CVS Group plc

Interim report for the six-months ended 31 December 2020

For Immediate Release **25 March 2021**

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

Interim results for the six months ended 31 December 2020

Continuing robust performance
Well positioned for future growth

CVS, one of the UK's leading providers of integrated veterinary services, is pleased to announce its interim results for the six months ended 31 December 2020 ('H1 2021') and provide an update on year-to-date trading.

Financial Highlights

£m except where stated	**H1 2021 Post-IFRS 16**	H1 2020[6] Post-IFRS 16	Change %[7] Post-IFRS 16	H1 2021 Pre-IFRS 16
Revenue	**245.6**	224.5	9.4%	245.6
Group like-for-like ("LFL") sales growth[1] (%)	***7.8%***	*8.4%*	*-0.6 ppts*	7.8%
Adjusted EBITDA[2]	**45.1**	37.9	19.0%	37.3
Adjusted EBITDA[2] margin (%)	***18.4%***	*16.9%*	*+1.5 ppts*	*15.2%*
Adjusted profit before income tax[3]	**29.7**	21.4	38.8%	30.5
Adjusted earnings per share[4] (p)	**33.3**	24.4	36.5%	34.2
Operating profit	**18.4**	11.8	55.9%	17.2
Profit before tax	**14.8**	7.6	94.7%	15.6
Basic earnings per share (p)	**16.0**	8.0	100.0%	16.9
Net bank borrowings[5]	**44.4**	97.1	-54.3%	44.4

Notes

1 Like-for-like sales are defined as 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 2019, revenue is included in the like-for-like calculations from September 2020.

2 Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) is profit before income tax, net finance expense, depreciation, amortisation, costs relating to business combinations and exceptional items. Adjusted EBITDA is used as a financial metric that removes the cost of debt, costs relating to depreciation and amortisation and one-off costs to get a normalised number that is not distorted by irregular items or structural investment.

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

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

5 Net bank borrowings is drawn bank debt less cash at bank.

6 The Group adopted IFRS 16 Leases from 1 July 2019 and applied the standard prospectively from that date. For the year ended 30 June 2020 there were changes to accounting estimates which affected the valuation of the right-of-use asset and right-of-use liability on transition. The period ended 31 December 2019 has been restated to reflect these changes and this has resulted in an increase in Profit before income tax for that period of £0.9m, an increase in Adjusted EBITDA of £0.4m, and an increase in Adjusted Earnings per share of 1.0 pence per share.

7 Percentage increases and decreases have been calculated throughout this document based on the unrounded values.

Operational Highlights

- Continued focus on service quality and harnessing our integrated model is driving growth:
  - New client registrations up by c. 17%
  - Average client spend in our primary care companion practices has grown by c. 6% reflecting our focus on patient care
  - Revenue from our referrals division has grown by 20.6%

    - Membership of Healthy Pet Club, our preventative care scheme, up 3.6% to 430,000
- New initiatives introduced to encourage staff retention, alongside a continued focus on the recruitment of new clinicians across the Group plus improvements to training and staff welfare
- Continued support across the business to ensure safe working practices for employees and clients in the face of COVID-19
- Four new practices acquired in the period

Current Trading & Outlook

- Like-for-like sales[1] growth for the Group in the first eight months of 8.2% (29 February 2020: 7.9%)
- Stable vet vacancy rate, averaging 7.5% for the first eight months (29 February 2020: 7.9%)
- MiNightVet out-of-hours services expanded to 34 practices (30 June 2020: 29 practices)
- Four new acquisitions made since half year period end

Richard Fairman, Chief Executive Officer, commented:

"I am extremely proud of the dedication, commitment and professionalism of all CVS colleagues during this period, whose support has enabled us to continue providing the highest levels of veterinary care to our customers despite the difficult and uncertain backdrop of COVID-19.

Notwithstanding the ongoing uncertainty, we delivered a strong performance in the first half of the year, with our fully integrated model allowing us to cater for the veterinary needs of an expanding pet population. Through our integrated model, we are well positioned to benefit from opportunities presented by favourable consumer trends.

Trading in the first two months of our second half continues the positive trend and we remain well positioned to achieve both organic and acquisitive future growth."

Results webcast

Management will host a live webcast and Q&A for analysts and investors at 9am GMT this morning. Those wishing to join should email CVSGroup@mhpc.com for the registration details. For those unable to join, there will be a playback facility available on the CVS website later today.

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About CVS Group plc

CVS Group is a fully integrated provider of veterinary services in the UK, with practices in the Netherlands and the Republic of Ireland. CVS is focused on providing high quality clinical services to its customers and their animals, with outstanding and dedicated clinical teams and support colleagues at the core of its strategy.

The Group has 497 veterinary practices across its three markets, including eight specialist referral hospitals and 34 dedicated out-of-hours sites. Alongside the core Practices division, CVS operates Laboratories (providing diagnostic services to CVS and third parties), Crematoria (providing pet cremation and clinical waste disposal for CVS and third party practices), Buying Groups and Animed Direct (the Group's online retail business).

The Group employs c. 7,400 personnel, including c. 1,900 veterinary surgeons and c. 2,500 nurses.

Introduction
The Board is pleased to announce the results of CVS Group plc for the six-month period ended 31 December 2020. Against the difficult backdrop of COVID-19 impacting our operations during the period, the Group has delivered a strong set of results for H1 2021, with encouraging further growth in both revenue and underlying profit.

Our fully integrated model and concurrent focus on clinical care have driven the robust H1 performance, with strong top line revenue and a stable vet vacancy rate leading to improved EBITDA margins.

COVID-19 Update
Our operations have adapted well in response to the COVID-19 pandemic, thanks to the quick implementation of safety procedures and the dedication of our clinical teams. In turn, this has resulted in resilient financial performance, which provides a strong basis for continuing growth.

During the first national lockdown, in March 2020, CVS was significantly impacted with small animal practice sales down by c. 50%. As restrictions eased and guidance from our industry regulator, the Royal College of Veterinary Surgeons ("RCVS"), was revised to allow non-emergency work, recovery was gradual such that revenue had recovered to pre-COVID-19 levels by the 2020 financial year-end. Other divisions such as Animed Direct saw double digit growth over the same period, responding to the structural changes in demand for online shopping.

By the start of the new financial year, all practices were open, with continued strong client demand for services and treatments, and procedures deferred from the first lockdown were being performed. Enhanced safety protocols continued to be followed with clients unable to enter practices in the interest of public health. These protocols continued through the 'circuit breaker' lockdown in November and into the third national lockdown from January 2021. Only essential work was undertaken during these restrictions, with client demand strong. The Group's performance was enhanced in the later part of H1 2021, boosted by COVID-19 travel testing in its laboratories.

