

Creating a better world for pets and the people who love them

Annual Report & Accounts 2023



We provide the best products, services and advice to guide pet owners through their pet care journey

Our unique proposition of products, services and advice allows us to deliver complete pet care to consumers in a way competitors cannot easily replicate, and enables us to continue to take share across both our key markets of retail and veterinary.



For more information please visit:
<https://investors.petsathome.com>



Highlights

Sustainability highlights



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Financial highlights

Revenue (£m)



Profit before tax (PBT) (£m)



Underlying PBT¹ (£m)



Dividend per share (pence)



¹ Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 169. Statutory PBT was £122.5m, down 17.7% YoY. In FY22 we benefitted from the second tranche of the proceeds from the disposal of the Specialist Group (£19.2m credit) while in FY23 PBT includes a total of £13.9m of non-underlying costs (includes £12.9m of operating costs and £1.0m of lease interest), predominantly due to the transition to our new distribution centre.

Business model

A unique combination of products, services and advice

Business activities



Retail

A wide range of pet products is available both online and in our stores, which offer far more to the pet owner than just a place to buy food and accessories. Through a combination of our in-store experience and services, knowledgeable colleagues and award winning VIP loyalty club, we aim to make pet ownership convenient, affordable and rewarding.

Vet Group

We provide a comprehensive range of small animal veterinary services through a network of general practices which handle all aspects of general veterinary care, as well as offering round-the-clock veterinary telehealth advice and triage so clients can access all their pet healthcare needs whenever they need to.

Differentiators

Trusted and well known brand

Passionate and expert advice

Extensive and growing data capability



Stores

457

Revenue

£1.3bn

Groomers

339

Operating profit

£100m



Practices

444

Revenue

£123m

Telehealth consultations

115k

Operating profit

£52m

**Scalable
omnichannel
platform**

**Differentiated,
sector-leading
vet services**

**Unique digital
experience**

Investment case

A clear and compelling investment case



Strong position in a growing, resilient market

- We have 24% share of a £7.2bn pet care market providing significant opportunity to take further share
- The pet care market is in structural growth underpinned by increasing humanisation, premiumisation, and penetration

24%
market share

A unique proposition of pet care solutions

- An expanding platform of pet care, combining product, services and expert advice from a trusted, well known brand
- Consumers who engage across all of our channels spend up to 9x more each year compared to those who shop solely in our stores

457
pet care centres

Scalable omnichannel platform

- Creating a proprietary digital platform where customers can access their entire pet care needs in one place
- Our telehealth business enhances our digital capabilities, providing trusted advice and even more convenient pet care services

40%
online orders collected in store

Unique Joint Venture veterinary model

- Largest branded veterinary business in the UK, with practices located in two-thirds of stores
- Practice maturity represents a significant future growth opportunity, with further upside from practice rollout, extension and productivity

444
veterinary practices

Extensive and growing data capability

- Unique VIP loyalty club, providing over 10 years' worth of proprietary pet and customer data
- By leveraging our data insights, we can offer more personalised, targeted solutions, driving customer loyalty, retention and lifetime value

7.7m
VIP loyalty club members

Subscriptions create a predictable, visible income stream

- Over 1.6 million pet care plan subscriptions across the Group, up 8% year-on-year
- Our existing three core plans generate over £150m of visible, repeatable consumer revenue per year, supporting further share of wallet gain

1.6m
pet care plans

Strong financial position and returns potential

- Robust balance sheet with good liquidity, low leverage and significant headroom on banking covenants
- Highly cash generative with free cash flow of £98.2m and dividend per share increased to 12.8p

8.5%
increase in dividend

Strong commitment to responsible business

- Strong commitment to sustainability with a strategy designed to balance the interests of all stakeholders
- Balanced Board of Directors with a broad range of skills, experience, and expertise

£8.2m
raised for charities

Chair's statement

A strategy to drive us forward



In a challenging economic environment, we delivered a record year of sales and underlying profit demonstrating the strength of the pet care market and the advantages of our unique omnichannel model. Over the past year we have continued to welcome many new pet owners into the business, made great progress on our key strategic initiatives, and refreshed and refined our sustainability strategy.

Strategy

Our purpose is to create a better world for pets and the people who love them.

During her first year with the business, our CEO Lyssa McGowan, along with the wider Board and executive management team, has updated our strategy.

This strategy is to build an integrated, omnichannel, consumer centric platform which unifies our unique blend of products, services, and advice, connecting them seamlessly across all channels to deliver an unrivalled experience to our consumers.

The recent launch of our new Pets brand brings together all our products and services under one master brand and represents our new consumer positioning as a provider of all pet owners' pet care needs.

We have continued to invest in digitising our business, making it easy for us to interact with consumers however they choose. We have also improved our operational capability with the opening of our new distribution centre in Stafford, which underpins our capacity needs for the next decade and materially reduces the cost of product deliveries to our pet care centre network.

Our strong purpose-led culture, and our core values play a critical role in supporting this strategy.

Acting ethically has always been at the heart of our business and by focusing on financial sustainability, as well as the sustainability of human and natural capital, our strategy will ensure we continue to run a responsible business as well as a successful one.

I am confident this updated strategy will deliver sustainable long term value to all our stakeholders.

Colleagues

The fundamental strength of Pets at Home is our culture. The skill, passion and expertise of our colleagues remains a key strategic advantage as they guide pet owners through their pet care journey.

Every single colleague across the business has contributed to the success of the last year. Personally, and on behalf of the Board, I would like to thank them for their ongoing hard work and dedication.

Governance

During the year, we were delighted to welcome Roger Burnley to the Board as an independent Non-Executive Director. Roger has deep knowledge of the retail sector and food supply chains and his experience will be of great value to the business as it embarks on the next stage of its ambitious growth plan.

Sharon Flood, Chair of the Remuneration Committee, and Stanislas Laurent, Non-Executive Director, will each step down from the Company's Board having each served six years as independent Non-Executive Directors.

The Directors, on behalf of the Company, wish to thank them both for their dedicated service.

Dennis Millard, who has served as the Company's Senior Independent Director for nine years, stood down from that position in February 2023, however, will remain a Director of the Company for a further year, continuing to contribute his highly valuable experience and retail industry knowledge. Zarin Patel was appointed as Senior Independent Director, having acted as a Non-Executive Director of the Company since 2021.

Dividend

The robust performance delivered over the past year demonstrates both the resilience of the pet care market and the strength of our unique model. The business continues to be highly cash generative, and despite strong levels of investment, we finish the year in a net cash position.

As such, the Board is pleased to recommend a final dividend of 8.3 pence per share to be paid on 11 July 2023 to shareholders on the register at the close of trading on 16 June 2023. This will take the full year dividend to 12.8 pence per share, up 8.5% on the previous year.

Looking ahead

The pet care sector is undergoing structural growth, and our fully integrated omnichannel model positions Pets at Home well to benefit from these favourable sector and consumer trends. Our balance sheet strength enables us to continue investing in our existing strengths and the new capabilities needed to build the world's best pet care platform. We look to the future with ambition and confidence, with our newly defined strategy enabling us to deliver ever higher standards of performance for our consumers, our colleagues, our communities, the environment, and of course for our shareholders.

Ian Burke
Chair
25 May 2023

Our purpose

To create a better world for pets and the people who love them

Our vision

To build the world's best pet care platform

One integrated business

Consumer centric

Omnichannel

Sustainable

Our role

We provide the best products, services and advice to guide pet owners through their pet care journey

Health

Behaviour

Companionship

Nutrition

Environment

Our values



We put pets first



We're experts in our field



We lead the way



We help owners be their best



We're proud of what we do together

Chief Executive's statement

Building the world's best pet care platform



Our medium-term vision – One unified pet care platform to unlock our potential.

Our medium-term vision and strategy is to build the world's best pet care platform. This will generate sustainable value for all stakeholders, as we create a better world for pets and the people that love them. We are the largest, and by far the most trusted, pet care business in the UK. We already have a leading 24% share of the £7.2bn UK pet care market, an industry supported by structural growth, underpinning resilience and predictability in our revenues. We are the only player that combines products, services and expertise across the full pet care market, with scale and credibility in every area. Our strategy will unlock a unique opportunity we have to bring together everything that pet owners need in one place.

Building the world's best pet care platform

Integrated – a unified blend of products, services and advice.

- Our pet care platform will truly integrate all our products and services. Once built, our platform will be leveraged across all our verticals; all accessed via a unified pet care app enabling consumers to fulfil all their pet care needs, from booking surgical appointments and ordering repeat prescription deliveries to managing nutrition subscriptions and buying a special birthday treat. In the future, we will leverage our platform to unlock new adjacencies.
- The recent launch of our new Pets brand brings together our products and services under one master brand and represents our new consumer positioning as a provider of all your pet care needs – however, whenever and wherever you want. This unified positioning will significantly enhance marketing efficiency and effectiveness across our services.
- We are the only business which has successfully brought together clinical and retail services at scale, operating the UK's most productive veterinary business with consumer revenues of c£500m across 444 practices, enabled by our unique joint venture partnership model.
- We will continue to leverage our category authority and expertise to lead on innovation, making it easier for pet owners to access the best products and services for their pets. Our new long-term agreement with Cranswick will support further innovation and growth across own brand – a key area of competitive advantage. We will increase presence in fast growing areas, e.g. fresh and frozen.

Omnichannel – seamlessly connected for the consumer.

- Our network of 457 pet care centres gives us scale and reach advantages, bringing us closer to pet owners and able to offer more flexibility and convenience than competitors, all under one roof. We will continue to invest behind the opportunity for new pet care centres in attractive catchments, particularly urban, with clinical services, tailored ranges and innovation across food and accessories.
- As our joint venture vet practices reach maturity it unlocks growth opportunities in advanced practices and 24hr hospitals, significantly extending the physical footprint and range of clinical services offered by our network of veterinary practices, so supporting growth and profitability.
- We are bringing together our physical and digital capabilities, creating hybrid experiences such as virtual consultations. Our investments in technology will make it easier for us to interact with consumers however they chose, whilst matching the right colleague expertise to the right consumer need, driving better productivity alongside better outcomes for pets and pet owners.
- Our new DC is onstream, underpinning capacity needs beyond the next decade and will materially reduce our cost to serve. Deliveries to our store network are underway and we will look to move to one DC from three by Spring 2024, improving fulfilment costs, consumer experience and efficiency.

Consumer centric – an unrivalled experience.

- Our deep and unique insights into pet owners' needs increasingly drives our actions. Our data capability is increasingly integrated through our operation driving targeted, effective offers, improving operational efficiency, and growing predictable, sticky revenue streams through our CRM.

