Registration number: 10026937

Amending

VETPARTNERS GROUP LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Hazlewoods LLP
Windsor House
Bayshill Road
Cheltenham
Gloucestershire
GL50 3AT

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VETPARTNERS GROUP LIMITED

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VETPARTNERS GROUP LIMITED

COMPANY INFORMATION

Directors	J C Malone M Stanworth
Registered Office	Leeman House Station Business Park Holgate Park Drive York YO26 4GB
Bankers	HSBC Bank Plc PO Box 10 59 Old Christchurch Road Bournemouth Dorset DH1 1EH
Auditors	Hazlewoods LLP Windsor House Bayshill Road Cheltenham GL50 3AT

The directors present their strategic report for the year ended 30 June 2019.

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

Fair review of the business
The results for the year, which are set out in the consolidated profit and loss account, show turnover of £261,688,000 (2018: £115,675,000) and an operating profit before amortisation, depreciation and exceptional items of £46,844,000 (2018: £19,895,000). At 30 June 2019 the group had total assets less current liabilities of £725,366,000 (2018: £384,358,000). The directors consider the performance for the period and the financial position at the year end to be satisfactory.

Our Strategy
Our mission is to deliver outstanding care for patients and clients. We provide a secure home for veterinary practices and our people. We deliver this by working as true partners; investing in people and infrastructure and by listening and evolving. We aim to deliver our vision by:

- Providing outstanding care for our patients
- Providing an excellent experience for clients
- Being a great place to work
- Developing our business in an efficient, ethical, sustainable and profitable way
- Expanding our business through the attraction and acquisition of desirable practices

Key Performance Indicators
The group uses a number of Key Performance Indicators (KPIs) to monitor and improve the development, performance and the position of the business.

The primary KPI used by the business is Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA). For the year to 30 June 2019 EBITDA stood at £46,844,000 (2018: £19,895,000).

Indicators are reviewed and altered to meet changes in both the internal and external environments.

Principal risks and uncertainties
The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are considered to be:

- Competition from both national and local providers of veterinary services
- Retention of key-staff
- The UK macro-economic environment in which the business operates

These risks are mitigated by a focus on outstanding patient care and clinical expertise, together with a focus on staff training and progression.

Approved by the board on 27/11/2019 and signed on its behalf by:

M Stanworth
Director

The directors present their report and the consolidated financial statements for the year to 30 June 2019.

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

J C Malone
P M Rattle (resigned 24 August 2018)
M Stanworth

Financial instruments

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

Price risk, credit risk, liquidity risk and cash flow risk
The group is exposed to the usual credit and cash flow risks associated with selling on credit terms and manages this through credit control procedures. The group's preference shares are at fixed rates and are therefore not exposed to interest rate risk. The group's bank loans are at variable rates linked to LIBOR; the board continues to monitor the group's position with regard to interest rate risk and to implement strategies to manage this as is considered appropriate. Credit risk in respect of bank balances is safeguarded by using banks with high credit ratings.

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

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

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

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

Approved by the board on 27/11/2019 and signed on its behalf by:

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M Stanworth
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by The European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Opinion
We have audited the financial statements of VetPartners Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2019, which comprise the Consolidated Income Statement, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by The European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2019 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

....
Martin Howard (Senior Statutory Auditor)

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

Date: 13 Dec 2019

VETPARTNERS GROUP LIMITED

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	Year ended 30 June 2019 £'000	Year ended 30 June 2018 £'000
Revenue	3	261,688	115,675
Cost of sales		(64,380)	(25,408)
Gross profit		197,308	90,267
Administrative expenses		(150,464)	(70,372)
Operating profit before amortisation, depreciation and exceptional items		46,844	19,895
Depreciation		(11,870)	(5,841)
Exceptional items	5	(10,177)	(9,378)
Group operating profit	4	24,797	4,676
Other interest receivable and similar income	6	12	5
Interest payable and similar charges	7	(53,541)	(18,897)
Loss before taxation		(28,732)	(14,216)
Taxation	11	(92)	(569)
Loss for the financial year		(28,824)	(14,785)

The above results were derived from continuing operations.

The group has no other comprehensive income for the year.

The notes on pages 13 to 57 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED
(Registration number: 10026937)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Intangible assets	12	602,134	328,917
Tangible assets	14	86,864	54,447
		688,998	383,364
Current assets			
Inventories	16	6,846	5,032
Trade and other receivables	17	38,253	16,856
Cash at bank and in hand		60,120	43,733
		105,219	65,621
Current liabilities	18	(68,851)	(64,627)
Net current assets		36,368	994
Total assets less current liabilities		725,366	384,358
Non-current liabilities	18	533,268	261,644
Provision for liabilities	11	1,400	842
Capital and reserves			
Called up share capital	21	242,691	145,041
Retained earnings		(51,993)	(23,169)
Total equity		190,698	121,872
Total capital, reserves and long term liabilities		725,366	384,358

Approved by the board and authorised for issue on 27/11/2019 and signed on its behalf by:

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M Stanworth
Director

The notes on pages 13 to 57 form an integral part of these financial statements

VETPARTNERS GROUP LIMITED
(Registration number: 10026937)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
Fixed assets			
Financial assets	15	242,691	145,041
		242,691	145,041
Current assets			
Receivables – non-current	17	49,678	-
Cash at bank and in hand		-	-
		49,678	-
Non-current liabilities	18	(49,678)	-
Net assets		242,691	145,041
Capital and reserves			
Called up share capital	21	242,691	145,041
Profit and loss account		-	-
Total equity		242,691	145,041

Approved by the board and authorised for issue on 27/11/2019 and signed on its behalf by:

....

