interviews to disabled people who meet minimum criteria for roles, anticipating reasonable adjustments and developing activities to make a difference for disabled people.	The Board had led in its commitment to EDI and the Board considers reports on our ongoing sustainability and ESG initiatives at each meeting.
Risk management	Our internal controls and risk management systems are integral to the delivery of our strategy in a safe and sustainable way. They translate into our day-to-day risk culture.	The Audit Committee reviews internal controls and overall risk management including risk registers, as well as internal audit reports that are focused on risk management.
The way we do business	We provide comprehensive policies, training and guidance to our colleagues, reflecting the standards we expect them to adhere to, to uphold our values. We engage with all our stakeholders, including industry bodies, suppliers and the wider community, to inform ethical decision making and to help foster a culture of honesty and integrity.	Regular Board reporting includes updates on the wider veterinary community. Key policies are reserved for the Board's approval. The Audit Committee receives updates on compliance with policies.
Health and safety	Our priority is to provide a safe and secure workplace for all, and we have a dedicated health and safety team along with policies and procedures in place to support this. We are committed to ongoing investment in our premises and facilities.	The Board monitors health and safety performance and considers any issues, such as any Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reports, at meetings.

Structure of the Board and Board Committees

At 30 June 2024, the Board of Directors consisted of six members, including four independent Non-Executive Directors, including our Chair. Ben Jacklin resigned from the position of Deputy CEO on 18 June 2024 and Paul Higgs was appointed as Chief Veterinary Officer (CVO) on 25 July 2024. The responsibilities of the Board members are set out in the chart below. The Board and its Committees have access to management and external advisors to assist them in discharging their duties. During the year ending 30 June 2024, the Board and Board Committees received sufficient, reliable and timely information in order for them to perform their responsibilities effectively.

Roles and responsibilities

There is a clear division of responsibilities between the Chair and the CEO, and all Board members have clearly defined roles and responsibilities as set out below. Board members have the range of skills and experience required to ensure the successful operation, growth and sustainability of the Group, as set out in their biographies on pages 58 and 59.

Role	Name	Responsibility
Chair	David Wilton	> The Chair is responsible for leading the Board and for ensuring its overall effectiveness in directing the Company. The Chair facilitates constructive Board relations and the effective contribution of all Non-Executive Directors. The Chair ensures that the Directors receive accurate, timely and clear information as well as overseeing the governance framework.
CEO	Richard Fairman	> The CEO is responsible for leading the Company's executives in managing the day-to-day operations of the Group. The CEO is accountable for and reports to the Board and is assisted in his role by the Group's Exco, all of whom report directly or indirectly to the CEO.
CFO	Robin Alfonso	> The CFO reports to the CEO and is responsible for the day-to-day management of the Group's finances, development and implementation of financial strategy as well as supporting the CEO with developing and implementing Group strategy.
CVO	Paul Higgs	> The CVO reports to the CEO and is responsible for clinical care alongside learning, education and development. The CVO works with our veterinary regulators and provides essential specialised information to the board of the veterinary industry.
Senior Independent Director	Deborah Kemp	> The Senior Independent Director (SID) provides advice and additional support and experience to the Chair.
Non-Executive Directors	Richard Gray Joanne Shaw	> Non-Executive Directors provide constructive challenge, strategic guidance and specialist advice as well as holding management to account and being available to work with the Chair to resolve any contentious issues.
Company Secretary	Scott Morrison	> The Company Secretary acts as Secretary to the Board and its Committees and is responsible for ensuring that the Board has the policies, processes, information, time and resources it needs in order to function effectively and efficiently as well as supporting the Chair in developing and overseeing the governance framework.

In light of Richard Connell's resignation as Chair and Director of the Company on 27 October 2023 due to ill health, David Wilton was appointed Chair on 1 May 2024. Deborah Kemp served as Interim Chair for the period from 27 October 2023 until David's appointment. Deborah Kemp has returned to her previous position as Senior Independent Director and Chair of the Remuneration Committee.

Board and Committee meeting attendance

The Board met formally ten times in the financial year ended 30 June 2024 with meetings planned around key events in the corporate calendar including interim results, full year results and the Annual General Meeting (AGM). The Non-Executive Directors confirm that they have sufficient time to devote in order to effectively discharge their Board responsibilities. In addition to the scheduled Board meetings and other Committee meetings, the Non-Executive Directors make themselves available for ad-hoc meetings and Board calls to receive regular updates and to deal with specific projects or matters arising throughout the year.

The Chair and Non-Executive Directors meet from time to time as appropriate without the Executive Directors present as well as meeting with the external auditor at least annually without the Executive Directors present.

The table below sets out attendance at Board meetings during the financial year ended 30 June 2024.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	10	3	4	4
R Connell	2	1*	1*	2*
D Wilton	10	3	4	4
D Kemp	10	3	4	4
R Gray	10	3	4	4
J Shaw	10	3	4	3
R Fairman	10	3*	4*	3*
R Alfonso	10	3*	4*	3*
B Jacklin	10	3*	3*	2*
P Higgs	—	—	—	—

* In attendance by invitation of the respective Committee.

Richard Connell resigned as a Director on 27 October 2023 due to ill health and hence attended all Board meetings up until that date, and did not attend any Board meetings after such date in the year ended 30 June 2024.

Paul Higgs was appointed as a Director on 25 July 2024 and hence did not attend any Board meetings in the year ended 30 June 2024.

Board processes and effectiveness

The Board maintains a formal schedule of matters reserved for its approval which includes matters of strategy, structure and capital, financial reporting and internal controls, major contracts, Board membership, remuneration, delegation of authority and corporate governance. Matters that fall outside of those reserved to the Board or its Committees fall within the responsibility and authority of the CEO, CFO and the CVO and are either reserved to them or delegated further through the Group's delegated authorities policy.

Board and Committee papers are circulated well in advance of meetings and Directors have access to a Board portal containing Board packs and reference materials from previous meetings as well as all Board policies and procedures. In addition to formally scheduled meetings, the Chair maintains regular contact with the Non-Executive Directors, CEO, CFO, CVO and Company Secretary in performing his duties leading the Board.

In light of the Company's AIM listing and regular Board meetings, the Board does not believe external evaluation of the Board to be appropriate. During December 2023, the Interim Chair, assisted by the Company Secretary, carried out an internal review of Board effectiveness which included a review of the information provided to the Board, the composition of the Board, the decision-making processes and the Board's annual agenda.

Outcomes from the Board effectiveness review:

> Board papers to be condensed wherever possible to focus on key issues, and summaries to be added highlighting key matters seeking approval at each meeting;

> consideration to be given to scope to invite external experts to particular Board meetings where beneficial in providing strategic input to debate; and

> the corporate calendar to be revised to reduce the number of Board meetings in the calendar year from eleven to eight, to be consistent with the Articles of Association.

Board composition

The Nomination Committee will continue to regularly review the diversity of the Board, the Executive Committee and the Senior Leadership Group. The Board is considered to have an appropriate mix of skills, experience and tenure. The Board believes that appointments should be made solely on merit, an ethos which applies across the business. The Board continues to ensure that it maintains an appropriate balance through a diverse mix of experience, background, skill, knowledge and insight. Further information on Board diversity is detailed on page 59.

Board induction and training

New Directors appointed to the Board undertake an induction programme to assist in developing their understanding and awareness of the business, its governance framework, employees and Group policies and procedures. Induction training is tailored to suit the requirements of each new Director and includes site visits to practices around the Group, meetings with the heads of Group functions and one-on-one meetings with fellow Board members, Executive Committee members and the Company's external advisors in addition to being provided with details of the Group's policies and procedures.

New Board members also receive appropriate training on the AIM and Market Abuse Regulations delivered by the Company's Nominated Advisor or external legal counsel.

Independence

David Wilton, Deborah Kemp, Richard Gray and Joanne Shaw are all considered to be independent by the Board.

All Directors will offer themselves for re-election at the 2024 AGM of the Company.

Relations with shareholders

Copies of the Annual Report and Financial Statements are issued to all shareholders where requested and copies are available on the Group's website https://www.cvsukltd.co.uk/investor-centre/results-and-reports/. The Group also uses its website to provide information to shareholders and other interested parties. The Company deals with shareholder correspondence as and when it arises throughout the year.

The CEO, Deputy CEO (until resignation) and CFO have regular meetings with institutional investors, private client brokers, individual shareholders, fund managers and analysts to discuss information made public by the Group.

The Chair and the Non-Executive Directors are always available to shareholders on all matters relating to governance and strategy. They may be contacted through the Company Secretary by email at company.secretary@cvsvets.com.

Shareholder engagement

There has been considerable engagement with institutional and retail investors during the year ended 30 June 2024 including:

July 2023
- Trading update

September 2023
- Full year results presentation
- Annual Report and Accounts published
- London investor roadshow

October 2023
- Peel Hunt Annual Investor Conference
- Liberum Healthcare Conference
- Private client fund manager roadshow

November 2023
- CVS Group Conference
- Investec UK CEO Conference
- Jefferies Healthcare Conference
- Trading update
- Annual General Meeting

December 2023
- Berenberg European Conference

January 2024
- Trading update

February 2024
- Half year results presentation
- London investor roadshow

March 2024
- London investor roadshow
- US and Canada investor roadshow
- Berenberg UK Corporate Conference

April 2024
- Davy-Peel Hunt UK and Ireland Equity Ideas Conference

June 2024
- Peel Hunt FTSE 250 Conference

The Audit Committee

David Wilton chaired the Committee throughout the year under review and stood down on 25 July 2024. David has a wealth of experience in senior finance roles, including in listed companies. Deborah Kemp, Richard Gray and Joanne Shaw were members of the Committee during the year with Joanne appointed Chair of the Committee on 25 July 2024.

The Board considers that the members of the Audit Committee have recent and relevant financial expertise, and that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Audit Committee's duties primarily concern financial reporting, internal control and risk management systems, whistleblowing procedures and internal audit and external audit arrangements (including auditor independence).

The Audit Committee Report can be found on pages 67 to 69.

The Nomination Committee

Richard Gray chaired the Nomination Committee throughout the year under review. Deborah Kemp, Joanne Shaw and David Wilton were members of the Committee during the year.

The Nomination Committee is responsible for reviewing the structure, size and composition, including skills, independence, knowledge and experience of the Board. It is also responsible for the co-ordination of the annual evaluation of the performance of the Board and of its Committees, and for ensuring appropriate succession plans are in place. Given the size of the Group and the Company's AIM listing, the Board does not believe external evaluation of the Board to be appropriate. All Directors engage in the internal evaluation and appropriate action is taken in light of the assessment.

The Committee is responsible for making recommendations to the Board on all Board appointments and on the succession plans for both Executive Directors and Non-Executive Directors.

The Nomination Committee Report can be found on pages 70 to 73.

The Remuneration Committee

Deborah Kemp chaired the Remuneration Committee throughout the year under review. Richard Gray, Joanne Shaw and David Wilton were members of the Committee during the year.

The Remuneration Committee has delegated responsibility for designing and determining remuneration for the Chair, Executive Directors and for the next level of senior management, as well as the Company Secretary.

The Chair of the Board, CEO, Deputy CEO (until resignation) and CFO were invited to attend meetings as appropriate but do not participate in discussions relating to their own remuneration.

The Remuneration Committee Report can be found on pages 74 to 84.

Management Committees

In addition to the Board Committees, the Group has a number of Management Committees to help support the Executive Committee in the implementation of strategy and risk and governance oversight across their respective divisions.

Management Committees continued

- > Acquisitions Committee
- > Capital Expenditure Committee
- > Healthy and Safety Committee
- > Clinical Advisory Committee
- > Sustainability Committee

The Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are complied with, advising the Board on all governance matters, supporting the Chair and helping the Board and its Committees to function efficiently. All Directors have access to the advice of the Company Secretary.

Scott Morrison was Company Secretary throughout the year under review.

Annual General Meeting (AGM) 2023 – voting results

In the 2023 result of AGM announcement, the Board of CVS noted that all the resolutions had been passed with the requisite majority. During the course of the year, the Board of Directors has continued to actively engage with shareholders and to discuss and consider their feedback.

Whistleblowing

The Group's whistleblowing policy is reviewed by the Board annually. The policy sets out the procedures for employees or third parties to raise concerns about any suspected wrongdoing. Employees also have access to a wide range of alternative and informal routes through which to raise concerns. This reflects the open culture and strong internal communication channels of the Group, in line with our strategy, and supports the formal whistleblowing policy we have in place.

The Board receives any whistleblowing reports at each Board meeting and will receive more detailed reports of any investigations that may take place. There were no major issues reported to the Board under the whistleblowing policy during the year.

Audit, risk and internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness on an ongoing basis.

The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key risk management processes and internal control procedures include the following:

- > the close involvement of the Executive Directors in all aspects of the day-to-day operations, including regular meetings with senior colleagues from across the Group and a review of the monthly operational reports compiled by senior management;
- > clearly defined responsibilities and limits of authority. The Board has responsibility for strategy and has adopted a schedule of matters which are required to be brought to it for decision;
- > a comprehensive system of financial reporting, forecasting and budgeting. Detailed budgets are prepared annually for all parts of the business. Reviews occur through the management structure culminating in a Group budget which is considered and approved by the Board. Group management accounts are prepared monthly and submitted to the Board for review. Variances from the budget and the prior year are closely monitored and explanations are provided for significant variances. Independent of the budget process, the Board regularly reviews revised profit, cash flow and bank covenant compliance forecasts which are updated to reflect actual performance trends;
- > a continuous process for identifying, evaluating and managing significant risks across the Group together with a comprehensive annual review of risks which covers both financial and non-financial areas;
- > an independent internal audit function provided by KPMG that reports to the Chair of the Audit Committee;
- > a central team that checks clinical and health and safety compliance in all parts of the Group; and
- > the Company's Delegation of Financial Authority.

The Board is committed to maintaining high standards of business conduct and ethics, and has an ongoing process for identifying, evaluating and managing any significant risks in this regard.

The internal control procedures are delegated to the Executive Directors and senior management and are reviewed in light of the ongoing assessment of the Group's significant risks.

Remuneration

The Board considers that policies on executive remuneration should be transparent. They should be implemented in a manner which supports strategy and promotes long-term sustainable growth. In addition, remuneration should reflect both the performance of the Company as well as individuals. The Board has delegated to the Remuneration Committee responsibility for complying with these aspects of the Code and the work of the Committee is reported in full on pages 74 to 84 of this Annual Report. The Group's remuneration policies are fully in compliance with the principles and provisions of the Code save for pensions alignment per provision 38 as disclosed on page 78.

Annual General Meeting (AGM)

The Annual General Meeting of the Company will take place on 20 November 2024. Full details of resolutions to be proposed to our shareholders will be set out in the Notice of AGM which will be made available in the Investor Centre on our website.

Outcomes of the resolutions put to the AGM, including poll results detailing votes for, against and withheld, will be published on the website of the Company and the London Stock Exchange once the AGM has concluded.

By order of the Board

Scott Morrison
Company Secretary
26 September 2024

Enhancing our control framework

Joanne Shaw
Audit Committee Chair

Key responsibilities:

- reviewing and monitoring financial reporting;
- ensuring an appropriate internal control and risk management framework;
- monitoring internal and external audit arrangements (including auditor independence); and
- maintaining appropriate whistleblowing procedures.

Committee composition during the year to 30 June 2024

	Attendance
Joanne Shaw	
David Wilton	
Deborah Kemp	
Richard Gray	

David Wilton chaired the Committee through the year under review and stood down on 25 July 2024 following his appointment to Group Chair. Joanne Shaw was appointed as Chair of the Committee on 25 July 2024.

Responsibilities and terms of reference

The Committee is responsible for ensuring that the financial performance of the Group is properly controlled, monitored and reported, for liaising with the external auditor and for reviewing its reports relating to the Annual Report and Financial Statements, and for internal control matters. During the year under review, the Committee Chair was David Wilton who stood down on 25 July 2024. The Committee is made up of Non-Executive Directors with considerable experience in senior roles, all of whom have the skills necessary to review financial statements and to oversee the control environment. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) attend Committee meetings. The Committee also meets in private with the external auditor (Deloitte) and internal auditor (KPMG) without management at least once annually. Other members of senior management are invited to present any reports required for the Committee to discharge its duties. The internal auditor KPMG attend and present at each meeting.

The agenda of each meeting is linked to the reporting requirements of the Group and the Group's financial calendar. Each Audit Committee member has the right to require reports on matters relevant to its terms of reference in addition to the regular items.

Summary of activity

In the year ended 30 June 2024 and up to the date of this report, the actions taken by the Audit Committee to discharge its duties included:

- reviewing the effectiveness of KPMG as internal audit services provider to the Group;
- reviewing the Annual Report and Financial Statements and the Interim Report, including significant financial reporting judgements contained therein. As part of these reviews, the Committee received a report from the external auditor on its audit of the 2024 Annual Report and Financial Statements;
- advising the Board that the Annual Report and Financial Statements are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewing the effectiveness of the Group's internal controls and reports received from KPMG as internal audit service provider in line with the programme of work as agreed at the beginning of each financial year with the Committee;
- reviewing the Group's risk management framework, including review of ongoing and emerging risks;
- reviewing the external auditor's audit planning document, with particular reference to the audit approach, planned materiality, significant risks as detailed in the Independent Auditor's Report and the audit approach to these risks;

Summary of activity continued

- reviewing the external auditor's audit findings memorandum, noting conclusions in respect of identified audit risks, materiality of adjusted and unadjusted misstatements, control observations and suggested improvements in the disclosure provided in the Annual Report and Financial Statements;
- considering papers prepared by the CFO to support the going concern basis of preparation of the Annual Report and Financial Statements;
- considering papers prepared by the CFO to support goodwill and impairment review;
- review of papers prepared by the CFO to support technical accounting conclusions and Annual Report disclosures;
- reviewing the calculation, application and presentation of alternative performance measures (APMs) in the Annual Report and Financial Statements;
- reviewing the terms of reference for the Audit Committee ensuring they are relevant and accurately reflect the Committee's responsibilities;
- reviewing counter-fraud effectiveness across the Group and updating on external fraud reports;
- redirection of the internal audit plan for the year to focus resources on the post-cyber-incident review;
- agreeing the fees to be paid to the external auditor for its audit of the 2024 financial statements, including the addition of the audit fees for the Australian audit; and
- reviewing the performance and independence of the external auditor and recommending their re-appointment.

Significant financial reporting risks and judgement areas considered during the year

Revenue recognition

We have reviewed the appropriateness of the revenue recognised according to the cost profile of delivering the performance obligations for our Healthy Pet Club scheme.

Management override

We have reviewed the appropriateness of controls around management override of controls, ensuring the controls in place are robust and, where appropriate, recommending areas for improvements.

Research and Development Expenditure Tax Credit (RDEC) income

We have reviewed the appropriateness of the income recognised in relation to RDEC, along with the associated accounting estimates and judgements. During the year, we reviewed and challenged management's assessment that the level of uncertainties inherent in making an RDEC claim were reducing, mainly by virtue of an increased history of making claims and greater accuracy in estimating.

In respect of the above significant financial reporting risks and judgement areas, we concluded that the Group's accounting treatment and/or controls in place were appropriate.

Going concern and viability assessment

In considering going concern and viability overall, the Committee reviewed the Group's forecasts with particular focus on the key assumptions in relation to revenue, gross margin and cash flow management. Sensitivities to these key assumptions were also reviewed based on the impact of the Group's key risks, as set out on pages 48 to 55.

Following a review of the detailed considerations set out above by the Committee and Executive Committee, the Committee is satisfied that it is appropriate for the Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group and, further, that the going concern longer-term viability statement on page 86 is appropriate.

Internal audit

The outsourced internal audit function has a direct line of report into the Committee and is an important part of the independent assurance processes within the business. The Committee reviews and approves the internal audit plan for the year which is developed to address key risks across the business as well as reviewing core governance, financial and commercial processes.

The internal audit plan is a live document and remains under continuous review through the year to ensure that resources are directed towards the most significant control issues, in the light of changing circumstances. This year the internal audit plan was adjusted mid-year to focus resources on the post-cyber incident review.

KPMG attends each Committee meeting, updating on progress against the audit plan throughout the year, reporting on any key control weaknesses identified and progress against mitigating actions.

The Audit Committee monitors the effectiveness by ensuring the internal audit plan covers key risks across the Group but also ensures a standing agenda of controls based audits are included. During the year under review the Audit Committee reviewed seven internal audit reports prepared by KPMG which were mapped to Group risks across the business. Each report receives a rating which allows the Board to evaluate the effectiveness of the internal controls of key risks. The Board has the opportunity to challenge the outcome of the reports and request additional controls are put in place over key areas. During the year the Board was satisfied with the outcome of the reports issued resulted in appropriate controls across the Group.

Specific work performed during the year in our key risk areas included:

Risk area	Work undertaken
Strategic/ operational	> Procurement/supply chain > Post-cyber incident review > Australia – Key finance and IT controls
Financial	> Controls validation (key financial controls) focusing on the following key financial controls: accounts receivable; accounts payable; general ledger; staff expenses; payroll; inventory and balance sheet control > Practice controls self assessment questionnaire > Follow up review on payroll, recruitment and acquisition
Legal and regulatory compliance	> IR35 (off-payroll working review)

During the next financial year, we propose to look at the following areas:

Proposed work	Mapped to Group risk register
> Cyber and IT governance follow up	> 5 and 15
> Governance readiness review update	> 10
> Health and safety	> 9
> Controls validation – Key Financial Controls (KFC)	> 2 and 11
> Stock	> 7
> Practice controls – self assessment	
> License review	> 10
> Senior Accounting Officer	> 10
> Data privacy, retention and GDPR	> 10

External auditor

The external auditor was appointed with effect from the year ended 30 June 2017, giving a current tenure of seven years. A tender process was carried out prior to this change. From the year ending 30 June 2022, in line with guidance from the Auditing Standards Board, there has been an audit partner rotation and a new audit engagement partner has started working with the Committee. The appointment is reviewed and subject to a shareholder vote at the AGM on an annual basis. Details of the fees paid to Deloitte during the financial year are set out in note 6 to the financial statements.

The Audit Committee has primary responsibility for the supervision of the relationship with the external auditor, including overseeing their qualification, independence, expertise, performance and effectiveness, and the terms of its engagement and remuneration. The Committee is also responsible for ensuring the quality and efficiency of the external audit enabling the Committee to formally evaluate the effectiveness and quality of the auditor's output, which it does annually. After reviewing the external auditor's performance during the year, the Committee has concluded that it is satisfied with the effectiveness of the audit and the audit process, and that Deloitte remains effective in its role as external auditor. Paul Schofield was appointed as the audit partner for the year ended 30 June 2022. The Committee has therefore recommended to the Board that Deloitte be re-appointed for a further year and a resolution to this effect will be proposed at the AGM.

During the year, Deloitte's audit of the Group's 2023 financial statements was reviewed by an Audit Quality Review team from the Financial Reporting Council and it was concluded to be compliant.

Audit committee effectiveness

During the year, a review was undertaken of the effectiveness of the Audit Committee. The Committee was found to be broadly effective and aims to mature its oversight of the technology risks as the Group becomes more digitally focused.