Market trends
CVS continues to operate in a market with favourable consumer trends. The UK pet population has now risen to c. 21m cats and dogs in 2020 (PDSA PAW report 2020) with increased demand for pets during lockdown. This increase, coupled with medical advancements across multiple areas of clinical care, complements our integrated service model, which caters for all life stages, and is a solid platform for further growth as these pets get older and potentially require additional medical intervention in later life. The humanisation of pets is also driving growth in the wider use of animal care services, as owners consider more ways of looking after their pets.

We have also seen a transition in demand for pet accessories and food to online, with an increase of more than 65% in online food orders in H1 2021 compared to H1 2020 in Animed Direct, our online pharmacy and retail business. In light of this ongoing channel shift, we continue to look at ways to harness our wealth of data and meet more of our customers' needs.

Strategic focus
We continue to prioritise our organic growth and have strengthened our management team to help deliver our strategic priorities. Our new HR Director will help us attract and retain the best talent, and further improve our vet vacancy rate. Our new Chief Technology Officer will focus on our data and technological opportunities.

We remain well positioned for further growth through acquisitions and have continued to expand and strengthen the capabilities of our acquisitions team. As well as senior hires, the team has implemented a revised due diligence and integration programme to accelerate completion times and synergy realisation. Integration planning commences from an early stage in the acquisition process, ensuring our fully integrated model delivers the highest level of synergies following acquisition.

The Board has a clear strategy to deliver further growth in shareholder value through four strategic pillars, which are underpinned by the Group's vision to be the veterinary company people most want to work for.

1. We recommend and provide the best clinical care every time
CVS continues to focus on the provision of high quality clinical care.

We continue to work hard to drive improved levels of preventative healthcare and are pleased the Group's Healthy Pet Club Scheme had 430,000 members as at 31 December 2020, an increase of 3.6% since 30 June 2020 (415,000 members). The scheme, for companion animals, offers discounted products and services for a regular monthly fee, with the aim of improving clinical compliance in preventative health and to protect practice sales by bonding pet owners to their local CVS surgery through regular communications and visits.

We have also implemented industry-leading techniques across our practices, such as Keyhole Neutering, and expanded our pool of advanced peripatetic practitioners to deliver the best clinical care. Our continued focus on service quality continues to drive client value – our average client spend increased c. 6% reflecting our focus on patient care, the number of cases referred to our specialist referral hospitals increased by 21%, and new client registrations have increased by c. 17%, with sustained growth expected throughout the pet's life.

Post the period end, in March 2021, we published our latest Quality Improvement ("QI") report, reflecting our commitment to lead the veterinary profession in patient safety and to promote a culture of learning and development amongst colleagues. This report is unique to CVS and demonstrates our dedication in upholding the very best standards and encouraging a culture of constant improvement across the Group.

2. We are a great place to work and have a career
CVS has a passionate team of highly skilled people who are committed to providing the highest standards of clinical care.

We continue to focus on improved retention of our existing clinical colleagues, through the provision of diverse clinical experience from our broad practice specialisms, continued support in studying for enhanced professional qualifications and through the opportunity for colleagues to undertake leadership roles in the business, implementing accredited certificates to develop strong leadership and management skills for our leaders.

Despite the COVID-19 pandemic, we have continued to deliver a high level of engagement with our staff; the average number of online learning sessions accessed remotely through our Knowledge Hub is c. 2,300 per week, ensuring vital CPD is maintained. We have also successfully internally recruited 349 roles in H1 2021.

We have partnered with the University of Nottingham to deliver a four-year accredited Graduate Programme, promoting learning at all levels of our vets' careers.

We have re-invented our refer-a-friend scheme, further improving our recruitment of talent into CVS. During H1 2021, we have recruited 70 successful applicants using this scheme.

Benefiting from these various initiatives, the Group is pleased that the vacancy rates for veterinary surgeons have remained stable, reducing to 7.4% in H1 2021 versus 7.8% in H1 2020. Vacancy rates for nurses decreased to 4.9% in H1 2021 versus 5.2% in H1 2020.

3. We provide great facilities and equipment
We are committed to providing the best facilities and equipment for our teams.

During the period, we invested £6.2m in facilities and equipment, including the refurbishments of six practices, with a further eight planned for H2 2021. Upgrading our practice facilities enables us to deliver the highest level of clinical care, install new equipment such as facilities to perform keyhole surgery in 38 of our practices, expand our capacity and improve both attractiveness and accessibility to customers and colleagues. This can deliver upside in both performance and staff retention. Our continued commitment to providing high quality facilities has seen the number of CVS practices with RCVS awards grow to 160 in the period, of which 157 were outstanding.

We continue to grow our contact centre, with 33 practices now utilising the centralised service. Of these practices, there is a greater than 80% improvement in call conversion to appointment compared to practice averages. Our contact centre centralises our client appointment requests and frees up our practices to focus on delivering a higher level of customer service.

In this financial year, we have acquired 14 sites through eight acquisitions by the date of this report, continuing our focus on expanding our network with complementary acquisitions (see appendix and current trading for further information).

4. We take our responsibilities seriously
CVS continues to be committed to do the right thing.

Our people and their wellbeing are of the utmost importance and during the last six months, we have appointed Olympic gold medal winner, Sally Gunnell OBE, as an ambassador for wellbeing, to help our colleagues engage with the various materials and initiatives on offer. We have also trained further mental health first aiders and given all employees the opportunity to take part in Mindfulness training.

Our responsibilities do not stop with our people. In December, we committed to use only renewable energy across our property estate, helping to reduce our carbon footprint, and we have further plans to be implemented in this area.

We continue to encourage our practices to engage and support the local communities in which they operate. As a Group, we continue to donate to Vet Life, a charity for the veterinary profession that provides emotional, financial and mental health support to the veterinary community. Our chosen charity of the year, voted by our colleagues, is The British Divers Marine Life Rescue. We also provide discounted veterinary care to a number of animal charities to promote animal welfare.

We have also further enhanced our Health and Safety (“H&S”) monitoring, by broadening the demographics of our safety committees and incorporating them within our operating divisions, to better meet the needs of individual areas of the business and to maximise and diversify the skills of members. We have also invested in a new H&S system for all of our sites to improve both reporting and monitoring in this area.