- Growing share of wallet is our greatest opportunity, unlocked by creating easy, seamless, and enjoyable experiences. Creating unique, compelling, and brilliantly simple journeys and experiences to drive revenue, share of wallet and lifetime value. Our average consumer spends £160 a year with us, but our most engaged spend over £900, highlighting our significant growth headroom.
- We already have 1.6m subscriptions with significant headroom to grow. Our digital and data platform, integrated with face-to-face expertise, will allow us to offer an enhanced range of brilliantly simple, highly compelling, and great value subscriptions to lead the market and drive lifetime value.

Our values underpin everything – maintaining commitment to a sustainable future.

We will be unwavering in delivering the best outcomes for all our stakeholders.

Pets - to improve the life of every pet in the UK by being the leading advocate for pet welfare.

- We will continue to adopt the highest welfare standards for pets under our care, use our voice externally to extend this to all pets, and support pets in need through our Foundation.
- We help pet owners take the best care of their pet through our nutritional advice, high-quality fulfilling products, and highest quality clinical care.

People - to be the best employer and developer of talent by creating rewarding, sustainable careers in pet care open to everyone.

- Investing in clinical and non-clinical expertise, with clear focus on wellbeing, diversity, and inclusion.
- Earn As You Learn is a core part of our strategy as we provide colleagues the ability to earn above Real Living Wage while enhancing service and expertise for pet owners.

Planet - to make pet care environmentally sustainable by leading in sustainable pet food.

- We will continue to reduce the carbon intensity of our own operation, having successfully grown our business while reducing our operational carbon emissions by 41% since 2016.
- By leading in sustainable pet food, evidenced by our investment in the Good Dog Food company, we can help to move the industry to a future with lower carbon emissions, and improve biodiversity.

Our financial framework – delivering sustainable value for shareholders.

Ambition to grow sales 7% per annum over the medium term supported by:

- We expect the £7.2bn UK pet care market to grow c4% per annum as the pet care market is supported by three structural growth trends of: humanisation; premiumisation; and penetration.
- Our unique pet care platform helps drive outperformance of c300bps versus the market supported by the following.
- Our clear competitive scale and reach advantages, our unique data capabilities, and our category authority and innovation.
- Reducing friction will grow share of wallet by driving frequency and enabling cross-sell/upsell.
- Investment behind our physical assets with a medium-term opportunity for 40 new stores, ongoing store refresh programme, and leveraging our data to tailor ranges locally.
- Our Vet Group will grow through maturity, extensions (20+ in FY24), advanced capabilities, and new sites (5-15 pa), growing consumer revenues at 9% CAGR over the medium-term.

Target 10% PBT growth CAGR over the medium term through:

- Operating leverage as we deliver growth through the investments we have made in our platform and capabilities, while the costs of these investments tapers going forward.
- Ongoing initiatives to target efficiencies and drive further productivity gains across the business.
- Improving mix as our vet revenues grow faster than the group average driving up margins and improving FCF (already around 50% of Group FCF).

Move FCF conversion towards 70% of PBT in the medium term:

- Delivering growth in profits using investments we have already made in the business such as our new distribution centre and the build phase of digital investment.
- Moving beyond the peak of our investment plan. Much of the capital to deliver our growth ambitions has been invested and capex will taper towards a normalised level around £50m.
- Many of the future investments are low risk and proven e.g. vet extensions, new stores, space swaps.

Maintain capital discipline and a clear capital allocation policy to create long term shareholder value.

Our capital allocation priorities are unchanged:

1. Invest in the business. c£400m investment (capex and opex) over the medium term.
2. Pay a progressive ordinary dividend targeting 50% EPS payout.
3. Explore inorganic growth opportunities. Focus on strategic investments and bolt-on M&A.
4. Return excess cash to shareholders subject to maintaining a prudent balance sheet and not constraining the business.



Lyssa McGowan
Chief Executive Officer
25 May 2023

Key performance indicators

Progress across all pillars of our pet care strategy

To support delivery of our strategy, we have a clearly defined set of key performance indicators.

We are committed to generating shareholder value and financial returns, and therefore focus on three financial metrics we believe are the best measure of our performance. Alongside financial KPIs, we also have KPIs specific to each of our strategic pillars to ensure we can track delivery against our key objectives.

Financial KPIs shown represent those used by the business to monitor performance. Management recognise that as Alternative Performance Measures¹ they differ to statutory metrics, but believe they represent the most appropriate KPIs.

Whilst we set out some of our future strategic priorities, we will continue to remain agile and adaptable in how we deliver pet care to consumers.

In order to consolidate the reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of non-financial reporting, the list on page 93 shows where in the Annual Report to find each of the disclosure requirements.

Financial performance

Consumer revenue¹ (£m)

£1,782.4m
+6.5%



Representing strong like-for-like¹ growth in both our Retail and Vet businesses.

What we are measuring

The growth in consumer revenue generated across the Group year on year. This includes spend across all brands and includes the sales made by Joint Venture vet practices, rather than the fee income received by Pets at Home.

Why is it important?

By growing consumer revenue across all parts of our business ahead of the market, we are able to gain market share. In particular, this means focusing on the sales made by general vet practices, whether they be under the Joint Venture or company managed model.

Future plans

We expect our strategic initiatives to deliver like-for-like¹ growth ahead of the market across both the Retail and Veterinary segments.

Underlying profit before tax¹ (£m)

£136.4m
+4.8%



Reflecting strong trading performance in a challenging cost environment.

What we are measuring

The underlying profitability of the Group as a result of our strategic progress. We have shown underlying profit before tax¹ on a constant accounting basis including the clarification of IAS38, first adopted in FY22.

Why is it important?

By generating strong levels of underlying profit, we are able to demonstrate that our pet care strategy remains the right one, and that we are delivering against our strategic objectives.

Future plans

We expect the business to sustain underlying profit growth going forward.

Free cash flow¹ (£m)

£98.2m
+3.5%



Enabling us to invest in our business, reduce debt and increase our dividend.

What we are measuring

The cash available for return to shareholders after investing in the needs of the business.

Why is it important?

Delivering free cash flow allows us to make strategic investments in the business to fuel further growth, whilst providing an appropriate return to shareholders.

Future plans

Releasing free cash flow from our vet business remains a significant value creation opportunity. This, alongside further profit growth in Retail, will allow Group underlying free cash flow to grow sustainably in the medium term.

¹ Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 169.

² Restated.

Strategic performance

Number of active VIPs (m)

7.7m
+5.4%



Driven by the success of our Puppy and Kitten clubs, and supported by a growing pet population.

What we are measuring

Growth in the net number of active members of our VIP loyalty club. An active member is defined as a consumer who has transacted with the Group in the last 52 weeks.

Why is it important?

By providing complete pet care through a trusted brand, we will attract more pet owners to engage with the Group, increasing our market share.

Future plans

We will continue to leverage our omnichannel pet care model to make it convenient, affordable and rewarding for consumers to engage with our suite of products and services.

Consumer revenue¹ from services (%)

32.5%
+34bps



Reflecting the strong growth in our veterinary business.

What we are measuring

The proportion of total consumer revenue contributed by our various pet care services. This is defined as consumer revenue made by both Joint Venture and company managed vet practices, grooming salons, subscriptions, pet sales, pet insurance commissions and revenue generated through our telehealth business.

Why is it important?

The ability to offer consumers pet care services in addition to pet products is a key competitive differentiator for the Group.

Future plans

Generating sales from services is an essential part of being a pet care business and not solely a retailer. We will continue to focus on supporting our vet practices to grow, whilst also increasing the number of consumers signed up to our subscription platforms.

VIP consumer revenue¹ (£m)

£1,195.6m
+9.7%



Driven by growth in active members, and an increase in members shopping across more than one channel.

What we are measuring

The increase in spend from VIP loyalty club members across the Group year on year. This includes all spend across both the Retail and Vet Group businesses.

Why is it important?

Our VIP loyalty club of 7.7m active pet owners is a unique asset providing data and insight to help us increase share-of-wallet, attract and retain new consumers, and encourage further spend across our suite of products and services.

Future plans

Continuing to leverage our data capabilities is a key underpin of our future growth plans. We are harnessing our deep actionable insights to better serve the needs of pet owners and deliver more personalised content and offers relevant to each individual pet.

Consumer revenue¹ per FTE colleague (£k)

£216.6k
+5.1%



Achieved through strong revenue growth as well as efficiency initiatives in-store.

What we are measuring

Consumer revenue generated per full-time-equivalent colleague employed directly by the Group.

Why is it important?

By creating efficiencies we allow colleagues across the Group to focus on sales generating activities and delivering exceptional service to our customers, Partners and clients.

Future plans

Our focus is on operating efficiently across all parts of the Group, ensuring we can remain agile in how we deliver our strategic priorities whilst maintaining an appropriate cost base.

Market overview

A growing pet care market

The pet market remains resilient and in growth and we continue to take share.



For more information:
<https://investors.petsathome.com>

UK pet care market



By sector value 2022¹

● Accessories ²	£1.0bn
● Food ²	£3.4bn
● Veterinary ³	£2.5bn

1 Source: Pets at Home data and UK market reports.

2 Includes online spend from pet products.

3 Veterinary includes general practices.

Market driver:

A growing UK pet population

The UK is a nation of pet lovers, with the pet population now estimated at over 30m, having grown significantly over the last few years as more people than ever before have sought the companionship and support a pet can offer.

Our approach:

We cater for a variety of pet types at accessible locations nationwide and online and offer a wide range of pet products and pet care services. In particular, we are increasingly focused on welcoming new pet owners, introducing them to all parts of our pet care offering, and nurturing lifelong relationships with them.

Market driver:

Continued channel shift to online

Online penetration of the pet products market continues its upwards trend, and was c23% in 2022. Price competitiveness and convenience remain important to the online shopping experience, driven by ease of price comparison and the different delivery options typically offered.

Our approach:

Recent investment in our digital capabilities and fulfilment automation, together with competitive pricing, have enabled us to take share of the online market, now estimated at 20%. However our approach extends beyond just traditional online shopping, with a multi-faceted omnichannel proposition encompassing collect in-store, order in-store and subscription platforms, all of which offer increased convenience for customers.

Market driver:

Humanisation of pets

Pets are increasingly being treated as a member of the family with a continued trend of selecting higher quality diets, an increased focus on gifting and wellness, and a greater desire to use the very best health care treatments and supplements.

Our approach:

Through our in-store colleagues and online content, we are able to explain the health benefits of feeding your pet a better quality diet, whilst competitive pricing makes higher quality Advanced Nutrition pet food increasingly accessible. With many colleagues pet owners themselves, they understand the emotional bond between pets and their owners.

Market driver:

Advances in veterinary care

The veterinary care market continues to advance through scientific research, and the range of healthcare options available to pet owners is increasing. Together with a growing awareness and affordability of pet insurance, more pet owners are able to do what is best for their pet throughout their lifetime.