Audit Committee minimum standards

The Committee notes the FRC's recent consultation on minimum standards for audit committees. Although not expected to apply to AIM companies, the Committee is committed to adopting any requirements as far as is practicable. The Committee seeks to ensure sufficient rigour and independence of the auditor, and their process, and has committed to an audit tender at least every ten years. In addition, the Company manages its non-audit relationships with audit firms to ensure that it has a fair choice of suitable external auditors at the next tender. The Committee also welcomes feedback from shareholders and I am available for discussion of any matters of concern.

What we will do in 2025

During 2025, we will continue to build on our focus in 2024 and to discharge our responsibilities as set out in the terms of reference. We will continue to monitor emerging and maturing risks and will continue to develop and enhance the control environment of the Group. We will oversee the implementation and improvement of internal controls while taking the revised UK Corporate Governance Code reforms into consideration. We will continue to monitor any instances of fraud and the effectiveness of our controls across the business. We will continue to support the development of the Group's scenario planning and reporting in relation to TCFD, specifically relating to any new requirements and recommendations made by the FRC. We will continue to have a key focus around cyber and the Group's control in the continued defence of an ever-challenging IT environment, focusing our long-term cyber defence around the National Institute of Standards and Technology (NIST) framework.

Approval

The members of the Audit Committee have reviewed the financial statements and the content of the draft Annual Report and Financial Statements to ensure that it is fair, balanced and understandable and, accordingly, the Audit Committee resolved to recommend that the Board makes the Directors' Responsibilities Statement set out on page 88.

Joanne Shaw
Audit Committee Chair
26 September 2024

Maintaining the right balance of skills and experience on the Board and ensuring appropriate succession plans are in place

Richard Gray
Nomination Committee Chair

Key responsibilities:

> making recommendations on all Board appointments and succession planning;

> monitoring and reviewing the Board composition; and

> undertaking an annual evaluation of the effectiveness of the Board and its Committees.

The Committee is comprised of the four independent Non-Executive Directors. The primary purpose of the Committee is to lead the process for Board appointments, to ensure appropriate succession plans are in place, and to make recommendations to the Board to achieve the optimal composition of the Board having regard to:

> its size and composition;

> ensuring that it consists of individuals who are best able to discharge the responsibilities of Directors;

> potential conflicts of interest;

> the extent to which the required skills, experience or attributes are represented; and

> the need to maintain the highest standards of corporate governance.

The Board recognises the importance of having a diverse Board and workforce and encourages reviewing ways of working to ensure candidates from all backgrounds can apply. Each appointment of a Board member or senior executive is made on merit and the best candidate will be appointed.

The Board recognised that further steps could be taken to improve the diversity of the Group at all levels and across all business streams and continues to work towards this aim.

Committee composition during the year to 30 June 2024

	Attendance
Richard Gray	
David Wilton	
Deborah Kemp	
Joanne Shaw	

What we did in 2024

> Following the resignation of our long-standing Chair Richard Connell in October 2023, the Committee agreed the interim appointment of Deborah Kemp who is the Senior Independent Director as Interim Chair.

> Oversaw an extensive search process for a permanent Chair which resulted in David Wilton being appointed as Chair in May 2024.

> Assessed Board composition and how it may be enhanced.

> Reviewed and considered Board evaluation and effectiveness.

> Reviewed the independence of the Non-Executive Directors.

> Reviewed and considered Directors' conflicts of interest.

> Recommended the appointment of Paul Higgs, Chief Veterinary Officer, to the Board with effect from 25 July 2024.

> Reviewed and considered executive succession plans.

> Reviewed the Committee's corporate governance obligations.

What we will do in 2025

> Continue to review Board composition and effectiveness.

> Continue to review succession planning.

> Review corporate governance obligations and updates.

> Undertake a further Board evaluation of effectiveness.

Board appointments and resignations

Non-Executive Chair

The Nomination Committee oversaw the appointment of David Wilton to Non-Executive Chair with effect from 1 May 2024 following an extensive search process. David has served as an independent Non-Executive Director since September 2021. David is a qualified Chartered Accountant with more than 30 years' post-qualification experience as a Chief Financial Officer, Non-Executive Director, Chair and consultant in corporate finance, primarily in mid-cap M&A with Rothschild. David has held roles in both public and private equity backed companies including as CFO of Sumo Group plc, Group Finance Director of WYG plc and NED and Chair of the Audit Committee of Sweett Group plc. David was NED and subsequently Chair at Frontier Developments plc until November 2023. David has extensive experience of people businesses and of regulatory processes. David also brings to the Chair role a significant amount of technical expertise, which will support CVS in its strategic delivery of investment in technology.

David remains a member of all three Board Committees.

The Nominations Committee engaged a third-party blue-chip recruitment specialist, who sourced a number of high-quality candidates and supported the ultimate appointment of David Wilton.

Audit Committee Chair

The Board and Nomination Committee are committed to high standards of corporate governance and, in light of the appointment of David Wilton as Board Chair, commenced a search for a new independent Audit Committee Chair.

The Nomination Committee recommended that Joanne Shaw, an existing Non-Executive Director, should be appointed to the role of Audit Committee Chair with effect from 25 July 2024. Joanne, a Chartered Accountant, has significant healthcare experience from her roles at Cancer Research UK and the Royal College of Paediatrics and Child Health and Deputy Chair at Vitality UK.

Chief Veterinary Officer

The Nomination Committee oversaw the appointment of Paul Higgs into the newly created Board role of Chief Veterinary Officer with effect from 25 July 2024. Paul, a qualified vet and RCVS Small Animal Internal Medicine Specialist, joined CVS in August 2018 and became the Group's Chief Veterinary Officer in September 2022. Paul's career to date is marked by a commitment to advancing clinical quality and fostering professional development alongside being deeply involved in shaping the future of veterinary medicine through his work with professional bodies such as the Royal College of Veterinary Surgeons, British Veterinary Association and British Small Animal Veterinary Association. Paul will continue to be responsible for clinical care within CVS alongside our learning, education and development focus.

Deputy CEO

The Nomination Committee accepted the resignation of Ben Jacklin, Deputy CEO in June 2024. Ben's operational responsibilities have been assumed by other members of the executive and senior leadership teams.

Director appointment process

When making a new appointment, the Committee takes the following steps:

1. Define recruitment criteria
Identify and articulate objectives and criteria based on its Board composition reviews and succession planning.

2. Appoint external consultant
Engage an executive search consultant to provide a diverse array of candidates for consideration.

3. Shortlist and interview
Shortlist candidates and conduct interviews.

4. Assess
Assess each candidate's existing skills, experience and time commitments, as well as any potential for actual conflicts of interest.

5. Recommend
Agree a recommendation for appointment to the Board, taking account of matters such as gender, social and ethnic backgrounds and cognitive and personal strengths.

See page 57 for details relating to the appointment of David Wilton as Chair to the Board

Nomination Committee report continued

Director induction

Following appointment, all Directors receive a comprehensive and tailored induction programme. All newly appointed Directors are required to devote the time required to complete the induction programme. The time commitments are set out in their respective letters of appointment. Induction programmes are designed by the Company Secretary in conjunction with the Group Chair, Senior Independent Non-Executive Director and Group Chief Executive Officer.

Induction programmes are varied and include a selection of:

Meetings with the Board	One-to-one meetings with the Executive Directors, Non-Executive Directors, and the Group General Counsel and Company Secretary.
Meetings with the Executive Committee and senior management	One-to-one meetings with members of the Executive Committee, as well as meetings with key members of senior management from a variety of departments and business units, with the content of meetings varying depending on the Director being inducted and their background and individual experience.
Meetings with the auditor	Meetings with internal audit and the external audit partner (particularly for newly appointed Directors who are members of the Audit Committee).
Self-study	Documents provided via the electronic Board portal covering key information relating to the Group including financial performance, Board policies and procedures and governance matters. These documents are also available to all other Board members as a continuing point of reference.
Site visits and workforce engagements	Visits to key operational sites, offering a chance to meet the workforce. Directors continue to make regular site visits throughout their tenure, gaining valuable insight into operations and feedback from the workforce.
Meetings with key shareholders and stakeholders	Supported by the Group Chair and the Company Secretary, the induction programme will, as appropriate, include a schedule of meetings with major shareholders and key stakeholders in order to support newly appointed Directors' understanding of shareholder and stakeholder views, and the discharge of their Directors' duties under Section 172 of the Companies Act 2006.
Education and training	If any gaps in skills or experience are identified within the interview process, internal and external training will be provided and tailored to the needs of the Director. Directors engage in an ongoing programme of education and training throughout their tenure to continually enhance their knowledge and skills. This is reviewed as part of the annual Board evaluation.

Committee terms of reference

The Nomination Committee's terms of reference were reviewed during the course of the year and were considered to be appropriate.

Board evaluation and effectiveness

The Nomination Committee scrutinises the performance of the Executive Directors, taking into account the performance of the business against agreed plans. The Nomination Committee also considers the other commitments of Directors and is satisfied that all Directors devote appropriate time to the Company's affairs.

In December 2023, the Nomination Committee evaluated the results of the internal Board effectiveness review conducted by the Interim Chair and the Company Secretary and was satisfied that the Board remains effective and has the right balance of skills and experience to provide continued effective stewardship of the Group.

Succession planning

The Committee is responsible for ensuring that plans are in place for orderly succession to Board and executive positions and to oversee the development of a diverse pipeline for succession, taking into account the challenges and opportunities facing the Group and the skills and expertise needed on the Board in the future. The Nomination Committee considered contingency and succession plans in April 2024.

The Committee is also responsible for keeping under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively.

It is important that a diverse pipeline for succession is developed in line with the Company's strategy on pages 22 and 23. The gender balance of those in the senior management, which, in accordance with the Code, we consider to be the Executive Committee, is two women and three men being 40% female gender diversity.

CVS has a Senior Leadership Group which comprises 39 senior leaders from across the operational areas and support functions, including the Executive Committee. This Senior Leadership Group, which is important for succession planning, has a gender balance of 53% female and 47% male, and 45% of the Senior Leadership Group are clinicians.

The Committee is responsible for keeping up to date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates. The Group competes with a number of private equity backed veterinary businesses and, in order to respond appropriately to changing and increasing competition, and to successfully execute accretive acquisitions, it is considered important that the Board contains Executive and Non-Executive Directors with both private equity and transaction experience.

Conflicts of interest

The Board has established robust procedures for monitoring conflicts of interest in accordance with the Group's Articles of Association and conflicts of interest policy. All Directors are required to make the Board aware of any other commitments and potential conflicts of interest are approved by the Board where appropriate, and recorded in the conflicts register. The Board has delegated authority to the Nomination Committee to keep under review any actual or potential conflict of interest situations authorised by the Board, and to determine whether it is appropriate for such matter(s) to remain so authorised. During the financial year to 30 June 2024, the Committee noted that none of the Directors have interests or external appointments which gave rise to material conflicts of interest.

Electing and re-electing Directors

The Committee has reviewed the independence of the Non-Executive Directors and the Non-Executive Chair and concluded that all have sufficient time to meet their Board responsibilities in accordance with the criteria set out in the UK Corporate Governance Code. The Committee has also satisfied itself that all four Non-Executive Directors are independent.

The Committee will recommend to the Board and the shareholders that all serving Directors should be submitted for re-election at the Company's 2024 AGM.

Ongoing review

Whilst the Committee will continue to review the composition of the Board, it is confident that the Board has the right balance of skills, experience and tenure to successfully steer the Group through the next stages of its growth and to respond appropriately to the strategic opportunities ahead.

The Group continues to deliver strong financial performance and has successfully extended its bank facilities for a further year to February 2028. The continued strong balance sheet and experienced management team position it well to take advantage of the strategic opportunities and to deliver further enhancements in shareholder value.

Richard Gray
Nomination Committee Chair
26 September 2024

Ensuring remuneration is appropriate to incentivise long-term sustainable value creation

Deborah Kemp
Remuneration Committee Chair

Key responsibilities:

> assisting the Board in ensuring appropriate remuneration policies are in place for the Group;

> ensuring Executive Director remuneration is aligned to the strategic priorities of the Group and its performance; and

> making recommendations regarding Long-Term Incentive Plan (LTIP) terms and conditions and awards.

The Remuneration Committee is comprised of four independent Non-Executive Directors.

The Remuneration Committee meets frequently throughout the year to consider remuneration matters of the Group, to consider feedback from shareholders on remuneration matters and to make appropriate recommendations to the Board.

As an AIM-listed company, the information provided is disclosed to fulfil the requirements of AIM Rule 19. CVS Group plc is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The information is unaudited.

Terms of reference

The full terms of reference for the Committee are reviewed and approved annually. These were last updated on 25 September 2024.

Committee composition during the year to 30 June 2024

	Attendance
Deborah Kemp	
David Wilton	
Richard Gray	
Joanne Shaw	

Introduction

As Chair of the Remuneration Committee, I am delighted to present our Directors' Remuneration Report for the year ended 30 June 2024.

Remuneration policy

The Remuneration Committee seeks to develop the Company's executive remuneration arrangements appropriately taking due account of matters specified in the UK Corporate Governance Code and the Investment Association Principles of Remuneration in light of the Company's growth and its status as an AIM 50 company.

The Remuneration Committee considers it important that remuneration policies for Executive Directors are aligned to the shareholders' interests and the Group's long-term strategy and that a meaningful portion of Executive Director reward is linked to long-term performance. In light of this, remuneration for Executive Directors is comprised of base salary, an annual bonus and a Long-Term Incentive Plan (LTIP) for which performance criteria are based on earnings per share and total shareholder return.

In respect of basic salary, the objective is to ensure that the Group attracts and retains high-calibre executives with the skills, experience and motivation necessary to lead and manage the affairs of the Group. The annual bonus scheme is designed to reward exceptional performance with criteria aligned to the annual budget approved by the Board along with non-financial targets to align Directors' interests with other important metrics and the Group's sustainability and ESG ambitions. Long-Term Incentive Plans are seen as an important part of Executive Directors' total remuneration and are designed to drive and reward exceptional performance aligned with shareholder returns over the long term.

The policy also provides for post-retirement benefits through contributions to Executive Directors' personal pension schemes, together with other benefits such as a company car and life and medical insurance.

The detailed policy is set out on pages 78 to 80 and how this will be implemented for the year ending 30 June 2025 is set out on page 77. The remainder of the report including the Annual Report on Remuneration details how the remuneration policy was applied over the year ended 30 June 2024.

A description of how the Company has addressed the matters specified in Rule 41 of the FRC Code is set out on page 80.

Development of remuneration policy in alignment with shareholder interests

The Remuneration Committee has introduced a number of changes over the past five years to better align Executive Director remuneration with shareholders' interests. These changes include the negotiation of new contracts of employment for each of the Executive Directors, the introduction of malus and clawback provisions for annual bonuses and LTIPs, the ability for the Remuneration Committee to oversee formulaic outcomes, the introduction of total shareholder return measures in the LTIP scheme, the introduction of a new two-year hold period for LTIP awards, from the 2023 financial year, the introduction of non-financial measures within the annual bonus scheme aligned to shareholders' interests, the increase in shareholding guidance to 200% of salary, and reviewing executive pension contributions so as to better align them with those of the wider workforce.

Annual General Meeting

At the AGM in 2023, the Remuneration Report was approved by 96.3% of the shareholders who voted.

2024 financial performance and shareholder returns

As set out in this Annual Report:

> CVS Group has delivered a robust financial performance in the financial year to 30 June 2024, notwithstanding the challenges faced in the year through a cyber incident and the announcement by the Competition and Markets Authority of a market review and subsequently a market investigation into the UK veterinary sector for household pets. Revenue from continuing operations increased 9.9% to £647.3m (2023: continuing operations £588.9m) and adjusted EBITDA grew by 4.7% to £127.3m (2023: £121.6m). Adjusted EPS reduced 12.4% to 86.6p (2023: 98.9p) following an increase in the corporate tax rate from 19% to 25%.

> The Group has made notable steps forward in its five-year plan set at the Capital Markets Day in November 2022, with a targeted entry into the Australian veterinary services market from July 2023. The Group acquired 22 practices in Australia for initial consideration of £82.5m along with a further five practices in the UK. In addition, the Group has completed 16 refurbishments or relocation projects with capital investment of £43.1m. The Group also divested its sub-scale operations in the Netherlands and Republic of Ireland.

> CVS successfully exercised its one-year option and extended its bank facilities through to February 2028 and, as a result of the financial performance, leverage remains comfortably below 2x at 1.54x (2023: 0.73x).

> The Group has continued to make good progress in developing a culture which is inclusive and supports the attraction and retention of talent. CVS launched its new values in November 2023, aimed at fostering a culture of continuous improvement.

Shareholder returns

> The CVS Group plc share price declined 48.8% in the financial year to £10.08 at 30 June 2024 (2023: £19.70), underperforming the wider market due in large part to the announcement of the CMA market review and subsequent market investigation.

> In December 2023, CVS paid a final dividend of 7.5p, an increase from the final dividend of 7.0p paid in December 2022. The Board is recommending the payment of a final dividend per share of 8.0p (2023: 7.5p), which represents a further 6.7% increase.

The Remuneration Committee considers that the Group's remuneration policies are aligned with shareholders' interests.

Remuneration Committee report – unaudited continued

Supporting our colleagues

CVS colleagues continue to work tirelessly to ensure CVS gives the best possible care to animals. In recognition of the dedication and professionalism of colleagues, during the year the Remuneration Committee, in conjunction with the Board, made the following changes:

> the Remuneration Committee approved an average annual colleague pay review of 3.8% effective from 1 July 2024, with a further review planned for 1 July 2025;

> the Remuneration Committee decided to increase the employers pension contribution for all colleagues with effect from 1 July 2024, increasing the minimum contribution to 4% and matching contributions up to 6% (the previous maximum Group contribution was 3%); and

> CVS has partnered with HSBC to provide interactive sessions for colleagues to answer personal finance questions such as creating a budget, pension basics, understanding credit scores and managing debt.

In line with the applicable bonus scheme terms and conditions, colleague bonuses will also be payable for 2024.

The Remuneration Committee is pleased that the take-up of its SAYE16 scheme, where employees can save over a three-year period and have the option to buy shares in the Group at a 20% discounted option price. Membership in this latest scheme increased by 5.8% to 2,101 employees (SAYE15: 1,985 colleagues).

In light of the competitive landscape and the continued shortage of veterinary professionals in the UK, the Remuneration Committee in support of the Board will continue to consider reward and benefits across the Group to ensure that CVS remains well positioned to attract and retain talent.

Gender pay gap

We published our 2023 Gender Pay Gap Report during the year, which illustrated that our mean and median pay gap reduced compared to the prior year. Our bonus pay gap increased which was impacted by Long-Term Incentive Plans, with slightly more men than women eligible to receive them.

A full copy of the Gender Pay Gap Report can be found here: https://www.cvsukltd.co.uk/careers/gender-pay-gap-report/

Directors' remuneration in respect of 2024

Our Directors' remuneration policy continues to ensure the alignment of long-term performance with remuneration of Executive Directors.

Base salary

Executive salaries are reviewed annually with changes effective annually. Following a benchmark review in the autumn 2023, the Remuneration Committee decided to amend the remuneration packages for the executive management team. The next pay review will be delayed to 1 July 2025 and from then on will align with wider colleagues whose pay is reviewed annually with effect from 1 July.

Annual salary and pension

Chief Executive Officer (CEO)

The Remuneration Committee decided to increase the salary for the CEO by £50,000 to £493,210 with effect from 1 January 2024. At the same time, to recognise the differential in pension award compared to the wider workforce, the CEO pension contribution was reduced to 8% from 12%. The net impact of these changes results in an overall pay increase of 7.3%.

Deputy CEO (DCEO)

Effective from 1 July 2023, the Chief Operating Officer role was replaced with a newly created role of Deputy CEO. The Remuneration Committee approved a new salary of £382,408 (representing an increase of £50,000 or 15%) in recognition of the Deputy CEO's increased responsibility within this new role, including overseeing the Group's operations internationally. The Remuneration Committee decided to increase the Deputy CEO's salary by an additional 6.5% with effect from 1 January 2024 to £407,265. At the same time, they also reduced the Deputy CEO's pension contributions to 8% from 10%. The net impact of these changes resulted in an overall pay increase from 1 January 2024 of 4.5%.

Chief Financial Officer (CFO)

The Remuneration Committee decided to increase the salary for the CFO by £50,000 to £337,870 (17%) with effect from 1 January 2024.

Annual bonus

The annual bonus scheme in which the Executive Directors participate is based on the combination of financial and non-financial targets. 80% of the bonus is payable on achievement of adjusted EBITDA, in comparison to the annual budget approved by the Board, and 20% is payable based on non-financial targets linked to key metrics and the Group's sustainability strategy.

For the year ended 30 June 2024, the maximum bonus for the CEO, DCEO and CFO was 100% of salary.

In relation to the year ended 30 June 2024, the financial targets were not achieved and the non-financial targets were partially achieved.

In light of the above, the Remuneration Committee proposes that the CEO and CFO achieve 12% of their bonus entitlement representing the non-financial targets met.

As the DCEO resigned before the bonus becomes payable, the DCEO forgoes his bonus entitlement for the year ended 30 June 2024.

Long-Term Incentive Plan (LTIP)

LTIP awards

In September 2023, the Company granted awards under its LTIP scheme to the CEO with a value of 125% of salary, and to the DCEO and CFO with a value of 100% of salary. These awards are subject to an adjusted EPS real growth performance condition measured over three years and a relative total shareholder return performance condition benchmarked against the FTSE 250 index (less investment trusts) measured over three years. These awards are subject to a two-year hold period post vesting. Details of the performance conditions are set out later in this report. The DCEO awards will lapse at the end of his notice period in June 2025.

Directors remuneration in respect of 2025

Base salary

The Remuneration Committee has reviewed the timing of the annual pay review and has decided to align this with wider colleagues whose annual pay review is with effect from 1 July. In light of this, the next pay review for the Executive Directors will be effective from 1 July 2025. The Committee will continue to benchmark against relative market comparisons to ensure that the package is considered competitive and does not pose a risk to retention and succession planning whilst considering the salary increases in the context of the broader colleague population and business performance.

Following the appointment of Paul Higgs to the Board as Chief Veterinary Officer, the Remuneration Committee has approved a salary of £290,000 for this role. The Chief Veterinary Officer will also be entitled to pension of 8%, annual bonus potential of 100% of salary and other standard benefits.

Pension

No changes are proposed to Executive Director pensions for 2025.

Annual bonus

The Remuneration Committee has also made an award to Executive Directors for the financial year to 30 June 2025 on a consistent basis. The targets for the financial element of the bonus are deemed commercially sensitive, and therefore the Committee has decided that the targets will not be disclosed for the current financial year. The Committee intends to retrospectively publish the annual bonus targets in the Annual Report and Financial Statements for the year to June 2025.

Long-Term Incentive Plan (LTIP)

The Remuneration Committee plans to make further awards in October 2024 for the 2025 financial year on a consistent basis with those made in the 2024 financial year.

Shareholder guideline

The shareholding guidance was increased to 200% of salary with effect from 1 July 2023. The Remuneration Committee recognises the Directors will take time to bring their respective holdings to this level, and is comfortable with the level of current holding and each Director's commitment to continue to increase this.

Ongoing review

The Committee intends to keep remuneration policies under review and will continue to consider and develop its approach to remuneration on an ongoing basis.