Financial Review
CVS has delivered strong results for H1 2021 across all financial measures. The Group continued to focus on its core business, driving organic growth, whilst investing to support future strategic progress.

Group revenue was £245.6m in the period, an increase of 9.4% over the prior year (H1 2020: £224.5m). Like-for-like (“LFL”) sales grew by 7.8% for the Group (adjusted for the number of trading days in the period) (H1 2020: 8.4%).

Gross margin before clinical staff costs remained broadly stable at 75.8% (H1 2020: 76.0%). Employment costs as a percentage of sales improved to 48.9% (H1 2020: 51.0%), with our continued focus on clinical staff retention with vet vacancy rates in the first half stable at 7.4% (H1 2020: 7.8%).

Adjusted EBITDA for the half year was £45.1m (£37.3m pre-IFRS 16), an increase of 19.0% (H1 2020: £37.9m, pre-IFRS 16 £30.1m). This is primarily due to the increase in top line sales.

Operating profit increased to £18.4m (H1 2020: £11.8m) after depreciation of £5.2m (H1 2020: £5.5m), depreciation of right-of-use assets under IFRS 16 of £6.6m (H1 2020: £6.8m), amortisation of £10.6m (H1 2020: £11.0m) and costs relating to business combinations of £4.3m (H1 2020: £2.1m).

Adjusted profit before income tax, which excludes the amortisation of intangible assets, costs relating to business combinations and exceptional items, increased to £29.7m (H1 2020: £21.4m). Adjusted earnings per share increased to 33.3p (H1 2020: 24.4p).

Basic earnings per share increased to 16.0p in the period (H1 2020: 8.0p).

Cash generated from operations was £52.3m (H1 2020: £39.3m) with the improvement reflecting the increase in Operating profit as noted above and favourable working capital movements. Cash conversion continued to be strong with free cash flow of £31.5m (H1 2020: £17.6m), there being no impact from IFRS 16 on resultant net cash flow.

Net bank borrowings decreased to £44.4m at period end (30 June 2020: £63.5m) after funding £10.6m of acquisitions (net of cash acquired) in the period. This gearing reduction reflects our continuing focus on the operational performance and organic growth, informed by better management information, enhanced systems, reporting and controls and prudent control of expenditure.

Divisional performance

Veterinary Practice Division

Our Veterinary Practice division comprises 497 veterinary practices across three markets, including eight specialist referral hospitals and 34 dedicated out-of-hours sites, as well as our buying groups, Vet Direct and MiPet insurance. Veterinary Practice division revenues of £218.2m were generated in the six-month period to 31 December 2020, an increase of 7.2% on the £203.6m achieved in the prior period. Like-for-like sales growth was 5.5% in the period (H1 2020: 7.5%).

The gross margin before clinical staff costs in the Veterinary Practice Division improved slightly to 78.2% (H1 2020: 77.6%).

Adjusted EBITDA for the Veterinary Practice Division increased to £45.8m (H1 2020: £38.1m). The adjusted EBITDA margin increased to 21.0% (H1 2020: 18.7%). This EBITDA margin reflects the improvement in gross margin, a continued reduction in the use of higher cost vet locum services and benefits from net £3.0m of HPC income delayed from the previous year.

As the largest integrated veterinary service provider, our referrals business provides care to patients to both CVS and third party owned first opinion practices providing access to some of the largest and most advanced specialist centres in the UK. We continue to develop our referrals business through the expansion of our service offering, the recruitment of further specialists and the continued investment in our referral hospitals. Revenue from our referrals division in the six-month period to 31 December 2020 increased by 20.6% in comparison to the six-month period to 31 December 2019.

Laboratory Division

Our laboratories division provides diagnostic services and in-practice laboratory analysers to CVS practices and third party owned veterinary surgeries. Diagnostic services are offered via post and courier allowing complete coverage of the UK and in 2020 we launched COVID-19 testing for CVS and third parties, an additional revenue stream for the Group during the period albeit this will cease in H2 2021. Revenue of £13.9m was generated in the period (H1 2020: £10.9m). Adjusted EBITDA was £4.1m (H1 2020: £2.7m).

Crematoria Division

Our Crematoria division provides pet cremation and clinical waste disposal for CVS and third party practices. Revenues were £3.9m in the period (H1 2020: £3.8m) reflecting an increase in the mix of higher value individual cremations. Adjusted EBITDA increased to £1.4m (H1 2020: £1.3m) as a result.

Animed Direct

We have continued to expand Animed Direct, our on-line retail business, with revenue increasing to £19.7m (H1 2020: £14.7m). Adjusted EBITDA was £1.4m (H1 2020: £1.2m).

Central administration
Central administration costs were £7.6m (H1 2020: £5.4m). Expressed as a percentage of Group revenue, these costs increased to 3.1% (H1 2020: 2.4%). The increase primarily relates to one-off COVID-19 costs, increased share option costs and salary costs for new roles to help support the continued growth of CVS.

Acquisitions
In the six months to 31 December 2020, four practices were acquired (see appendix). A total of £10.6m (net of cash acquired) was paid for the acquisitions in the period.

Cash flow and funding position
CVS had Borrowings of £85.0m at 31 December 2020 and with cash on balance sheet of £40.6m, Net bank borrowings were £44.4m (H1 2020: £97.1m). The Group had leverage (net debt / adjusted annualised EBITDA) of 0.72x at 31 December 2020 (30 June 2020 1.14x).

The Group renewed and extended its bank facilities in January 2020, with committed facilities as follows:

- A fixed term loan of £85.0m, repayable on 31 January 2024 via a single bullet repayment;
- A four-year Revolving Credit Facility ("RCF") of £85.0m, that runs to 31 January 2024;
- In addition, the Group has a £5.0m overdraft facility renewable annually.

The Group is subject to two financial covenants associated with these facilities; Leverage (Net debt / EBITDA) which must not exceed 3.25x and interest cover (EBITDA / Net interest paid) which should be greater than 4.5x. Both covenants are calculated based on the Group's accounting policies applicable at 30 June 2019 for the duration of the facilities (i.e. pre-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 31 December 2020.

Capital allocation
Our capital allocation policy prioritises investment in the Group's clinical facilities and practices to drive organic growth from existing operations, alongside investment in acquisitions to drive further growth.

Dividends
A decision on the final dividend in respect of the current financial year will be made with the Group's full year results, in line with our customary practice and in light of the outcome for the year and prevailing market conditions. The Board did not recommend the payment of a final dividend for the year ended 30 June 2020.