Our approach:

We aim to partner with the very best veterinarians and vet nurses across our network of Joint Venture and company managed practices to deliver the best possible care to clients. By locating vet practices across the UK, both inside Pets at Home stores and in standalone locations, and offering 24/7 access to trusted advice through our telehealth business, we make access to this high quality care easy and convenient for pet owners.

Market share

24%

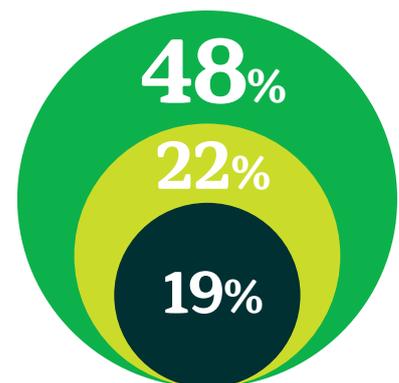
Our share of the UK pet care market

Market growth

8%

Estimated total YoY growth in UK pet care market

Our market share in 2022¹ (%)



Market growth during 2022¹

- Accessories² +4%
- Food² +9%
- Veterinary³ +8%

1 Source: Pets at Home data and UK market reports.

2 Includes online spend from pet products.

3 Veterinary includes general practices.

Stakeholder engagement and s172 statement

Colleagues

11 CEO videos with >8,900 views

Key priorities

How we engage with colleagues forms a critical part of us remaining a great place to work. It will also be a vital part of us working towards ensuring everyone has a rewarding, fulfilling and sustainable career with us. Understanding how macro trends impact our colleagues helps ensure our proposition meets their needs today and in the future.

How Pets at Home engages

The Remuneration Committee Chair, Sharon Flood remains the colleague representative and she attended colleague listening sessions in FY23. The Chair spent four days listening and engaging with colleagues across the business. A revised senior leadership team (~130 colleagues) meeting structure was launched bringing together key decision makers across the business on a more regular basis. Our CEO launched her 'video diaries' which are shared with all colleagues. 11 have been released with >8,900 views. We ran a business wide listening campaign for our sustainability strategy with all teams invited to participate. Over 500 teams participated 1000s of ideas submitted as part of our strategy update. A Joint Venture Council representing our Joint Venture Partners meets regularly to discuss strategic, operational, and clinical matters. It is attended by members of the Vet Executive Management Team.

Key Messages

In a year of transition of senior leadership it was never more important to listen and engage with colleagues. The economic headwinds amplified this and it was essential colleagues knew we were there for them. Our engagement survey told us we still have high levels of colleague engagement and colleagues felt their wellbeing mattered. Our diversity and inclusion strategy is entering its third year and we will now build on the foundations we have been laying. Inclusive recruitment will be our primary focus as we look to build a workforce that represents the communities where it operates and where everyone feels welcome. The sustainability listening campaign demonstrated our colleagues truly care about their environmental impact and are actively making changes in how they operate daily. Our wellbeing strategy continues to roll out our mental health first aider programme with over 80% of vet practices now having a trained colleague on-site and over 700 colleagues trained across the business.

Suppliers

360 active suppliers

Key priorities

As we continue to shift perception of our business to being a complete pet care provider it is essential that we work closely with our supply base and develop and strengthen strategic relationships. Our suppliers will form a critical part of us achieving our SBTi near-term and net-zero targets and a priority this year has been in continuing to engage with and support them on their sustainability journeys.

How Pets at Home engages

Pets at Home has a relatively stable supplier base. Strong relationships have been built over several years and the buying, technical and innovation teams work closely together to create unique products for pets and their owners. Over 95% of food product purchases and over 50% of accessory product purchases are from UK and EU-based suppliers. The sourcing office in Hong Kong manages the day-to-day relationships with our supplier partners in this region. We continued with top-to-top business review meetings with our priority strategic suppliers and hosted a supplier conference in September 2022. Across the year we ensure there is ample opportunity to ask questions, raise concerns and discuss opportunity areas.

Key Messages

The cost-of-living crisis and the impact this has had on the cost of raw materials and products has dominated engagement with suppliers to ensure supply of affordable pet care for our customers and their pets. This was balanced with discussions on our emerging strategy refresh with particular focus on our food strategy within our vision to build the world's best pet care platform. Our suppliers have told us that understanding the long-term strategy enables them to invest appropriately in their businesses. The supplier conference enabled engagement on our product strategy, particularly own brand, ongoing investment in our business infrastructure including our new distribution centre and digital ambitions. We also dedicated time to our sustainability strategy. Our category approach enables supplier engagement in the approach and opportunities at a category level across the short and long term. During the year the Responsible Products Committee has continued to be focused on the development of the responsible sourcing strategy, including our scope 3 packaging and raw material approaches. We have just started to visit our suppliers in China now that COVID-19 restrictions have lifted and this will be a priority during the year.

Charity and Community

£8.2m raised through Pets at Home Foundation and VIP Lifelines

Key priorities

Working closely with the pet rescue sector and our charity partners has never been more important. We can only meet their needs by truly listening and engaging with them. The pet ownership boom, COVID-19 and economic headwinds have placed unprecedented pressures on the sector. Our priority remains steadfast in how we keep as many pets in loving homes as possible.

How Pets at Home engages

The Pets at Home Foundation engages with the animal rescue sector in the UK on a regular basis. The team, which includes a veterinary nurse, have long-term relationships with the sector and are familiar with the issues that they face and the help that they need, which supports the community strategy. The Foundation sends out a regular survey to understand what trends they are seeing in pet relinquishment and critical areas of concern for the charities.

During FY23 surveys were completed by our rescue community with over 300 responses. The Foundation also joined some of the regular meetings held by the CEOs of the large national pet rescue and animal welfare charities. This ongoing engagement with the charity sector helps us to focus our efforts where the impact on pet welfare will be greatest.

Key Messages

The cost-of-living crisis and increase in pet relinquishment were critical areas for the Foundation over the last 12 months.

Our engagement with the charity sector enables us to structure our programmes to optimise impact. This includes larger grants for specific change programmes and regular support through vouchers from VIP lifelines and support at a local level through our charity of the year programme. In FY23 we awarded £1.47m to pet rescue charities in grants, and awarded £752k grants to pet and people charities. VIP Lifelines supported many national and local charities supporting their local communities. 342 Pets at Home stores partner with a local charity to enable them to raise awareness and funds by fundraising in our stores over specific in store events.

Over £600k was raised for Hearing Dogs during the first summer fundraiser and after the sudden and tragic earthquake in Turkey and Syria we committed £100k with £50k to the Red Cross humanitarian fund and £50k committed to supporting animal rescues getting help to where it was needed most.

Customers

7.7m active VIP members

Key priorities

Customers are demanding a highly personalised shopping experience, and one that is seamless across channels. If we are not able to deliver this experience, then we risk losing both existing and potential new customers to competitors. Customers continue to seek flexible and convenient ways to shop and look after their pets.

How Pets at Home engages

We regularly communicate with our VIP community through a variety of mediums such as email, direct mail and the VIP App. Communications are designed not only to provide discounts and benefits, but also to share helpful pet care content and encourage feedback. We also continue to conduct regular pulse surveys, with both existing customers and non-shoppers, to assess customers' evolving behaviours and preferences.

Key Messages

With trends such as online shopping and subscriptions becoming increasingly prevalent, we are ensuring that we invest in these areas of the business. Insights gained throughout the year form an integral part of our annual five-year strategic planning process, to ensure that we are building a business which remains relevant to today's pet owners. During this year we continued roll out of our Deliver From Store service, enabling quick and convenient delivery. Our new distribution centre came online which will offer greater efficiency across our supply chain and better availability for customers. We also made great progress in the digitisation of the business with this year seeing the launch of an enhanced mobile app bringing together VIP and shopping in one easy to use experience.

Investors and Shareholders

222 institutions met

Key priorities

As we continue to shift perception of Pets at Home from a retailer with services to a complete pet care provider, it remains vitally important to engage with shareholders and potential investors alike to explain our unique business model and articulate the future strategy. There has been engagement around specific topics over the course of the year including our sustainability strategy, capital allocation and management succession.

How Pets at Home engages

The CEO, CFO and Investor Relations team are involved in ongoing interaction throughout the year via conference calls, meetings and small round table events. At the AGM all resolutions were passed. We have also reinstated site visits to our pet care centres and vet practices as part of our ongoing engagement, as well as attendance at investor conferences both in the UK and overseas. A strategy update was hosted alongside our full year results, featuring a range of presentations from senior management. A number of ESG focused sessions have been held with the Chief Legal Officer and ESG Director.

Key Messages

We have positive, ongoing and transparent dialogue with our shareholder base and we value feedback and insight which is considered by the Executive Management Team. The investor website is kept updated with all of the latest announcements and provides information about the Group and its activities.

Industry

BRC – We are represented in all pathways of the BRC net-zero roadmap
BVA – All vets are members of the British Veterinary Association (BVA)

Key priorities

The industry bodies influence the regulatory environment in which our business operates and lobby on our and our industry's behalf in critical areas. Maintaining close relationships means we keep the critical two-way dialogue going to inform and support positions, be aware of where policies may impact our strategies or people and to lobby in areas of importance, such as sustainability, medicines or government consultations.

How Pets at Home engages

Through our active membership of the British Retail Consortium (BRC), we continue to contribute to various initiatives and working groups. These include the BRC Climate Actions Net Zero 2040 Road Map, Diversity and Inclusion Charter and policy work and action on the cost-of-living crisis.

The Vet Group maintains close working relationships with key industry bodies including the RCVS, the BVA and the Major Employers Group and relevant pet welfare bodies. All JVPs and vets are members of the RCVS and the BVA. We have Practice and Support Office colleagues who operate at a senior level in many of the main veterinary organisations including the BVA, the Society of Practising Veterinary Surgeons' (SPVS) Educational Trust and Vet Sustain.

Key Messages

Participation in the BRC net-zero and Diversity and Inclusion charters and groups mean we are playing our role in solving global challenges which include and go beyond our own value chain.

Engagement with industry bodies enables the Vet Group Clinical Services, Pets at Home Pet team and the People team to provide informed support and advice to partners and store colleagues and actively participate in industry-wide discussion and co-creation of solutions to systemic workforce challenges.

The creation and launch of a £500k pet, clinical and sustainability research fund will enable us to invest in robust academic research in critical areas.

Sustainability review

Our Better World Pledge

Strategy Development

We began the development of our sustainability strategy in FY20 with a detailed materiality assessment and extensive internal and external stakeholder engagement. Our new strategy was named 'Our Better World Pledge' and our purpose articulated 'to create a better world for Pets and the People who love them' and it was launched externally with our FY21 reporting.