M Stanworth
Director

The notes on pages 13 to 57 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018	145,041	(23,169)	121,872
Issue of share capital	97,650	-	97,650
Loss for the year and total comprehensive income	-	(28,824)	(29,424)
Balance at 30 June 2019	242,691	(51,993)	190,698
Balance at 1 July 2017	18,600	(8,384)	10,216
Issue of share capital	126,441	-	126,441
Loss for the year and total comprehensive income	-	(14,785)	(14,785)
Balance at 30 June 2018	145,041	(23,169)	121,872

The notes on pages 13 to 57 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2018	145,041	-	145,041
Loss for the period and total comprehensive income	-	-	-
Issue of share capital	97,650	-	97,650
Balance at 30 June 2019	242,691	-	242,691
Balance at 1 July 2017	18,600	-	18,600
Issue of share capital	126,441	-	126,441
Balance at 30 June 2018	145,041	-	145,041

The notes on pages 13 to 57 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	30 June 2019 £'000	30 June 2018 £'000
Cash flows from operating activities:			
Loss for the year		(28,824)	(14,785)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and profit on disposal	4	11,855	5,841
Finance income	6	(12)	(5)
Finance costs	7	53,541	18,897
Taxation expense	11	92	569
		36,652	10,517
Working capital adjustments			
Decrease / (increase) in inventories		719	(82)
Decrease in receivables		146	2,152
Increase / (decrease) in payables		725	(5,077)
Cash generated from operations		38,242	7,510
Corporation tax paid		(3,896)	(971)
Net cash flow from operating activities		34,346	6,539
Cash flows from investment activities			
Interest received		12	5
Acquisitions of tangible assets		(13,573)	(3,677)
Proceeds from sale of tangible assets		582	49
Acquisition of intangible assets		(111)	(34)
Acquisition of subsidiaries net of cash acquired		(211,534)	(229,437)
Net cash flows arising from prior year acquisitions		2,102	266
Net cash flows from investing activities		(222,522)	(232,828)
Cash flows from financing activities			
Interest and financing costs paid		(48,524)	(24,003)
Proceeds from bank borrowing		195,500	140,000
Repayment of borrowings		(66,586)	-
Issue of ordinary shares		97,650	126,441
Amounts loaned by parent undertaking		29,552	14,756
Repayments to finance lease creditors		(3,029)	(2,104)
Net cash flows from financing activities		204,563	255,090
Net increase in cash and cash equivalents		16,387	28,801
Cash and cash equivalents at 1 July		43,733	14,932
Cash and cash equivalents at 30 June		60,120	43,733

The notes on pages 13 to 57 form an integral part of these financial statements

1 **General Information**

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

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

2 **Accounting policies**

Summary of significant accounting policies

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. These are the first set of consolidated financial statements presented by the Group and therefore are not considered to represent a transition to IFRS. The results of the Company have previously been reported under UK GAAP but, due to their straightforward nature, no adjustments arose on transition to IFRS, and the detailed disclosures required by IFRS 1 are not considered necessary in this respect.

Basis of preparation

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

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

Future standards in place but not yet effective

As disclosed further below, the Group has decided to early adopt the requirements of 'IFRS 16 Leases'. No other new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 July 2019 have been adopted early.

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

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective 1 January 2019);
- IAS 12 – Income taxes (effective 1 January 2019);
- Definition of Material (Amendments to IAS 1 and IAS 8) (effective 1 January 2020); and
- Definition of a Business (Amendments to IFRS 3) (effective 1 January 2020).

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

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2019.

No Profit and Loss Account is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial period of £Nil (2018 - £Nil).

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

2 Accounting policies (continued)

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

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

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

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

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

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

Judgements and key estimation uncertainty
Critical accounting judgements and sources of estimation uncertainty are considered to arise in the following areas:

- Accounting for leases under IFRS 16, as disclosed in note 23;
- Goodwill impairment testing, as disclosed in note 12; and
- Impairment of trade receivables, as disclosed in note 17.

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

Separately acquired trademarks and licences are shown at historical cost.

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

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is not currently being provided on the grounds of materiality.

Amortisation is provided on intangible assets other than goodwill so as to write off the cost, less any estimated residual value, over their useful life.

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

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

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

Financial instruments

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

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

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

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

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

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

2 Accounting policies (continued)

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

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

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

3 Revenue

The total revenue of the Group has been derived from its principal activity wholly undertaken in the United Kingdom. The directors do not consider there to be any operating segments for disclosure purposes.

4 Operating profit

Arrived at after charging:

	2019 £'000	2018 £'000
Depreciation expense – property plant and equipment	6,693	3,096
Depreciation expense – right-to-use assets	5,176	2,745

5 Exceptional items

	2019 £'000	2018 £'000
Other non-recurring costs	1,086	946
Exceptional staff costs and redundancies	1,673	2,060
Exceptional professional fees	1,641	1,077
Costs of business combinations	5,777	5,295
	10,177	9,378

6 Other interest receivable and similar income

	2019 £'000	2018 £'000
Interest income on bank deposits	12	5

7 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest expense on loan notes	2,475	-
Interest on obligations under finance leases and hire purchase contracts	4,204	2,329
Interest on bank overdrafts and borrowings	24,163	14,508
Other finance costs adjacent to interest	18,183	2,060
Interest on intercompany loan	4,516	-
	53,541	18,897

8 Staff costs

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

	2019 £'000	2018 £'000
Wages and salaries	104,002	49,161
Social security costs	9,522	3,425
Pension costs, defined contribution scheme	2,908	855
	116,432	53,441

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

	2019 No	2018 No
Vets	1,086	576
Nurses	868	941
Administration and support	2,168	803
	4,122	2,320

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £'000	2018 £'000
Remuneration	339	326
Contributions paid to money purchase schemes	12	9
	351	335

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

	2019 No	2018 No
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	2019 £'000	2018 £'000
Remuneration	194	178
Company contributions to money purchase pension schemes	7	5

10 Auditor's remuneration

	2019 £'000	2018 £'000
Audit of financial statements	100	165
Other fees to auditors		
All other non-audit services	388	400

Fees paid to the auditor for non-audit services above includes fees for taxation compliance services of £69,000 (2018 - £38,000), accountancy related services of £71,000 (2018 – £57,000) and corporate finance related services of £213,000 (2018 - £305,000) and other services of £35,000 (2018 - £Nil).