Current trading
The Board is pleased to report that the positive performance of H1 2021 has continued in the first two months of the second half. Like-for-like growth in the eight month (year-to-date) period is 8.2% for the Group and 5.8% for the Veterinary Practice Division. Our veterinary surgeon vacancy rate has remained stable at 7.5%.

Since the half-year end, we have completed four acquisitions, namely;

- Market Hall Vets, a three site mixed animal practice based in Carmarthenshire;
- Animal Health Centre, a single site small animal practice based in Bristol;
- Polmont Veterinary Clinic, a single site small animal practice based in Falkirk; and
- Irby & Neston Veterinary Surgery, a two site small animal practice based in The Wirral.

The Group continues to generate underlying cash flows and leverage reduced to 0.70x as at 28 February 2021. (31 December 2020: 0.72x; 30 June 2020: 1.14x)

Outlook
The veterinary market is undergoing growth, with increasing pet ownership and the humanisation of pets leading to increased demand for veterinary services. Our focus on high clinical standards and preventative care offerings, and the breadth of our integrated model, positions us favourably to deliver further enhancement in shareholder value.

The Board is pleased with the Group's ability to adapt to the challenges of COVID-19 and growth has been achieved across all operations during the first eight months of the year. The Board therefore remains confident in the Group's ability to maintain clinical excellence and in the adaptability of its people and processes, which together support continuing momentum and provide strong prospects for growth over the longer-term.

Richard Connell
Chairman
25 March 2021

Condensed consolidated statement of comprehensive income for the six-month period ended 31 December 2020 (unaudited)

	Note	**31 December 2020 (Unaudited) £m**	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Revenue		**245.6**	224.5	427.8
Cost of sales		**(140.2)**	(142.5)	(257.7)
Gross profit		**105.4**	82.0	170.1
Administrative expenses		**(87.0)**	(70.2)	(151.6)
Operating profit		**18.4**	11.8	18.5
Other finance expense	5	**(3.6)**	(4.2)	(8.6)
Profit before income tax		**14.8**	7.6	9.9
Income tax expense	8	**(3.5)**	(2.0)	(4.2)
Profit for the period attributable to owners of the Parent Company		**11.3**	5.6	5.7
Basic		**16.0p**	8.0p	8.1p
Diluted		**15.9p**	8.0p	8.1p

All activities derive from continuing operations.

Reconciliation of adjusted financial measures

The Directors believe that adjusted profit provides additional useful information for shareholders on performance. This is used for internal performance analysis. This measure is not defined by IFRS and is not intended to be a substitute for, or superior to, IFRS measurements of profit. The following table is provided to show the comparative earnings before interest, tax, depreciation and amortisation ("EBITDA") after adjusting for costs relating to business combinations and exceptional items.

Non-GAAP measure: Adjusted EBITDA	Note	**£m**	£m	£m
Profit before income tax		**14.8**	7.6	9.9
Adjustments for:				
Finance expense	5	**3.6**	4.2	8.6
Depreciation	9,10	**11.8**	12.3	24.2
Amortisation	9	**10.6**	11.0	22.2
Costs relating to business combinations*		**4.3**	2.1	0.7
Exceptional items		**-**	0.7	5.4
Adjusted EBITDA		**45.1**	37.9	71.0

* Includes amounts paid in respect of acquisitions in prior years expensed to the income statement.

Condensed consolidated statement of comprehensive income for the six-month period ended 31 December 2020 (unaudited)

	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Profit for the period	**11.3**	5.6	5.7
Other comprehensive income			
Cash flow hedges:			
Net movement on cash flow hedge	**0.1**	(0.1)	(1.5)
Net movement on cost of hedging reserve	**(0.1)**	-	0.5
Deferred tax on cash flow hedge and available-for-sale financial assets	**-**	-	0.2
Exchange differences on translation of foreign operations	**0.1**	0.4	0.6
Other comprehensive income/(loss) for the period, net of tax	**0.1**	0.3	(0.2)
Total comprehensive income for the period attributable to owners of the Parent	**11.4**	5.9	5.5

Condensed consolidated statement of financial position as at 31 December 2020 (unaudited)

	Note	**31 December 2020 (Unaudited) £m**	31 December 2019 Restated (Unaudited) £m	30 June 2020 (Audited) £m
Non-current assets				
Intangible assets	9	**231.1**	240.1	229.8
Property, plant and equipment	9	**53.0**	52.6	51.6
Right-of-use assets	10	**98.5**	103.6	98.1
Investments		**0.1**	0.1	0.1
Deferred income tax assets	8	**2.2**	-	1.1
		384.9	396.4	380.7
Current assets				
Inventories		**19.6**	19.1	18.7
Trade and other receivables		**44.2**	40.0	43.4
Current income tax	8	**0.3**	-	-
Cash and cash equivalents		**40.6**	6.9	21.5
		104.7	66.0	83.6
Total assets		**489.6**	462.4	464.3
Current liabilities				
Trade and other payables	11	**(100.8)**	(69.4)	(87.7)
Provisions	12	**(4.5)**	-	(5.0)
Lease liabilities	13	**(9.0)**	(7.5)	(8.8)
Current income tax liabilities	8	**-**	(2.3)	(0.4)
Borrowings	16	**-**	(0.2)	(0.1)
		(114.3)	(79.4)	(102.0)
Non-current liabilities				
Borrowings	16	**(83.7)**	(103.5)	(83.5)
Lease liabilities	13	**(90.4)**	(94.3)	(89.8)
Derivative financial instruments		**(0.9)**	-	(0.9)
Deferred income tax liabilities		**(20.9)**	(19.3)	(21.5)
		(195.9)	(217.1)	(195.7)
Total liabilities		**(310.2)**	(296.5)	(297.7)
Net assets		**179.4**	165.9	166.6

Condensed consolidated statement of financial position as at 31 December 2020 (unaudited)

	Note	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	30 June 2020 (Audited) £m
Shareholders' equity				
Share capital		**0.1**	0.1	0.1
Share premium		**101.9**	100.1	101.9
Capital redemption reserve		**0.6**	0.6	0.6
Treasury reserves		**(0.2)**	-	(0.3)
Cash flow hedge reserve		**(1.3)**	-	(1.4)
Cost of hedging reserve		**0.4**	-	0.5
Revaluation reserve		**-**	0.1	-
Merger reserve		**(61.4)**	(61.4)	(61.4)
Retained earnings		**139.3**	126.4	126.6
Total equity		**179.4**	165.9	166.6

The interim financial information above is reproduced from that on pages 9 to 25 of the Group's Interim Report which was approved by the Board of Directors on 25 March 2021.