Two years later we are delighted with the progress that we have made launching new initiatives for our colleagues and customers and gaining a deeper understanding of our value chain environmental impacts and where we need to prioritise our focus. During the year we have been engaged in a refresh of our strategy alongside the continued focus on implementing key programmes and embedding involvement across the organisation.

Highlights over the last year

We were extremely proud to be recognised in the Retail Week 2023 awards as Responsible Retailer of the Year. A unanimous decision by the judges meant Pets at Home took the Responsible Retailer accolade, reflecting the breadth of its achievements over the past year.



Planet

- Focusing on scope 3 emissions projects, following the approval from the science based targets initiative of our near term 2030 and long term 2040 scope 1, 2 and 3 carbon reduction targets
- Launch of carbon maturity programmes with our supplier through the 'knowledge hub'
- Investment in a cultivated meat company, focusing on the pet food market
- Long term supplier partnership agreement with Cranswick to work together on achieving our net zero goals alongside our commercial objectives
- Pet pouch packaging collection points now in 94% of our pet care centres, collecting over 7 million pet pouches to date
- Woodland trust pet memory scheme in its second year, over £500k donated to date



Pets

- Embedding of the rebranding of the company charity to 'The Pets at Home Foundation', raising over £5m during FY23 and reaching the £50m achievement since forming in 2006
- Rolling our pet food collection points to over 200 stores in partnership with the Blue Cross
- 1,291 colleagues have been trained to pet advisor level and we have 1,827 suitably qualified persons (SQP) working in our pet care centres



People

- Increase of 46% in our vet nurse apprentices, and our award winning vet graduate programme has 158 graduates across both cohorts
- More than 90% of support office and retail colleagues and 70% of our practice colleagues have completed our diversity and inclusion foundation training. This training is critical to our colleagues having a baseline understanding of diversity and inclusion principles
- Development and launch of our consolidated Responsible Sourcing Handbook for suppliers containing our latest policies and implementation guidance. Disclosure of our own brand tier one factory sites

Embedding our strategy in our business

We have seen a fantastic response to our volunteering programme called Our Better World Pledge days, which has remained an underpin to annual bonus for relevant colleagues. Over 11,000 hours have been donated during the year which is an increase of over 20% vs the previous year.

The remuneration policy has been reviewed this year and, subject to shareholder approval at the AGM on 6 July 2023, the annual bonus will include a sustainability target representing 10% of the maximum award. Completion of our community volunteering day, called Our Better World Pledge Day will also remain an underpin for relevant colleagues. The Directors' Remuneration Report on page 84 contains more details on our policy review.

Our revolving credit facility, agreed in March 2022, is linked to sustainability targets. We now have financial incentives (or penalties) to accelerate our work on pets, people and planet through targets focused on carbon reduction, supporting pets in need and community action. In the first year of this scheme we have achieved all three targets. More details on our performance can be found on page 4 of our standalone sustainability report.



Sustainability review continued

Refreshing the strategy

In the autumn of 2022 we began a refresh of the Our Better World Pledge strategy to ensure it aligned to the emerging business priorities and our updated materiality assessment. We undertook a stakeholder engagement process which included but wasn't limited to a 'Big Listen' with our colleagues and a series of one to one meetings with five of our shareholders.

Our business strategy has sustainability clearly embedded

The overall business strategy has been updated which included the adoption of a singular purpose for the business including sustainability as a key component in the delivery of our vision to build the world's best pet care platform.

Our sustainability strategy supports key priorities in the business strategy

It was really important that our refreshed strategy addressed important sustainability issues and was connected and aligned to key business priorities. For us, this is what sustainability requires, both financial sustainability and environmental and social sustainability.

Our updated framework has created strategic priorities from the longer list of core priorities that our materiality assessment identified.

Planet

Our three pillars of impact (planet, pets and people) have remained the same but planet has moved to the front recognising the significant global climate and nature based challenges that we are facing. We have identified sustainable pet food as our strategic priority. Within our business strategy we have ambitions to grow our share in the food category, particularly in the premium part of the market which has historically been categorised by higher meat protein content recipes. To grow our share we will be developing our premium and overall own brand proposition in a sustainable way.

Pets

Within our pets pillar we will be focusing on improving the lives of every pet in the UK. Our clear definition of our role to provide pet care and the definition of this will help guide our actions from the pets in our care, through to the products, services and advice that we give to guide pet owners. We will retain our position as the biggest grant giver to UK pet charities, being there when pets need our help. An area of increased focus will be the opportunity for us to use our credible voice to advocate for pets more broadly.

People

Turning to our people pillar we have focused our strategic priority to be the best employer and developer of pet care talent. This covers the whole of our business with a particular focus on vet talent where we have a strategic business priority to disrupt the status quo in the veterinary industry to unlock our growth plans. To do this we will be creating rewarding, sustainable careers in the pet care sector for everyone with colleagues fully representing our diverse communities.

We have updated our targets to align with this strategy, these can be read in full in our standalone sustainability report.

Sustainability strategy: Our Better World Pledge

Our purpose

To create a better world for pets and the people who love them



Planet

To make pet care environmentally sustainable

By leading in sustainable pet food:

- Environmental impacts on carbon, land use, water and nature
- Innovative, sustainable packaging
- Nutritional needs met, affordably

 For more information about the Planet pillar progress see our sustainability report page 10



Pets

To improve the life of every pet in the UK

By being the leading advocate for pet welfare:

- Adopting the highest welfare and clinical standards for pets in our care
- Providing pet owners with the best products, service and advice
- Using our voice and expertise to advocate for pets
- Being the largest grant giver to pet charities in the UK

 For more information about the Pets pillar progress see our sustainability report page 20



People

To be the best employer and developer of pet care talent

By creating rewarding, sustainable careers in pet care for everyone:

- Continuous investment in pet care expertise
- Compelling clinical careers and development opportunities
- Colleagues fully representing our diverse communities

 For more information about the People pillar progress see our sustainability report page 30

Looking ahead:

As we look ahead to this year we have some clear priorities outlined which will enable the development of our refreshed strategy.

Scope 3 remains our biggest priority within planet and we will continue to engage our suppliers on the management of carbon in our product supply chains. The work of understanding and then managing the reduction of carbon in pet food will be focusing on carbon footprinting our own brand food ranges, building on the insight of the full lifecycle analysis (LCA) work that we have done this year.

Within the Vet part of our business we have some exciting project plans including our anaesthetic gas stewardship programmes and the launch of a new clinical academy which will help us to create a sustainable pipeline of highly engaged vet and nurse talent with the clinical and behavioural skills and experiences to create leading clinical teams. Later in the year we will begin our involvement in a ground-breaking research project in partnership with the Royal Vet College and Vet Compass.

This multi year project will focus on improved stewardship in veterinary antimicrobial usage across all of our practices using a blended qualitative and quantitative approach.

The Pets at Home Foundation will continue to be there for pets when they need us through our fundraising and grant programme. For example, we will see benefits start to be realised from one of our largest grants of just over £300,000 to the Blue Cross foodbank programme. This grant will be used to fund co-ordinators to ensure the programme is rolled out across the UK with the ambition that anyone who needs to access pet food from a food bank is able to.

From a people perspective we will be further developing our market leading pet expertise programmes. The next cohort of our Pet Care Expert programme colleagues will begin their nine-month learning programme, and phase two of our unique nutrition training programme will launch to all colleagues involved in pet care across our ecosystem, including our clinical colleagues.

We are focused on increasing the representation of ethnic diversity amongst our colleagues to better connect with diverse pet owners and reflect the communities we work in. We will be further developing our inclusive recruitment processes, and inclusive leadership education to enable our leaders and managers to fulfil new representation goals in an authentic and credible way. We'll be continuously monitoring progress through our enhanced diversity data capture and reporting.

Our standalone sustainability report provides shareholders with a detailed overview of Our Better World pledge strategy and performance including our updated materiality assessment and refreshed targets.

 Read more in our 2023 Sustainability Report

 The ESG Committee report which includes our TCFD statement is on page 50



Chief Financial Officer's review

Delivering strong growth whilst investing for the future



A year of record revenue and underlying profitability in a challenging economic environment demonstrates the strength of our unique omnichannel platform, and the resilience of the pet care market. 

Mike Iddon, Chief Financial Officer

FY23 Financial highlights

Revenue (£m)

£1,404.2m

+6.6%

Statutory PBT (£m)

£122.5m

(17.7)%

Underlying PBT^{1,2,3,4} (£m)

£136.4m

+4.8%

Dividend per share (pence)

12.8p

+8.5%

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 169.

2 FY22 non-underlying credit of £0.1m relates to the release of a provision held against property leases allocated against non-underlying gross margin.

3 FY23 non-underlying items of £10.1m relate to transition costs relating to our new distribution centre, £2.7m relating to restructuring of certain support functions, and £0.1m relating to aborted project costs, all allocated against non-underlying operating costs. FY22 non-underlying credit of £19.2m relates to the profit on disposal of the Specialist Group, allocated as other income.

4 FY23 non-underlying cost of £1.0m relates to transition costs relating to our new distribution centre, recognised within non-underlying interest charge. FY22 non-underlying cost of £0.7m relates to loan fees written off upon refinance of our revolving credit facility, allocated against non-underlying interest charge.

Financial review of FY23

The FY23 period represents the 52 weeks from 1 April 2022 to 30 March 2023. The comparative period represents the 53 weeks from 26 March 2021 to 31 March 2022.

The Group's results are shown as three segments that represent the size of the respective businesses and our internal reporting structures; Retail (includes products purchased online and in-store, pet sales, grooming services and insurance products), Vet Group (includes general practices) and Central (includes Group costs, finance expenses and the Group's veterinary telehealth business).

Revenue

Group revenue in FY23 grew 6.6% to £1,404.2m (FY22: £1,317.8m) and like-for-like¹ (LFL) revenue grew 7.9%.

Retail revenue grew 5.9% to £1,278.7m (FY22: £1,206.9m), with LFL¹ revenue growth of 7.5%. Within Retail, food grew at 11.4% supported by good availability and our strong price position. Accessories declined by 0.9% overall, however our commodity-type accessories performed well, offset by a softer performance in more discretionary accessories. Retail services, which includes grooming, pet sales and insurance commissions, were flat year-on-year ('YoY').

Vet Group revenue was up 13.3% to £122.8m (FY22: £108.4m) and LFL¹ revenue grew by 13.4%.

Total Joint Venture fee income increased by 10.5% to £77.2m (FY22: £69.9m) and revenues from company managed practices increased by 20.4% to £37.5m (FY22: £31.2m).

Revenue of £2.7m (FY22: £2.5m) was recognised within our Central division in relation to The Vet Connection, our telehealth business.

Gross margin

Group gross margin⁵ decreased YoY in line with expectations by 157 bps to 47.6% (FY22: 49.2%).