11 Taxation

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

	2019 £'000	2018 £'000
Current taxation		
UK corporation tax	92	570
UK corporation tax adjustment to prior periods	-	(1)
	92	569
Deferred taxation		
Arising from origination and reversal of timing differences	-	-
Tax charge/(credit)	92	569

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

11 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK of 19% (2018 – 19%)

The differences are reconciled below:

	2019 £'000	2018 £'000
Loss before tax	(28,732)	(14,216)
Corporation tax at standard rate	(5,459)	(2,701)
Effect of expense not deductible in determining taxable profit (including disallowed interest)	4,365	4,609
Tax effect of group relief	-	(1,561)
Increase (decrease) in UK and foreign current tax from adjustment for prior periods	-	(1)
Tax increase from effect of capital allowances, amortisation and depreciation	811	266
Other tax effects for reconciliation between accounting profit and tax expense	375	(43)
Total tax charge/(credit)	92	569

Deferred tax

Group
Deferred tax assets and liabilities

	Liability £'000
2019	
Fixed asset timing differences	1,400

	Liability £'000
2018	
Fixed asset timing differences	842

12 Intangible assets

Group

	Goodwill	Trademarks, patents and licences	Total intangible assets
	£'000	£'000	£'000
Cost and carrying value			
At 1 July 2017	94,463	4	94,467
Additions	25	5	30
Arising on business combinations	234,686	-	234,686
Adjustments to goodwill acquired in previous years	(266)	-	(266)
At 1 July 2018	328,908	9	328,917
Additions	-	4	4
Arising on business combinations	272,801	107	272,908
Adjustments to goodwill acquired in previous years	305	-	305
At 30 June 2019	602,014	120	602,134

Goodwill arose on the acquisition of various subsidiaries and businesses as set out in note 13. The directors have utilised the provisions of IFRS 3 in respect of determining fair values on business combinations provisionally, and will adjust goodwill accordingly in the year ended 30 June 2020 for any amounts arising from the finalisation of those fair value within 12 months of the respective acquisitions.

Goodwill additions above relate to adjustments to consideration for business combinations completed in the prior period.

Impairment testing

The directors consider that the Group comprises a single cash generating unit ('CGU') as, operationally, all acquired practices are integrated into the Group as quickly as possible and are not managed or analysed into separate groups for both operational and financial management purposes.

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

The discount rate used in the calculations was based on a calculation of the Group's weighted average cost of capital which, using prudent assumptions, has been applied at 10%.

Based on the results of the impairment testing, no impairment charge has been made against the carrying value of goodwill at 30 June 2019 (2018 : £Nil). The directors have considered any reasonably possible changes in assumptions that could lead to an impairment charge arising. The only reasonably possible change is considered to be a reduction in growth rate. This has been sensitised as 1%, which is considered a very prudent assumption, and no impairment charge would arise.

12 Intangible assets (continued)

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

	Book value £'000	Adjustments £'000	Fair value £'000
Property plant and equipment	13,640	-	13,640
Inventories	5,479	(539)	4,940
Financial assets	35,932	(2,770)	33,162
Financial liabilities	(97,570)	(3,235)	(100,805)
Deferred tax balances	(585)	-	(585)
	(43,104)	(6,544)	(49,648)
Goodwill			272,801
Consideration			223,153
Cash acquired			(11,619)
Net total consideration			211,534

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

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

The results of acquired businesses post-acquisition are included in the tables below. Given the nature of the group, it is not practicable to disclose the revenue and profit/loss of the combined entity for the year as though all entities had been acquired on 1 July 2018.

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

Acquisition costs in relation to business combinations in the year were £5,777,000.

Certain business combinations, as highlighted below, include contingent consideration. The amount of contingent consideration payable on acquisitions in the year ranges from a minimum of £Nil to a maximum of £7,855,000.

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

Total contingent consideration included within liabilities, which includes amounts payable in respect of business combinations in the prior year, amounts to £12,915,000 (2018 - £7,328,000).

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

13 Business combinations

On 15 May 2019, VetPartners Limited acquired 100% of the issued share capital of Abbey Veterinary Centres Limited, obtaining control.

Abbey Veterinary Centres Limited contributed £337,000 revenue and £(30,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	2,033
Stocks	69
Tangible assets	116
Financial liabilities	(1,284)
Deferred tax provision	(62)
Total identifiable assets	872
Goodwill	6,718
Total consideration	7,590
Satisfied by:	
Cash	7,140
Deferred consideration	450
Total consideration transferred	7,590
Cash flow analysis:	
Cash consideration	7,140
Less: cash and cash equivalent balances acquired	(442)
Net cash outflow arising on acquisition	6,698

13 Business combinations (continued)

On 27 March 2019, VetPartners Limited acquired 100% of the issued share capital of Abbeyserve Limited, obtaining control.