Condensed consolidated statement of changes in equity for the six-month period ended 31 December 2020 (unaudited)

	Share capital	Share premium	Capital redemption reserve	Treasury reserve	Revaluation reserve	Merger reserve	Cash flow hedge reserve	Cost of hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2020	**0.1**	**101.9**	**0.6**	**(0.3)**	**-**	**(61.4)**	**(1.4)**	**0.5**	**126.6**	**166.6**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11.3**	**11.3**
Other comprehensive income:										
Cash flow hedges: Fair value (losses)/gains	-	-	-	-	-	-	**0.1**	**(0.1)**	**-**	**-**
Exchange differences on translation of foreign operations	-	-	-	-	-	-	**-**	**-**	**0.1**	**0.1**
Total other comprehensive income	-	-	-	-	-	-	**0.1**	**(0.1)**	**0.1**	**0.1**
Total comprehensive income	-	-	-	-	-	-	**0.1**	**(0.1)**	**11.4**	**11.4**
Transactions with owners:										
Credit to reserves for share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**
Deferred tax relating to share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Disposal of treasury reserve	**-**	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**
Transactions with owners	**-**	**-**	**-**	**0.1**	**-**	**-**	**-**	**-**	**1.3**	**1.4**
At 31 December 2020	**0.1**	**101.9**	**0.6**	**(0.2)**	**-**	**(61.4)**	**(1.3)**	**0.4**	**139.3**	**179.4**

	Share capital	Share premium	Capital redemption reserve	Treasury reserve	Revaluation reserve	Merger reserve	Cash flow hedge reserve	Cost of hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 July 2019	0.1	99.7	0.6	-	0.1	(61.4)	-	-	124.0	163.1
Profit for the period	-	-	-	-	-	-	-	-	5.6	5.6
Other comprehensive income:										
Cash flow hedges: Fair value losses	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	0.4	0.4
Total other comprehensive income	-	-	-	-	-	-	-	-	0.3	0.3
Total comprehensive income (restated)	-	-	-	-	-	-	-	-	5.9	5.9
Transactions with owners:										
Credit to reserves for share-based payments	-	-	-	-	-	-	-	-	0.5	0.5
Deferred tax relating to share-based payments	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Dividends to equity holders of the Company	-	-	-	-	-	-	-	-	(3.9)	(3.9)
Issue of ordinary shares	-	0.4	-	-	-	-	-	-	-	0.4
Transactions with	-	0.4	-	-	-	-	-	-	(3.5)	(3.1)
At 31 December 2019 (restated)	0.1	100.1	0.6	-	0.1	(61.4)	-	-	126.4	165.9

Condensed consolidated statement of cash flows for the six-month period ended 31 December 2020 (unaudited)

	Note	**31 December 2020 (Unaudited) £m**	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Cash flows from operating activities				
Cash generated from operations	15	**52.3**	39.3	94.8
Taxation paid		**(6.3)**	(7.3)	(9.5)
Interest paid		**(3.9)**	(3.9)	(7.0)
Exceptional items paid		**-**	-	(0.7)
Net cash generated from operating activities		**42.1**	28.1	77.6
Cash flows from investing activities				
Acquisitions (net of cash)	14	**(10.6)**	(7.0)	(7.2)
Purchase of property, plant and equipment	9	**(6.0)**	(6.5)	(11.1)
Purchase of intangible assets	9	**(0.2)**	(0.3)	(1.3)
Net cash (used in) investing activities		**(16.8)**	(13.8)	(19.6)
Cash flows from financing activities				
Dividends paid		**-**	(3.9)	(3.9)
Proceeds from issue of ordinary shares		**-**	0.4	0.1
Proceeds from sale of treasury shares		**0.1**	-	0.9
Repayment of obligation under right-of-use asset		**(6.2)**	(5.3)	(14.2)
Debt issuance costs		**-**	-	(1.7)
Repayment of borrowings	16	**(0.1)**	(11.1)	(65.2)
Increase of borrowings	16	**-**	-	35.0
Net cash (used in) financing activities		**(6.2)**	(19.9)	(49.0)
Net increase/(decrease) in cash and cash		**19.1**	(5.6)	9.0
Cash and cash equivalents at start of period		**21.5**	12.5	12.5
Cash and cash equivalents at end of period		**40.6**	6.9	21.5

Notes to the interim consolidated financial information

1. General information

The principal activity of the Group is to operate veterinary practices, complementary veterinary diagnostic businesses, pet crematoria and an on-line dispensary and retail business.

CVS Group plc is a public limited company incorporated under the Companies Act 2006 and domiciled in England and Wales and its shares are quoted on the AIM Market of the London Stock Exchange.

The address of the registered office is CVS House, Owen Road, Diss, Norfolk, IP22 4ER and the registered number of the Company is 06312831.

This interim consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of CVS Group plc in respect of the year ended 30 June 2020 have been delivered to the Registrar of Companies, upon which the Company's auditors have given a report which was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

Forward looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. Save as required by regulation or law, we undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2. Basis of preparation

The interim consolidated financial information of CVS Group plc is for the six months ended 31 December 2020. It is unaudited and has been prepared in accordance with the AIM Rules for Companies and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The interim consolidated financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2020, which have been prepared in accordance with IFRSs adopted by the European Union.

The interim consolidated financial information has been prepared on a going-concern basis.

Use of non-GAAP measures

Adjusted EBITDA, adjusted profit before tax ("adjusted PBT") and adjusted earnings per share ("adjusted EPS")

The Directors believe that adjusted EBITDA, adjusted PBT and adjusted EPS provide additional useful information for shareholders on the Group's underlying performance. These measures are used by the Board and management for planning and internal reporting and are aligned to our strategy and KPIs. A subset is also used by management in setting Director and management remuneration. The measures are also used in discussions with the investment analyst community. These measures are not defined by 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 EBITDA is calculated by reference to profit before income tax, adjusted for interest (net finance expense), depreciation, amortisation, costs relating to business combinations and exceptional items.

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

Adjusted EPS is calculated as adjusted profit before income tax less applicable taxation divided by the weighted average number of ordinary shares in issue during the period.

Like-for-like sales
Like-for-like sales comprise the revenue generated from all operations compared to the prior year. Revenue is included in the like-for-like calculation with effect from the month in which it was acquired in the previous year adjusted for the number of working days; for example, for a practice acquired in September 2019, revenue is included from September 2020 in the like-for-like revenue calculation.