Gross margin within Retail was 47.0%, a reduction of 184 bps over the prior year (FY22: 48.9%) predominantly driven by food growing ahead of accessories (142 bps impact on Group gross margin).

Gross margin within the Vet Group increased by 130 bps to 53.4% (FY22: 52.1%). This increase reflects the strong sales growth across our Joint Venture estate driving strong fee income growth with the cost base to support those practices remaining largely fixed.

Operating costs

Operating costs⁶ of £543.7m (FY22: £515.1m) grew at 5.6% including £12.9m of non-underlying costs incurred in the year, predominantly due to the transition to our new distribution centre.

On a 52-week basis, and excluding DC transition costs, operating costs⁶ grew 5.1%.

We continue to maintain a tight operational grip on industry-wide cost headwinds, including raw materials, wages, energy, and foreign exchange costs. As well as directly mitigating these costs where possible, we are also proactively offsetting them through our ongoing self-help initiatives. Our programme of rent reductions is progressing well and, where we have actively sought to reduce the rent at lease events, we have achieved an average reduction of 20%. We continue to target efficiencies across consumables and goods not for resale, and we are driving further productivity gains across our stores and supply chain, using technology to lower our overall cost to serve.

We have embraced the 9.7% increase in National Living Wage, and we have now secured pricing on 80-90% of our FY24 energy requirements. In addition, we have hedged over 90% of our foreign exchange requirements for the next 12 months, in line with our treasury policy, at an average rate of \$1.21 (FY23: \$1.34).

Finance expense

The net finance expense, including interest charged on lease liabilities, decreased to £14.3m (FY22: £15.1m) predominantly driven by a YoY increase in interest received on cash balances. Of this, £12.4m (FY22: £11.4m) related to interest expense on lease liabilities.

Profit before tax

Group statutory profit before tax was £122.5m (FY22: £148.7m). In FY22 we benefitted from the second tranche of the proceeds from the disposal of the Specialist Group (£19.2m credit) while in FY23 PBT includes a total of £13.9m of non-underlying costs (includes £12.9m of operating costs and £1.0m of lease interest), predominantly due to the transition to our new distribution centre.

Group underlying profit before tax⁷ was £136.4m (FY22: £130.1m), with a profit margin⁷ of 9.7% (FY22: 9.9%), impacted by increased energy costs (up £14.9m YoY) and the YoY increase in investment in digital assets (up £5.9m YoY), which are expensed through the P&L in line with IAS38 accounting policies.

Retail statutory profit before tax was £87.7m (FY22: £101.4m). Retail underlying profit before tax was £98.8m (FY22: £101.4m) with a profit margin⁷ of 7.7% (FY22: 8.4%) reflecting the sustained strong trading across the year, offset by the cost headwinds described earlier.

Vet Group statutory profit before tax was £50.9m (FY22: £43.2m) with a profit margin⁷ of 41.5% (FY22: 39.8%), driven by a strong sales performance, continued gross margin expansion, and a tight grip on operating costs.

Taxation, profit after tax, and EPS

Total tax expense was £21.8m for the year, an effective rate of 18%.

Statutory profit after tax decreased by 19.2% to £100.7m (FY22: £124.5m). Statutory basic earnings per share were 20.5 pence (FY22: 24.9 pence) and underlying basic earnings per share¹ were 22.8 pence (FY22: 21.2 pence).

Working capital

The movement in working capital⁸ for FY23 was an inflow of £19.8m, predominantly driven by the strong growth in the business. Inventories increased by 29% to £108.6m reflecting the impacts of cost inflation, a small increase for the opening of the new DC and investment to support higher availability which is supporting better growth.

Payables increased by 16% to £261.5m primarily driven by a 31% increase in trade payables, in line with the increase in inventories and driven by the growth of the business over the past year. Receivables were broadly stable, decreasing 3.5% to £51.8m. Within receivables, the strong financial performance across our Joint Venture vet practices contributed to the gross value of operating loans reducing by £6.4m to £13.8m from £20.2m at FY22 year end. The provision held against the gross value of operating loans decreased by £1.6m to £3.4m from £5.0m at FY22 year end.

Chief Financial Officer's review continued

Investment

Total investment in the year was £105.2m (FY22: £73.1m), split £75.3m capital investment (FY22: £49.1m), and £29.9m of cloud-based digital investment which is expensed through the P&L (FY22: £24.0m).

Total investment of £105.2m was focused on three strategic growth areas; investment in data analytics and business systems totalling £37.8m (FY22: £30.9m), as we continue to progress our data and digital agenda, a £43.7m (FY22: £10.4m) investment as we complete our new distribution centre, and £17.5m (FY22: £17.2m) to continue with our store refurbishment programme.

Free cash flow

Free cash flow¹ after interest and tax, but before acquisitions and disposals was £98.2m (FY22: £95.0m). The increase in free cash flow compared with the prior year primarily reflects the underlying profit growth and lower cash tax payment, offset by increased investment in the business to drive future organic growth.

Our free cash flow for the year includes the following items:

- £22.0m in lease-related incentives made up of £12.4m in landlords' cash contribution and £9.6m from our share of development profit on disposal
- £9.5m lower cash tax payment versus the standard rate of corporation tax, due to a corporation tax receivable brought forward into FY23 which is not expected to recur going forward
- £4.4m reduction in net operating loans

During FY23 we incurred £13.9m of non-underlying costs, mostly related to the transition to the new Stafford DC.

Free cash flow ¹ (£m)	FY23	FY22
Net cash flow from operating activities	251.2	248.1
Lease payments ¹¹	(68.9)	(67.3)
Cash receipts from lease incentives	22.0	-
Debt issue costs	(0.1)	(3.3)
Net cash capex ¹²	(77.2)	(55.5)
Net cash interest ¹³	(14.7)	(14.7)
Purchase of own shares	(14.1)	(12.3)
Free cash flow¹	98.2	95.0

The cash and cash equivalents at the end of the year were £178.0m, up £12.0m year-on-year (FY22: £166.0m).

Divisional free cash flow	FCF (£m)
Retail	67.0
Vet Group	44.7
Central	(13.5)
Group¹	98.2

The cash generation described above enables us to pay a record dividend payment and fund our £50m share buyback programme which completed in the year. Our net cash position¹ at the end of the year was £54.7m (cash £178.0m, debt £123.3m), and net debt¹ was £366.7m on a lease adjusted basis. This represents a leverage ratio¹ of (0.3)x underlying EBITDA or 1.5x on a lease adjusted basis.

Net cash (£m)	FY23	FY22
Opening net cash¹	66.0	1.4
Free cash flow ¹	98.2	95.0
Equity dividends paid	(58.7)	(48.5)
Share buyback	(50.3)	-
Acquisitions ⁹	(0.5)	(1.7)
Disposals ¹⁰	-	19.8
Closing net cash¹	54.7	66.0
Pre-IFRS 16 leverage¹	(0.3)x	(0.4)x
Lease adjusted leverage¹	1.5x	1.3x

The Group's underlying cash return on invested capital (CROIC)¹ in the year decreased to 22.7% (FY22: 25.0%) having been through a year of peak investment as we build our digital platform and bring our new DC onstream, with the cash benefits to come in future years.

Capital allocation

Our capital allocation policy prioritises investing cash in areas that will expand the Group and deliver attractive returns. These areas include organic investment (into our digital capability, our infrastructure, and our store refurbishment programme), our progressive ordinary dividend policy (which approximates to 50% of earnings per share) and value-accretive opportunities including M&A (which are strategically aligned to expanding our platform in core and adjacent markets). We will return to shareholders any surplus free cash flow after these items, and it is the Board's intention to review this on an annual basis. In the year we have completed a £50m share buyback programme and have today announced a further £50m buyback for the year ahead.

Dividend

The Board has recommended a final dividend of 8.3 pence per share, an increase of 10.7% on the prior year. This takes the total dividend for the year to 12.8 pence per share, an increase of 8.5% on the prior year, reflecting our strong cash performance and balance sheet. The final dividend will be payable on 11 July 2023 to shareholders on the register at the close of trading on 16 June 2023.



Mike Iddon
Chief Financial Officer
25 May 2023

5 Gross margin is calculated as gross profit as a percentage of revenue.

6 Operating costs are the sum of selling and distribution expenses and administrative expenses.

7 Profit margin is calculated as underlying profit before tax as a percentage of revenue.

8 Working capital is the sum of YoY movements in trade and other receivables, inventories, trade and other payables, and provisions.

9 FY23 and FY22 includes investment in certain company managed practices.

10 FY22 includes the cash proceeds in relation to the disposal of the Specialist Group net of fees and cash held upon disposal.

11 Lease payments are cash payments for the principal portion of the right-of-use lease liability.

12 Net cash capex is proceeds from the sale of property, plant and equipment less costs to acquire right-of-use assets and acquisition of property, plant and equipment and other intangible assets.

13 Net cash interest is interest received less interest paid and interest paid on lease obligations.

Risk review

Risk management

Effective risk management is an integral part of running our business and is fundamental to us achieving our strategic objectives, implementing core business initiatives, and protecting long term stakeholder value. The Board is responsible for the nature and level of the principal risks we are willing to take and have overall responsibility for the Group’s risk and internal control frameworks.

Risk Governance

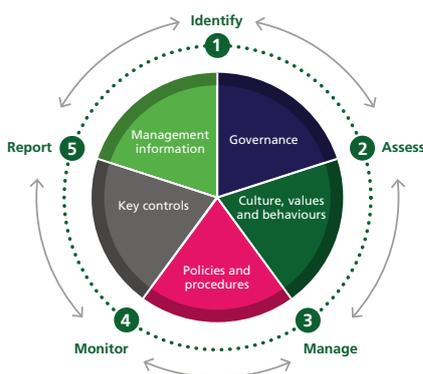
We operate a three lines of defence model, as illustrated below.



For further details about key roles and responsibilities within our governance structure, please see the Governance report on page 31.

Risk management process

We take a practical approach to risk management. Our process has five steps, integrated across the three lines of defence and our governance framework. Having a top down, bottom-up approach gives us a comprehensive view of risks, either current or emerging, their status and the effectiveness of mitigation plans. An appropriate level of oversight and assurance is provided through this process.



Identify and assess – Each business, function and key project identify their current and emerging risks considering their strategic plan, objectives, and external environments. A standardised risk scoring methodology is used across the Group to analyse risks. This helps the escalation and consolidation of risks into a Group-wide view. Horizon scanning exercises are conducted with the senior management team as part of the annual strategy and business planning cycles and risk management processes.

Manage – Each business, function and key project maintain detailed risk registers and mitigation plans which are approved by their leadership teams and the appropriate Executive Management Team (EMT) member. Each principal, corporate and emerging risk is owned by a member of the EMT who is accountable for confirming

that adequate controls and necessary mitigation plans are in place to bring the risk within an acceptable tolerance. A range of risks are managed on an ongoing basis, which are not currently considered significant enough to be included on the corporate risk register.