Abbeyserve Limited contributed £405,000 revenue and £(23,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	188
Stocks	28
Tangible assets	142
Financial liabilities	(507)
Deferred tax provision	(25)
Total identifiable liabilities	(174)
Goodwill	3,782
Total consideration	3,608
Satisfied by:	
Cash	3,608
Cash flow analysis:	
Cash consideration	3,608
Less: cash and cash equivalent balances acquired	(139)
Net cash outflow arising on acquisition	3,469

13 Business combinations (continued)

On 27 March 2019, VetPartners Limited acquired 100% of the issued share capital of Ashfield House Veterinary Hospital Limited, obtaining control.

Ashfield House Veterinary Hospital Limited contributed £745,000 revenue and £(134,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	218
Stocks	67
Tangible assets	475
Financial liabilities	(542)
Deferred tax provision	(51)
Total identifiable assets	167
Goodwill	5,302
Total consideration	5,469
Satisfied by:	
Cash	5,469
Cash flow analysis:	
Cash consideration	5,469
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	5,469

13 Business combinations (continued)

On 21 June 2019, VetPartners Limited acquired 100% of the issued share capital of Calweton Veterinary Services Limited, obtaining control.

Calweton Veterinary Services Limited contributed no revenue and £Nil to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	478
Stocks	89
Tangible assets	189
Financial liabilities	(435)
Deferred tax provision	(25)
Total identifiable liabilities	296
Goodwill	4,899
Total consideration	5,195
Satisfied by:	
Cash	5,195
Cash flow analysis:	
Cash consideration	5,195
Less: cash and cash equivalent balances acquired	(95)
Net cash outflow arising on acquisition	5,100

13 Business combinations (continued)

On 1 May 2019, VetPartners Limited acquired 100% of the issued share capital of Clyde Vet Group Limited, obtaining control.

Clyde Vet Group Limited contributed £1,405,000 revenue and £(446,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	2,354
Stocks	238
Tangible assets	2,227
Financial liabilities	(3,212)
Deferred tax provision	(70)
Total identifiable assets	1,537
Goodwill	17,906
Total consideration	19,443
Satisfied by:	
Cash	19,443
Cash flow analysis:	
Cash consideration	19,443
Less: cash and cash equivalent balances acquired	(1,308)
Net cash outflow arising on acquisition	18,135

13 Business combinations (continued)

On 5 April 2019, VetPartners Limited acquired 100% of the issued share capital of Fellowes Farm Equine Clinic Limited, obtaining control.

Fellowes Farm Equine Clinic Limited contributed £705,000 revenue and £16,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	245
Stocks	75
Tangible assets	203
Financial liabilities	(303)
Deferred tax provision	(14)
Total identifiable assets	206
Goodwill	3,937
Total consideration	4,143
Satisfied by:	
Cash	3,543
Deferred consideration	600
Total consideration transferred	4,143
Cash flow analysis:	
Cash consideration	3,543
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	3,543

13 Business combinations (continued)

On 22 November 2018, VetPartners Limited acquired 100% of the issued share capital of Galedin Limited, obtaining control.

Galedin Limited contributed £4,448,000 revenue and £(689,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	767
Stocks	265
Tangible assets	534
Financial liabilities	(3,997)
Deferred tax provision	(73)
Total identifiable liabilities	(2,504)
Goodwill	14,515
Total consideration	12,011
Satisfied by:	
Cash	11,011
Deferred consideration	1,000
Total consideration transferred	12,011
Cash flow analysis:	
Cash consideration	11,011
Less: cash and cash equivalent balances acquired	(92)
Net cash outflow arising on acquisition	10,919

13 Business combinations (continued)

On 8 August 2018, VetPartners Limited acquired 100% of the issued share capital of Liphook Equine Hospital Limited, obtaining control.

Liphook Equine Hospital Limited contributed £6,227,000 revenue and £(36,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,165
Stocks	114
Tangible assets	3,838
Financial liabilities	(4,882)
Deferred tax provision	-
Total identifiable assets	235
Goodwill	13,938
Total consideration	14,173
Satisfied by:	
Cash	14,173
Cash flow analysis:	
Cash consideration	14,173
Less: cash and cash equivalent balances acquired	(88)
Net cash outflow arising on acquisition	14,085

13 Business combinations (continued)

On 21 March 2019, VetPartners Limited acquired 100% of the issued share capital of UK Farm Vets Limited, obtaining control.

UK Farm Vets Limited contributed £1,257,000 revenue and £(25,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,437
Stocks	178
Tangible assets	331
Financial liabilities	(1,129)
Deferred tax provision	(15)
Total identifiable liabilities	802
Goodwill	12,902
Total consideration	13,704
Satisfied by:	
Cash	13,704
Cash flow analysis:	
Cash consideration	13,704
Less: cash and cash equivalent balances acquired	(526)
Net cash outflow arising on acquisition	13,178

13 Business combinations (continued)

On 21 March 2019, VetPartners Limited acquired 100% of the issued share capital of UK Farm Vets North Limited, obtaining control.

UK Farm Vets North Limited contributed £491,000 revenue and £(33,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	459
Stocks	97
Tangible assets	117
Financial liabilities	(393)
Deferred tax provision	(8)
Total identifiable assets	272
Goodwill	5,396
Total consideration	5,668
Satisfied by:	
Cash	5,668
Cash flow analysis:	
Cash consideration	5,668
Less: cash and cash equivalent balances acquired	(255)
Net cash outflow arising on acquisition	5,413

13 Business combinations (continued)

On 5 September 2018, VetPartners Limited acquired 100% of the issued share capital of Lynwood Vets Limited, obtaining control.