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

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those set out on pages 92 to 103 of the consolidated financial statements of CVS Group plc for the year ended 30 June 2020 (which are available upon request from the Company's registered office or on the Company's website), except for taxation which has been accounted for as described in note 8.

Restatement

The Group adopted IFRS 16 "Leases" from 1 July 2019 and applied the standard prospectively from that date. For the year ended 30 June 2020 there were changes to accounting estimates which affected the valuation of the right-of-use asset and right-of-use liability on transition. The period ended 31 December 2019 has been restated to reflect these changes and this has resulted in an increase in Profit before income tax for that period of £0.9m (reported £6.7m, restated £7.6m), an increase in Adjusted EBITDA of £0.4m (reported £37.5m, restated £37.9m), and an increase in Adjusted EPS of 1.0 pence per share (reported 23.4, restated 24.4). In addition, there has been a decrease of £8.1m in the carrying value of the Right-of-use asset (reported £111.7m, restated £103.6m), a decrease in trade and other receivables of £2.8m (reported £42.8m, restated £40.0m), and a decrease of £11.8m in the carrying value of the Right-of-use liability (reported £113.6m, restated £101.8m).

Details of the Group's accounting policy for the application of IFRS 16 are set out on pages 92 to 94 of the consolidated financial statements of CVS Group plc for the year ended 30 June 2020 (which are available upon request from the Company's registered office or on the Company's website).

4. Segmental reporting

Segmental 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). Inter-segment pricing is determined on an arm's length basis.

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, taxation related assets and liabilities, costs relating to business combinations and Head office salary and premises.

Geographical segments

The business operates predominantly in the UK. As at 31 December 2020, it has 25 veterinary practices in the Netherlands and 6 in the Republic of Ireland. It performs a small amount of laboratory work for Europe-based clients and Animed Direct Limited distributes a small quantity of goods to European countries. In accordance with IFRS 8 "Operating segments" no segmental results are presented for trade with European clients as these are not reported separately for management reporting purposes and are not considered material for separate disclosure.

Revenue comprises £172.7m of fees and £72.9m of goods (31 December 2019: £157.3m and £67.2m respectively). Revenue from contracts totalled £31.0m in the period (31 December 2019: £26.5m).

Operating segments

The Group is split into four operating segments (Veterinary Practices, Laboratories, Crematoria and Animed Direct) and a centralised support function (Head Office) 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 Head Office segment. Head Office includes costs relating to the employees, property and other overhead costs associated with the centralised support function together with finance costs arising on the Group's borrowings.

Six-month period ended 31 December 2020	**Veterinary practices £m**	**Laboratories £m**	**Crematoria £m**	**Animed Direct £m**	**Head Office £m**	**Group £m**
Revenue	**218.2**	**13.9**	**3.9**	**19.7**	**(10.1)**	**245.6**
Profit/(loss) before income tax	**22.2**	**3.7**	**1.2**	**1.4**	**(13.7)**	**14.8**
Adjusted EBITDA	**45.8**	**4.1**	**1.4**	**1.4**	**(7.6)**	**45.1**
Total assets	**434.1**	**27.4**	**15.5**	**10.4**	**2.2**	**489.6**
Total liabilities	**(203.1)**	**(3.6)**	**(1.4)**	**(4.4)**	**(97.7)**	**(310.2)**
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	**22.2**	**3.7**	**1.2**	**1.4**	**(13.7)**	**14.8**
Net finance expense	**2.0**	**-**	**-**	**-**	**1.6**	**3.6**
Depreciation	**10.9**	**0.4**	**0.2**	**-**	**0.3**	**11.8**
Amortisation	**6.9**	**-**	**-**	**-**	**3.7**	**10.6**
Costs relating to business combinations	**3.8**	**-**	**-**	**-**	**0.5**	**4.3**
Adjusted EBITDA	**45.8**	**4.1**	**1.4**	**1.4**	**(7.6)**	**45.1**

Six-month period ended 31 December 2019 (restated)	**Veterinary practices £m**	**Laboratories £m**	**Crematoria £m**	**Animed Direct £m**	**Head Office £m**	**Group £m**
Revenue	203.6	10.9	3.8	14.7	(8.5)	224.5
Profit/(loss) before income tax	16.0	2.3	1.1	1.2	(13.0)	7.6
Adjusted EBITDA	38.1	2.7	1.3	1.2	(5.4)	37.9
Total assets	417.6	20.7	13.2	8.0	2.9	462.4
Total liabilities	(170.6)	(3.1)	(1.3)	(3.8)	(117.7)	(296.5)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	16.0	2.3	1.1	1.2	(13.0)	7.6
Net finance expense	2.1	-	-	-	2.1	4.2
Depreciation	11.3	0.4	0.2	-	0.4	12.3
Amortisation	6.9	-	-	-	4.1	11.0
Costs relating to business combinations	1.8	-	-	-	0.3	2.1
Exceptional items	-	-	-	-	0.7	0.7
Adjusted EBITDA	38.1	2.7	1.3	1.2	(5.4)	37.9

Year ended 30 June 2020	Veterinary practices £m	Laboratories £m	Crematoria £m	Animed Direct £m	Head Office £m	Group £m
Revenue	384.1	21.1	7.2	32.1	(16.7)	427.8
Profit/(loss) before income tax	26.9	5.0	2.1	2.4	(26.5)	9.9
Adjusted EBITDA	72.3	5.8	2.5	2.5	(12.1)	71.0
Total assets	401.5	22.6	14.0	22.6	3.6	464.3
Total liabilities	(176.8)	(2.8)	(1.4)	(17.7)	(99.0)	(297.7)
Reconciliation of adjusted EBITDA						
Profit/(loss) before income tax	26.9	5.0	2.1	2.4	(26.5)	9.9
Net finance expense	4.1	-	-	-	4.5	8.6
Depreciation	21.7	0.8	0.4	0.1	1.2	24.2
Amortisation	14.7	-	-	-	7.5	22.2
Costs relating to business combinations	0.2	-	-	-	0.5	0.7
Exceptional items	4.7	-	-	-	0.7	5.4
Adjusted EBITDA	72.3	5.8	2.5	2.5	(12.1)	71.0

5. Finance expense

	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Interest expense, bank loans and overdraft	**1.4**	1.8	3.5
Interest expense on IFRS 16 lease liabilities	**2.0**	2.1	4.1
Amortisation of debt arrangement fees	**0.2**	0.3	1.0
Net finance expense	**3.6**	4.2	8.6

6. Earnings per Ordinary share

(a) Basic

Basic earnings per Ordinary share is calculated by dividing the profit after taxation by the weighted average number of shares in issue during the period.