In relation to bonus deferral, the Remuneration Committee continues to see merit in a clear distinction between annual bonus and long-term incentives and does not propose this should be introduced at this point. The maximum annual bonus is capped at 100% of salary for each Executive Director.

The Committee oversaw reductions in pension contributions of the CEO and Deputy CEO in the financial year to 30 June 2024 as outlined above.

The Remuneration Committee has received advice in relation to the matters outlined above and overall executive remuneration from h2glenfern Remuneration Advisory.

I hope that you find the report helpful and informative, and I look forward to receiving further feedback on the information presented.

Deborah Kemp
Remuneration Committee Chair
26 September 2024

Directors' remuneration policy

This part of the Directors' Remuneration Report sets out the detailed remuneration policy of the Company with regard to its Executive and Non-Executive Directors.

Purpose and link to strategy	Operation	Potential remuneration	Performance metrics
Base salary			
Base pay is designed to reflect Executive Directors' experience, capabilities and role within the business. To be set at a level which is sufficiently competitive to recruit and retain individuals of the appropriate calibre to deliver the Group's strategy.	Salaries are reviewed annually and benchmarked against similar AIM-quoted and listed companies with any changes effective from 1 July, save where a Director is promoted to a new role. The review takes into account: > Company performance and increase in scale and complexity; > the role, experience and performance of the individual Director; and > average workforce salary adjustments within the Company.	The actual base salaries paid to the Executive Directors and those set for the current year are disclosed in the Annual Report on Remuneration.	Not applicable.
Benefits			
To complement basic salary by providing market-competitive benefits to attract and retain Executive Directors.	Reviewed from time to time to ensure that benefits, when taken together with other elements of remuneration, remain market competitive. Benefits for the Executive Directors currently include the provision of a company car and medical and life insurance.	The cost of providing these benefits varies year on year depending on the schemes' premiums. The Remuneration Committee monitors the overall cost of the benefits package.	Not applicable.
Pension			
To provide retirement benefits which, when taken together with other elements of the remuneration package, will enable the Company to attract and retain appropriately qualified Executive Directors.	The CEO and CFO participated in a defined contribution pension arrangement and received payments partly in lieu of pension. The DCEO receives payments in lieu of pension which is partly used for an enhanced company car contribution. Pension arrangements, including contribution rates, for any new externally appointed Executive Directors will be aligned with those of the majority of the UK workforce. Only basic salary is pensionable.	From 1 January 2024, the pension provision for all Executive Directors is 8% of salary.	Not applicable.
Annual bonus			
To drive and reward exceptional performance.	The Executive Directors are eligible to participate in a discretionary, annual, performance-related bonus scheme. Targets are set at the beginning of each year based on the recommendations of the Remuneration Committee linked to the annual budget approved by the Board, with a proportion of the bonus linked to sustainability and ESG targets. Bonuses are paid in cash based on audited financial results. Annual bonus payments are subject to malus and clawback provisions.	During the year under review, the maximum capped bonus potential for the CEO, DCEO and CFO is 100% of salary.	Bonus awards are based on annual performance against stretching Company financial targets and ESG objectives. Targets are set by the Committee at the beginning of each year. The Committee has the discretion to vary targets and weightings from year to year. The level of payment commences from zero at the threshold target increasing on a straight-line basis to full payment at the maximum target.

Purpose and link to strategy	Operation	Potential remuneration	Performance metrics
Long-Term Incentive Plan (LTIP)			
To drive and reward exceptional performance over the medium term and to align the interests of Executive Directors and shareholders.	The Executive Directors are entitled to be considered for the grant of awards under the Group's LTIP scheme. The awards take the form of nominal cost options over a specified number of Ordinary shares. Awards are not transferable or assignable. Awards are released to participants after a performance period of three years, subject to certain performance and service conditions being met. 25% of awards vest at threshold performance for each target, being adjusted EPS growth and total shareholder return, with a maximum award being 100%. If the minimum performance targets are not met, then no awards will vest. Participation is at the discretion of the Remuneration Committee. Awards will typically be made annually based on a percentage of annual salary. The Remuneration Committee sets performance conditions at the time of the award. The 2017 plan rules, amongst other things, include clawback provisions and a limitation to ensure that new shares issued, when aggregated with all other employee share awards, must not exceed 10% of issued share capital over any ten-year period. For schemes granted from 2021, there will be a two-year holding period for LTIPs for Executive Directors, other than for settling related tax liabilities.	The Remuneration Committee would in normal circumstances expect to make annual LTIP awards to the CEO of 125% of salary and the DCEO and CFO of 100% of salary. The maximum annual award permissible under the 2017 plan rules in exceptional circumstances is 200% of salary.	The vesting of LTIP awards is conditional upon the successful achievement of financial performance conditions over the performance period, which are set at the time of the award. Performance conditions and weightings may be varied from year to year. Each year the Committee assesses what performance conditions and associated weightings it considers appropriate in supporting the Company's strategy and longer-term objectives. In addition, and irrespective of the targets, no award will vest unless, in the opinion of the Remuneration Committee, the underlying performance of the Group has been satisfactory over the measurement period. An amendment to the 2017 plan was made in 2019 to ensure that the Committee has discretion to vary award vesting in the event of exceptional negative events and to override formulaic outcomes.
Shareholding guideline			
To incentivise executives to achieve the Company's long-term strategy and create sustainable shareholder value. To align with shareholder interests.	Executive Directors are expected to build a shareholding in the Company with a value equal to a specified percentage of salary over five years from the later of 1 July 2023 and their appointment to the Board.	Target value to be achieved over five years for Executive Directors is 200% of salary.	Not applicable.
Non-Executive remuneration			
Fees are set at a level to attract and retain high-quality and experienced Non-Executive Directors at an appropriate cost.	Non-Executive Directors are paid a basic annual fee. Additional fees may be paid to Non-Executive Directors who chair the Board, chair a Committee and to the Senior Independent Director to reflect additional responsibilities, as appropriate. Fees are reviewed annually. The Company's approach to setting Non-Executive Directors' fees is by reference to fees paid at similar companies and reflects the time commitment and responsibilities of each role. The Chair and the other independent Non-Executive Directors are entitled to be reimbursed for reasonable expenses.	The level of fees paid in 2023 and 2024 is shown in the Annual Report on Remuneration.	Not applicable.

Directors' remuneration policy continued

Remuneration Committee discretion

In relation to both annual bonus and LTIP awards, the Remuneration Committee may, in line with the UK Corporate Governance Code, exercise its discretion to override formulaic outcomes, including to reflect overall corporate performance and the experience of shareholders of the Company and if the business has suffered an exceptional negative event which have not been applied in the current year (2023: not applied).

Malus and clawback

Malus and clawback provisions are effective for three years from the date bonuses are paid or LTIPs vest. Issues which may trigger malus and clawback include discovery of misstatement of the financial results or error in assessing the achievement of the performance conditions.

Save As You Earn (SAYE)

The Group operates a savings scheme for all colleagues, including the Executive Directors, being the CVS SAYE plan. A SAYE scheme is operated for each calendar year. Under the SAYE16, SAYE15 and SAYE14 schemes, the awards were made at a 20.0% discount to the closing mid-market price o the day preceding the date of invitation. There are no performance conditions attached to any of the SAYE schemes.

Service contracts and letters of appointment

The service contracts and letters of appointment of the Directors include the following terms:

Executive Directors	Service agreement commencement	Most recent service agreement	Notice
R Fairman	1 August 2018	10 September 2020	12 months
R Alfonso	8 July 2019	22 September 2020	12 months
P Higgs	14 August 2018	25 July 2024	12 months

Non-Executive Directors	Date of appointment	Most recent service agreement	Term	Notice
D Wilton	24 September 2021	1 May 2024	3 years	3 months
D Kemp	2 January 2018	2 January 2024	1 year	3 months
R Gray	16 July 2020	16 July 2023	3 years	3 months
J Shaw	1 July 2023	1 July 2023	3 years	3 months

Further items specified under Rule 41 of the FRC Code

The Remuneration Committee believes remuneration is appropriate in light of the skills and experience of the Executive Directors, and the need for differentials between different levels of seniority, and in the context of the amounts and structure of remuneration at comparable UK companies.

Mindful of provision 40 of the Code, the Remuneration Committee will continue to consider factors including clarity, simplicity, risk, predictability, proportionality and alignment to culture.

The Remuneration Committee believes that the Company's remuneration practices are clear and simple, as laid out in this Remuneration Report. The Committee has always been conscious of reputational and other risks in managing remuneration and in taking decisions on remuneration matters. Malus and clawback provisions, and the Remuneration Committee's ability to exercise discretion within the policy to override formulaic outcomes, support the mitigation of risks. The Committee believes that the range of possible values of rewards is clearly identified and explained in this report, that the rewards and potential rewards are proportionate and do not reward poor performance and that remuneration arrangements are aligned with Company culture.

The Remuneration Committee believes that the policy operated as intended in terms of Company performance and quantum during the financial year ended 30 June 2024. The Committee continues to engage with the workforce in respect of remuneration and other matters. No discretion was applied in relation to Executive remuneration during the financial year ended 30 June 2024.

Annual Report on Remuneration

Introduction

This Annual Report on Remuneration sets out information about the remuneration of the Directors of the Company for the period ended 30 June 2024.

Membership and role of the Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises Deborah Kemp as Chair, David Wilton, Richard Gray and Joanne Shaw. The role of the Remuneration Committee is to determine and recommend to the Board the remuneration policy for the Executive Directors. This includes base salary, annual and long-term incentive awards and pension arrangements.

Advisors

During the year, the Company engaged h2glenfern Remuneration Advisory to provide advice on executive remuneration. h2glenfern Remuneration Advisory is a member of the Remuneration Consultants Group in relation to executive remuneration consulting in the United Kingdom. h2glenfern does not provide other services to the Group and has no other connection with the Company or individual Directors. The Board is satisfied that h2glenfern is independent and has no connection to any individual Director.

Remuneration received by Directors for the year ended 30 June 2024 – audited

The following table sets out the Directors' remuneration for the year ended 30 June 2024 (or for performance periods ended in that year in respect of long-term incentives) together with comparative figures for the year ended 30 June 2023.

Directors' emoluments

		Fixed pay				Variable pay	
		Basic salary allowance and fees £'000	Benefits in kind £'000	Pension £'000	Performance related bonus £'000	Value of share LTIP awards vested during the year[2] £'000	Total £'000
Executive Directors							
R Fairman	2024	468	20	46	59	—	593
	2023	430	12	52	401	669	1,564
B Jacklin[1]	2024	395	15	34	—	—	444
	2023	322	5	24	300	401	1,052
R Alfonso	2024	313	13	25	41	—	392
	2023	279	10	22	260	331	902
Non-Executive Directors							
R Connell	2024	75	—	—	—	—	75
	2023	125	—	—	—	—	125
D Wilton	2024	71	—	—	—	—	71
	2023	51	—	—	—	—	51
D Kemp	2024	109	—	—	—	—	109
	2023	51	—	—	—	—	51
R Gray	2024	51	—	—	—	—	51
	2023	48	—	—	—	—	48
J Shaw	2024	48	—	—	—	—	48
	2023	—	—	—	—	—	—

1. B Jacklin resigned from the Board with effect from 8 July 2024.
2. In respect of 2024, no LTIP awards are expected to vest and therefore the value is nil. In the 2023 Remuneration Report, the value of LTIP awards expected to vest by reference to a performance period ending 30 June 2023 was based on: the estimated vesting out-turn (100%) and the estimated value of a share at vesting calculated by reference to the three-month average share price up to 30 June 2023 (being £20.64) less the per share exercise price (0.2 pence). The values have been updated to reflect the share price on the date of vesting (6 October 2023 and 4 January 2024), both being £16.17. The value of these awards is not included in the table in note 8 to the financial statements.

Salaries

On 1 July 2023, the former COO was promoted to a new role of Deputy CEO and the Committee awarded him a salary increase of £50,000 (15.0%) in recognition of the increased responsibility.

On 1 January 2024, in line with the normal Executive Director salary review date, and following an independent benchmarking exercise, the Committee awarded a £50,000 increase for both the CEO and CFO, representing 11.3% for the CEO and 17.4% for the CFO, bringing their salaries to £493,210 and £337,870 respectively. On the same date, the Committee awarded a salary increase of 6.5% for the DCEO from £382,408 to £407,265.

The salary increases for the CEO and DCEO were implemented alongside reductions in pension amounts as detailed earlier in this report.

The next base salary review date has been deferred from 1 January 2025 to 1 July 2025 to align with the wider workforce.

Discretionary bonus

For 2024, the maximum bonus entitlement for the Executive Directors was 100% of base salary, weighted 80% on adjusted EBITDA and 20% on five non-financial, each representing 4% of bonus payable.

The bonus scheme targets for the financial year were as follows:

> The adjusted EBITDA target range (with targets increased to reflect acquisitions) was set between £129.6m for zero bonus and £141.7m for maximum bonus prior to acquisitions completed within the year. Actual adjusted EBITDA was £127.3m and therefore this bonus element was not achieved.

The five non-financial components each present 4% of the bonus entitlement:

> Patient Care Index – a 5.0% improvement from June 2023. Actual Patient Care Index decreased in the year by 1.2% and therefore this target was not met.

> Attrition – 5.0% reduction from June 2023. Attrition fell by 10% in the year and therefore this target was met.

Annual Report on Remuneration continued

Remuneration received by Directors for the year ended 30 June 2024 – audited continued

Discretionary bonus continued

> Client NPS – a 5.0% improvement in client Net Promoter Score from June 2023. Client NPS decreased by 6.8% in the year and therefore this target was not met.

> Medical waste – 5.0% reduction in medical waste (measured across UK CVS sites and excluding acquisitions in year). Total clinical waste reduced 13.9% and therefore this target was met.

> Australia acquisitions – target of annualised adjusted EBITDA of £5.0m from acquisitions completed by 30 June 2024 (based on agreed first year business plans). This target was met.

> Overall, three of the five non-financial targets were met.

In the light of the above, the Committee determined to make a bonus payment of 12% of maximum entitlement (2023: 90.4%), on the basis that three of the non-financial measures were achieved. The bonus will be awarded in cash and is payable in November 2024.

The Deputy CEO is no longer entitled to a bonus as he resigned before the payment date.

Loss of office

No payments were made during the year in respect of loss of office.

LTIP vesting

LTIP awards for the three-year performance period ended 30 June 2024 due to vest in October 2024 (LTIP15) will lapse in full. The vesting of these awards was subject to meeting adjusted EPS and total shareholder return targets as set out below:

> Adjusted EPS

Adjusted EPS for the year ended 30 June 2024 was 86.6p. This compares to adjusted EPS of 75.1p for the year ended 30 June 2021, a compound annual growth rate (CAGR) of 3.5% below inflation. The target CAGR for threshold and full vesting of LTIPs issued in October 2021 was 5.0% and 10.0% above inflation, respectively. This target has not been met.

> Total shareholder return (TSR)

Total shareholder return for the three years to 30 June 2024 was -57.8%, and in the lower quartile when benchmarked against the FTSE 250 index (less investment trusts), measured over the same period. Although the Remuneration Committee recognises sentiment has impacted the share price due to the CMA investigation, the target has not been exceeded and, therefore, none of the options granted have vested (max 50%). As a result of neither the adjusted EPS or TSR targets being met, no granted options have vested for LTIP15.

LTIP awards

On 29 September 2023, the Company granted awards under LTIP 17 to its Executive Directors as detailed in the tables below.

The Committee considers that the performance measures are aligned to long-term business strategy and appropriately stretching reflecting the prevailing environment.

Share scheme interests as of 30 June 2024

Details of plans at the reporting date that have not yet vested are set out below.

Award	Grant date	Vesting period
LTIP15	06 October 2021	3 years
LTIP16	30 September 2022	3 years
LTIP17	29 September 2023	3 years

The performance targets for award LTIP15, LTIP16 and LTIP17 are based on achieving adjusted EPS growth in excess of inflation and total shareholder return in comparison to the FTSE 250.

Adjusted EPS growth

50.0% of the awards will vest if adjusted EPS growth in excess of inflation is achieved as follows:

LTIP15

> less than 5.0% CAGR – no award subject to this condition;

> 5.0% to 10.0% CAGR – awarded on a straight-line basis between 25.0% and 100.0% of total award subject to this condition; or

> more than 10.0% CAGR – full award subject to this condition.

LTIP16 and LTIP17

> less than 1.0% CAGR – no award subject to this condition;

> 1.0% to 6.0% CAGR – awarded on a straight-line basis between 25.0% and 100.0% of total award subject to this condition; or

> more than 6.0% CAGR – full award subject to this condition.

Total shareholder return (TSR)

50.0% of the awards will vest if TSR in comparison to the FTSE 250 index (excluding investment trusts) are achieved as follows:

> below median comparable performance – no award subject to this condition;

> median comparable performance – 25.0% of awards subject to this condition;

> median to upper quartile comparable performance – 25.0% to 100.0% of awards subject to this condition measured on a straight-line basis; or

> upper quartile comparable performance – 100.0% of awards subject to this condition.

Options over Ordinary shares awarded to Executive Directors under the LTIP and SAYE schemes in place on 26 September 2024 are as follows:

Scheme	Date of grant	Market price of shares on date of grant	Earliest exercise date and date of vesting of shares	Exercise price	Number of shares
R Fairman					
LTIP15	06 October 2021	2,407p	30 June 2024	0.2p	21,188
LTIP16	30 September 2022	1,690p	30 June 2025	0.2p	30,773
LTIP17	29 September 2023	1,630p	30 June 2026	0.2p	34,419
SAYE14	25 November 2021	2,230p	01 January 2025	1,974p	310
SAYE15	25 November 2022	1,515p	01 January 2026	1,515p	380
SAYE16	24 November 2023	1,530p	01 January 2027	1,146p	550
B Jacklin					
LTIP15	06 October 2021	2,407p	30 June 2024	0.2p	12,712
LTIP16	30 September 2022	1,690p	30 June 2025	0.2p	18,464
LTIP17	29 September 2023	1,630p	30 June 2026	0.2p	23,757
SAYE15	25 November 2022	1,515p	01 January 2026	1,515p	403
SAYE16	24 November 2023	1,530p	01 January 2027	1,146p	517
R Alfonso					
LTIP15	06 October 2021	2,407p	30 June 2024	0.2p	11,009
LTIP16	30 September 2022	1,690p	30 June 2025	0.2p	15,990
LTIP17	29 September 2023	1,630p	30 June 2026	0.2p	17,884
SAYE15	25 November 2022	1,515p	01 January 2026	1,515p	403
SAYE16	24 November 2023	1,530p	01 January 2027	1,146p	550
P Higgs					
LTIP16	30 September 2022	1,690p	30 June 2025	0.2p	4,732
LTIP17	29 September 2023	1,630p	30 June 2026	0.2p	4,970
SAYE14	25 November 2021	2,230p	01 January 2025	1,974p	310
SAYE15	25 November 2022	1,515p	01 January 2026	1,515p	403
SAYE16	24 November 2023	1,530p	01 January 2027	1,146p	517

During the year shares were exercised as follows:

Scheme	Date of grant	Market price of shares on date of grant	Earliest exercise date and date of vesting of shares	Exercise price	Number of shares
R Fairman					
LTIP14	02 October 2020	1,219p	30 June 2023	0.2p	41,030
SAYE13	02 December 2020	1,415p	01 January 2024	1,009p	606
B Jacklin					
LTIP14	02 October 2020	1,219p	30 June 2023	0.2p	24,618
SAYE13	02 December 2020	1,415p	01 January 2024	1,009p	570
R Alfonso					
LTIP14	02 October 2020	1,219p	30 June 2023	0.2p	13,540
LTIP14(b)	04 January 2021	1,485p	30 June 2023	0.2p	6,733
SAYE13	02 December 2020	1,415p	01 January 2024	1,009p	606

Following the resignation of B Jacklin, all B Jacklin's options will lapse at the end of his notice period in June 2025.

Annual Report on Remuneration continued

Share scheme interests as of 30 June 2024 continued

During the year, the following share options were forfeited.

Scheme	Date of grant	Market price of shares on date of grant	Earliest exercise date and date of vesting of shares	Exercise price	Number of shares
B Jacklin					
SAYE14	25 November 2021	2,230p	01 January 2025	1,974p	310
R Alfonso					
SAYE14	25 November 2021	2,230p	01 January 2025	1,974p	291

Non-Executive Director

At the annual review on 1 January 2024, Non-Executive Directors' fees were increased at the same rate of 6.5%, the average for the wider workforce aside from the Chair, which salary was increased as part of the Chair recruitment process. The next review date is 1 July 2025.

	1 January 2024 (£)	1 January 2023 (£)
Group Chair	155,500	129,057
NED base salary	49,347	46,335
Audit/Remuneration Committee Chair fee	6,372	5,983
Nomination Committee Chair fee	3,422	3,213

Directors' interests in shares

The interests of the current Directors when combined with their spouses' holdings as of 30 June 2024 in the shares of the Company were:

	Ordinary number of 0.2p shares		
	2024	2023	% of basic salary
D Wilton	9,000	6,500	N/A
D Kemp	10,453	8,013	N/A
R Gray	6,000	6,000	N/A
J Shaw	1,548	Nil	N/A
R Fairman	78,107	55,981	159.6%
B Jacklin	37,284	23,802	92.3%
R Alfonso	24,377	12,151	72.7%

Apart from the interests in shares and share options disclosed above, the Directors had no other interest in shares of Group companies. Since the year end, on 10 July 2024, Richard Gray purchased 1,600 Ordinary 0.2p shares in the Company. Richard now holds 7,600 Ordinary 0.2p shares.

On 30 June 2024, the market price of the Ordinary shares was 1,008p.

Statement of voting

At the Annual General Meeting on 29 November 2023, the total number of shares in issue with voting rights was 71,537,662. The resolution to approve the Remuneration Report received the following votes from shareholders:

To approve the Directors' Remuneration Report for the year ended 30 June 2023	
Votes for[1]	49,889,217
%[2]	96.3%
Votes against	1,925,858
%	3.7%
Votes total	51,815,075
% of issued share capital[3]	72.4%
Votes withheld[4]	6,543

1. Votes "for" include discretionary votes.
2. Percentages above are rounded to one decimal places.
3. Issued share capital at meeting date: 71,537,662.
4. A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes "for" and "against" a resolution.

Annual General Meeting

Our Remuneration Report will be subject to an advisory vote at our AGM to be held on 20 November 2024.

Deborah Kemp
Remuneration Committee Chair
26 September 2024

Directors' report

The Directors present their Annual Report and Financial Statements together with the audited consolidated financial statements for the year ended 30 June 2024.

Principal activities and results

The principal activities of the Group are to operate animal veterinary practices, complementary veterinary diagnostic businesses, pet crematoria and an online retail business. The principal activity of CVS Group plc is that of a holding company.

The Group made a profit after taxation of £6.4m (2023: £41.9m).

Particulars of events which have occurred since the end of the financial year have been disclosed in note 33 to the financial statements.

Business review

The information that fulfils the requirements of the business review, including details of the 2024 results, key performance indicators, principal risks and uncertainties and the outlook for future years, is set out in the Chair's Statement (pages 4 and 5), the Chief Executive Officer's Review (pages 6 to 9), and the Financial Review (pages 42 to 46), including key performance indicators (pages 24 to 27) and principal risks and uncertainties (pages 47 to 55).