Lynwood Vets Limited contributed £2,600,000 revenue and £2,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	247
Stocks	91
Tangible assets	135
Financial liabilities	(534)
Deferred tax provision	-
Total identifiable assets	(61)
Goodwill	5,000
Total consideration	4,939
Satisfied by:	
Cash	4,939
Cash flow analysis:	
Cash consideration	4,939
Less: cash and cash equivalent balances acquired	(171)
Net cash outflow arising on acquisition	4,768

13 Business combinations (continued)

On 6 September 2018, VetPartners Limited acquired 100% of the issued share capital of Milfeddygon Bodrwnsiwn Veterinary Group Limited, obtaining control.

Milfeddygon Bodrwnsiwn Veterinary Group Limited contributed £2,204,000 revenue and £(63,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	119
Stocks	132
Tangible assets	333
Financial liabilities	(1,366)
Deferred tax asset	(8)
Total identifiable assets	(774)
Goodwill	4,463
Total consideration	3,689
Satisfied by:	
Cash	3,609
Deferred consideration	80
Total consideration transferred	3,689
Cash flow analysis:	
Cash consideration	3,609
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	3,609

13 *Business combinations (continued)*

On 25 July 2018, VetPartners Limited acquired 100% of the issued share capital of Origin Group Holdco Limited, obtaining control.

Origin Group Holdco Limited contributed £36,022,000 revenue and £(3,223,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	10,866
Stocks	1,271
Intangible assets	107
Tangible assets	1,953
Financial liabilities	(68,006)
Deferred tax provision	-
Total identifiable liabilities	(53,809)
Goodwill	56,682
Total consideration	2,873
Satisfied by:	
Cash	2,873
Cash flow analysis:	
Cash consideration	2,873
Less: cash and cash equivalent balances acquired	(4,779)
Net cash inflow arising on acquisition	(1,906)

13 Business combinations (continued)

On 31 October 2018, VetPartners Limited acquired 100% of the issued share capital of PVG (Cardiff) Tradeco Limited, obtaining control.

PVG (Cardiff) Tradeco Limited contributed £2,201,000 revenue and £312,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	308
Stocks	58
Tangible assets	245
Financial liabilities	(643)
Deferred tax provision	(23)
Total identifiable assets	(55)
Goodwill	9,909
Total consideration	9,854
Satisfied by:	
Cash	9,354
Deferred consideration	500
Total consideration transferred	9,854
Cash flow analysis:	
Cash consideration	9,354
Less: cash and cash equivalent balances acquired	(150)
Net cash outflow arising on acquisition	9,204

13 Business combinations (continued)

On 31 May 2019, VetPartners Limited acquired 100% of the issued share capital of Parklands Veterinary Limited, obtaining control.

Parklands Veterinary Limited contributed £Nil revenue and £Nil to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	3,171
Stocks	1,115
Tangible assets	343
Financial liabilities	(1,615)
Deferred tax provision	(49)
Total identifiable assets	2,965
Goodwill	22,657
Total consideration	25,622
Satisfied by:	
Cash	23,122
Deferred consideration	2,500
Total consideration transferred	25,022
Cash flow analysis:	
Cash consideration	23,122
Less: cash and cash equivalent balances acquired	(249)
Net cash outflow arising on acquisition	22,873

13 Business combinations (continued)

On 12 July 2018, VetPartners Limited acquired 100% of the issued share capital of Penbode Vets Limited, obtaining control.

Penbode Vets Limited contributed £6,818,000 revenue and £660,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,843
Stocks	221
Tangible assets	77
Financial liabilities	(2,325)
Deferred tax provision	(3)
Total identifiable assets	(187)
Goodwill	18,353
Total consideration	18,166
Satisfied by:	
Cash	16,666
Deferred consideration	1,500
Total consideration transferred	18,166
Cash flow analysis:	
Cash consideration	16,666
Less: cash and cash equivalent balances acquired	(587)
Net cash outflow arising on acquisition	16,079

13 Business combinations (continued)

On 9 August 2018, VetPartners Limited acquired 100% of the issued share capital of Rainbow Equine Hospital Limited, obtaining control.

Rainbow Equine Hospital Limited contributed £4,290,000 revenue and £295,000 to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,549
Stocks	39
Tangible assets	824
Financial liabilities	(924)
Deferred tax provision	-
Total identifiable liabilities	1,488
Goodwill	16,189
Total consideration	17,677
Satisfied by:	
Cash	17,677
Cash flow analysis:	
Cash consideration	17,677
Less: cash and cash equivalent balances acquired	(1,007)
Net cash outflow arising on acquisition	16,670

13 Business combinations (continued)

On 31 January 2019, VetPartners Limited acquired 100% of the issued share capital of Rosevean Veterinary Practice Limited, obtaining control.

Rosevean Veterinary Practice Limited contributed £999,000 revenue and £(160,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	371
Stocks	73
Tangible assets	195
Financial liabilities	(447)
Deferred tax provision	(22)
Total identifiable assets	170
Goodwill	7,700
Total consideration	7,870
Satisfied by:	
Cash	7,870
Cash flow analysis:	
Cash consideration	7,870
Less: cash and cash equivalent balances acquired	(360)
Net cash outflow arising on acquisition	7,510

13 Business combinations (continued)

On 14 June 2019, VetPartners Limited acquired 100% of the issued share capital of Wood Veterinary Group Limited, obtaining control.

Wood Veterinary Group Limited contributed £Nil revenue and £Nil to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,227
Stocks	150
Tangible assets	57
Financial liabilities	(1,609)
Deferred tax provision	(15)
Total identifiable liabilities	(190)
Goodwill	12,443
Total consideration	12,253
Satisfied by:	
Cash	12,253
Cash flow analysis:	
Cash consideration	12,253
Less: cash and cash equivalent balances acquired	(794)
Net cash outflow arising on acquisition	11,459

13 Business combinations (continued)

On various dates, VetPartners Limited acquired 100% of the issued share capital of various companies, obtaining control.