	31 December 2020 (Unaudited)	31 December 2019 Restated (Unaudited)	Year ended 30 June 2020 (Audited)
Earnings attributable to Ordinary shareholders (£m)	**11.3**	5.6	5.7
Weighted average number of Ordinary shares in issue	**70,654,959**	70,654,009	70,654,009
Basic earnings per share (pence per share)	**16.0**	8.0	8.1

(b) Diluted

Diluted earnings per Ordinary 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 long-term incentive plan schemes and Save As You Earn schemes. For share options, 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.

	31 December 2020 (Unaudited)	31 December 2019 Restated (Unaudited)	Year ended 30 June 2020 (Audited)
Earnings attributable to Ordinary shareholders (£m)	**11.3**	5.6	5.7
Weighted average number of Ordinary shares in issue	**70,654,959**	70,654,009	70,654,009
Adjustment for contingently issuable shares - LTIPS	**180,786**	40,985	109,143
Adjustment for contingently issuable shares – SAYE	**118,729**	20,278	3,017
Weighted average number of Ordinary shares for diluted earnings per share	**70,954,474**	70,715,272	70,766,169
Diluted earnings per share (pence per share)	**15.9**	8.0	8.1

(c) Non-GAAP measure: Adjusted earnings per share

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

	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Earnings attributable to Ordinary shareholders	**11.3**	5.6	5.7
Add back taxation	**3.5**	2.0	4.2
Profit before taxation	**14.8**	7.6	9.9
Adjustments for:			
Amortisation	**10.6**	11.0	22.2
Costs relating to business combinations	**4.3**	2.1	0.7
Exceptional items	**-**	0.7	5.4
Adjusted profit before income tax	**29.7**	21.4	38.2
Tax on adjusted profit	**(6.2)**	(4.2)	(8.5)
Adjusted profit after income tax and earnings attributable to ordinary shareholders	**23.5**	17.2	29.7
Weighted average number of Ordinary shares in issue	**70,654,959**	70,654,009	70,654,009
Weighted average number of Ordinary shares for diluted earnings per share	**70,954,474**	70,715,272	70,766,169

Adjusted earnings per share	**33.3p**	24.4p	42.0p
Diluted adjusted earnings per share	**33.1p**	24.4p	41.9p

7. Share-based payments

Long Term Incentive Plans

The Group operates an incentive scheme for certain senior executives, the CVS Group Long Term Incentive Plan ("LTIP").

Under the LTIP scheme, awards are made at an effective nil nominal cost, vesting over a three-year performance period conditional upon the Group's adjusted earnings growth. On vesting, the LTIP scheme awards are settled in equity. LTIP13 and LTIP14 also have conditions around the achievement of Total Shareholder Return relative to the FTSE 250 index.

On 4 November 2020, LTIP14 was issued with an option life of 3 years over 137,305 shares. The share price at the grant date was £12.18 with an exercise price of 0.2p.

During the six months to 31 December 2020, directors and employees exercised no share options (31 December 2019: 56,350) at a value of £nil (31 December 2019: £9.50), in respect of the LTIP11 (31 December 2019: LTIP10) scheme.

The share-based payment charge for the period in respect of the options issued under the LTIP schemes amounted to £0.8m (31 December 2019: £0.3m) and has been charged to administrative expenses. National Insurance contributions amounting to £0.2m (31 December 2019: £0.1m) have been accrued in respect of the LTIP scheme transactions and are treated as cash-settled transactions.

Save As You Earn (SAYE)

The Group operates the CVS Group Save As You Earn ("SAYE") plan, as an incentive scheme for all staff. Under the new SAYE13 scheme awards were made at a 20% discount (SAYE9, SAYE10, SAYE11 and SAYE12 scheme awards were made at a 10% discount) of the closing mid-market price on date of invitation, vesting over a three-year period. There are no performance conditions attached to the SAYE schemes.

SAYE13 scheme was opened for subscription in November 2020. 360,269 options were granted in November 2020, with the first salary deductions taking place in December 2020 and a contract start date of 1 January 2021. The exercise price was £10.09 - a 20% discount of the closing mid-market price on the date of invitation.

Options were valued using the Black–Scholes option pricing model and the share-based payment charge for the period in respect of the options issued under the SAYE schemes amounted to £0.2m (31 December 2019: £0.2m) and has been charged to administrative expenses.

8. Income tax expense

The tax charge for the six months ended 31 December 2020 is recognised based on management's estimate of the weighted average annual effective tax rate expected for the full financial year, adjusted for the tax impact of any discrete items arising in the period. Deferred tax balances are calculated using tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised.

In the March 2021 Budget, the Chancellor of the Exchequer announced an increase to the standard rate of UK corporation tax from 19% to 25% from 1 April 2023. On the basis this increased rate has not been substantively enacted by the balance sheet date, the deferred tax balances in respect of UK jurisdiction continue to be measured at 19%.

9. Non-current assets

	Intangible assets £m	Property, plant and equipment £m
Six months ended 31 December 2020		
Opening net book value at 1 July 2020	**229.8**	**51.6**
Foreign currency translation	**(0.1)**	**-**
Additions arising through business combinations (note 14)	**11.8**	**0.6**
Additions	**0.2**	**6.0**
Amortisation and depreciation	**(10.6)**	**(5.2)**
Closing net book value at 31 December 2020	**231.1**	**53.0**
Six months ended 31 December 2019		
Opening net book value at 1 July 2019	244.5	51.4
Additions arising through business combinations	6.7	0.2
Additions	0.3	6.5
Disposals	(0.2)	-
Fair value adjustment	(0.2)	-
Depreciation and amortisation	(11.0)	(5.5)
Closing net book value at 31 December 2019	240.1	52.6

10. Right-of-use assets

	Right-of-use asset £m
Six months ended 31 December 2020	
At 1 July 2020	**98.1**
Foreign currency translation	**(0.1)**
Acquired through business combination	**3.3**
Remeasurement of leases	**3.4**
Additions	**0.9**
Disposals	**(0.5)**
Depreciation	**(6.6)**
Closing net book value at 31 December 2020	**98.5**
Six months ended 31 December 2019 (restated)	
At 1 July 2019 – on transition	107.8
Foreign currency translation	(0.5)
Acquired through business combination	1.9
Remeasurement of leases	1.0
Additions	0.2
Depreciation	(6.8)
Closing net book value at 31 December 2019 (restated)	103.6