Monitor – Each risk register is reviewed by the relevant senior management team at least four times a year before submission to the EMT. Threats on the watch list are reviewed alongside the risk registers. Risk scoring and key risk indicators are also reviewed to track the risk and progress of mitigation plans. Assurance is gathered from across the three lines of defence to support this process. Risks are also reported to relevant management committees, such as the Environmental, Social and Governance Committee.

Report – The Corporate risk register is reported to the EMT, Board and Audit and Risk Committee (ARC) four times a year. Risks are considered both independently and collectively to fully understand their dependencies and potential impact on the business. The ARC conducts deep dives in key risk areas with the EMT and functional leadership teams. The principal risks and uncertainties are submitted to the ARC ahead of final review and approval by the Board.

Emerging risks

We define emerging risks as those that can potentially have a significant impact on the Group in the medium to long term, where the full extent of the scale, impact, or likelihood may not be fully understood but need to be tracked. Identification and review of emerging risks follows our risk management process described above. Emerging risks considered a priority are summarised below on pages 24 to 30.

Climate risks

Climate change risks are also integrated into our risk management process. Actions identified are captured on the Group’s risk register and are monitored by the ESG Committee (supported by the Audit and Risk Committee). Details of this and our overall approach to TCFD can be found on page 52 of this report and in more detail in our sustainability report.

Risk review continued

Link to strategy 1 Bring the pet experience to life 2 Set our people free to serve 3 Use data and VIP to better serve customers 4 50% of sales from pet services

Risk Profile/ Risk Appetite L Low M Medium H High **Change on previous year** <> Stable ^ Increased v Decreased

Brand & Reputation Owner: Chief Consumer Officer Risk Type: Strategic

Links to strategy 1 2 3 4 **Risk profile** L M H **Risk appetite** L M H **Change on previous year:** <>

Description

Protecting and enhancing our strong brand value and holding pet welfare as our number one priority is essential in attracting and retaining our consumers and clinical talent and the trust and value our stakeholders place in us. This is the responsibility of every colleague. We are aware that trust and reputation can quickly be lost so we continuously monitor and ensure that our business actions align to pet welfare and consumer and clinical expectations. Pet welfare remains our highest priority.

Key responses

- Established the Pet Welfare Committee to uphold and drive forward animal welfare standards within our own operations including the quality and welfare considerations of our products and services.
- New clinical strategy led by our newly appointed Group Veterinary Officer bringing our clinical and pet welfare expertise and governance together.
- The majority of practices are accredited or working towards being accredited under the RCVS Practice Standards Scheme (PSS).
- Risk-based product safety and integrity testing and inspection programme to monitor ongoing safety compliance of our own label products.
- Own label products developed with the support of the Group's internal veterinary expertise and external behavioural experts.
- Dedicated Compliance Team to monitor customer reviews and customer complaints.
- Tested product recall procedures.
- Rigorous welfare standards in place operationalised through quarterly unannounced audits across stores, in-store adoption centres, and grooming salons. Quarterly announced audits and three separate, external, independent veterinary led audits each year for each animal supplier.
- Conducted monthly research with our consumers and wider market to understand their changing needs and expectations and understand their opinions and expectations on our brand to drive business action.
- Through our Pet Foundation we donated to pet charities and NGOs in Ukraine and Turkey to support the basic needs and welfare of pets affected by war and the environmental disasters.

Outlook and further actions planned

- Protecting, enhancing, and communicating our strong brand value will remain our focus in FY24, with a core message around pet welfare and our pet expertise and knowledge.
- We are committed to continually monitoring, improving capability, and supporting our colleagues and supply partners to maintain high pet health and welfare standards.
- We will also be implementing a comprehensive brand and consumer tracking programme to continuously monitor our consumer expectations, brand health and consumer reputation. The results will drive business action where required.
- Review of all planned product, service, and proposition changes via our Pet Welfare Committee to ensure they meet our pet welfare and brand credentials.
- Creating a credible and visible evidence based active leading voice on pet health and welfare with consumers and the pet care industry to drive the highest standards and change where required.
- Establishing a Quality Improvement framework under the new Head of Quality Improvement and Education to support our veterinary practices with guidance on expected clinical standards.
- Review of Non-Traditional Companion Animals and how we respond and educate.
- Introducing new data-driven platforms to identify and monitor product safety risk and improve reporting on raw material sources.

Emerging risks

- Continued impact on consumers with inflationary and costs challenges.
- New and emerging animal diseases particularly associated with imported pets.
- Veterinary professional regulatory changes.
- Veterinary professional and public opinion around the keeping and selling of Non-Traditional Companion Animals.

Risk appetite

We place the welfare of pets and the value of our brand at the front and centre of all we do, along with our societal responsibilities in relation to the planet and people. The group has no appetite for any risk which may compromise the trust and value which our communities and stakeholders place in our brand.

Information security and business critical systems

Owner: Chief Data & Information Officer
Risk Type: Strategic/Operational

Links to strategy

1 2 3 4

Risk profile

H

Risk appetite

L

Change on previous year: <>

Description

The availability and security of our IT systems and accurate data is vital for us to operate safely whilst maintaining the security of customer, colleague, and company confidential data.

Key responses

- Invested heavily in our cyber security position both from a personnel and technology standpoint.
- Delivered awareness training and engagement campaigns including a security champion network.
- Ran Tabletop Breach exercises with Executive Management Team, Legal Team, and IT.
- Delivered policies aligned to ISO27001.
- Set up an Information Security Steering Group with business stakeholders.
- Provided six monthly updates to the PLC board at the Risk and Audit Committee.
- Engaged an Incident Response Expert organisation on retainer.
- Developed an incident management response plan combined with specific cyber-attack playbooks. These form the basis of a continuing improvement process when it comes to our approach to incident response.

Outlook and further actions planned

- While our security maturity has improved significantly over the last 12 months, cyber-attacks continue to grow in frequency and complexity.
- Cyber Security strategy that began in FY23, designed to take a risk-based approach to improve our security maturity, minimise the likelihood of and increase the ability to identify and respond to a cyber-attack.
- The strategy includes colleague awareness and training, improved email filtering, end point protections, vulnerability monitoring and remediation.
- Plan to migrate all colleagues onto Office365 with Multi Factor Authentication.
- Identity management processes will be improved including escalated and privileged accounts.
- We continue to review our third parties on a risk basis to ensure we have the appropriate contractual and technical controls in place.

Emerging risks

- Geopolitical situations are creating more advanced attacks, which may inadvertently impact our business or be repurposed by organised cybercrime gangs.
- As more companies become victims of cyber attacks, customers and colleagues who reuse emails and passwords become an attack vector.
- Artificial Intelligence increases the complexity of attacks such as phishing to make it more difficult for an average colleague to spot.

Risk appetite

The Group has no appetite for cyber security risk which may compromise our reputation, our technology solutions, and the personal data within them. We endeavour to protect our data in line with legislation and best practice. The Group accepts a balanced level of operational technology risk to protect and enhance our operations. We have plans in place to minimise the likelihood and impact of any business-critical technology failure.

Sustainability and climate change

Owner: Chief Legal Officer
Risk Type: Strategic

Links to strategy

1 4

Risk profile

M

Risk appetite

L

Change on previous year: <>

Description

The success of our business over the long term depends on the Group operating sustainably in financial, environmental, and social terms. Our stakeholders, including investors, colleagues and customers need to be assured that we are acting responsibly across our business operations and supply chains. If we do not meet these expectations the Group's brand reputation, licence to operate and financial performance could be threatened. More stringent environmental regulation could affect the cost of production and operational flexibility. Over the long term, physical risks from extreme weather events and transition risks from potential stringent regulation, or failure to efficiently decarbonise our value chain, could increase the cost of production and impact operational flexibility.

Key responses

- Full update of materiality assessment and refresh of sustainability strategy (see page 18).
- Assessment of physical and transitional climate change related risks (see TCFD statement page 52).
- Prioritisation of material areas within strategy refresh.
- Allocation of capital across five years to enable the delivery of further operational carbon reductions.
- Launch of the Supplier Knowledge hub and supplier scope 1 & 2 reductions expectations at the supplier conference.
- Launch of our Responsible Sourcing Handbook containing all relevant policies and implementation guidance for suppliers (available on our corporate website).
- Investment in laboratory grown meat start up.
- Launch of long-term strategic pet food supplier partnership.
- Increased dedicated in-house sustainability resource.

Outlook and further actions planned

- Our updated sustainability strategy, Our Better World Pledge, can be found in summary on page 16 and in our separate sustainability report. This includes new targets relating to sustainability and climate change and a set of clear priorities that align to our business strategy. These cover our three pillars of planet, pets, and people. The first pillar, planet, is now being given more emphasis and prominence recognising both the urgency of the global environmental issues and the complexities involved in tackling them.
- New target and activity on carbon footprinting of own brand pet food ranges.
- New target and activity on measuring supplier scope 1 and 2 carbon maturity.
- Testing of HVO fuel to reduce carbon impact of HGVs.
- Anaesthetic gas training to help practices manage gas use.
- Installation of solar panels on new DC site in Stafford.
- Inclusion of ESG objectives for all senior leadership team bonus schemes (see remuneration report page 61).
- Sustainability training for senior leadership team.

Emerging risks

- Our TCFD scenario analysis identified the sustainability of pet ownership as an emerging risk. Our TCFD statement on page 52 explains this risk in more detail.

Risk appetite

The Group takes its responsibilities in relation to sustainability seriously not only because it is the right thing to do but because it is critical to ensuring the sustainability of the business. We define sustainability as achieving environmental sustainability, social sustainability as well as financial sustainability and all three of these dimensions are critical to creating value in the long term.

Risk review continued

Link to strategy 1 Bring the pet experience to life 2 Set our people free to serve 3 Use data and VIP to better serve customers 4 50% of sales from pet services

Risk Profile/ Risk Appetite L Low M Medium H High **Change on previous year** <> Stable ^ Increased v Decreased

People and Organisational Capability Owner: Chief People Officer Risk Type: Strategic

Links to strategy 1 2 3 4 **Risk profile** L M H **Risk appetite** L M H **Change on previous year:** <>

Description

Our 16,000+ colleagues and Partners are fundamental to the success of our business. It is essential that we attract, retain, develop, and reward our talent across the Group. Having the right talent will help us meet the needs of our consumers, drive our consumer-centric, omnichannel pet care ecosystem and deliver our business strategy.