In total these companies contributed £7,012,000 revenue and £(30,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	1,662
Stocks	478
Tangible assets	1,305
Financial liabilities	(3,966)
Deferred tax provision	(141)
Total identifiable assets	(662)
Goodwill	22,691
Total consideration	22,029
Satisfied by:	
Cash	21,104
Deferred consideration	925
Total consideration transferred	22,029
Cash flow analysis:	
Cash consideration	22,029
Less: cash and cash equivalent balances acquired	(577)
Net cash outflow arising on acquisition	21,452

13 Business combinations (continued)

On, 5 October 2018 VetPartners Practices Limited acquired the trade and assets of Garden Veterinary Group, obtaining control.

Garden Veterinary Group contributed £1,555,000 revenue and £(238,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	111
Stocks	59
Tangible assets	-
Financial liabilities	(164)
Deferred tax provision	-
Total identifiable liabilities	6
Goodwill	4,464
Total consideration	4,470
Satisfied by:	
Cash	4,170
Deferred consideration	300
Total consideration transferred	4,470
Cash flow analysis:	
Cash consideration	4,470
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	4,470

13 Business combinations (continued)

On various dates, VetPartners Practices Limited acquired the trade and assets of various businesses, obtaining control.

The businesses acquired contributed £2,758,000 revenue and £(187,000) to the group's profit for the period between the date of acquisition and the balance sheet date.

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

	Fair Value
	£'000
Assets and liabilities acquired	
Financial assets	113
Stocks	33
Financial liabilities	(301)
Total identifiable liabilities	(155)
Goodwill	2,955
Total consideration	2,800
Satisfied by:	
Cash	2,800
Cash flow analysis:	
Cash consideration	2,800
Less: cash and cash equivalent balances acquired	-
Net cash outflow arising on acquisition	2,800

14 Tangible assets

Group

	Land & Buildings £'000	Furniture, fittings and equipment £'000	Motor vehicles £'000	Right-to-use assets £'000	Total £'000
Cost					
At 1 July 2017	1,975	6,120	158	19,758	28,011
Acquired through business combinations	1,885	5,164	183	-	7,232
Additions	1,074	2,294	309	24,889	28,566
Disposals	-	(47)	(69)	-	(116)
At 1 July 2018	4,934	13,531	581	44,647	63,693
Acquired through business combinations	6,168	6,355	1,117	-	13,640
Additions	6,708	5,588	1,277	17,641	31,214
Disposals	(357)	(150)	(208)	-	(715)
At 30 June 2019	17,453	25,324	2,767	62,288	107,832
Depreciation					
At 1 July 2017	201	1,650	40	1,581	3,472
Charge for the period	493	2,453	150	2,745	5,841
On disposals	-	(1)	(66)	-	(67)
At 1 July 2018	694	4,102	124	4,326	9,246
Charge for the period	945	5,154	594	5,176	11,869
On disposals	-	(41)	(106)	-	(147)
At 30 June 2019	1,639	9,215	612	9,502	20,968
Carrying amount					
At 30 June 2019	15,814	16,109	2,155	52,786	86,864
At 30 June 2018	4,240	9,429	457	40,321	54,447

Right-to-use assets relate to leases capitalised under IFRS 16. Certain motor vehicles and other assets were obtained on hire purchase arrangements and are therefore pledged as security accordingly.

15 Financial assets

Company

	2019	2018
	£	£
Investments in subsidiaries	242,691	145,041

Subsidiaries	£
Cost and carrying amount	
At 1 July 2018	145,041
Additions	97,650
Carrying amount	242,691

15 Investments (continued)

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are given below. All subsidiaries are 100% owned.

Undertaking	Registered Office	Holding	Company number
Subsidiary undertakings			
VetPartners Limited	England and Wales	Ordinary	10026837
Minster Veterinary Practice Limited	England and Wales	Ordinary	05872103
York Canine Hydrotherapy limited	England and Wales	Ordinary	06700907
R&S Dowding Limited	England and Wales	Ordinary	06843771
Westway Veterinary Centres Limited	England and Wales	Ordinary	07177168
Vetsavers UK Limited	England and Wales	Ordinary	04046891
The Elisabeth Huntenburg Veterinary Practice Limited	England and Wales	Ordinary	05775289
Beechwood Veterinary Group Limited	England and Wales	Ordinary	06497955
Eastfield Veterinary Clinic Limited	England and Wales	Ordinary	05252911
Ashleigh Veterinary Clinic Limited	England and Wales	Ordinary	07402286
Braid Vets Limited	Scotland	Ordinary	SC395761
Prince Bishop Veterinary Centre Limited	England and Wales	Ordinary	05875379
VetPartners Practices Limited	England and Wales	Ordinary	10084952
Border Vets Limited	Scotland	Ordinary	SC360960
Wilson Veterinary Limited	England and Wales	Ordinary	05063389
Hadrian Vets Limited	England and Wales	Ordinary	07606135
Ashlands Veterinary Services (2006) Limited	England and Wales	Ordinary	05911908
Woodcroft Veterinary Group Limited	England and Wales	Ordinary	07013686
Rutland House Surgery Limited	England and Wales	Ordinary	03984811
Southfields (Cheshire) Limited	England and Wales	Ordinary	05942126
A & E Vets Limited	England and Wales	Ordinary	05047115
Best Friends Group Limited	England and Wales	Ordinary	04378366
Vetsavers Joint Venture Partnership Limited	England and Wales	Ordinary	09897566
Chantry Vets Limited	England and Wales	Ordinary	10471388
Robert Young (Kelso) Limited	Scotland	Ordinary	SC307969
Valley Vets Limited	England and Wales	Ordinary	04672056
Veterinary Emergency Treatment Services Limited	England and Wales	Ordinary	04676277
David Ashworth Limited	England and Wales	Ordinary	04627180
York Vets Limited	England and Wales	Ordinary	06638521
Littlecroft Vets Limited	England and Wales	Ordinary	07690170