11. Trade and other payables

	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Trade payables	**42.9**	34.7	39.4
Social Security and other taxes	**29.5**	14.0	28.3
Other payables	**5.9**	3.2	5.1
Deferred Income	**1.3**	-	3.3
Accruals	**21.2**	17.5	11.6
Total	**100.8**	69.4	87.7

12. Provisions

	31 December 2020 (Unaudited) £m	31 December 2019 (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
At the beginning of the year	**5.0**	-	-
Charged to the income statement	**-**	-	5.0
Utilised in the period	**(0.5)**	-	-
At the end of the year	**4.5**	-	5.0

Provisions relate to announced site closures during the previous financial year of £1.6m and costs set aside for properties of £3.4m, and therefore satisfy the criteria under IAS 37. Costs utilised in the period were £0.2m of the costs relating to site closures and £0.3m of the costs relating to properties.

13. Lease liabilities

	31 December 2020 (Unaudited) £m	31 December 2019 (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Current	**9.0**	7.5	8.8
Non-current	**90.4**	94.3	89.8
Total lease liabilities	**99.4**	101.8	98.6
Maturity analysis – contractual undiscounted cash flows			
Within 1 year	**12.8**	12.7	12.6
1 to 5 years	**50.0**	50.9	48.9
More than 5 years	**58.3**	65.2	59.8
Total	**121.1**	128.8	121.3

14. Business combinations

Provisional details of business combinations in the six-month period ended 31 December 2020 are set out below.

	Book value of acquired assets £m	**Adjustments £m**	**Fair value £m**
Property, plant and equipment	0.6	-	**0.6**
Patient data records and customer lists	-	2.7	**2.7**
Right-of-use assets	3.3	-	**3.3**
Inventory	0.4	-	**0.4**
Deferred tax liability	-	(0.5)	**(0.5)**
Trade and other receivables	0.6	-	**0.6**
Provision for impairment of trade receivables	(0.1)	-	**(0.1)**
Trade and other payables	(1.7)	-	**(1.7)**
Right-of-use liabilities	(3.3)	-	**(3.3)**
Total identifiable assets	(0.2)	2.2	**2.0**
Goodwill		9.1	**9.1**
Total consideration (net of cash acquired £0.4m)			**11.1**
Initial consideration paid (net of cash acquired)			**10.6**
Deferred consideration payable			**0.3**
Contingent consideration payable			**0.2**
Total consideration (net of cash acquired £0.4m)			**11.1**

Goodwill recognised represents the excess of purchase consideration over the fair value of the identifiable net assets. Goodwill includes the synergies arising from the combination of the businesses; this includes cost synergies arising from shared support functions and buying power synergies. Goodwill includes the recognition of deferred tax in respect of the acquired patient data records and customer lists.

15. Cash generated from operations

	31 December 2020 (Unaudited) £m	31 December 2019 Restated (Unaudited) £m	Year ended 30 June 2020 (Audited) £m
Profit for the period	**11.3**	5.6	5.7
Taxation	**3.5**	2.0	4.2
Total finance costs	**3.6**	4.2	8.6
Amortisation of intangible assets	**10.6**	11.0	22.2
Depreciation of property, plant and equipment and right-of-use assets	**11.8**	12.3	24.2
Share option expense	**1.0**	0.5	0.9
(Increase) in Inventories	**(0.6)**	(1.8)	(1.4)
(Increase)/Decrease in Trade and other receivables	**(0.3)**	10.1	8.5
Increase/(Decrease) in Trade and other payables	**11.9**	(4.6)	11.5
(Decrease)/Increase in Provisions	**(0.5)**	-	5.0
Exceptional items	**-**	-	5.4
Total cash flows from operating activities	**52.3**	39.3	94.8

16. Analysis of movement in liabilities from financing activities

	1 July 2020 £m	Cash flow £m	Non-cash movements £m	**31 December 2020 £m**
Right-of-use lease liabilities	(98.6)	8.2	(9.0)	**(99.4)**
Borrowings	(0.1)	-	0.1	**-**
Bank Loans	(83.5)	0.1	(0.3)	**(83.7)**
Total liabilities from financing activities	(182.2)	8.3	(9.2)	**(183.1)**

Non-cash movements comprise amortisation of issue costs on bank loans, liabilities recognised on new leases in the year and bank debt acquired.

17. Dividends

No final dividend payment was proposed for the year ended 30 June 2020. No dividends were paid in the period ended 31 December 2020 (31 December 2019: £3.9m; 5.5p per share).

Directors and advisers

Directors	R Connell (Chairman) M McCollum (Non-Executive Director) D Kemp (Non-Executive Director) R Gray (Non-Executive Director) (appointed 16 July 2020) R Fairman (Chief Executive Officer) B Jacklin (Chief Operating Officer) R Alfonso (Chief Financial Officer)
Company Secretary	J Dearlove
Company number	06312831
Registered office	CVS House Owen Road Diss Norfolk IP22 4ER
Auditors	Deloitte LLP 1 Station Square Cambridge CB1 2GA
Bankers	NatWest Bank Plc Gentleman's Walk Norwich NR2 1NA Bank of Ireland Group plc 40 Mespil Road Dublin 2 Republic of Ireland Allied Irish Banks plc 10 Molesworth Street Dublin 2 Republic of Ireland Rabobank Willemskade 1 8011 AC Zwolle Netherlands Ulster Bank Limited 33 Eyre Square Galway H91 HY96 Republic of Ireland HSBC Bank plc 8 Canada Square London E14 5HQ

Legal advisors	DLA Piper UK LLP Victoria Square House Victoria Square Birmingham B2 4DL
	Blake Morgan LLP New Kings Court, Tollgate Eastleigh Hampshire SO53 3LG
	Leathes Prior 74 The Close Norwich NR1 4DR
	Eversheds Sutherland 115 Colmore Row Birmingham B3 3AL
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Nominated Adviser and Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX

Appendix 1 – Acquisitions in the Interim Period

Practice Name	No of Sites	Main Locations	Region	Business
Tremain Veterinary Group	2	Witney, Carterton	Oxfordshire	Small Animal
Astonlee Veterinary Hospital & Surgery	1	Newport Pagnell	Milton Keynes	Small Animal
White Lodge Vet Clinic	1	Minehead	Devon	Small Animal
Charter Veterinary Hospital Group	3	Roundswell	Devon	Small Animal