Key responses

- Reward strategy to attract and retain talent.
- Expansion of external candidate pipeline outside mainstream talent pools.
- Retention incentives to retain critical talent.
- Continuous review and response to the impact of cost of living on our people.
- Development of career pathways to retain talent groups and develop internal capability.
- Steering 'Great Conversations' (our performance management tool) to better drive colleague performance.
- Promoting the brand through a national tactic to recruitment with 'always on' approach.
- Support international recruitment for clinical talent.
- Optimisation of social media sites and careers website.
- Investment in the approach to contracts for locum population in Vet practices.

Outlook and further actions planned

- We continue to focus on the attraction and retention of critical talent, reducing colleague turnover and the development of colleague skills ensuring we have the right skills and organisational capability to deliver the business strategy.
- There are continuing global restrictions and challenges in the specialist and clinical talent market.
- FY24 will also focus on organisational capability and the effectiveness of our people systems to be an enabler to this.
- Review and develop fresh life stage and style benefits.
- Continue to monitor impact of cost of living on our people and their families.
- People data and analytics will be key in ensuring the People strategy supports the delivery of the business strategic pillars.

Retail

- Developing an updated 'new starter' induction programme for retail colleagues.
- Launching a joiner and exit survey to understand the experience of both.
- Working with field teams to increase colleague hours through dual contracts.
- Launch of the new grooming re-set programme.

Vet Business

- Building a clinical academy.
- Scaling of our graduate programme.
- Implement the new Practice Management and Joint Venture Partner leadership programme.

Emerging risks

- Continuing restrictions and challenges in the specialist and clinical talent market.
- Reducing attractiveness of the UK as a work and life destination for European clinical talent.
- High employment.

Risk appetite

We expect our colleagues and partners to act in line with our culture, values, and behaviours. The business has no appetite for risk relating to the health, safety, and wellbeing of our colleagues. We do however accept that there is an inherent level of risk in attracting and retaining critical talent across the Group.

Competition and Consumers

Owner: Chief Consumer Officer
Risk Type: Strategic

Links to strategy



Risk profile



Risk appetite



Change on previous year: <>

Description

The Group competes in a wide ranging competitive market including other pet specialists, pure play online competitors, online marketplaces, direct to customer businesses, supermarkets, discounters, online pet healthcare platforms, veterinary groups, and independent practices. There continues to be strong online competition including new start-ups, including those focused on subscriptions. We must continue to offer an attractive model for our future Joint Venture Partners while keeping ahead of, and responding to, developments by our competitors around price, range of services offered, clinical care, and experience. There also remains a level of uncertainty of any further impact of economy and inflation on consumer and household budgets. Failing to be aware and manage all these factors could have an adverse impact on the Group's financial performance and opportunities for growth.

Key responses

- Strategic review of our consumer value proposition including pricing which has driven our strategic priorities for FY24.
- Launched promotional and value offers to our consumers with a core focus on our food which is one of the biggest pet care household expenses including Switch and Save, VIP Member offers and pay day offers.
- Continued development of tailored consumer campaigns to our VIP members utilising proprietary propensity modelling which is driving consumer retention and loyalty.
- Monthly consumer and cost of living sentiment research to continue to understand consumer sentiment and concerns and drive our business planning.
- Creation of new Consumer team and appointment of new Chief Consumer Officer to drive our consumer centric approach and productise our value proposition.
- Continually launched new ranges throughout the year – including new Wainwrights dog food products, small animal food ranges, insect protein food and new cooling ranges in the summer.
- Expanding our veterinary services – for example, the relocation and opening of the Northampton practice to create our largest animal hospital facility and services.

Outlook and further actions planned

- We will remain within a highly competitive market and there remains ongoing uncertainty for our consumers as to the impact of the economic and inflationary pressures on household budget. However, we have the strategies, processes, and structures in place to continue to monitor this and review our consumer propositions as required.
- Continued focus and investments in our value and pricing position and communication of this to our consumers.
- Implementing a new real time consumer satisfaction tracking programme across our retail, vets and digital customer services teams to drive understanding of our consumer experience.
- Well established product development which will ensure we launch new or enhanced products/ranges to our core food, health, and accessories categories.
- Developing and expanding our veterinary services by opening new veterinary practices and expanding services in current practices.
- Regular monitoring of the market and competitor pricing to ensure we continue to provide competitive value and provide the best options for our consumers.
- Monitoring the effectiveness of our processes by regularly tracking our business and competitors against the measures our consumers tell us are important to them and drive their behaviour.
- Continue the development of impactful consumer propositions which meet consumers' pet care needs and deliver differentiated value.

Emerging risks

- Disruption from new competitors taking advantage of new market dynamics.
- Continued macroeconomic uncertainty post-pandemic.
- Adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.
- Material changes in consumer buying behaviour driven by concerns around affordability, sustainability, and the environment making pet ownership less attractive.

Risk appetite

The Group recognises that to successfully compete and grow the business we need to take an acceptable level of risk, whilst staying within our overall Group risk appetite. We have a higher appetite for risk in the creation of long-term value, developing our strategy and taking advantage of opportunities. In the execution of our strategic initiatives, where we need to maximise benefits realisation, we will only accept a moderate level of risk.

Pet care centre expansion

Owner: Chief Consumer Officer
Risk Type: Strategic

Links to strategy



Risk profile



Risk appetite



Change on previous year: <>

Description

A key part of the Group's strategy is to grow and strengthen our omnichannel pet care platform, which offers a wide range of pet product and services through both physical and digital channels. If we fail to deliver our planned growth in our footprint and services, our expected growth and financial performance could be adversely impacted.

Key responses

- Opened one new Pet Care Centre and twenty-one refurbishments to create enhanced locations.
- Opened one new vet practice and completed extensions of current practices to give us the ability to provide services to our consumers including the relocation of Northampton practice to create our largest animal hospital facility and services.
- We made material progress on our priority investment programmes that will help enable our omnichannel model. These include our new distribution centre in Stafford, which will become operational in FY24 and our multi-year digital investment programme Polestar.
- Our store estate remains entirely leased, which gives us great flexibility.

Outlook and further actions planned

- The Group is in a strong competitive position through our unique omnichannel pet care model.
- We will continue to invest in our physical locations (both pet care centres and vet practices), including new sites and refurbishment.
- We will continue to invest in the key enabling infrastructure, including our supply chain and digital platform.
- We will continue to evolve our value propositions (including subscriptions) based on consumer insights and feedback.

Emerging risks

- Speed of change in innovation and advances in pet care and clinical technology
- Material changes in customer behaviour and needs, driven by concerns around affordability, sustainability, and the environment making pet ownership less attractive.

Risk appetite

We have a higher appetite for risk in the creation of long-term value, developing our strategy and taking advantage of opportunities. In the execution of our strategic initiatives, where we need to maximise benefits realisation, we will only accept a moderate level of risk.

Risk review continued

Link to strategy	1 Bring the pet experience to life	2 Set our people free to serve	3 Use data and VIP to better serve customers	4 50% of sales from pet services
Risk Profile/ Risk Appetite	L Low	M Medium	H High	Change on previous year <> Stable ▲ Increased ▼ Decreased

Responsible sourcing and supply chain Owner: Retail Chief Operating Officer and Vet Chief Operating Officer Risk Type: Operational

Links to strategy 1 4 Risk profile M Risk appetite M Change on previous year: <>

Description

As we source our products and raw materials globally, we are exposed to the risks associated with international trade, such as supplier failure or disruption, inflation, changing regulatory frameworks and currency exposure. Failing to meet our responsible sourcing commitments could damage consumer confidence and our business reputation, which could have a negative impact on business performance. A disaster at one of our distribution centres or the wholesaler for veterinary products may result in a significant disruption to the supply of stock to stores, essential products to our practices and in the fulfilment of internet orders.

Key responses

- Our Responsible Products Committee meets regularly and is responsible for developing the strategy for managing the environmental and ethical impacts of our products on our value chain.
- A comprehensive Supplier Code of Conduct provides clear supplier expectations in relation to human rights, environmental, ethical, and legal standards. This is supported by a Responsible Sourcing Handbook which brings our Supplier Code of Conduct to life with detailed implementation requirements, guidance, and signposting to additional resources. Our responsible sourcing requirements form a key part of our contractual agreements with suppliers.
- Engagement with industry bodies and external experts for collaboration, sharing and development of industry best practice.
- Qualified internal Ethical Auditor.
- Modern slavery awareness training forms a key part of our mandatory colleague training for Support Office colleagues.
- Dedicated whistleblowing reporting mechanism for workers within our supply chain to report concerns.
- Robust onboarding and ongoing monitoring programme of own label supplier standards including announced and semi-announced audits of production facilities conducted by Pets at Home colleagues or third-party audit bodies. Suppliers are supported to remediate non-conformances.
- Data systems are used to manage our audit and supplier data. This enables us to better track the resolution of issues and understand more about our suppliers, their workforce, and their risk profile.
- Vaccine supply and freight costs for veterinary products has stabilised through close interaction with the supplier plus ongoing managed allocation of product until there was enough supply in the UK to return to unrestricted supply. Agreed ring-fenced stock has protected us from market shortages of products.
- Business continuity plans are in place for the distribution centres. We can service all stores and orders for a priority range of SKUs from a single distribution centre whilst we source a second facility and recover full product supply.
- We have sufficient storage capacity to support business growth.

Outlook and further actions planned

- Rising production, material and labour costs and the disruption of raw material supply chains puts pressure on suppliers and means normal levels of due diligence could be bypassed to ensure the continuity of labour and materials for the fulfilment of customer orders. This increases the risk of human rights violations and environmental damage occurring undetected in lower tiers of supply chains. We therefore work in partnership with our suppliers and in collaboration with industry to understand and mitigate these risks together.
- Increasing price uncertainty as suppliers continue to react to 12 months+ of high inflation.
- We are mindful of the potential risk of supplier failure, either through insolvency or through an inability to deliver products due to global supply chain challenges.
- Our supplier audits continue, and we anticipate being able to resume our programme in China as pandemic travel restrictions are eased.
- We are working with our own label suppliers to map lower tiers of the supply chain and to support them in conducting risk assessments. Where there is a high risk commodity, industry, sourcing location or vulnerable workers, we'll work with them to ensure we have full visibility of ethical standards.

Emerging risks

- Geopolitical uncertainty and disruption.
- Modern Slavery reporting is on the rise in the UK and globally.
- Continuing labour shortages in the UK manufacturing, logistics and agricultural sectors.

Risk appetite

The Group does not tolerate any breach of company policies, local laws, or regulations in our supply chain. We have clear expectations of our suppliers in relation to upholding human rights, providing safe working conditions, meeting acceptable labour standards, and protecting the environment. The safety and integrity of our products is of paramount importance so we will not compromise standards. We always collaborate with our suppliers to help them achieve our requirements but where standards are persistently not met or we encounter a zero-tolerance issue, we will end our business relationship.