Dividends

In respect of the year under review, the Directors recommend a dividend payment of 8.0p, amounting to £5.7m (2023: £5.4m). The aggregate dividends recognised as distributions in the year ended 30 June 2024 amounted to £5.4m (2023: £5.0m). No interim dividends (2023: £nil) have been paid during the year.

Dividend policy

The Group has established an ordinary dividend policy that is both progressive and sustainable, based on growing the ordinary dividend per share over time. The rate of growth of the ordinary dividend will be decided by the Board in light of the circumstances at the time. The Board also gives due consideration to the return of capital through the use of special dividends or share buybacks.

The ability of the Group to pay a dividend is also subject to constraints including the availability of distributable reserves and the Group's financial and operating performance. Distributable reserves are determined as required by the Companies Act 2006 by reference to a company's individual financial statements.

Directors

The following Directors held office during the year and up to the date of signing the financial statements unless otherwise stated:

R Connell
(resigned 23 October 2023)

D Kemp

R Gray

D Wilton

J Shaw
(appointed 1 July 2023)

R Fairman

B Jacklin
(resigned 8 July 2024)

R Alfonso

P Higgs
(appointed 25 July 2024)

Biographical details of the Directors are provided on pages 58 and 59.

Re-election of Directors

The Articles of Association of the Company require all Directors to be re-elected at intervals of not more than three years. The Board has decided that it is appropriate for all Directors to be re-appointed each year, so in accordance with that decision all Directors will stand for re-election at the Annual General Meeting other than those that have resigned from their positions.

Directors' remuneration and interests

The Remuneration Committee Report is set out on pages 74 to 84. It includes details of Directors' remuneration, interests in the shares of the Company, share options and pension arrangements.

Environment

The Group recognises the significance of environmental responsibility and undertakes clinical compliance reviews to ensure environmental standards are conformed with in addition to providing training to its employees to ensure compliance.

Although the Group's activities do not have a major impact on the environment, every effort is made to reduce any effect. Details of the Group's approach to sustainability and ESG are set out on pages 32 to 39.

Health and safety

The Group is fully aware of its obligations to maintain high health and safety standards at all times, and the safety of our colleagues and customers is of paramount importance. The Group's operations are managed at all times in such a way as to ensure, as far as is reasonably practicable, the health, safety and welfare of all of our colleagues and all other people who may be attending our premises.

Corporate governance

The Board's Corporate Governance Statement is set out on pages 60 to 66.

Directors' report continued

Going concern

The Governance Code requires the Board to assess and report on the prospects of the Group and whether the business is a going concern. In considering this requirement, the Directors have taken into account the Group's forecast cash flows, liquidity, borrowing facilities and related covenant requirements and the expected operational activities of the Group.

As part of the going concern assessment, the Group modelled a base case scenario and undertook sensitivity analysis to stress test the performance at which the Group would breach its covenants.

The base case takes into account the latest run rate of performance. The Group has two financial covenants associated with the Group's bank facilities, which are based on the ratios of net debt to EBITDA which must not exceed 3.25x and EBITDA to interest ratio which must not be less than 4.5x.

The Group has modelled a further scenario of no further revenue growth and under both the base case and the no growth scenario, there is more than sufficient headroom in both liquidity and covenants.

At a sustained 15% decrease in budgeted revenue, covenants would be breached by February 2025 due to the negative impact on EBITDA. This sustained decrease in revenue has been modelled around the impact of the first COVID-19 lockdown as the Directors consider this to be an accurate representation of a potential worst-case scenario.

The scenario analysis assumes that no mitigating action is taken. However, the Group has modelled the impact of mitigations against the loss in revenue on covenant compliance through reductions in non-essential spending including locum vets and discretionary bonuses, and the deferment of non-essential capital expenditure. Therefore, the Directors consider that under this worst-case scenario, there are mitigations available such that the Group would be able to meet its covenants.

The Directors have considered other sources of risks and uncertainties that may impact the Group's ability to trade, and the controls and actions in place to mitigate them on pages 47 to 55.

The outputs of the above scenario tests have been reviewed against the Group's current and projected future cash and liquidity position. At the year end, the Group had cash and cash equivalents of £16.5m, a drawn term loan of £87.5m, an unutilised RCF of £165.5m and an unutilised overdraft facility of £5.0m.

Having due regard to these matters and after making an appropriate assessment, the Directors have a reasonable expectation that the Group and the Company have adequate resources to remain in operation until at least twelve months after the approval of these financial statements. The Board has therefore continued to adopt the going concern basis in preparing the consolidated financial statements.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than twelve months required by the "Going concern" provision. A period of five years is believed to be appropriate for this assessment since this is consistent with the Group's long-term strategic planning, and other assessment periods included within the Annual Report, for example impairment reviews. The Group also finances debt until February 2028, having now taken the one-year extension during the 2024 financial year which is also consistent with a five-year assessment period.

The Directors confirm that they have a reasonable expectation that the Group will continue in operation to meet its liabilities, as they fall due, up to 30 June 2029.

The Directors' assessment has been made by reference to the Group's financial position as at 30 June 2024, its prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks, all of which are described in the Strategic Report. The assessment also considers scenario analysis over the key principal risks to the business, how the Group is resilient to those risks and how the Group can mitigate the effects of those risks.

The Directors' assessment of the Group's viability is underpinned by a paper prepared by management. The paper is supported by comprehensive and detailed analysis and modelling, containing financial projections for a detailed one-year plan and extended five-year period. The longer-term plan is reviewed each year by the Board as part of the strategy review process. Once approved by the Board, the plan is cascaded across the Group and provides the basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance.

The five-year plan provides a robust planning tool against which strategic decisions can be made. In making their viability assessment, the Board has taken into consideration that financing facilities are maintained for the duration of the forecast.

For the purposes of assessing the Group's viability, the Directors have reviewed the risks as detailed on pages 47 to 55; whilst all the risks identified could have an impact on the Group's performance, the specific risks which could potentially impact the Group's financial position include: a potential reduction in sales volumes through either failure to attract and retain key staff or future pandemic; failure to comply with bank facilities; and possible disruption due to the economic environment and inflation impacting the Group's revenue and profitability.

During the viability period, on 21 February 2028, the term loan of £87.5m will expire having opted to take the one-year extension available to them in FY24. The Directors have considered the available cash, the undrawn overdraft facility and cash flow forecasts, and consider that the Group will be able to meet its liabilities in full as they fall due, including refinancing or alternatively the repayment of the drawn term loan, if practical. The Group monitors cash flow on a daily basis and maintains sufficient cash reserves to ensure both solvency and liquidity within the Group.

In making this assessment, the Board has assumed that there is no material adverse change in the legislative environment in the practice of veterinary medicine. The Group expects that legislative changes, which may happen as a result of the CMA investigation and separately continues to work with the RCVS to enable highly skilled nurses to undertake a broader range of procedures without veterinary surgeon supervision, will benefit the Group moving forwards. It is recognised, however, that such future assessments are subject to a level of uncertainty that increases with time and therefore future outcomes cannot be guaranteed or predicted with certainty.

In conjunction with other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the five financial years used for its assessment.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 3 to the financial statements.

Share capital and substantial shareholdings

Fund Manager	Shares	% at 11 September 2024
Global Alpha Capital Management	7,527,006	10.49
abrdn plc	5,255,137	7.33
Octopus Investments Limited	4,407,471	6.14
BlackRock Inc	4,287,650	5.98
Grandeur Peak Global Advisors	4,168,126	5.81
Tweedy Browne	3,143,550	4.38
Invesco	2,484,954	3.46
Hargreaves Lansdown, stockbrokers (EO)	2,299,506	3.21
Canaccord Genuity Wealth Management (Retail)	2,299,236	3.21

Details of the share capital of the Company as at 30 June 2024 are set out in note 26 to the financial statements. Each share carries the right to one vote at general meetings of the Company.

At 11 September 2024, the Company has been notified (using TR1 standard form) of the substantial shareholdings detailed in the table above comprising 3.0% or more of the issued Ordinary share capital of the Company.

The Board is satisfied that no major shareholder presents a conflict of interest or exerts undue influence over the Board's independent judgement.

Employees

Consultation with employees takes place through a number of regional meetings throughout the year and an annual staff survey. The aim is to ensure that employees' views are taken into account when decisions are made which are likely to affect their interests and that all employees are aware of the general progress of their business units and of the Group as a whole. To enhance communication within the Group, a Committee is in place which is constituted of regional members from all areas of the business with the aim of improving consultation and communication levels.

Deborah Kemp is the Board's dedicated Non-Executive Director for employee engagement and during the year Deborah has consulted with employees through online meetings with the Company's Senior Leadership Group, visits to our businesses and regular reviews of the Group's monthly employee Net Promoter Score. The business has further reviewed its monthly employee survey and additional questions have been added to this to obtain more detailed feedback from employees in addition to calculating the employee Net Promoter Score.

The Group regularly consults with, and seeks feedback from, employees and the Board monitors employee engagement.

Applications for employment by disabled people are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should be, as far as possible, identical to that of a person who does not have a disability.

The Group operates a Long-Term Incentive Plan for Executive Directors and those part of the Senior Leadership Group. Details are included in note 8. The Group also has a Save As You Earn scheme, now in its fifteenth year, under which employees are granted an option to purchase Ordinary shares in the Company in three years' time, dependent upon their entering into a contract to make monthly contributions to a savings account over the relevant period. These savings are used to fund the option exercise value. The exercise price in respect of options issued in the year was at a 20% discount to the shares' market value at the date of invitation. The scheme is open to all UK Group employees, including the Executive Directors. Details of the scheme are included in the Remuneration Committee Report on pages 74 to 84.

Directors' third-party indemnity provision

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

Directors' report continued

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations. Company law required Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with the United Kingdom-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Directors have also chosen to prepare the parent company financial statements under United Kingdom-adopted International Accounting Standards. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and the Group for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

> properly select and apply accounting policies;

> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

> provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

> make an assessment of the Company's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

> the financial statements, prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

> the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

> the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Annual Report and Financial Statements confirms that:

> so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

> the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Resolutions concerning the re-appointment of Deloitte LLP as auditor and authorising the Audit Committee to set its remuneration will be proposed at the AGM.

Approval

The Strategic Report on pages 1 to 55 and Directors' Report on pages 85 to 88 was approved by the Board of Directors on 26 September 2024.

Authorised by order of the Board

Scott Morrison
Company Secretary
26 September 2024

Streamlined Energy and Carbon Reporting (SECR)

The Group is required under the Streamlined Energy and Carbon Reporting (SECR) regulations to report how it manages its energy consumption and carbon emissions and has used a third-party consultant to advise on this and support with the preparation of this SECR report. Since 2020, we have published our direct greenhouse gas (GHG) emissions from sources that are controlled or owned by the Group (Scope 1), indirect GHG emissions from the Group's consumption of purchased electricity (Scope 2) and all emissions the Group is indirectly responsible for across its value chain (Scope 3).

Monitoring and reporting these emissions enables us to evaluate and minimise our impact on the natural environment, which supports us in our purpose to give the best possible care to animals. We have taken strong actions to increase our energy efficiency and reduce any adverse impact our business has on the planet.

Our energy efficiency actions

Our energy and carbon reduction sustainability workstreams have targeted three specific areas:

1. user awareness and consumption management;
2. enhancing construction, maintenance and property leasing activities; and
3. capital expenditure in energy saving.

Increasing energy efficiency in our facilities

One of our strategic goals is to provide great facilities and equipment, and a key part of this is to ensure our facilities and operations are as energy efficient as possible.

We have pledged to spend up to £50m a year to upgrade and relocate current practices and to open new practices to a new minimum practice facility standard.

As part of this, we have developed a set of sustainability criteria for all new, relocated and refurbished practices. This includes:

- the use of sustainable building materials;
- boiler upgrades and replacement to increase heating efficiency;
- better insulation to retain building heat;
- more energy-efficient LED lighting as well as being standard replacement items in our day-to-day maintenance activities;
- in our relocation and refurbishments, we install a standard heating and cooling specification is for variable refrigerant flow to optimise energy efficiency and will actively pursue other solutions to avoid installing cooling systems where they do not impact on operational performance/ clinical standards;
- we also are installing Building Management Systems (BMS) targeting our higher-energy consumption sites to manage usage as efficiently possible;
- going forward, through increased use of smart meters and improved supply data we are actively pursuing a series of demand management measures again designed to reduce consumption using data and targeted investment; and
- the installation of electric vehicle charging where possible.

We also plan to embed a sustainability support on future major projects to ensure whole-life carbon emissions and impacts are carefully accounted for and elsewhere ongoing capital expenditure projects are rolling out LED lighting, efficient boilers, sensor detectors and smart meters into existing sites.

We are also continuing to secure green leases with our landlords. This includes an obligation for both parties to share building environmental performance data, and for no alterations or maintenance to be conducted which adversely impacts a building's environmental performance.

Moving forward, we will continue to conduct an infrastructure and equipment asset survey of the Group's property portfolio. This will help us to improve future investment in energy monitoring and consumption.

We also embed an "environmental net gain" principle for our new developments so that they will be compliant with Local Planning Authority requirements.

A greener approach to transport

We have added a range of ultra-low emissions vehicles to our company car list, as well as more hybrid and electric vehicles (EV). All fossil fuel-reliant leased cars on the list are capped to 130g CO_2 emissions. We have also launched a salary sacrifice electric vehicle scheme, further promoting a greener approach to transport. To support the future increase in EV and hybrid vehicles, we have installed several EV charging points at a range of our sites and launched a salary sacrifice scheme in the year to allow more of our colleagues to drive EVs.

Using renewable sources

Since August 2021, all our veterinary practice sites across the UK use electricity from 100% renewable sources.

Streamlined Energy and Carbon Reporting (SECR) continued

Our UK and offshore energy usage and carbon emissions

	2024 Energy (kWh)	2024 Emissions (tCO_2e)	2023[1] Energy (kWh)	2023[1] Emissions (tCO_2e)	Change (%) Energy (kWh)	Change (%) Emissions (tCO_2e)	Comments
Scope 1 emissions (direct)							The decrease in these emissions arises from a reduction in gas and other fuels offset by an increase in transport emissions.
Gas Consumption	12,373,997	2,264	14,580,006	2,667	-15.1%	-15.1%	
Transport	18,422,260	4,621	16,081,265	4,000	14.6%	15.5%	
Other Fuels	11,136,685	2,748	13,324,518	3,280	-16.4%	-16.2%	
Total Scope 1	41,932,942	9,632	43,985,789	9,947	-4.7%	-3.2%	
Scope 2 emissions (energy indirect)							Electricity usage has remained consistent across our portfolio.
Electricity (location-based)	13,807,668	2,859	13,892,790	2,877	-0.6%	-0.6%	
Scope 3 emissions (other indirect)							Travel in employee-owned vehicles has increased year on year as we increase our in-person meetings and practice visits.
Employee-owned vehicles	2,969,196	715	2,494,205	611	19.0%	17.1%	
Combined total	58,709,806	13,207	60,372,784	13,435	-2.8%	-1.7%	
Intensity ratio (tCO_2e per £m revenue)		21.1		22.1		-4.5%	The intensity ratio has decreased from the prior year, due to our reduction in total emissions and revenue growth of the Group.

1. The prior year figures have been restated as enhanced reporting has enabled further information in relation to other fuels to be identified.

Methodology
The Group has taken guidance from the UK Government's Environmental Reporting Guidelines (March 2019), the Greenhouse Gas Protocol reporting standard, and the UK Government's Greenhouse Gas Conversion Factors for company reporting of greenhouse gas emissions.

Energy usage information (gas and electricity) has been obtained directly from the Group's energy suppliers and half-hourly automated meter reading (HH/AMR) data, where available, for those suppliers with HH/AMR meters. For suppliers where energy usage data was not available for a full twelve months, flat profile estimation techniques were used to calculate the annual consumption. With all landlord sites, these have had to be estimated using similar-sized sites' usage for gas and electricity.

Transport mileage data was obtained from expense claims submitted for our company cars and grey fleet.

Exclusions
CO_2e emissions were calculated using the appropriate emission factors from the UK Government's UK Greenhouse Gas Conversion Factors and this is retained within the Group's data file for reference where required.

Normalisation
The Group has chosen to report gross Scope 1, 2 and 3 emissions tonnes of CO_2 equivalent (tCO_2e) per £m revenue as this is a common metric used in corporate GHG reporting.

Approval
Authorised by order of the Board.

Scott Morrison
Company Secretary
26 September 2024

Independent auditor's report

To the members of CVS Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

> the financial statements of CVS Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2024 and of the Group's profit for the year then ended;

> the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;

> the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

> the consolidated income statement;

> the consolidated statement of comprehensive income;

> the consolidated and company statements of financial position;

> the consolidated statement of changes in equity;

> the company statement of changes in equity;

> the consolidated and company statement of cashflow; and

> the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: > Revenue Recognition – Healthy Pet Club > Valuation of the Research and Development Expenditure Credit (RDEC) > Business combinations – appropriateness of the attrition rate used in valuation of Patient Data Record intangibles Within this report, key audit matters are identified as follows: Newly identified Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £4.0m (FY23: £3.2m), which represents 4.8% (FY23: 3.7%) of adjusted profit before tax from continuing operations and was determined by reference to a range of income statement measures.
Scoping	We have subjected two components to full-scope audits and a further fourteen components to audits of specified account balances, which covers 83% of revenue (FY23: 85%), 87% of expenses (FY23: 88%) and 94% of net assets (FY23: 88%). The remainder of the Group were subject to analytical procedures at Group level.
Significant changes in our approach	We have identified an additional key audit matter in the current year in relation to business combinations, specifically the judgement in valuing the attrition rate for Patient Data Record intangibles given the number of acquisitions made in the year. No further significant changes to our audit approach have occurred.

4. Conclusions relating to going concern

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

Our evaluation of the Directors’ assessment of the Group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

> assessment of the available financing facilities of £350.0m and evaluation of repayment terms and covenant requirements;

> evaluation of the assumptions used in the forecasts such as revenue growth, gross margin changes and cash flow movements, and whether these are appropriate in line with historical performance;

> assessment of the level of headroom in the financing facilities under the base case forecast;

> assessment of the arithmetical accuracy of the forecast model confirming consistent calculations are used throughout, using internal software;

> assessment of the historical accuracy of forecasts through comparing actual performance to forecast;

> assessment of the reasonable worst case scenario performed by management, including consideration of mitigations, and consideration of whether the adverse variance in cash flows required to produce a covenant breach represents a remote possibility; and

> assessment of the appropriateness of the going concern disclosures in the financial statements.

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

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue Recognition – Healthy Pet Club

Key audit matter description	The Group earns revenue via the Healthy Pet Club (HPC) scheme whereby customers sign up for a monthly or annual direct debit arrangement in exchange for a programme of preventative products and treatments. The Group recognised £84.7m (FY23: £75.6m) of HPC revenue during the year and has approximately 503,000 (FY23: 489,000) active members as at the year-end. The revenue recognition for this scheme is judgemental since IFRS 15 “Revenue from Contracts with Customers” requires revenue to be recorded either at a point in time or over time according to when the performance obligation is satisfied. In the case of HPC revenue, satisfaction of the performance obligation is not aligned to the timing of cash receipts due to the weighting of treatments towards the earlier months of the scheme. Revenue must also be adjusted for anticipated animal deaths (whereby outstanding fees will be waived) and irrecoverable debts. Additional adjustments are also required where a customer does not receive their treatment during the scheduled month and hence foregoes the service. The Group’s accounting policy is to record revenue according to the cost profile associated with providing the services offered in the scheme, as disclosed in note 2 to the financial statements. There are a number of complexities and judgements which have to be made in calculating the revenue which should be deferred where cash has been received from the customer, but the service has not yet been provided. The Audit Committee also considered this as a significant matter as discussed in the Audit Committee Report on pages 67 to 69 with the accounting policy discussed in Note 1 to the financial statements.

5. Key audit matters continued

5.1. Revenue Recognition – Healthy Pet Club continued

How the scope of our audit responded to the key audit matter	Our procedures to address this key audit matter included the following: > obtained an understanding of relevant controls over HPC revenue recognition, including controls over supporting data and assumptions; > assessed the appropriateness of allocating revenue according to the cost profile of treatments offered; > assessed the methodology used in calculating the adjustments to revenue for treatments which are missed, future cancellations and deferral of treatments; > validated the accuracy and completeness of the membership data that drives the HPC revenue calculation; > validated the accuracy and completeness of the available data of the assumed cost profiles for the different types of pet that can be added to the scheme; > performed a recalculation of accrued revenue based on member data and assumed cost profiles; > performed a recalculation of revenue subsequently deferred due to missed treatments, based on operational and sales data used to estimate the level of missed treatments occurring across the Group; and > evaluated assumptions around animal deaths and cancellations through comparison and benchmarking against direct debit collection rates and operational data around animal life expectancy.
Key observations	Based on the audit procedures performed, we concluded that revenue recognition in respect of the HPC scheme is appropriate.

5.2. Valuation of the Research and Development Expenditure Credit (RDEC)

Key audit matter description	The Group continues to submit claims for RDEC arising from qualifying R&D expenditure, having previously submitted claims in respect of FY19 through to FY23. The scheme rules are subjective and, for claims where the HMRC enquiry window has not yet elapsed, there remains the possibility of challenge and clawback of some or all of the balance claimed should HMRC determine that some or all of the expenditure is non-qualifying. Significant judgement is therefore required when determining the level of discounting to apply against claims already submitted, and the estimate of amounts that should be accrued in respect of qualifying expenditure in financial periods where a claim has not been submitted. Due to an improvement in the calculation methodology, management have reduced the discounting applied to the claims. The impact in FY24 is recognition of an additional £6.3m of income. Refer to Note 2 for details. In the current year, the group recognised £5.5m in respect of their estimated claim for FY24, £4.5m in respect of claims submitted for FY23, and a further £4.2m in respect of earlier years. The total RDEC in the consolidated income statement is therefore £14.2m (FY23: £11.5m), which is presented in note 6 net of associated R&D costs. £9.3m of the calculated claims remains unrecognised. The Audit Committee also considered this as a significant matter as discussed in the Audit Committee Report on pages 67 to 69 with the accounting policy discussed in note 1 to the financial statements. The Directors have included RDEC as a source of estimation uncertainty in Note 2 to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures to address this key audit matter included the following: > obtained an understanding of relevant controls over the determination of the RDEC provision, including supporting data and assumptions; > with the involvement of our internal RDEC tax specialists, inspected documentation for claims made during the year, evaluating the appropriateness of the underlying methodology against HMRC requirements; > evaluated the appropriateness of the reduction in the discount percentage through inspection of the revised RDEC methodology and communication with HMRC in respect of prior year submitted claims; > assessed the mathematical accuracy of the FY24 RDEC income estimate recognised; > validated the status of each submitted claim to supporting evidence such as bank statements, HMRC communications and submitted tax computations; and > evaluated the appropriateness of the disclosures in the financial statements, including in respect of estimation uncertainties.
Key observations	Based on the audit procedures performed, we concluded that the valuation of the Research and Development expenditure credit is appropriate.