15 Investments (continued)

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

Undertaking	Registered Office	Holding	Company number
PVG (Cardiff) Tradeco Limited	England and Wales	Ordinary	11576752
Westside Veterinary Clinic Limited	England and Wales	Ordinary	07306139
Galedin Limited	Scotland	Ordinary	SC605570
Rosevean Veterinary Practice Limited	England and Wales	Ordinary	09496166
M & S EVP Limited	England and Wales	Ordinary	06620884
N & H Whieldon Limited	England and Wales	Ordinary	07701802
Abbeyserve Limited	England and Wales	Ordinary	09879023
Ashfield House Veterinary Hospital Limited	England and Wales	Ordinary	05194115
Fellowes Farm Equine Clinic Limited	England and Wales	Ordinary	06626682
Castle Vets Limited	England and Wales	Ordinary	06632506
Sound Equine Limited	England and Wales	Ordinary	06548413
AVC (Abergavenny) Limited	England and Wales	Ordinary	11794568
Abbey Veterinary Centres Limited	England and Wales	Ordinary	06481044
Kings Bounty Equine Practice Limited	England and Wales	Ordinary	08634181
Isle Valley Vets Limited	England and Wales	Ordinary	07986867
Wood Veterinary Group Limited	England and Wales	Ordinary	09053619
Calweton Veterinary Services Limited	England and Wales	Ordinary	04540277
Devon Equine Vets Limited	England and Wales	Ordinary	09253058
Clyde Vets Ltd	Scotland	Ordinary	SC437346
Clyde Vet Group Ltd	Scotland	Ordinary	SC544097
Lynwood Vets Ltd	England and Wales	Ordinary	08499179
LSVN Limited	England and Wales	Ordinary	10423717
Parklands Veterinary Ltd	Northern Ireland	Ordinary	NI045393
Parklands Veterinary Portglenone Ltd	Northern Ireland	Ordinary	NI627959
UK Farm Vets Limited	England and Wales	Ordinary	07331487
UK Farm Vets North Limited	England and Wales	Ordinary	09008149
LLM Farm Vets (Derbyshire) Limited	England and Wales	Ordinary	06972062
Origin Group Holdco Limited	England and Wales	Ordinary	08784951
Origin Group Finance Limited	England and Wales	Ordinary	08784972
Garth Pig Practice Limited	England and Wales	Ordinary	09467241
Westpoint Veterinary Group Limited	Scotland	Ordinary	SC439231
Westpoint Veterinary Services (South East) Limited	Scotland	Ordinary	SC277099
Stock1st Limited	England and Wales	Ordinary	04461543
Westpoint Veterinary Services (South West) Ltd	Scotland	Ordinary	SC399354
Poultry Health Services Limited	England and Wales	Ordinary	04161083
Myerscough Farm Vets Limited	England and Wales	Ordinary	06927434
The Veterinary Farmacy Limited	Scotland	Ordinary	SC256023

Undertaking	Registered Office	Holding	Company number
Westpoint Enterprise Support Limited	Scotland	Ordinary	SC437333
Xperior Farm Health Limited	England and Wales	Ordinary	08924524
Westpoint Group Trading Limited	England and Wales	Ordinary	08833557
Cedar Farm Practice Limited	England and Wales	Ordinary	05904064
Biobest Laboratories Limited	Scotland	Ordinary	SC199355
Kingshay Farming and Conservation Limited	England and Wales	Ordinary	02596568
Retford Poultry Partnership Limited	England and Wales	Ordinary	07134493
Farmvets Southwest Limited	England and Wales	Ordinary	05640845
Oakwood Veterinary Practice Limited	England and Wales	Ordinary	10556618
Oakwood Veterinary Referrals Limited	England and Wales	Ordinary	09910044
Penbode Vets Limited	England and Wales	Ordinary	06313481
Sapphire Imaging Limited	England and Wales	Ordinary	07192380
Bromyard Vets Limited	England and Wales	Ordinary	10129971
Wyre Forest Veterinary Centre Limited	England and Wales	Ordinary	07761541
Robin Lewis & Associates Limited	England and Wales	Ordinary	08564098

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

York Canine Hydrotherapy Limited, Vetsavers UK Limited, A&E Vets Limited and Vetsavers Joint Venture Partnership Limited are all dormant.

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

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

16 Inventories

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Finished goods and goods for resale	6,846	5,032	-	-

Group
The cost of inventories recognised as an expense in the year amounted to £52,576,000 (2018 - £23,605,000).

17 Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	24,908	7,984	-	-
Amounts owed by group undertakings	-	-	49,678	-
Other receivables	7,192	4,511	-	-
Prepayments	6,153	4,361	-	-
	38,253	16,856	49,678	-
Less non-current portion	-	-	(49,678)	-
	38,253	16,856	-	-

Details of non-current trade and other receivables

Company
£49,678,000 (2018 - £Nil) of amounts owed by group undertakings is classified as non-current.