5. Key audit matters continued

5.3. Business combinations – appropriateness of the attrition rate used in valuation of Patient Data Record (PDR) intangibles

Key audit matter description	The Group has completed 27 (FY23: 11) acquisitions in the current year (5 in the UK and 22 in Australia) for a consideration totalling £96.8m (FY23: £57.3m) net of cash acquired. Of this, £45.4m (FY23: £17.3m) represents fair value of patient data records (PDR) acquired, recognised as an identifiable intangible asset. See Note 15 for further details. Based on the volume and magnitude of the acquired practices in the current year, and expansion into Australia, we determined business combinations to be a significant event in FY24 with the key audit matter relating to the the valuation of the PDR intangible asset, specifically the attrition rate which is highly judgemental. The Directors have continued to use a 5% attrition rate, consistent with FY23, for both the UK and Australia acquisitions. The estimate is based on on the CVS Group attrition rate as there is no data available to assess attrition at an individual acquisition level. Consequently, significant judgement is required to determine the appropriate percentage.
How the scope of our audit responded to the key audit matter	Our procedures to address this key audit matter included the following: > obtained an understanding of relevant controls over attrition rate, including supporting data and assumptions; > assessed management's valuation models to ensure intangible assets have been identified and valued in accordance with the requirements of IFRS 3 "Business Combinations" and IAS 38 "Intangible Assets"; > with the involvement of our valuation specialists, determined the appropriateness of management's valuation of acquired patient data records intangibles for a sample of acquisitions made during the year, including performing benchmarking the useful economic lives (UEL) against peer companies and pet lifespans from independent sources; > considered the potential impact of external economic and other factors; > assessed the mechanical accuracy and integrity of the PDR valuation model prepared by Management; and > assessed the appropriateness of the disclosures in the financial statements.
Key observations	Based on the audit procedures performed, we concluded that the attrition rate used in valuation of Patient Data Record (PDR) intangibles is appropriate.

6. Our application of materiality

6.1. Materiality

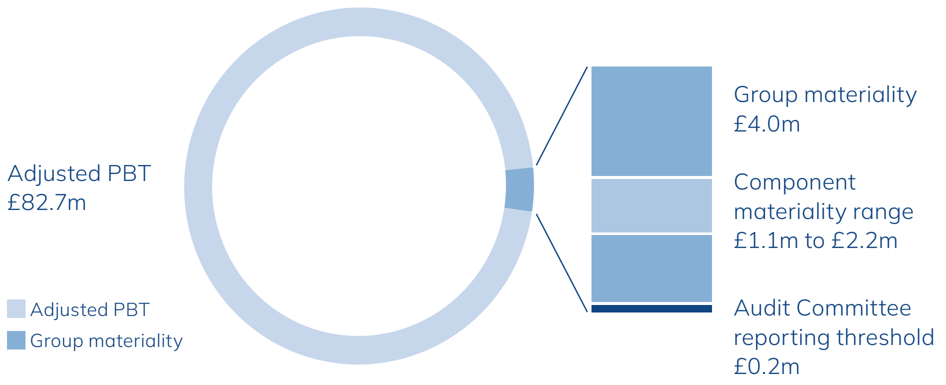
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£4.0m (FY23: £3.2m)	£2.2m (FY23: £1.8m)
Basis for determining materiality	4.8% (FY23: 3.7%) of adjusted pre-tax profit from continuing operations.	Parent company materiality equates to 1.5% (FY23: 1.2%) of net assets, capped at 55% of group materiality.
Rationale for the benchmark applied	We have considered both adjusted pre-tax profit of £82.7m and revenue of £647.3m. Adjusted pre-tax profit is calculated as profit before tax adjusted for amortisation, costs associated with business combinations and exceptional items. These are the metrics that are deemed to be of most importance to stakeholders, as disclosed within Note 1.	As a holding company, net assets were considered the most relevant benchmark to users of the parent company financial statements.

6. Our application of materiality continued

6.1. Materiality continued



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (FY23: 70%) of group materiality	70% (FY23: 70%) of parent company materiality
Basis and rationale for determining performance materiality	We have assessed the quality of the group's overall control environment, as well as the number and nature of uncorrected misstatements in previous audits.	

6.3. Error reporting threshold

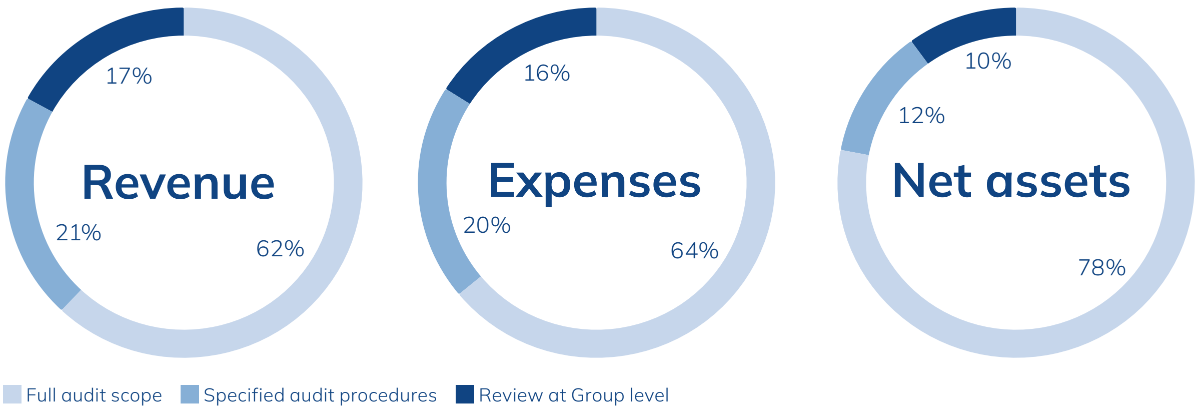
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £200,000 (FY23: £160,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the group and its environment, including Group-wide controls, and assessing the risks of material misstatement.

We have focused our work on the UK and Australian based subsidiaries which account for the majority of the Group's revenue, expenses and net assets. We have subjected two components to full-scope audits and a further fourteen components to audits of specified account balances, which covers 83% of revenue (FY23: 85%), 87% of expenses (FY23: 88%) and 94% of net assets (FY23: 88%). The remainder of the Group, were subject to analytical procedures at the Group level. All audit work was carried out by the UK engagement team, with no involvement of component auditors. Testing was performed to component materiality ranging from £1.1m to £2.2m (FY23: £0.9m to £1.8m).



7. An overview of the scope of our audit continued

7.2. Our consideration of the control environment

We obtained an understanding of the control environment, including the underlying key IT systems (Navision, Robovet and Provet), and general IT controls. The Navision IT system is the main financial reporting system adopted by the Group. The Robovet IT system is the Group's historically adopted practice management software which reports all transactions within individual practices using the software. In the year, management have moved from Robovet to Provet and so we have tested the system implementation.

We also obtained an understanding of, the relevant controls over the revenue cycle and other key estimates included RDEC valuation, rebate valuation and valuation of acquired Patient Data Record intangibles. We performed a fully substantive audit without control reliance and note the Audit Committee's discussion of the control environment in their report on pages 67 to 69.

7.3. Our consideration of climate-related risks

We have obtained an understanding of management's process and related controls to consider and identify the impact of climate risks. The risks identified during the period are complete and consistent with our understanding of the Group's operations.

The key climate risks disclosed by management in the Principal Risks section of the Strategic Report include the following:

> Disruptions to supply chain leading to stock shortage and financial loss;

> Adverse weather conditions leading to a decline in client demand; and

> Changes in regulations increasing the cost of operations.

With the involvement of our climate change specialists, we:

> considered the impact of climate issues on our key audit matters;

> reviewed and challenged the Group's climate risk assessment, including consideration of the impact of climate matters on other areas of the financial statements. Management have assessed that there is currently no material impact arising from climate change on the judgements and estimates within the financial statements;

> evaluated the financial statements disclosures to assess whether climate risk assumptions underpinning specific account balances were appropriately disclosed; and

> read the climate change-related statements (as disclosed in the Strategic Report) and considered whether the information included in the narrative reporting is materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, treasury, climate change and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition – Healthy Pet Club and valuation of the Research and Development Expenditure Credit "RDEC". In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM listing rules, Corporate Governance code, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's compliance with the Royal College of Veterinary Surgeons regulations applicable to all practices and qualified nurses, General Data Protection Regulations, Veterinary Surgeons Act 1966, Animal Welfare Act 2006, Veterinary Medicines Regulations 2013 and The Animal Act 1986.

11.2. Audit response to risks identified

As a result of performing the above, we identified Revenue Recognition – Healthy Pet Club valuation of the Research and Development Expenditure Credit "RDEC"as key audit matters related to the potential risk of fraud.

The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters. In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and meeting with internal audit, and reviewing correspondence with regulators including the Competition Markets Authority (CMA); and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

> the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

> the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

> the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 86;

> the Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 86;

> the Directors' statement on fair, balanced and understandable set out on page 88;

> the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 47 to 55;

> the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 47; and

> the section describing the work of the audit committee set out on page 67;

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

> we have not received all the information and explanations we require for our audit; or

> adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

> the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Use of our report

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

Paul Schofield FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
26 September 2024

Consolidated income statement
for the year ended 30 June 2024

Continuing operations	Note	2024 £m	2023[1] £m
Revenue	4	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	5	(12.6)	(7.7)
Profit before tax	4	38.2	60.7
Tax expense	9	(11.8)	(12.6)
Profit from continuing operations		26.4	48.1
Loss from discontinued operations	32	(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	10	36.5p	67.6p
Diluted	10	36.5p	67.3p
Earnings per Ordinary share (EPS) for profit attributable to the ordinary equity holders of the Company:			
Basic	10	8.6p	58.8p
Diluted	10	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 32 for further details.

Consolidated income statement continued
for the year ended 30 June 2024

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	5	12.6	7.7
Amortisation of intangible assets	12	24.8	22.6
Depreciation of property, plant and equipment	13	17.7	12.6
Depreciation of right-of-use assets	14	16.0	15.2
Depreciation and amortisation attributable to discontinued operations	4	(2.6)	(3.1)
Profit on disposal of property, plant and equipment and right-of-use assets	4	(0.3)	(0.2)
Costs relating to business combinations[2]	15	15.1	6.1
Exceptional items[3]	6	5.8	—
Adjusted EBITDA	4	127.3	121.6
Adjusted earnings per share (EPS):			
Adjusted EPS	10	86.6p	98.9p
Diluted adjusted EPS	10	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 32 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.

Consolidated statement of comprehensive income
for the year ended 30 June 2024

	Note	2024 £m	2023[1] £m
Profit for the year		6.4	41.9
Other comprehensive (expense)/income – items that will or may be reclassified to profit or loss in future periods			
Cash flow hedges:			
Net movement on cash flow hedge	17	(1.2)	(0.2)
Deferred tax on cash flow hedge and available-for-sale financial assets	25	0.3	—
Exchange differences on translation of foreign operations		0.6	(0.2)
Other comprehensive expense for the year, net of tax		(0.3)	(0.4)
Total comprehensive income for the year		6.1	41.5
Total comprehensive income for the year attributable to:			
Owners of CVS Group plc		5.9	41.5
Non-controlling interest		0.2	—
		6.1	41.5
Total comprehensive income/(loss) for year attributable to owners of CVS Group plc:			
Continuing operations		26.1	47.9
Discontinued operations	32	(20.2)	(6.4)
		5.9	41.5

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 32 for further details.

Consolidated and Company statement of financial position
as at 30 June 2024

Company registration number: 06312831

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Non-current assets					
Intangible assets	12	334.9	256.1	—	—
Property, plant and equipment	13	123.0	101.5	—	—
Right-of-use assets	14	102.6	102.9	—	—
Investments	16	—	—	78.0	75.6
Amounts owed by Group undertakings	34	—	—	70.9	75.2
Derivative financial instruments	17	0.9	—	—	—
		561.4	460.5	148.9	150.8
Current assets					
Inventories	19	31.8	28.4	—	—
Trade and other receivables	20	67.7	58.1	—	—
Derivative financial instruments	17	—	2.1	—	—
Current tax receivable		12.6	1.7	—	—
Cash and cash equivalents	21	16.5	21.5	—	—
		128.6	111.8	—	—
Total assets	4	690.0	572.3	148.9	150.8
Current liabilities					
Trade and other payables	22	(102.6)	(91.1)	—	—
Provisions	23	(0.9)	(0.7)	—	—
Current tax liabilities		(0.7)	—	—	—
Lease liabilities	14	(13.9)	(13.3)	—	—
		(118.1)	(105.1)	—	—
Non-current liabilities					
Borrowings	24	(181.3)	(92.2)	—	—
Lease liabilities	14	(92.6)	(93.6)	—	—
Deferred tax liabilities	25	(37.5)	(24.8)	—	—
		(311.4)	(210.6)	—	—
Total liabilities	4	(429.5)	(315.7)	—	—
Net assets		260.5	256.6	148.9	150.8
Shareholders' equity					
Share capital	26	0.1	0.1	0.1	0.1
Share premium	27	109.0	107.0	109.0	107.0
Capital redemption reserve		0.6	0.6	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	39.2	43.1
		260.4	256.6	148.9	150.8
Non-controlling interest		0.1	—	—	—
Total equity		260.5	256.6	148.9	150.8

The Company reported a total comprehensive loss for the financial year ended 30 June 2024 of £0.9m (2023: £0.8m). The notes on pages 107 to 150 are an integral part of these consolidated and Company financial statements.

The financial statements on pages 99 to 150 were authorised for issue by the Board of Directors on 26 September 2024 and were signed on its behalf by:

Richard Fairman
Director

Robin Alfonso
Director

Consolidated statement of changes in equity
for the year ended 30 June 2024

	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 £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	17	—	—	—	—	(1.2)	—	—	—	(1.2)	—	(1.2)
Deferred tax on cash flow hedge and available-for-sale financial assets	25	—	—	—	—	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	26	—	2.0	—	—	—	—	—	—	2.0	—	2.0
Purchase of Treasury shares	26	—	—	—	(0.9)	—	—	—	—	(0.9)	—	(0.9)
Disposal of Treasury shares	26	—	—	—	0.9	—	—	—	(0.5)	0.4	—	0.4
Credit to reserves for share-based payments	11	—	—	—	—	—	—	—	2.4	2.4	—	2.4
Deferred tax relating to share-based payments	25	—	—	—	—	—	—	—	(0.6)	(0.6)	—	(0.6)
Dividends paid	26	—	—	—	—	—	—	—	(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

Consolidated statement of changes in equity continued
for the year ended 30 June 2024

	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	17	—	—	—	—	(0.2)	—	—	—	(0.2)	—	(0.2)
Deferred tax on cash flow hedge and available-for-sale financial assets	25	—	—	—	—	—	—	—	—	—	—	—
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	26	—	1.6	—	—	—	—	—	—	1.6	—	1.6
Purchase of Treasury shares	26	—	—	—	(1.2)	—	—	—	—	(1.2)	—	(1.2)
Disposal of Treasury shares	26	—	—	—	1.2	—	—	—	(0.7)	0.5	—	0.5
Credit to reserves for share-based payments	11	—	—	—	—	—	—	—	1.7	1.7	—	1.7
Deferred tax relating to share-based payments	25	—	—	—	—	—	—	—	0.1	0.1	—	0.1
Dividends paid	26	—	—	—	—	—	—	—	(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

Company statement of changes in equity
for the year ended 30 June 2024

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 July 2023		0.1	107.0	0.6	43.1	150.8
Total comprehensive loss for the year		—	—	—	(0.9)	(0.9)
Transactions with owners						
Issue of Ordinary shares	26	—	2.0	—	—	2.0
Credit to reserves for share-based payments	11	—	—	—	2.4	2.4
Dividends to equity holders of the Company	26	—	—	—	(5.4)	(5.4)
Total transactions with owners		—	2.0	—	(3.0)	(1.0)
At 30 June 2024		0.1	109.0	0.6	39.2	148.9

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 July 2022		0.1	105.4	0.6	47.2	153.3
Total comprehensive loss for the year		—	—	—	(0.8)	(0.8)
Transactions with owners						
Issue of Ordinary shares	26	—	1.6	—	—	1.6
Credit to reserves for share-based payments	11	—	—	—	1.7	1.7
Dividends to equity holders of the Company	26	—	—	—	(5.0)	(5.0)
Total transactions with owners		—	1.6	—	(3.3)	(1.7)
At 30 June 2023		0.1	107.0	0.6	43.1	150.8

Consolidated and Company statement of cash flow
for the year ended 30 June 2024

	Note	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Cash flows from operating activities					
Cash generated from operations	29	101.8	107.9	3.4	3.4
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	3.4	3.4
Cash flows from investing activities					
Business combinations (net of cash acquired)	15	(97.0)	(54.6)	—	—
Purchase of property, plant and equipment	13	(39.5)	(42.3)	—	—
Proceeds from sale of property, plant and equipment		0.2	0.3	—	—
Purchase of intangible assets	12	(3.6)	(3.4)	—	—
Payments for financial assets at amortised cost		(0.6)	—	—	—
Proceeds from sale of other investments	16	—	0.1	—	—
Net cash used in investing activities		(140.5)	(99.9)	—	—
Cash flows from financing activities					
Dividends paid to Company's shareholders	26	(5.4)	(5.0)	(5.4)	(5.0)
Dividends paid to non-controlling interests in subsidiaries	26	(0.1)	—	—	—
Proceeds from issue of Ordinary shares	26	2.0	1.6	2.0	1.6
Proceeds from sale of Treasury shares	26	0.4	0.5	—	—
Purchase of Treasury shares	26	(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	28	(0.3)	(0.8)	—	—
Increase in borrowings	28	89.0	10.5	—	—
Net cash generated from/(used in) financing activities		68.3	(12.1)	(3.4)	(3.4)
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 32.

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 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.

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 from continuing operations		38.2	60.7
Adjustments for:			
Finance expense	5	12.6	7.7
Amortisation of intangible assets	12	24.8	22.6
Depreciation of property, plant and equipment	13	17.7	12.6
Depreciation of right-of-use assets	14	16.0	15.2
Depreciation and amortisation attributable to discontinued operations	4	(2.6)	(3.1)
Profit on disposal of property, plant and equipment and right-of-use assets	4	(0.3)	(0.2)
Costs relating to business combinations[2]	15	15.1	6.1
Exceptional items[3]	6	5.8	—
Adjusted EBITDA	4	127.3	121.6
Adjusted earnings per share from continuing operations (EPS):			
Adjusted EPS	10	86.6p	98.9p
Diluted adjusted EPS	10	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 32 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.

The reconciliations for adjusted PBT and adjusted EPS can be found in note 10.

Adjusted EBITDA margin

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

1. General information continued
Use of alternative performance measures continued
Net debt
Net debt is calculated as bank borrowings less gross cash and cash equivalents and unamortised borrowing costs.

	Note	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	24	181.3	92.2
Cash and cash equivalents	21	(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.

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. Summary of material accounting policies
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 accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these financial statements. The accounting policies which follow relate to the Group and are applied by the Company as appropriate.

Going concern
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. At the year end the Group had cash balances of £16.5m and an unutilised overdraft facility of £5.0m. Total facilities of £350.0m are available to support the Group's organic and acquisitive growth initiatives over the coming years, comprising a term loan of £87.5m and an RCF of £262.5m. The Group is fully compliant with all covenants in respect of these facilities. The Directors consider that the £5.0m overdraft and the £350.0m facility enable the Group to meet all current liabilities as they fall due. The Group is not reliant on any Government support. Since the year end, the Group has continued to trade profitably and to generate cash. After consideration of market conditions, the Group's financial position (including the level of headroom available within the bank facilities), financial forecasts, the Group's profile of cash generation, the timing and amount of bank borrowings repayable, and principal risks, and considering the Task Force on Climate-Related Financial Disclosures (TCFD) scenario analysis conducted, 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 these financial statements. Refer to page 86 for additional disclosures on going concern.

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

2. Summary of material accounting policies continued

Critical accounting estimates and judgements continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates.

Judgement: leases

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

When determining the lease term in accordance with IFRS 16, 'Leases', paragraphs 18–21, management has applied the following policy for all leases:

a) for properties in contract, the lease term has been determined to be the period to the end of the contractual lease term;

b) for properties out of contract and therefore occupied on a rolling basis in accordance with legislation that permits this, the lease term has been determined to be 7.5 years from the end of the contractual lease term; and

c) for properties where management has committed to close the site, the lease term is determined to be until the next break clause. Refer to note 14 for additional disclosures related to leases.

Accounting estimate: Research and Development Expenditure Tax Credit (RDEC)

Certain companies within the Group may be entitled to claim tax credits in relation to the Research and Development Expenditure Tax Credit (RDEC) scheme in the UK. Tax credits receivable under this scheme are determined to have the substance of a Government grant and accordingly these tax credits are accounted for under IAS 20. Further information can be found in the Government grants accounting policy.

Management's policy remains to discount the amount of RDEC claim recognised to reflect uncertainty, and to recognise the remainder of any submitted RDEC claim when the uncertainty has been removed either via formal acceptance of the claim, or the expiry of the enquiry window. During the year management assessed that the level of uncertainties inherent in making an RDEC claim were reduced, mainly by virtue of an increased history of making claims and greater accuracy in estimating. Consequently, the Group has applied a reduced discount to the amount it recognises.

Under the previous recognition, the Group would have recognised £7.9m as follows:

Claim year	Total claim value £m	Recognised in previous periods £m	Recognised in 2024 £m	Provision outstanding £m
2021	5.2	2.6	2.6	—
2022	6.4	3.1	—	3.3
2023	8.4	1.8	2.5	4.1
2024	11.0	—	2.8	8.2
Total	31.0	7.5	7.9	15.6

The uncertainty in respect of the 2022 claim arose following an enquiry in relation to repairs and maintenance cost booked to the income statement unrelated to the RDEC claim which itself has been settled. Absent this a further £3.2m would have been recognised bringing the RDEC total recognised to £11.1m under the previous recognition criteria.

Under the new recognition, the Group has recognised £14.2m as follows:

Claim year	Total claim value £m	Recognised in previous periods £m	Recognised in 2024 £m	Provision outstanding £m
2021	5.2	2.6	2.6	—
2022	6.4	3.1	1.6	1.7
2023	8.4	1.8	4.5	2.1
2024	11.0	—	5.5	5.5
Total	31.0	7.5	14.2	9.3

The net benefit of the RDEC scheme in the year was £12.8m after associated costs (2023: £9.6m).

The enquiry window for the 2022, 2023 claim years remains open, and the claim in relation to the 2024 year is yet to be submitted and therefore the maximum amount that could be disallowed in the event of challenge from HMRC is £25.8m. Alternatively, the maximum income that will be recorded in future periods in relation to research and development expenditure that has already taken place is estimated to be £9.3m, which would arise if all previously submitted claims were paid in full, and the estimate for 2024, which is yet to be filed with HMRC, was also recovered in full.

2. Summary of material accounting policies continued

Changes in accounting policies and disclosure

Standards adopted by the Group for the first time

Four new and revised standards, including the following, are effective for annual periods beginning on or after 1 January 2023:

> Amendments to IAS 1, 'Classification of Liabilities as Current or Non-Current'

> Amendments to IAS 8, 'Definition of Accounting Estimates'

> Amendments to IAS 12, 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

> Amendments to IFRS 17, 'Insurance Contracts'

> Amendments to IAS 12, 'International Tax Reform – Pillar Two Model Rules'

Adoption of these amendments to the standards has not had an impact on the Group's financial statements.