Credit risk and impairment

Due to the nature of the Group's customers, formal credit limits are not set. The Group establishes provisions for impairment in each operating entity based on the perceived credit risk arising, usually on the basis of ageing, and particularly concentrated on newly acquired entities where the credit quality of trade receivables may be weaker. The amount of provision included at 30 June 2019 was £6,056,000 (2018 : £2,976,000), meaning gross trade receivables before deduction of impairment provisions were £30,964,000 (2018 : £10,960,000)

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

The maximum exposure to credit risk at 30 June 2019 is the value of trade receivables disclosed above.

18 Trade and other payables

		Group		Company	
		2019	2018	2019	2018
	Note	£'000	£'000	£'000	£'000
Due within one year					
Lease liabilities	23	4,766	4,038	-	-
Trade payables		19,745	12,374	-	-
Amounts owed to group undertakings		-	20,126	-	
Social security and other taxes		12,543	5,613	-	-
Other payables		10,713	6,610	-	-
Accrued expenses		20,147	13,513	-	-
Corporation tax payable		937	2,353	-	-
		68,851	64,627	-	-
Due after one year					
Loans and borrowings	19	474,799	221,564	49,678	-
Lease liabilities		51,975	38,091	-	-
Other non-current financial liabilities		6,494	1,989	-	-
		533,268	261,644	49,678	-

19 Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Non-current loans and borrowings				
Bank borrowings	425,121	221,564	-	-
Loan from parent undertaking	49,678	-	49,678	-
	474,799	221,564	49,678	-

Group

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

	30 June 2019	30 June 2018
	£'000	£'000
After more than five years not by instalments	425,121	-

The notes on pages 13 to 57 form an integral part of these financial statements

19 Loans and borrowings (continued)

Total bank borrowings outstanding of £425,121,000 (2018 - £221,564,000) are stated net of costs associated with raising finance of £4,379,000 (2018 - £12,436,000).

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

20 Pension and other schemes

Defined contribution pension scheme

The group operates defined contribution pension schemes. The pension cost charge for the year represents contributions payable by group companies to the schemes and amounted to £2,908,000 (2018 - £855,000).

21 Share capital

Allotted, called up and fully paid shares

	30 June 2019 No	30 June 2019 £	30 June 2018 No	30 June 2018 £
Ordinary shares of £1 each	242,690,867	242,690,867	145,040,867	145,040,867

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

At 1 July 2018	145,040,867
Issued 25 July 2018	34,650,000
Issued 31 October 2018	15,400,000
Issued 4 February 2019	6,000,000
Issued 3 April 2019	15,200,000
Issued 29 May 2019	26,400,000
	242,690,867

22 Reserves

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

23 Obligations under leases and hire purchase contracts

Group

The total of future minimum lease payments is as follows:

	2019 £'000	2018 £'000
Not later than one year	4,766	4,038
Later than one year and not later than five years	16,619	14,431
Later than five years and not later than ten years	20,269	14,109
Later than ten years	15,087	9,551
	56,741	42,129

In these financial statements, the Group has decided to early adopt the provisions of IFRS 16 leases.

The Group decided to adopt the full retrospective approach. Comparative information is therefore presented as if IFRS 16 had always applied. However, as these are the Group's first set of consolidated financial statements, this is not considered to be a restatement in accordance with IAS 8.

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

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. Interest expense on lease liabilities is disclosed in note 7. The majority of the Group's lease arrangements relate to properties from which the various trading subsidiaries operate. The terms of leases vary depending on factors such as the geography and size of each subsidiary. The Group also accounts for certain equipment acquired under lease arrangements as finance leases.

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

24 Financial instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of net debt (borrowings disclosed in note 19 after deducting cash and bank balances) and equity of the Group (comprising issued capital and reserves retained earnings).

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

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

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

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

Categories of financial instruments

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

	Group		Company	
	2019	2018	2019	2018
	£000	£000	£000	£000
Financial assets				
Trade and other receivables	32,100	12,495	-	-
Cash and cash equivalents	60,120	43,733	-	-
Amounts owed by group undertakings	-	-	49,678	-
	92,220	56,228	49,678	-
Financial liabilities				
Trade and other payables	24,037	18,985	-	-
Accruals	20,147	13,513	-	-
Deferred and contingent consideration	12,915	1,989	-	-
Bank borrowings	425,121	221,564	-	-
Amounts owed to group undertakings	49,678	20,126	49,678	-
	531,898	276,177	49,678	-

Financial risk management

Credit risk
Credit risk arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk at 30 June 2019 was £24,908,000 (2018 - £7,984,000). Trade receivables are managed by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. At the year end, the credit quality of trade receivables is considered to be satisfactory. Further details can be found in note 17.

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

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

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

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

If interest rates had been 10% higher/lower and all other variables were constant, the Group's loss for the year would have increased/decreased by £2,416,000 due to its exposure to interest rates on its variable rate borrowings.

25 Related party transactions

Group

Summary of transactions with parties with significant influence
The bank borrowings disclosed in note 19 are managed and controlled by Ares Management Limited, an entity that has a shareholding in the company sufficient for it to be able to exert significant influence.

Company

Summary of transactions with key management
Key management personnel are considered to be the directors of the company and key management personnel compensation is disclosed in note 9 to the financial statements.

26 Controlling party

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

27 Non adjusting events after the financial period

Subsequent to the balance sheet date, the Group has completed the acquisition of the following entities:

- St. Peter's Vets Limited
- Broughton Vet Group Limited
- Damory Veterinary Clinic
- Maes Glas Vets Limited
- Bourton Vale Equine Clinic Limited
- Aireworth Vets
- Blackhall VS Limited
- Vet Hospital Firenze S.r.l.
- Parma Vet S.r.l.
- Ferrara Vet S.r.l.
- V.E.T.S. S.r.l.

The total consideration paid in respect of the above acquisitions was £66,633,000. The acquisition accounting for these business combinations is not yet complete.