Standards and interpretations of existing standards which are not yet effective and are under review as to their impact on the Group

The following standards and interpretations of existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later periods but which the Group has not early adopted:

> IFRS S1, 'General Requirement for Disclosure of Sustainability-related Financial Information' (effective 1 January 2024)

> IFRS S2, 'Climate-related Disclosures' (effective 1 January 2024)

> IFRS 18, 'Presentation and Disclosure in Financial Statements' (effective 1 January 2027)

> IFRS 19, 'Subsidiaries without Public Accountability: Disclosures' (effective 1 January 2027)

> Amendments to IFRS 16, 'Lease Liability in Sale and Leaseback' (effective 1 January 2024)

> Amendments to IAS 21, 'Lack of Exchangeability' (effective 1 January 2025)

> Amendments to SASB standards to enhance their international applicability (effective 1 January 2025)

> Amendments to IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments (effective 1 January 2026)

> Amendments to IAS 7 and IFRS 7, 'Supplier Finance Arrangements' (effective 1 January 2024)

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are not expected to have an impact on the Group's reported financial position or performance.

Basis of consolidation

The consolidated financial statements include the financial information of the Company and its subsidiary undertakings as at and for the year ended 30 June 2024.

Subsidiaries are all entities over which the Group has control. The results of companies and businesses acquired are included in the consolidated income statement from the date control passes. They are deconsolidated from the date that control ceases. Where the Group does not control a subsidiary, it is not consolidated. On acquisition of a company or business, all assets and liabilities that exist at the date of acquisition are recorded at their fair values, reflecting their condition at that date. Changes that arise during the measurement period that inform about conditions at the date of the acquisition are adjusted via goodwill, and changes that arise after the measurement period are credited or charged to the income statement.

Intra-group transactions and profits are eliminated fully on consolidation. Accounting policies of subsidiaries have been aligned to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board of Directors, as it is primarily responsible for the allocation of resources to segments and the assessment of the performance of segments. The Group has four operating segments: Veterinary Practices, Laboratories, Crematoria and Online Retail Business. Further details of the Group's operating segments are provided in note 4 to the financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group and liabilities incurred by the Group to the former owners of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

2. Summary of material accounting policies continued

Business combinations continued

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the income statement as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent or deferred consideration arrangement, this additional consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent or deferred consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Contingent or deferred consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, 'Financial Instruments: Recognition and Measurement', IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IAS 19 Employee benefits as appropriate, with the corresponding gain or loss being recognised in the income statement.

Property, plant and equipment

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

Freehold buildings	2% straight line
Leasehold improvements	Straight line over the life of the lease
Fixtures, fittings and equipment	20%–33% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated on the basis that it has an unlimited life.

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

Intangible assets

Goodwill

With the exception of the acquisition of CVS (UK) Limited, which was accounted for using the principles of merger accounting, all business combinations are accounted for by applying the acquisition method. Goodwill arising on acquisitions that have occurred since 1 July 2004 is stated after separate recognition of intangible assets and represents the difference between the fair value of the purchase consideration and the fair value of the Group's share of the identifiable net assets of an acquired entity. In respect of acquisitions prior to 1 July 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Practice. Goodwill is carried at cost less accumulated impairment losses and is subject to annual impairment testing.

Patient data records and trade names

Acquired patient data records and trade names are recognised as intangible assets at the fair value of the consideration paid to acquire them and are carried at historical cost less provisions for amortisation and impairment.

The fair value attributable to these items acquired through a business combination is determined by discounting the expected future cash flows to be generated from that asset at the risk-adjusted post-tax weighted average cost of capital for a market participant. The residual values are assumed to be £nil. Patient data records and trade names are reviewed for impairment if conditions exist that indicate a review is required. Amortisation is provided so as to write off the cost over the expected economic lives of the asset in equal instalments at the following principal rates:

Patient data records	10% per annum
Trade names	10% per annum

Amortisation is charged to administrative expenses.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of three years and charged to administrative expenses. Costs associated with maintaining computer software programs are recognised as incurred.

2. Summary of material accounting policies continued

Impairment of non-current assets

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

As permitted by IAS 36, 'Impairment of Assets', for the purposes of assessing impairment, individual cash-generating units (CGUs) are grouped at a level consistent with the Group's operating segments. Recoverable amounts for CGUs are based on value in use, which is calculated from cash flow projections using data from the Group's latest internal forecasts, being a one-year detailed forecast and extrapolated forecasts thereafter, the results of which are approved by the Board. The key assumptions for the value-in-use calculations are those regarding discount rates and growth rates. The Group has considered the Task Force on Climate-Related Financial Disclosures (TCFD) scenario analysis conducted in undertaking this assessment and concluded no changes were required to the Group's accounting policies, estimates or judgements in this area.

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated and Company statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are recognised initially at fair value through profit or loss (FVTPL) and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade and other receivables is recognised if there are considered to be expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. Losses arising from impairment are recognised in the income statement within administration expenses.

Investments

Gains and losses arising from changes in the fair value of available-for-sale investments in equity instruments that have a quoted market price are recognised directly in other comprehensive income (fair value through other comprehensive income (FVTOCI)) until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net result for the year.

In accordance with IFRS 9, available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. The Group assesses at each year end whether there is objective evidence that a financial asset or a group of financial assets is impaired. Dividends on an available-for-sale equity instrument are recognised in the income statement when the Group's right to receive payment is established.

In the Company's financial statements, investments in subsidiary undertakings are initially stated at cost. Provision is made for any permanent impairment in the value of these investments.

Financial liabilities and equity

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

Interest-bearing borrowings

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

2. Summary of material accounting policies continued

Financial instruments continued

Trade and other payables

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

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. The Group does not hold or issue derivative financial instruments for trading purposes; however, if derivatives do not qualify for hedge accounting they are accounted for as such.

Derivative financial instruments are recognised and stated at fair value. The fair value of derivative financial instruments is determined by reference to market values for similar financial instruments, by discounted cash flows, or by the use of option valuation models. The fair value of interest rate swap arrangements is calculated as the present value of the estimated future cash flows. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the income statement.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives, the strategy for undertaking various hedging transactions, the nature of the risks being hedged and the economic relationship between the item being hedged and the hedging instrument. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

Cash flow hedging

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecasted transaction.

The effective element of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement where material. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects the income statement. The classification of the effective portion when recognised in the income statement is the same as the classification of the hedged transaction. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within finance costs.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits with maturities of three months or less from inception. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the consolidated and Company statement of cash flow.

Current and deferred tax

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

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

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities used in computation of taxable profits and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

2. Summary of material accounting policies continued

Current and deferred tax continued

Deferred tax is also not accounted for if it arises from initial recognition of goodwill.

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

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated and Company statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

Revenue recognition

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

Service revenue

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

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

The adjustments are made through deferred and accrued income and the contract asset and contract liability for this are shown in note 20 and note 22, respectively. Revenue is recognised net of the provision to reflect cancellations as a result of animal deaths, due to our policy not to invoice our customers in such an event. The provision is calculated based on historical membership data. All other cancellations are accounted for as an impairment of receivables within administration expenses.

Products

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

Rebates received from manufacturers

Consistent with standard industry practice, the Group has agreements with suppliers whereby volume related allowances and various other fees are received in connection with the purchase of goods from those suppliers in the form of rebates. Rebates received from drug and consumable manufacturers in respect of the Group's purchases relating to inventories are held by the Group at the reporting date; the rebate is included within the cost of those inventories and recognised in cost of sales upon sale of those inventories.

Rebates negotiated on behalf of our buying group members, MiVetClub and VetShare, are recorded in the statement of financial position as a receivable and the corresponding liability for the rebate due to the member is recorded as a payable. The associated commission receivable by the Group is recorded as revenue in the income statement when all obligations attached to the rebate have been discharged and the rebate can be measured reliably based on the terms of the contract which is taken as at the point at which the buying group member purchases the drugs and consumables.

2. Summary of material accounting policies continued

Leases

The Group as a lessee

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

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

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position.

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

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

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

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

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

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

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment policy on page 111.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administration expenses in the income statement.

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

2. Summary of material accounting policies continued

Government grants

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

Government grants are recognised in the income statement on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Certain companies within the Group may be entitled to claim tax credits in relation to the Research and Development Expenditure Tax Credit (RDEC) scheme in the UK. Tax credits receivable under this scheme are determined to have the substance of a Government grant and accordingly these tax credits are accounted for under IAS 20, 'Accounting for Government Grants', as described above. The tax credits are recognised within administration expenses within the income statement when there is reasonable assurance that the Group will comply with the relevant conditions and that the tax credits will be received. Given the uncertainty surrounding the claim, a discount is applied against the full RDEC claim and the remaining balance is recognised when the uncertainty has been removed either by formal acceptance of the claim, or the expiry of the enquiry window.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). UK employees may also acquire shares in the Company through an HMRC-approved employee Save As You Earn (SAYE) scheme, where the employee makes monthly savings over a three-year period and has the option to purchase shares at the end of the period.

The fair value of equity-settled transactions are measured indirectly at the dates of grant using Monte Carlo or Black Scholes option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value of share-based payments under such schemes is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted at each reporting date for the effect of non-market-based vesting conditions. The fair value of options awarded to employees of subsidiary undertakings is recognised as a capital contribution and recorded in investments on the Company statement of financial position.

Foreign currency translation

Functional and presentational currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements, rounded to the nearest £0.1m.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each year end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the income statement in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the consolidated and Company statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as Sterling-denominated assets and liabilities. Exchange differences arising are recognised in other comprehensive income.

Research and development

Costs in relation to research and development are expensed to the income statement as incurred.

2. Summary of material accounting policies continued

Retirement benefit costs

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

Financing costs

Financing costs comprise interest payable on borrowings, debt finance costs, finance costs on the right-of-use lease liability, and gains and losses on derivative financial instruments that are recognised in the income statement. Interest expense is recognised in the income statement as it accrues, using the effective interest method.

Share premium

The share premium reserve comprises the premium received over the nominal value of shares issued.

Treasury reserve

The treasury reserve comprises shares held by an Employee Benefit Trust (EBT) for the purposes of satisfying the exercise of certain share options vesting under the Group's Long-Term Incentive Plan (LTIP) and SAYE schemes.

Capital redemption reserve

Upon cancellation of redeemable Preference shares on redemption, a capital redemption reserve was created representing the nominal value of the shares cancelled. This is a non-distributable reserve.

Merger reserve

The merger reserve resulted from the acquisition of CVS (UK) Limited and represents the difference between the value of the shares acquired (nominal value plus related share premium) and the nominal value of the shares issued.

Loss for the financial year

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own income statement or statement of comprehensive income for the year. The loss attributable to the Company is disclosed in the footnote to the consolidated and Company statement of financial position.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (being foreign currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative instruments to manage its exposure to interest rate movements. It is not the Group's policy to actively trade in derivatives.

The Board monitors financial risk management. The policies set by the Board of Directors are implemented by the Group's finance department.

a) Market risk

i) Foreign exchange currency rate risk

The Group has limited exposure to foreign exchange risk as the majority of its transactions are denominated in the Company's functional currency of Sterling. The Group has a policy to minimise foreign exchange currency rate risk through the regular monitoring of foreign currency flows. Currency exposures are reviewed regularly and all significant foreign exchange transactions are approved by Group management. For subsidiaries incorporated in Australia, a natural hedge is applied where both revenue and expenditure are denominated in Australian dollars. Aside from this, the Group does not hedge any foreign currency transactions but continues to keep this policy under review.

ii) Cash flow and fair value interest rate risk

The Group has interest-bearing assets and liabilities. The Group's income and operating cash inflows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

At the year end, the Group had interest hedging arrangements in place covering £100.0m (2023: £70.0m) which expire in February 2028 at an average fixed rate of 3.8310%. This allows the Group to minimise its exposure to significant interest rate increases whilst enabling the Group to take advantage of interest rate reductions. The strategy for undertaking the hedge is to match a portion of the loan liability with a derivative that allows interest to float within an agreed range and thereby limits the cash flow exposure relating to interest.

Excluding the impact of the interest rate swap arrangement, bank borrowings bear interest at 1.45% to 2.70% above SONIA. The applicable interest rate is dependent upon the bank test net debt to bank test EBITDA ratio. During the year the bank borrowings carried a rate averaging 1.53% above SONIA.

3. Financial risk management continued

Financial risk factors continued

a) Market risk continued

ii) Cash flow and fair value interest rate risk continued

At 30 June 2024, the Group has considered the impact of movements in interest rates over the past year and has concluded that a 1% movement is a reasonable benchmark. At 30 June 2024, if interest rates on Sterling-denominated borrowings had been 1% higher or lower, with all other variables held constant, post-tax profit and the movement in net assets for the year would have been approximately £0.5m (2023: £0.3m) lower or higher, mainly as a result of the movement in interest rates on the floating rate borrowings, net of the hedging derivative instrument in place.

b) Credit risk

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

Losses arising from impairment are recognised in the statement of comprehensive income in administrative expenses.

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

Concentrations of credit risk with respect to trade receivables are limited due to the Group's diverse customer base. Sales made other than on a cash basis are limited to a small part of the Group's overall business, and within these business areas the Group has appropriate credit checking facilities and procedures in place. Customer accounts are also monitored on an ongoing basis and appropriate action is taken where necessary to minimise any credit risk. The Directors therefore believe there is no further credit risk provision required in excess of the normal provision for impaired receivables.

The maximum exposure to credit risk at 30 June 2024 is the fair value of each class of receivable as disclosed in note 20 to the financial statements.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group actively maintains cash balances and a mix of long-term and short-term finance facilities that are designed to ensure the Group has sufficient available funds for operations and acquisitions. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

The table below summarises the remaining contractual maturity for the Group's financial liabilities. The amounts shown are the contractual undiscounted cash flows, which include interest, analysed by contractual maturity. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

30 June 2024	Note	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-derivative financial liabilities							
Borrowings		—	—	—	184.5	—	184.5
Trade and other payables (excluding social security and other taxes)	22	83.3	—	—	—	—	83.3
Lease liabilities	14	19.0	18.5	16.3	28.5	47.5	129.8
		102.3	18.5	16.3	213.0	47.5	397.6

30 June 2023	Note	In less than one year £m	In more than one year but not more than two years £m	In more than two years but not more than three years £m	In more than three years but not more than five years £m	In more than five years £m	Total £m
Non-derivative financial liabilities							
Borrowings		—	—	—	95.5	—	95.5
Trade and other payables (excluding social security and other taxes)	22	69.3	—	—	—	—	69.3
Lease liabilities	14	17.3	16.2	15.2	26.9	51.7	127.3
		86.6	16.2	15.2	122.4	51.7	292.1

3. Financial risk management continued

Capital risk management

The Group's policy is to maintain a strong capital base, defined as bank facilities plus total shareholders' equity, so as to maintain investor, creditor and market confidence and to sustain future development of the business. Within this overall policy, the Group seeks to maintain an optimum capital structure by a mixture of debt and retained earnings.

The bank facilities include financial covenants and a number of general undertakings. There have been no breaches of the terms of the respective loan agreements, breaches of covenants or defaults during the current or comparative years.

Funding needs are reviewed periodically and also each time a significant acquisition is made. A number of factors are considered which include the bank test net debt/bank test EBITDA ratio, future funding needs (usually potential acquisitions) and Group banking arrangements.

	2024 £m	2023 £m
Bank test net debt	168.0	74.0
Bank test EBITDA	109.2	101.4
Ratio	1.54	0.73

The ratio above is calculated for the bank covenants as bank test net debt divided by bank test EBITDA.

Bank test net debt

Drawn bank debt less cash and cash equivalents which includes £nil held in escrow at 30 June 2024 (2023: £nil).

Bank test EBITDA

Adjusted EBITDA annualised for the effect of acquisitions, deducting costs relating to acquisition fees and adding back share option costs, on an accounting basis prior to the adoption of IFRS 16. Refer to note 1 for the calculation of adjusted EBITDA.

There were no changes to the Group's approach to capital management during the year.

The primary sources of funding for the Group are internally generated cash and syndicated borrowings. The Group's £5.0m overdraft facility was undrawn at 30 June 2024 (2023: undrawn) and £165.5m of the revolving credit facility was undrawn at 30 June 2024 (2023: £254.5m revolving credit facility undrawn).

Fair value measurement

The Group's financial assets and liabilities that are measured at fair value at 30 June 2024 by level of fair value hierarchy are:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group does not have available-for-sale financial assets (2023: level 1 available-for-sale financial assets of £nil). Refer to note 16 for further information.

4. 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.

Notes to the consolidated financial statements continued
for the year ended 30 June 2024

4. Segment reporting continued
Operating segments continued

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)

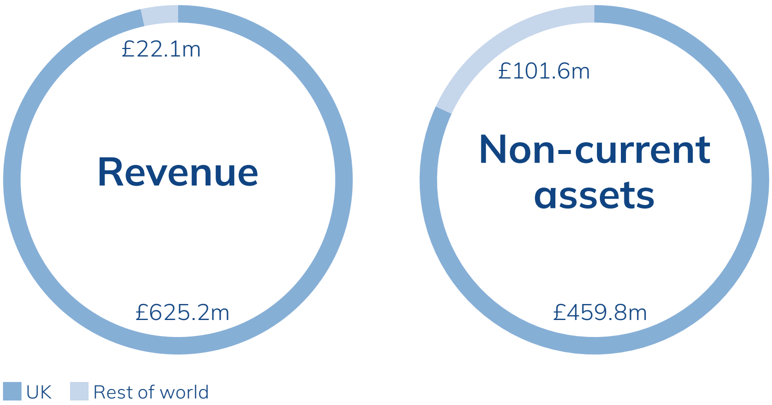
1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 32 for further details.

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.

4. Segment reporting continued

Geographical segments continued

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.



5. Finance expense

	2024 £m	2023[1] £m
Interest expense on bank loans and overdraft	7.4	3.1
Interest expense on lease liabilities	4.3	3.6
Amortisation of debt arrangement fees	0.9	1.0
Finance expense	12.6	7.7

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 32 for further details.

Finance expense relating to discontinued operations is £0.8m (2023: £0.7m).

6. Expenses/(income) by nature

	Note	2024 £m	2023[1] £m
Amortisation of intangible assets	12	24.8	22.6
Depreciation of property, plant and equipment	13	17.7	12.6
Depreciation of right-of-use assets	14	16.0	15.2
Depreciation and amortisation attributable to discontinued operations	4	(2.6)	(3.1)
Employee benefit expenses	7	307.6	272.5
Cost of inventories recognised as an expense (included in cost of sales)		136.5	125.6
Repairs and maintenance expenditure on property, plant and equipment		7.5	7.3
Movement in provision for expected credit losses	20	1.3	1.0
Exceptional items		5.8	—
RDEC income[2]		(12.8)	(9.6)
Other expenses		94.7	76.4
Total cost of sales and administrative expenses		596.5	520.5

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 32 for further details.
2. In the course of their ordinary work, our colleagues perform work which advances the overall knowledge in the veterinary field and seeks to resolve scientific and technological uncertainties. In the current year, claims were submitted in respect of the 2023 financial year under the Research and Development Expenditure Credits (RDEC) scheme to HMRC. The amount of qualifying expenditure in relation to 2024 is yet to be determined, in part due to the uncertainty around all claims made to date, which is explained more fully in note 2. However, an estimate has been recognised of £11.0m with a provision against this of £5.5m, resulting in a net £5.5m being recognised. The amount of research and development expenditure within cost of sales and administrative expenses is therefore not separately disclosed. RDEC income of £12.8m is made up of gross RDEC of £14.2m less directly associated costs of £1.4m (2023: £9.6m made up of gross RDEC of £11.5m less directly associated costs of £1.9m).

6. Expenses/(income) by nature continued
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 32 for further details.

2. Cost incurred regarding engagement with the Competition and Markets Authority including legal and economist fees.

Services provided by the Company's auditor and associates

During the year the Group obtained the following services from the Company's auditor at costs as detailed below:

	2024 £'000	2023 £'000
Audit services		
Fees payable to the Group's auditor for:		
The audit of the parent company and consolidated financial statements	260	229
The audit of the Company's subsidiaries pursuant to legislation	590	448
	850	677

7. Employee benefit expense and numbers
Group

Employee benefit expense for the Group	Note	2024 £m	2023[1] £m
Wages and salaries		271.2	240.8
Social security costs		26.2	23.7
Other pension costs	31	7.8	6.1
Share-based payments	11	2.4	1.9
		307.6	272.5

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation; see note 32 for further details.

The employee benefit expense included within cost of sales is £227.0m (re-presented 2023: £199.7m). The balance is recorded within administrative expenses.

The average monthly number of people employed by the Group, for continuing operations, (including Executive and Non-Executive Directors) during the year, analysed by category, was as follows:

	2024 Number	2023[1] Number
Veterinary surgeons and pathologists	2,313	2,089
Nurses, practice ancillaries and technicians	6,098	5,732
Crematoria staff	114	97
Central support	297	260
	8,822	8,178

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation, see note 32 for further details.

7. Employee benefit expense and numbers continued

Company

The average monthly number of people employed by the Company is four (2023: four), being the Non-Executive Directors. The Executive Directors received remuneration in respect of their services to the Company from a subsidiary company.

8. Directors' remuneration and key management compensation

	Highest paid Director		Directors' emoluments	
	2024 £m	2023 £m	2024 £m	2023 £m
Salaries and other short-term employee benefits	0.6	0.9	1.8	2.4
Company contributions to money purchase schemes	—	—	—	—
	0.6	0.9	1.8	2.4

Retirement benefits are accruing to two Directors (2023: two) under a personal pension plan. The remuneration of the Executive Directors, amounting to £1.4m (2023: £2.1m), is borne by the subsidiary company CVS (UK) Limited, without recharge. The remuneration of the Non-Executive Directors, amounting to £0.4m (2023: £0.3m), is borne by the subsidiary company CVS (UK) Limited and recharged to the Company. Directors' remuneration is disclosed on an individual basis in the Remuneration Committee Report on pages 74 to 84.

Share options

Under the Company's SAYE schemes the Directors have the following options at the year end:

	SAYE scheme	Date of grant	Earliest exercise date and vesting date	Exercise price	Number of shares
R Fairman	SAYE14	25 November 2021	01 January 2025	1,974p	310
R Fairman	SAYE15	25 November 2022	01 January 2026	1,515p	380
B Jacklin	SAYE15	25 November 2022	01 January 2026	1,515p	403
R Alfonso	SAYE15	25 November 2022	01 January 2026	1,515p	403
R Fairman	SAYE16	24 November 2023	01 January 2027	1,146p	550
B Jacklin	SAYE16	24 November 2023	01 January 2027	1,146p	517
R Alfonso	SAYE16	24 November 2023	01 January 2027	1,146p	550

During the year, B Jacklin and R Alfonso forfeited 310 and 291 options under the SAYE14 scheme respectively.

Under the Company's Long-Term Incentive Plans (LTIPs) the Directors have the following options at the year end:

	LTIP	Date of grant	Market price on date of grant	Earliest exercise date and vesting date	Number of shares
R Fairman	LTIP15	06 October 2021	2,407p	30 June 2024	21,188
B Jacklin	LTIP15	06 October 2021	2,407p	30 June 2024	12,712
R Alfonso	LTIP15	06 October 2021	2,407p	30 June 2024	11,009
R Fairman	LTIP16	30 September 2022	1,690p	30 June 2025	30,773
B Jacklin	LTIP16	30 September 2022	1,690p	30 June 2025	18,464
R Alfonso	LTIP16	30 September 2022	1,690p	30 June 2025	15,990
R Fairman	LTIP17	29 September 2023	1,630p	30 June 2026	34,419
B Jacklin	LTIP17	29 September 2023	1,630p	30 June 2026	23,757
R Alfonso	LTIP17	29 September 2023	1,630p	30 June 2026	17,884

The exercise price for all shares awarded under LTIPs is 0.2p.

LTIP14 vested in the year; for further details of the above schemes see the Remuneration Committee Report on pages 74 to 84.

8. Directors' remuneration and key management compensation continued
Key management compensation
Key management is considered to be those on the Executive Committee (being the Executive Directors and other senior management) and the Non-Executive Directors. The employment costs of key management are as follows:

	2024 £m	2023 £m
Salaries and other short-term employee benefits	2.7	3.8
Post-employment benefits	0.1	0.1
Share-based payments	1.0	0.6
	3.8	4.5

9. Tax expense
a) Analysis of tax expense recognised in the income statement

	Note	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	25	(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

9. Tax expense continued

b) Reconciliation of effective tax charge continued

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.

10. 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.

10. Earnings per Ordinary share continued

c) Diluted continued

	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

	Note	2024 £m	2023[1] £m
Profit before tax for continuing operations		38.2	60.7
Adjustments for:			
Amortisation of intangible assets	12	24.8	22.6
Amortisation of intangible assets attributable to discontinued operations	4	(1.2)	(1.5)
Costs relating to business combinations	15	15.1	6.1
Exceptional items	6	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 32 for further details.

11. Share-based payments

Long-Term Incentive Plans

The Group operates incentive schemes for certain senior executives, the CVS Group Long-Term Incentive Plans (LTIPs).

Under the LTIP schemes, awards are made at an effective nil cost, vesting over a three-year performance period conditional upon the Group's adjusted earnings per share growth and total shareholder return (TSR). The LTIP scheme arrangements are a mixture of equity settled and cash settled. Cash-settled LTIP schemes are linked to a number of shares, the value of which is settled in cash upon exercise.

11. Share-based payments continued

Long-Term Incentive Plans continued

Details of the share options outstanding during the year under the LTIP schemes are as follows:

	July 2023 scheme (LTIP17) Number of share awards	July 2022 scheme (LTIP16/16(b)) Number of share awards	July 2021 scheme (LTIP15/15(b)) Number of share awards	July 2020 scheme (LTIP14/14(b)) Number of share awards*
Outstanding at 1 July 2023*	—	114,021	62,384	114,636
Granted during the year	140,647	—	—	—
Lapsed during the year	—	—	—	—
Forfeited during the year	(6,832)	(5,619)	(15,619)	—
Exercised during the year	—	—	—	(114,636)
Outstanding at 30 June 2024	133,815	108,402	46,765	—
Exercisable at 30 June 2024	—	—	46,765	—

* LTIP14 outstanding options brought forward have been restated to include 820 share options granted to an employee who was not a Director who was previously a leaver.

Options are exercisable at 0.2p per share. The weighted average exercise price was 0.2p at the beginning and end of the period.

The options outstanding at the year end under LTIP17, LTIP16, LTIP16(b), LTIP15 and LTIP15(b) have a weighted average remaining contractual life of two years, one year, one year, nil years and nil years, respectively.

The share-based payment charge for the year in respect of the options issued under the LTIP schemes amounted to £1.1m (2023: £0.7m) and has been charged to administrative expenses. Employer's National Insurance contributions and dividend equivalent payments of £nil (2023: £0.2m) have been charged to administrative expenses in respect of the LTIP scheme transactions and are treated as cash-settled transactions.

Further details of the above schemes, to the extent that they relate to statutory Directors, are included in the Remuneration Committee Report on pages 74 to 84. Details of LTIP16(b) and LTIP16(c) are shown below:

During the prior year, the Group issued 5,915 options under an equity-settled LTIP scheme, LTIP16(b), where the only vesting condition is for an employee, who is not a Director, to remain employed until 30 September 2025.

During the prior year, the Group issued 5,915 options under a cash-settled LTIP scheme, LTIP16(c), which is linked to a number of shares, the value of which is settled in cash upon exercise. The carrying amount included within trade and other payables is £nil (2023: £nil).

Scheme	Date of grant	Market price of shares on date of grant	Earliest exercise date and date of vesting shares	Exercise price	Number of shares	Settlement
LTIP 16(b)	30 September 2022	£16.90	30 June 2025	0.2p	5,915	Equity settled
LTIP 16(c)	12 October 2022	£17.53	30 June 2025	0.2p	5,915	Cash settled

Save As You Earn (SAYE)

The Group operates an incentive scheme for all UK employees, the CVS Group SAYE plan, an HM Revenue & Customs approved scheme. Details of the share options outstanding during the year under the SAYE schemes are as follows:

	SAYE16 Number of share awards	SAYE15 Number of share awards	SAYE14 Number of share awards	SAYE13 Number of share awards	SAYE12 Number of share awards
Outstanding at 1 July 2023	—	363,971	173,532	284,504	9,977
Granted during the year	568,989	—	—	—	—
Forfeited during the year	(42,158)	(73,038)	(54,494)	(8,820)	(3,499)
Exercised during the year[1]	—	(138)	—	(244,095)	(6,478)
Outstanding at 30 June 2024	526,831	290,795	119,038	31,589	—
Exercisable at 30 June 2024	—	—	—	31,589	—

1. The weighted average share price at the date of exercise was £16.14.

11. Share-based payments continued

Save As You Earn (SAYE) continued

Further information on the SAYE schemes is shown in the table below:

	SAYE16	SAYE15	SAYE14	SAYE13
Date opened for subscription	November 2023	November 2022	November 2021	December 2020
Date options granted	January 2024	January 2023	January 2022	January 2021
Discount on closing mid-market price	20%	20%	20%	20%
Exercise price	£11.46	£15.15	£19.74	£10.09
Remaining contractual life	2 years 5 months	1 years 5 months	5 months	nil

All of the SAYE schemes vest over a three-year period. There are no performance conditions attached to the SAYE scheme.

The weighted average exercise price at the beginning of the period for the options outstanding was £14.30 and end of the period was £13.54.

The share-based payment charge for the year in respect of the options issued under the SAYE schemes amounted to £1.3m (2023: £1.0m) and has been charged to administrative expenses.

Options for all schemes were valued using either the Monte Carlo or Black Scholes option pricing models. The fair value per option granted in the year and the assumptions used in the calculation are as follows:

	LTIP17	SAYE16
Grant date	29 September 2023	24 November 2023
Share price at grant date[1]	£16.30	£15.30
Fair value per option	£11.39	£6.14
Exercise price	0.2p	£11.46
Number of employees	39	2,101
Shares under option at date of grant	140,647	568,989
Vesting period/option life/expected life	3 years	3 years
Weighted average remaining contractual life	2 years	2 years 5 months
Expected volatility[2]	31.8%	33.89%
Expected dividends expressed as a dividend yield	—	0.5%
Settlement	Equity settled	Equity settled

1. Share price calculated at average of closing share price for preceding five days in line with scheme rules.
2. Expected volatility has been determined by reference to the historical share return volatility of CVS Group plc.

12. Intangible assets

Group	Note	Goodwill £m	Trade names £m	Patient data records £m	Computer software £m	Total £m
Cost						
At 1 July 2022		120.6	1.5	273.3	7.5	402.9
Additions arising through business combinations		42.1	—	17.3	—	59.4
Fair value adjustments in respect of prior periods		(0.2)	—	0.4	—	0.2
Other additions		—	—	—	3.4	3.4
Disposals		—	—	(1.5)	—	(1.5)
At 30 June 2023		162.5	1.5	289.5	10.9	464.4
Exchange differences		0.1	—	0.1	—	0.2
Additions arising through business combinations	15	64.6	—	45.4	—	110.0
Fair value adjustments in respect of prior periods		0.7	—	—	—	0.7
Other additions		—	—	—	3.6	3.6
Disposals		(6.2)	—	(12.5)	—	(18.7)
At 30 June 2024		221.7	1.5	322.5	14.5	560.2
Accumulated amortisation						
At 1 July 2022		—	1.5	179.5	5.4	186.4
Amortisation for the year		—	—	21.9	0.7	22.6
Disposals		—	—	(0.7)	—	(0.7)
At 30 June 2023		—	1.5	200.7	6.1	208.3
Exchange differences		—	—	(0.1)	—	(0.1)
Amortisation for the year		—	—	23.7	1.1	24.8
Disposals		—	—	(7.7)	—	(7.7)
At 30 June 2024		—	1.5	216.6	7.2	225.3
Net book amount						
At 30 June 2024		221.7	—	105.9	7.3	334.9
At 30 June 2023		162.5	—	88.8	4.8	256.1
At 1 July 2022		120.6	—	93.8	2.1	216.5

Amortisation is charged to administrative expenses in the income statement.

The patient data records and trade names were acquired as a component of business combinations. See note 15 for further details of current year acquisitions.

Intangible assets that are individually material to the financial statements are disclosed as follows:

Intangible category	Description	Carrying amount	Remaining life
Patient data records	Slate Hall Veterinary Group	£3.8m	4 years
Patient data records	YourVets	£0.8m	1 year

The components of goodwill are disclosed according to the group of CGUs to which they have been allocated. Due to the integrated nature of the Group, although each veterinary practice, laboratory and crematorium is considered to be an individual CGU, the monitoring of goodwill is performed on an aggregated basis for groups of CGUs that are no larger than the operating segments, as determined in accordance with IFRS 8.

The majority of other assets are tested at the CGU level, to the extent that an impairment review is triggered following identification of an indicator of impairment by management. A small number of assets (typically patient data records acquired in a business combination with multiple sites or locations) are shared between sub-groups of CGUs and are tested for impairment when there are indicators of impairment at that level.

12. Intangible assets continued
Goodwill per operating segment

	2024 £m	2023 £m
Veterinary Practices	217.0	157.8
Laboratories	2.1	2.1
Crematoria	2.6	2.6
Total	221.7	162.5

Impairment tests
The pre-tax discount rate applied to the cash flow projections is derived from the Group's pre-tax weighted average cost of capital. The risks relating to each of the CGUs are considered to be the same as a result of the Group's operations being entirely focused in the veterinary market and, as such, the discount rate applied to each CGU is the same. The use of the Group's weighted average cost of capital is consistent with the valuation methodology used when determining the offer price for business combinations and, therefore, is considered an appropriate discount rate. The Directors consider the growth rate to be broadly consistent between CGUs; a 6.0% growth per annum in adjusted EBITDA has been assumed for years one to five with a long-term growth rate of 3.0% per annum for the purposes of assessing the value in use being the net present value of future cash flows, with adjusted EBITDA, adjusted for an assumption of capital expenditure, used as an approximation to cash flows given the insignificant impact of working capital adjustments. The budget for the next financial year is used as a basis for the cash flow projections. The growth rate used in the impairment tests is based upon a prudent assessment of market-specific growth assumptions. Further details of the impairment tests are disclosed in note 2.

Estimates are based on past experience and expectations of future changes to the market. Growth rate forecasts are extrapolated based on estimated long-term average growth rates for the markets in which the CGU operates (estimated at 6.0% for years one to five and 3.0% long-term rate). The pre-tax discount rate used to calculate value in use is 12.2% at 30 June 2024 (2023: 12.1%).

A sensitivity analysis using reasonably possible changes in key assumptions has been performed. None of these changes result in the value of goodwill allocated to the CGUs being in excess of its recoverable amount and therefore no sensitivity analysis is presented.

13. Property, plant and equipment

Group	Note	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost						
At 1 July 2022		22.5	45.8	71.5	6.7	146.5
Additions arising through business combinations		—	—	2.2	—	2.2
Additions		2.0	21.9	16.5	1.9	42.3
Disposals		—	—	(0.4)	(0.4)	(0.8)
At 30 June 2023		24.5	67.7	89.8	8.2	190.2
Additions arising through business combinations	15	—	—	2.3	—	2.3
Additions		1.0	17.4	19.6	1.5	39.5
Disposals		—	(0.6)	(5.7)	(0.9)	(7.2)
At 30 June 2024		25.5	84.5	106.0	8.8	224.8
Accumulated depreciation						
At 1 July 2022		2.5	22.5	48.6	3.2	76.8
Depreciation for the year		0.4	3.2	7.4	1.6	12.6
Disposals		—	—	(0.3)	(0.4)	(0.7)
At 30 June 2023		2.9	25.7	55.7	4.4	88.7
Depreciation for the year		0.5	4.1	11.4	1.7	17.7
Disposals		—	(0.2)	(3.8)	(0.6)	(4.6)
At 30 June 2024		3.4	29.6	63.3	5.5	101.8
Net book amount						
At 30 June 2024		22.1	54.9	42.7	3.3	123.0
At 30 June 2023		21.6	42.0	34.1	3.8	101.5
At 1 July 2022		20.0	23.3	22.9	3.5	69.7

13. Property, plant and equipment continued

Freehold land amounting to £1.7m (2023: £1.7m) has not been depreciated.

Included within the above classes of assets is £9.6m (2023: £18.8m) of assets which are under construction, of which £7.4m was incurred in the year and £2.2m is carried forward from the previous year.

14. Leases

Group as a lessee

The majority of the Group's veterinary practices, specialist referral centres and support offices are leased, with remaining lease terms of between 1 and 21 years. The Group also has a number of non-property leases relating to vehicle, equipment and material handling equipment, with remaining lease terms of between one and nine years. Additions to right-of-use assets include new leases; extensions and amendments to existing lease agreements are disclosed as remeasurements.

Right-of-use assets

Group	Note	Property £m	Equipment £m	Motor vehicles £m	Total £m
Cost					
At 1 July 2022		137.9	2.1	2.3	142.3
Acquired through business combinations		4.3	—	—	4.3
Remeasurement of lease term		5.5	—	—	5.5
Additions		4.9	2.1	1.6	8.6
Disposals		(3.0)	—	(0.7)	(3.7)
At 30 June 2023 and 1 July 2023		149.6	4.2	3.2	157.0
Acquired through business combinations	15	8.1	—	—	8.1
Remeasurement of lease term		5.9	—	—	5.9
Additions		5.7	1.8	1.7	9.2
Disposals		(12.6)	—	(0.5)	(13.1)
At 30 June 2024		156.7	6.0	4.4	167.1
Accumulated depreciation					
At 1 July 2022		38.0	1.0	1.6	40.6
Depreciation for the year		13.7	0.8	0.7	15.2
Impairment		0.4	—	—	0.4
Disposals		(1.5)	—	(0.6)	(2.1)
At 30 June 2023 and 1 July 2023		50.6	1.8	1.7	54.1
Depreciation for the year		14.2	0.8	1.0	16.0
Disposals		(5.1)	—	(0.5)	(5.6)
At 30 June 2024		59.7	2.6	2.2	64.5
Net book amount					
At 30 June 2024		97.0	3.4	2.2	102.6
At 30 June 2023		99.0	2.4	1.5	102.9
At 1 July 2022		99.9	1.1	0.7	101.7

Lease liabilities

Group	2024 £m	2023 £m
Current	13.9	13.3
Non-current	92.6	93.6
Total discounted lease liabilities	106.5	106.9
Maturity analysis – contractual undiscounted lease payments		
Less than one year	19.0	17.3
Between one and five years	63.3	58.3
More than five years	47.5	51.7
Total undiscounted lease payments	129.8	127.3

Total cash outflow for leases during the year is £20.2m (2023: £18.4m).

15. 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

15. Business combinations continued

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

	Note	Book value of acquired assets £m	Fair value adjustments £m	Fair value £m
Property, plant and equipment	13	2.3	—	2.3
Patient data records	12	—	45.4	45.4
Right-of-use assets	14	8.1	—	8.1
Inventories		0.8	—	0.8
Deferred tax asset/(liability)	25	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	12			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.

15. Business combinations continued

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 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 adjusted 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 financial statements.

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

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).

15. Business combinations continued

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.

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

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

	Book value of acquired assets £m	Fair value adjustments £m	Fair value £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.

16. Investments

Shares in subsidiary undertakings

Company	Note	£m
Cost and net book amount		
At 1 July 2022		73.9
Options granted to employees of subsidiary undertakings	11	1.7
At 30 June 2023		75.6
Options granted to employees of subsidiary undertakings	11	2.4
At 30 June 2024		**78.0**

16. Investments continued

Shares in subsidiary undertakings continued

The principal trading subsidiary undertakings of CVS Group plc are set out below:

Name of subsidiary	Principal business	Country of incorporation
Albavet Limited	Veterinary services and buying club	Scotland
Ark Animal services Limited	Veterinary services	England and Wales
Animed Direct Limited	Online dispensary	England and Wales
Axiom Veterinary Laboratories Limited	Veterinary diagnostic services	England and Wales
Biome Vet Pty Ltd	Veterinary services	Australia
Brunker Road Veterinary Centre Pty Ltd	Veterinary services	Australia
B&W Equine Group Limited	Veterinary services	England and Wales
Cattle Dog Health Pty Ltd	Veterinary services	Australia
CVS (Australia) Holdings Proprietary Limited	Holding company	Australia
CVS Vets (Australia) Proprietary Limited	Veterinary services	Australia
CVS (UK) Limited	Veterinary and diagnostic services	England and Wales
East of England Veterinary Specialists Limited	Veterinary services	England and Wales
Endell Veterinary Group Limited	Veterinary services	England and Wales
Fernside Veterinary Centre limited	Veterinary services	England and Wales
GVHCO Pty Ltd	Veterinary services	Australia
Greenacres Pet Crematorium Limited	Animal cremation	England and Wales
Highcroft Pet Care Limited	Veterinary services	England and Wales
McDowall Veterinary Hospital Pty Ltd	Veterinary services	Australia
Mi Vet Club Limited	Veterinary goods and services buying club	England and Wales
Okeford Veterinary Centre Limited	Veterinary services	England and Wales
Pet Doctors Limited	Veterinary services	England and Wales
Pet Emergency Treatment Services Limited	Veterinary services	England and Wales
Pet Vaccination Clinic Limited	Veterinary services	England and Wales
Precision Histology International Limited	Veterinary diagnostic services	England and Wales
Rossendale Pet Crematorium Limited	Animal cremation and provision of burial grounds	England and Wales
Ruddington and East Leake Veterinary Centre Limited	Veterinary services	England and Wales
Selwood House Vets Pty Ltd (80% owned)	Veterinary services	Australia
Severn Edge Equine Limited	Veterinary services	England and Wales
Severn Edge Farm Limited	Veterinary services	England and Wales
Severn Edge Veterinary Group Limited	Veterinary services	England and Wales
Silvermere Haven Limited	Animal cremation and provision of burial grounds	England and Wales
Silverton Veterinary Practice Limited	Veterinary services	England and Wales
Southside Animal Hospital Pty Ltd	Veterinary services	Australia
Sustainable Developments (SW) Limited	Property development	England and Wales
The Pet Crematorium Limited	Animal cremation	England and Wales
Valley Pet Crematorium Limited	Animal cremation	England and Wales
Vetright Pty Ltd (75% owned)	Veterinary services	Australia
Vet Referral Pty Ltd	Veterinary services	Australia
Vet Direct Services Limited	Veterinary instrumentation supply	England and Wales
Werrington Vets Limited	Veterinary services	England and Wales
Whitley Brook Crematorium for Pets Limited	Animal cremation	England and Wales
Woodlands Veterinary Clinic Limited	Veterinary services	England and Wales

16. Investments continued

Shares in subsidiary undertakings continued

The dormant subsidiary undertakings included within the consolidation are as follows:

Name of subsidiary	Country of incorporation
Animal Health Centre Limited*	England and Wales
Anton Vets Ltd*	England and Wales
Ambivet Ltd*	England and Wales
Astonlee Limited*	England and Wales
AT Animal Care Limited*	England and Wales
Bridge Veterinary Practice Limited	England and Wales
Charter Veterinary Hospital Group Limited*	England and Wales
Cinder Hill Equine Clinic Limited*	England and Wales
Corner House Equine Clinic Limited*	England and Wales
Cromlynvets Limited*	Northern Ireland
Darboe and Baily Limited	England and Wales
Enterprise Veterinary Services Limited	England and Wales
Greendale Veterinary Diagnostics Limited	England and Wales
Greensands Veterinary Clinic Limited*	England and Wales
Gurka Animal Care Limited*	England and Wales
Insight Laboratory Services Limited	England and Wales
Keown O'Neill Limited*	Northern Ireland
Market Cross Veterinary Clinic Limited*	Scotland
Masefield Veterinary Services Ltd	England and Wales
Matt Smith Pet Care Limited*	England and Wales
Newlands Veterinary Group Limited*	England and Wales
OCVC Limited*	England and Wales
Pet Vaccination UK Limited	England and Wales
Pets Holding Limited	England and Wales
Pharmsure UK Limited*	England and Wales
Polmont Veterinary Clinic Limited*	Scotland
Seadown Veterinary Services LTD	England and Wales
Severn Edge Holdings Limited	England and Wales
Slate Hall Veterinary Practice Limited*	England and Wales
Slate Hall Veterinary Services Limited*	England and Wales
Superstar Pets Limited*	England and Wales
The Harrogate Vet Limited	England and Wales
The Liverpool Vets Limited	England and Wales
Top Vets Limited	Scotland
Total Veterinary Services Limited*	England and Wales
Vet Direct Holdings Limited	England and Wales
Veterinary Enterprises & Trading Limited	England and Wales
Weighbridge Referral Service Limited*	England and Wales
Western Counties Equine Hospital Limited*	England and Wales
White Lodge Veterinary Centre Ltd*	England and Wales
Wyatt Poultry Veterinary Services Limited*	England and Wales
Your Vets (Holdings) Limited	England and Wales
3Tab Holdings Limited	England and Wales

Company marked with a * are in liquidation.

16. Investments continued

Shares in subsidiary undertakings continued

CVS Group plc owns 100% of the Ordinary share capital of CVS (UK) Limited and the remaining subsidiaries above are indirectly held by CVS Group plc.

Unless otherwise indicated, 100% of the Ordinary share capital is owned for all equity shareholdings and therefore all are wholly owned.

The registered office for all United Kingdom registered subsidiary undertakings is CVS House, Owen Road, Diss, Norfolk IP22 4ER, with the exception of the following companies:

Name of subsidiary	Registered office address
Albavet Limited	24 Nicol Street, Kirkcaldy, Fife KY1 1NY
Axiom Veterinary Laboratories Limited	The Manor House, Brunel Road, Newton Abbot, Devon TQ12 4PB
Cromlynvets Limited	17 Claredon Road, Clarendon Dock, Belfast B1 3BG
Keown O'Neill Limited	17 Claredon Road, Clarendon Dock, Belfast B1 3BG
Market Cross Veterinary Clinic Limited	c/o Henderson Loggie, The Vision Building, 20 Greenmarket, Dundee DD1 4QB
Polmont Veterinary Clinic Limited	c/o Henderson Loggie, The Vision Building, 20 Greenmarket, Dundee DD1 4QB
Precision Histology International Limited	The School House, One Eyed Lane, Weybread, Diss, Norfolk IP21 5TT
Top Vets Limited	Riverside Vet Practice Howden South Lodge, Howden, Livingston EH54 6AD

The registered office for all Australian subsidiary undertakings is BDO Offices – BDO Services Pty Ltd, Level 10, 12 Creek Street, Brisbane Queensland 4000.

17. Derivative financial instruments

Derivatives are used for hedging in the management of exposure to market risks. This enables the optimisation of the overall cost of accessing debt capital markets, and the mitigation of the market risk which would otherwise arise from movements in interest rates.

The ineffective element of cash flow hedges in 2024 was immaterial (2023: immaterial).

Cash flow hedges

On 31 January 2024, the Group entered into two interest rate swap arrangements limiting the Group's exposure to interest rate increases. The arrangement exposed the Group to Sterling SONIA within a cash flow hedge accounting relationship.

At 30 June 2024, £100.0m of debt was hedged (2023: £70.0m); the remainder of the debt was unhedged at the year end.

Below are details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform. The terms of the hedged items listed match those of the corresponding hedging instruments.

Hedge type	Instrument type	Maturing in	Nominal	Hedged item
Cash flow hedge	Receive SONIA, pay Sterling fixed interest rate swaps	2028	£100.0m	Sterling fixed rate issued debt of the same maturity and nominal of the swap

The Group classifies its interest rate swap arrangement as a cash flow hedge and utilises hedge accounting to minimise income statement volatility in relation to movements in the value of the swap arrangement.

The fair values of the Group's interest rate derivatives are established using valuation techniques, primarily discounted cash flows, based on assumptions that are supported by observable market prices or rates (level 1).

The fair values of derivative financial instruments have been disclosed in the Group consolidated statement of financial position as follows:

	2024		2023	
Group	Non-current assets £m	Liabilities £m	Current assets £m	Liabilities £m
Interest rate swap arrangements – cash flow hedges	0.9	—	2.1	—

17. Derivative financial instruments continued

Movements in fair values

Group	Interest rate swap arrangements £m
Fair value at 1 July 2022	2.3
Fair value loss through reserves – hedged	(0.2)
At 30 June 2023	2.1
Fair value loss through reserves – hedged	(1.2)
At 30 June 2024	0.9

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items.

The cost of hedging reserve includes the effects of the changes in fair value of the time value of option when only the intrinsic value of the option is designated as the hedging instrument.

The changes in fair value of the time value of an option in relation to a transaction-related hedged item accumulated in the cost of hedging reserve are reclassified to the income statement only when the hedged transaction affects profit or loss, or included as a basis adjustment to the non-financial hedged item. The changes in fair value of the time value of an option in relation to a time-period related hedged item accumulated in the cash flow hedging reserve are amortised to the income statement on a rational basis over the term of the hedging relationship.

18. Financial instruments

Financial assets and liabilities

		2024					2023				
Group	Note	FVTPL – derivatives designated in hedge relationships £m	FVTPL – contingent consideration £m	FVTOCI – designated £m	Amortised cost £m	Total £m	FVTPL – derivatives designated in hedge relationships £m	FVTPL – contingent consideration £m	FVTOCI – designated £m	Amortised cost £m	Total £m
Trade and other receivables[1]	20	—	—	—	55.5	55.5	—	—	—	47.1	47.1
Cash and cash equivalents	21	—	—	—	16.5	16.5	—	—	—	21.5	21.5
Derivative financial instruments	17	0.9	—	—	—	0.9	2.1	—	—	—	2.1
Borrowings	24	—	—	—	(181.3)	(181.3)	—	—	—	(92.2)	(92.2)
Trade and other payables[2]	22	—	(7.1)	—	(73.9)	(81.0)	—	(3.5)	—	(63.6)	(67.1)
Lease liabilities	14	—	—	—	(106.5)	(106.5)	—	—	—	(106.9)	(106.9)
		0.9	(7.1)	—	(289.7)	(295.9)	2.1	(3.5)	—	(194.1)	(195.5)

1. Trade and other receivables excludes prepayments.
2. Trade and other payables excludes deferred income, social security and other taxes.

Company	Note	2024 £m	2023 £m
Amounts owed by Group undertakings	34	70.9	75.2

Amounts owed by Group undertakings are unsecured and interest free and have no fixed date of repayment. Amounts owed by Group undertakings are measured at amortised cost.

19. Inventories

All inventories are finished goods held for resale. The Directors do not consider the difference between the purchase price of inventories and their replacement cost to be material.

20. Trade and other receivables

	Group 2024 £m	Group 2023 £m	Company 2024 £m	Company 2023 £m
Trade receivables:				
Within their due period	16.3	17.3	—	—
Past due:				
Not impaired	13.8	11.6	—	—
Fully impaired	3.3	3.5	—	—
Total trade receivables	33.4	32.4	—	—
Less: provision for impairment of receivables	(3.3)	(3.5)	—	—
Trade receivables – net	30.1	28.9	—	—
Other receivables	12.9	7.3	—	—
Prepayments	12.2	11.0	—	—
Accrued income	12.5	10.9	—	—
Total trade and other receivables	67.7	58.1	—	—

Group

The carrying amount of trade and other receivables is deemed to be a reasonable approximation to fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable above with the exception of prepayments which hold no credit risk. The Group does not hold any collateral as security. The Group's trade and other receivables are denominated primarily in Sterling, with small amounts in Australian Dollars for Australia operations.

A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value. The amount of the expected losses was £3.3m (2023: £3.5m). The Group has not disclosed the expected loss rate as this varies by type of customer. The Group assesses its expected credit loss by reviewing historical cash flows of the ageing profile of the trade receivables. No further adjustments are applied in the review and the Group does not consider an future economic conditions to impact the expected credit loss.

The Group does not consider that any financial asset is credit impaired.

Aggregate movements on the Group's expected losses of trade receivables are as follows:

	2024 £m	2023 £m
At the beginning of the year	3.5	3.9
Charged to the income statement within administrative expenses	1.3	1.0
Utilisation of the provision during the year	(1.5)	(1.4)
At the end of the year	3.3	3.5

Other receivables do not contain impaired assets.

At 30 June 2024, there is a contract asset recorded as accrued income of £12.5m (2023: £10.9m), relating to customer membership schemes including the Healthy Pet Club (HPC) contract. The contract asset arises from customers having received consultations and treatments which are weighted towards the beginning of the twelve-month scheme, in advance of cash payments, which are received in twelve equal instalments, as detailed more fully in note 2. Due to the nature of the scheme, the accrued income amount brought forward has been fully utilised in the year.

21. Cash and cash equivalents

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Cash	16.5	21.5	—	—
Cash equivalents	—	—	—	—
Total cash and cash equivalents	16.5	21.5	—	—

22. Trade and other payables

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Current				
Trade payables	50.1	41.5	—	—
Social security and other taxes	19.3	21.8	—	—
Other payables	6.1	5.8	—	—
Deferred income[1]	2.3	2.2	—	—
Accruals	24.8	19.8	—	—
Total trade and other payables	102.6	91.1	—	—

1. Deferred income relates to the contract liability relating to the Healthy Pet Club (HPC) contract.

At 30 June 2024, the total fair value of contingent consideration included within accruals has been valued at £7.1m (2023: £3.5m). With the exception of a single agreement for contingent consideration noted below, the final payments depend upon the future profitability of the veterinary practices acquired alongside the vendors remaining in employment and therefore is accounted for under IAS 19 'Employee benefits' as a long-term employee benefit. The expense is recognised in accordance with the plans benefit formula and over the period of the employment service. The maximum amount payable for contingent consideration is £29.0m (2023: £5.0m), on an undiscounted basis. The minimum amount payable for contingent consideration is nil. The fair value of contingent consideration is based on estimations of future trading performance in comparison to fixed targets.

In 2023, the Group entered a contingent consideration arrangement for £1.5m which has been booked to goodwill. £0.8m has been paid during the year, and £0.7m remains payable subject to the veterinary practice meeting fixed profitability targets.

23. Provisions

	2024 £m	2023 £m
At the beginning of the year	0.7	2.1
Charged to the income statement within administration expenses	0.6	0.3
Utilised in the period	(0.4)	(1.7)
At the end of the year	0.9	0.7

Provisions relate to costs set aside for properties including site closures and other property maintenance obligations. It is anticipated these will be utilised in the next twelve months.

24. 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.

24. Borrowings continued

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.

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.

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).

25. Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax balances are calculated using tax rates expected to apply in the period when the liability or asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

Deferred tax assets comprised:

Group	2024 £m	2023 £m
Tax effect of temporary differences:		
Share-based payments	0.3	1.5
Tax losses	—	0.2
Other	1.1	0.2
	1.4	1.9

The Group's deferred tax assets have been recognised based on historical performance and future budgets. The recoverability of deferred tax assets is supported by the expected level of future profits. The Group believes that it is probable that there will be sufficient taxable profits against which the deferred tax assets will reverse.

Deferred tax liabilities comprise the excess of carrying value over the tax base.

Group	2024 £m	2023 £m
Tax effect of temporary differences:		
Excess of qualifying amortisation and intangible fixed assets acquired via a business combination	28.8	20.8
Derivative financial instruments	0.3	0.6
Capital allowances in excess of depreciation	9.8	5.3
	38.9	26.7

25. Deferred tax continued

The movement in the net deferred tax assets and liabilities is explained as follows:

Group	At 1 July 2023 £m	(Charged)/ credited to the income statement £m	Credited to other comprehensive income £m	Credited to statement of changes in equity £m	Acquisition of subsidiaries and deferred tax recognised in goodwill £m	Disposal of subsidiaries and deferred tax recognised in goodwill £m	At 30 June 2024 £m
Share-based payments	1.5	(0.6)	—	(0.6)	—	—	0.3
Tax losses	0.2	0.1	—	—	—	(0.3)	—
Other temporary differences	0.2	0.5	—	—	0.6	(0.2)	1.1
Intangible fixed assets acquired via a business combination	(20.8)	5.2	—	—	(13.5)	0.3	(28.8)
Derivative financial instruments	(0.6)	—	0.3	—	—	—	(0.3)
Property, plant and equipment	(5.3)	(4.4)	—	—	(0.1)	—	(9.8)
	(24.8)	0.8	0.3	(0.6)	(13.0)	(0.2)	(37.5)

Group	At 1 July 2022 £m	(Charged)/ credited to income statement £m	Credited/ (charged) to other comprehensive income £m	Charged to statement of changes in equity £m	Acquisition of subsidiaries and deferred tax recognised in goodwill £m	Disposal of subsidiaries and deferred tax recognised in goodwill £m	At 30 June 2023 £m
Share-based payments	1.5	(0.1)	—	0.1	—	—	1.5
Tax losses	0.2	—	—	—	—	—	0.2
Other temporary differences	0.1	0.1	—	—	—	—	0.2
Intangible fixed assets acquired via a business combination	(20.4)	4.0	—	—	(4.4)	—	(20.8)
Derivative financial instruments	(0.6)	—	—	—	—	—	(0.6)
Property, plant and equipment	(0.8)	(4.2)	—	—	(0.3)	—	(5.3)
	(20.0)	(0.2)	—	0.1	(4.7)	—	(24.8)

The deferred tax balance is non-current.

Deferred tax balances are calculated using tax rates expected to apply in the period when the liability of asset is expected to be realised based on rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities have been offset where they relate to the same taxation authority, the Group had a legally enforceable right to offset and the Group intends to settle the liability and realise the asset simultaneously.

The Group's deferred tax assets have been recognised based on historical performance and future budgets. The recoverability of deferred tax assets is supported by the expected level of future profits. The Group believes that it is probable that there will be sufficient taxable profits against which the deferred tax assets will reverse.

The Group has carried forward unutilised tax losses of £14.6m (2023: £25.0m) that are available indefinitely for offsetting against future taxable profits of Group companies within the tax jurisdiction in which the losses arose. No deferred tax asset has been recognised (2023: £0.2m) in respect of these losses as it is not probable that sufficient future taxable profits will arise against which the asset will reverse.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of the temporary difference, and it is probable that such differences will not reverse in the foreseeable future. The Group expects the majority of earnings to be continuously reinvested by the Group. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these unremitted earnings.

26. Share capital

Company	2024 £m	2023 £m
Issued and fully paid		
2024: 71,732,133 Ordinary shares of 0.2p each (2023: 71,423,902) Ordinary shares of 0.2p each	0.1	0.1

26. Share capital continued

During the year, shares were issued for a total consideration of £2.0m (2023: £1.6m) as follows:

	2024 shares	2023 shares
LTIP13	—	118,984
LTIP14	107,903	—
SAYE10	—	27
SAYE11	—	34,382
SAYE12	5,857	149,100
SAYE13	194,471	1,372
Total	308,231	303,865

Details of shares under option are provided in note 11 to the financial statements.

The authorised share capital of the Company is 352,000,000 Ordinary shares of 0.2p each.

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).

EBT own shares

The Group operates an EBT which holds 164 shares (2023: 384 shares).

In the year ended 30 June 2017, the Group established an EBT for the purposes of satisfying the exercise of certain share options vesting under the Group's LTIP and SAYE schemes. The Group has accounted for the purchase of the shares held by the EBT as Treasury shares and has deducted these from reserves.

During the year, the EBT bought 56,896 shares at open market value for £0.9m (2023: 60,944 shares at open market value for £1.2m).

During the year, the EBT sold 6,733 shares (2023: nil shares) to satisfy shares vesting under LTIP schemes. The EBT sold 50,383 shares (2023: 60,584 shares) to satisfy shares vesting under SAYE schemes for proceeds of £0.4m (2023: £0.5m).

27. Share premium

The share premium reserve comprises the premium received over the nominal value of shares issued.

28. Analysis of movement in liabilities from financing activities

Group	At 1 July 2023 £m	Cash flow £m	New leases £m	Liabilities on disposed leases £m	Non-cash movement £m	At 30 June 2024 £m
Lease liabilities	(106.9)	20.2	(23.2)	8.0	(4.6)	(106.5)
Bank loans	(92.2)	(88.7)	—	—	(0.4)	(181.3)
Total liabilities from financing activities	(199.1)	(68.5)	(23.2)	8.0	(5.0)	(287.8)

Group	At 1 July 2022 £m	Cash flow £m	New leases £m	Liabilities on disposed leases £m	Non-cash movement £m	At 30 June 2023 £m
Lease liabilities	(104.5)	18.4	(18.4)	1.9	(4.3)	(106.9)
Bank loans	(84.3)	(9.7)	—	—	1.8	(92.2)
Total liabilities from financing activities	(188.8)	8.7	(18.4)	1.9	(2.5)	(199.1)

Non-cash movements on right-of-use assets mainly comprise interest on right-of-use lease liabilities. Non-cash movements on borrowings and bank loans mainly include amortisation of issue costs on bank loans and bank debt acquired.

29. Cash flow generated from operations

	Group		Company	
	2024 £m	2023 £m	2024 £m	2023 £m
Profit/(loss) for the year	6.4	41.9	(0.9)	(0.8)
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)	4.3	4.2
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	3.4	3.4

30. Guarantees and other financial commitments

Capital commitments

The Group had no capital commitments as at 30 June 2024 (2023: £nil).

Bank guarantees

The Company is a member of the Group's banking arrangement, under which it is party to unlimited cross-guarantees in respect of the banking facilities of other Group undertakings, amounting to £355.0m at 30 June 2024 (2023: £355.0m). The Directors do not expect any material loss to the Company to arise in respect of the guarantees.

Contingent liabilities

A letter of support has been provided to certain subsidiaries indicating the intention of the Company to support them, if required, for a period of a minimum of twelve months from the date of signing their financial statements.

Exemption from audit by parent company guarantee

The following wholly owned subsidiaries of the Company are covered by a guarantee provided by CVS Group plc and are consequently entitled to an exemption under Section 479A from the requirement of the Act relating to the audit of individual accounts. Under this guarantee, the Group will guarantee all outstanding liabilities of these entities. The Group has deemed it not practical to quantify the possible outflow and no liability is expected to arise under the guarantee. The entities covered by this guarantee are disclosed overleaf.

30. Guarantees and other financial commitments continued

Exemption from audit by parent company guarantee continued

Name of subsidiary	Company number
3Tab Holdings Limited	11111944
Albavet Limited	SC275059
Animed Direct Limited	07007357
Ark Animal Services Limited	06135863
Axiom Veterinary Laboratories Limited	02526935
B & W Equine Group Limited	06777468
Bridge Veterinary Practice Limited	05629768
Darboe and Baily Limited	07328167
East of England Veterinary Specialists Limited	10722594
Endell Veterinary Group Limited	08078309
Enterprise Veterinary Services Limited	07640364
Fernside Veterinary Centre Limited	05025485
Greenacres Pet Crematorium Limited	07877237
Greendale Veterinary Diagnostics Limited	05138112
Highcroft Pet Care Limited	07238070
Insight Laboratory Services limited	06353163
Masefield Veterinary Services Limited	06511948
Mi Vet Club Limited	08365201
Okeford Veterinary Centre Limited	05984705
Pet Doctors Limited	03769799
Pet Emergency Treatment Services Limited	03586933
Pet Vaccination Clinic Limited	03252801
Pet Vaccination UK Limited	05391973
Pets Holding Limited	11161672
Precision Histology International Limited	02161963
Rossendale Pet Crematorium Limited	01409643
Ruddington and East Leake Veterinary Centre Limited	04551334
Seadown Veterinary Services LTD	05377692
Severn Edge Equine Limited	09524486
Severn Edge Farm Limited	09521408
Severn Edge Holdings Limited	09522086
Severn Edge Veterinary Group Limited	09523786
Silvermere Haven Limited	02187947
Silverton Veterinary Practice Limited	08101117
Sustainable Developments (SW) Limited	05174372
The Harrogate Vet Limited	11333183
The Liverpool Vets Limited	10711911
The Pet Crematorium Limited	03442460
Top Vets Limited	SC441172
Valley Pet Crematorium Limited	04961306
Vet Direct Services Limited	05167635
Vet Direct Holdings Limited	06746630
Veterinary Enterprises & Trading Ltd	03495054
Werrington Vets Limited	11201583
Whitley Brook Crematorium for Pets Limited	04734723

30. Guarantees and other financial commitments continued

Exemption from audit by parent company guarantee continued

Name of subsidiary	Company number
Woodlands Veterinary Clinic Limited	07680917
Your Vets (Holdings) Limited	07071834

31. Pension schemes

The Group contributes to certain employees' personal pension schemes in accordance with their service contracts. The amounts are charged to the income statement as they fall due. The amounts charged during the year amounted to £7.8m (restated 2023: £6.1m). The amount outstanding at the year end included in trade and other payables was £1.5m (2023: £1.3m).

32. 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 £m	2023 £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)/increase in cash generated by the discontinued operation	(4.6)	(7.4)

32. Discontinued operations continued
Details of the sale of the discontinued operation

	2024 £m	2023 £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 and other payables	(1.8)
Lease liabilities	(6.7)
Deferred tax	(0.2)
Total liabilities	(8.7)
Net assets	14.3

33. 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 15.

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.

34. Related party transactions

Directors' and key management's compensation is disclosed in note 8.

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 32.

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.

35. Non-controlling interest (NCI)

Set out below is summarised financial information for an aggregated view of subsidiaries that have non-controlling interests. These are not deemed material to the Group. The amounts disclosed are before intercompany eliminations.

Name of subsidiary	Principal place of business	Proportion of ownership interests held by NCI
Vetright Pty Ltd	Queensland, Australia	25%
Selwood House Vets Pty Ltd	Sydney, Australia	20%

Summarised statement of financial position

	2024 £m	2023 £m
Current assets	1.7	—
Current liabilities	(1.4)	—
Current net assets	0.3	—
Non-current assets	3.4	—
Non-current liabilities	—	—
Non-current net assets	3.4	—
Net assets	3.7	—
Accumulated NCI	0.8	—

Summarised statement of comprehensive income

	2024 £m	2023 £m
Revenue	3.0	—
Profit for the period	1.0	—
Other comprehensive income	—	—
Total comprehensive income	1.0	—
Profit allocated to NCI	0.2	—
Dividends paid to NCI	0.1	—

Summarised cash flows

	2024 £m	2023 £m
Cash flows from operating activities	2.1	—
Cash flows from investing activities	—	—
Cash flows from financing activities	(0.6)	—
Net increase in cash and cash equivalents	1.5	—

Five-year history – unaudited
for the year ended 30 June 2024

	2024 £m	2023[1] £m	2022 £m	2021 £m	2020 £m
Revenue	647.3	588.9	554.2	510.1	427.8
Gross profit	277.9	258.1	239.1	221.9	170.1
Operating profit	50.8	68.4	42.8	40.1	18.5
Finance expense	(12.6)	(7.7)	(6.8)	(7.0)	(8.6)
Profit before tax	38.2	60.7	36.0	33.1	9.9
Tax expense	(11.8)	(12.6)	(10.3)	(13.8)	(4.2)
Profit from continuing operations	26.4	48.1	25.7	19.3	5.7
Loss from discontinued operations	(20.0)	(6.2)	—	—	—
Profit for the year	6.4	41.9	25.7	19.3	5.7
Adjusted EBITDA	127.3	121.6	107.4	97.5	71.0
Adjusted profit before tax	82.7	87.9	75.5	66.2	38.2
Cash generated from operations	101.8	107.9	93.1	80.3	94.8
Taxation paid	(15.7)	(14.9)	(11.2)	(13.0)	(9.5)
Interest paid	(12.4)	(7.2)	(6.4)	(7.1)	(7.0)
Business combinations (net of cash acquired)	(97.0)	(54.6)	(8.4)	(19.4)	(7.2)
Loans and borrowings acquired through business combinations	(0.3)	(0.8)	(0.1)	(1.0)	—
Purchase of property, plant and equipment and intangible assets	(43.1)	(45.7)	(24.5)	(16.6)	(12.4)
Proceeds from sale of property, plant and equipment and intangible assets	0.2	0.3	0.2	0.6	—
Purchase of finance assets held at cost/other investments	(0.6)	—	(21.4)	—	—
Proceeds from sale of other investments	—	0.1	9.0	—	—
Dividends paid	(5.5)	(5.0)	(4.6)	—	(3.9)
Proceeds from issue of Ordinary shares	2.0	1.6	2.3	1.2	0.1
Proceeds from the sale of Treasury shares	0.4	0.5	—	0.3	0.9
Purchase of Treasury shares	(0.9)	(1.2)	—	—	—
Repayment of obligations under right-of-use assets	(15.6)	(14.1)	(12.7)	(13.0)	(14.2)
Amortisation of debt issuance costs	(0.9)	(1.0)	(0.4)	(0.4)	(1.0)
Exceptional items	(5.9)	(1.3)	—	—	(0.7)
Foreign exchange gain	(0.6)	—	—	—	—
(Increase)/decrease in net debt	(94.1)	(35.4)	14.9	11.9	39.9
Year-end net debt	164.8	70.7	35.3	50.2	62.1

	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	8.6p	58.8	36.2	27.3	8.1
Adjusted earnings per share	86.6p	98.9	85.8	75.1	42.0

1. 2023 has been re-presented following the classification of the Netherlands and Republic of Ireland operations as a discontinued operation. 2022 and prior years has not been re-presented.

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