Liquidity and credit

Owner: Chief Financial Officer
Risk Type: Finance

Links to strategy

1

4

Risk profile

L

Risk appetite

L

Change on previous year: <>

Description

The Group requires adequate cash resources to enable it to fund its growth plans through its capital projects and working capital requirement. Without adequate cash resources, the Group may be unable to deliver its growth plans, with a consequent impact on future financial performance. The Group's growth plans in respect of Joint Venture veterinary practices are predicated on the availability of finance for new Joint Venture veterinary Partners to fund both the capital cost and working capital requirement for each new practice opening. The Group also provides additional financial support to veterinary general practices to underpin their working capital requirements and growth in clinical capacity. This investment is a particular feature of the Joint Venture operating model and in making this investment the Group considers its total returns across all practices on a portfolio basis.

Key responses

- The Group's finances are continually monitored in the context of its growth plans and of the wider economic landscape. The Group's core financing facilities are in place until March 2027. The Group maintains close working relationships with its banking partners to ensure sufficient liquidity and credit is available. The Group monitors a range of potential cash flow sensitivities to ensure the banking facilities in place remain sufficient and adequate considering evolving macro and micro-economic factors.
- The Group ensures that all cash surpluses are invested with banks that have credit ratings and investment criteria that meet the requirements set out in the Group Treasury Policy, which has been approved by the Board.
- The Group's key suppliers are exposed to credit risk and as part of the Group's overall risk management programme, the business has identified alternative suppliers where appropriate and developed contingency plans in respect of own label and private label food products.
- The Group has from time to time bought out and consolidated a number of Joint Venture veterinary practices. As part of these acquisitions, the Group has settled any liabilities for third party bank loans and leases within these practices on behalf of the Joint Venture Partner, with all such liabilities being written off.
- For the practices which the Group continues to operate under a Joint Venture Agreement, the Group has an established credit impairment provision to reflect the assessment of extended loans and investments being repaid over different lengths of time, with different risks of return, to provide for any potential shortfall. The Group has facilities in place with recognised lenders that give us confidence that our medium-term growth plans are financed adequately.

Outlook and further actions planned

- The Group's liquidity headroom in the financial year, and the length of time to expiry of the Group's core financing facilities, will continue to be monitored periodically.
- The evolving political and macro-economic situation is likely to lead to sustained uncertainty in relation to forecast cash flows, liquidity, and credit requirements. We will continue to monitor our finances and build relationships with our finance providers to ensure that the business is well positioned to manage its cash flows effectively and ensure sufficient liquidity is available.
- We recognise the potential need to support some of our Joint Venture veterinary practices with additional funding during the year ahead. Such funding will be available for those businesses that remain viable over the longer term, considering resilience evidenced within the sector throughout the last financial year.

Emerging risks

- The continued development of the UK's relationship with the EU.
- The evolving supply chain and inflationary factors.

Risk appetite

The Group has a low appetite for funding, liquidity, and credit risk. We apply a cautious and balanced approach to these risks to safeguard access to funding whilst maintaining sufficient liquidity to meet our current financial obligations and future financial forecasts. The Group does not tolerate any breach in liquidity and credit contracts or Group liquidity and credit financial policies.

Risk review continued

Link to strategy	1 Bring the pet experience to life	2 Set our people free to serve	3 Use data and VIP to better serve customers	4 50% of sales from pet services
Risk Profile/ Risk Appetite	L Low	M Medium	H High	
Change on previous year	<> Stable ▲ Increased ▼ Decreased			

Treasury and finance Owner: Chief Financial Officer Risk Type: Finance

Links to strategy 1 2 3 4
 Risk profile L M H
 Risk appetite L M H
 Change on previous year: <>

Description

The Group has an exposure to exchange rate risk in respect of the US dollar, which is the principal purchase currency for goods sourced from Asia. The Group also faces risks from changes to interest rates due to its exposure to debt facilities with floating interest rates linked to SONIA. The Group has an exposure to potential tax compliance issues which could lead to financial or reputational loss. If we do not manage these exposures, there could be an impact on the Group's financial performance with a consequential impact on operational and growth plans.

Key responses

- This exposure to exchange rate fluctuation is managed via forward foreign currency contracts that are designated as cash flow hedges. The group has an established guiderail for foreign exchange hedging in terms of both percentage forecast foreign currency purchase coverage and time horizon hedged out to.
- This exposure to interest rate fluctuation is managed via floating to fixed interest rate swap contracts that are designated as cash flow hedges. The group has an established guiderail for interest rate hedging in terms of both percentage forecast debt coverage and time horizon hedged out to.
- All hedging activity is undertaken by the Group Treasury function in accordance with the Group Treasury Policy that sets out the criteria for counterparties with whom the Group can transact, which states that all hedging activities are undertaken in the context of known and forecast cash flows, with speculative transactions specifically prohibited.
- The Group operates within the Group Tax Policy framework which aims to maintain a low risk appetite approach to its tax affairs.

Outlook and further actions planned

- The political and macro-economic environment has resulted in ongoing heightened foreign currency and interest rate pressures, and we may see this continue for some time.
- Ongoing currency movements between the US dollar and GBP may result in further exchange risk, particularly considering the geopolitical and macro-economic environment, and the UK's developing relationship with the EU.
- These risks are appropriately mitigated through the group's Treasury Policy, Tax Policy, and risk management strategies. The group will continue to manage this through its well-established foreign exchange and interest rate hedging policies, and more widely its group-wide treasury and tax policies. We do not expect any increased threat from other significant macro-economic changes in the short to medium term.

Emerging risks

- Continued macroeconomic and geopolitical uncertainty.
- Adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.

Risk appetite

The Group has a low appetite for balance sheet risk. We apply a cautious approach to safeguard the strength and resilience of the balance sheet. We also take an ethical and low risk approach to tax. The Group does not tolerate any breach in key financial policies, such as the Group Treasury Policy.

Legal and compliance Owner: Chief Legal Officer Risk Type: Legal and compliance

Links to strategy 1 2 3 4
 Risk profile L M H
 Risk appetite L M H
 Change on previous year: <>

Description

Many of the Group's activities are regulated by national and international legislation, applicable industry regulations and standards including, but not limited to, consumer and competition laws, trading, advertising, packaging, product quality, health and safety legislation and guidance, pet shop licensing, National Minimum Wage and National Living Wage, Equality Act, modern slavery, anti bribery and corruption, data protection, environmental regulations, the Corporate Governance Code, the RCVS Code of Professional Conduct for Veterinary Surgeons, and the off-payroll regulations (IR35). Failure to comply with the obligations set out in this and other applicable legislation may lead to financial penalties and reputational damage and other consequences for the business and its Directors.

Key responses

- We actively monitor regulatory developments in the UK and Europe (as applicable) and our existing obligations where we have internal policies and standards to ensure compliance where appropriate. Training is provided for colleagues where needed.
- We operate a confidential whistleblowing hotline for colleagues, Partners, suppliers, and people working within our supply chain to raise concerns regarding any potential breach of legal or regulatory obligations in confidence.
- Our suppliers commit to comply with all relevant business regulations for the territories in which they operate and to meet international labour standards which are laid out in our Supplier Code of Conduct. We reinforce this by placing contractual obligations on our suppliers and support where necessary.
- The Group's Data Protection Officer and executive sponsored steering committee monitors Group compliance with legal requirements relating to personal data, ensuring relevant policies are up to date and works with our Information Security Steering Committee which monitors data security.
- We understand the value of ongoing training and communication to raise awareness of the personal data handled by the business, how to keep it safe and how to help prevent personal data incidents. We carry out regular induction, awareness, and refresher training for all our colleagues in Retail, Vets, and the Support Offices.

Outlook and further actions planned

- We continue to monitor legal and regulatory developments across the UK and Europe and will plan accordingly.

Emerging risks

- New and amended regulations, including further amendments to the law resulting from Brexit.
- Significant strengthening of UK consumer laws and regulations around the usage of digital information, and increasingly stringent environmental regulation.

Risk appetite

The Group is committed to acting ethically, lawfully, and always in the best interests of our stakeholders and therefore has an extremely low appetite for compliance breaches, either regulatory or of our principal internal policies, including for example, our Health and Safety policy and our Code of Business Ethics and Conduct. Anyone who acts on our behalf is expected to act in line with our policies, values, and behaviours and to take the necessary steps to comply with applicable laws and regulations.

Chair's introduction to Governance

Strong governance to support strategic focus



On behalf of the Board, I am pleased to present our Corporate Governance Report for the financial year ended 30 March 2023.

During this financial year, the Board has continued to oversee and shape the strategic direction of the business, to ensure that the business remains sustainable over the long-term.

Following the streamlining of the strategy at the start of the year and clarity on key priorities, it has been essential for the Board to ensure that appropriate governance is in place to support this. Deep dives have been introduced at each meeting of the Board on one or two of the strategic pillars, with the subjects rotating during the year. The deep dives have ensured that the Board has in-depth knowledge of the key strategic initiatives, the chance to meet the senior leadership team involved directly and the opportunity to challenge and question.

The sustainability strategy has also been simplified this year to add focus and direction to the key sustainability priorities for the business. In addition, sustainability is now a standing agenda item at meetings of the main Board, to ensure that sustainability considerations are given sufficient focus in the decision making process.

During the year, the Nomination and Corporate Governance Committee has been refreshed with additional meetings and greater focus on corporate governance updates, succession, organisational changes, board skills gap analysis and Non-Executive Director succession planning. Restructuring the Executive Management Team during the year and the creation of the consumer function and the Chief Consumer Officer role, have ensured that the most appropriate structure is in place to deliver the future strategy. New hires at Non-Executive Director level with the appointments of Roger Burnley and Dr Natalie-Jane Macdonald, further complement the skills of the current Board.

The culture and values remain strong within the business. I am proud of the diverse nature of the Board of Pets at Home. The business achieved its highest ranking to date in this year's FTSE Women Leaders Review and appointed its first female CEO and Senior Independent Non-Executive Director, all of which should be celebrated.

I hope that this report provides a clear outline of the work the Board has undertaken during the year and how our governance and Board agendas are aligned with the Group's strategy. I look forward to welcoming shareholders to our AGM at the Pets at Home Support Office on 6 July 2023 at 11am.

Ian Burke
Chair, Pets at Home Group Plc
25 May 2023

Board of Directors

Chair	Non-Executive Directors			
				
Ian Burke	Zarin Patel	Dennis Millard	Sharon Flood	Stanislas Laurent
Chair	Senior Independent Non-Executive Director	Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Appointment to the Board 2020	Appointment to the Board 2021	Appointment to the Board 2014	Appointment to the Board 2017	Appointment to the Board 2017
Current roles	Current roles	Current roles	Current roles	Current roles
<ul style="list-style-type: none"> Member of the Board of Governors of Birmingham City University Non-Executive Chair of Studio Retail Group Plc Non-Executive Senior Independent Director of intu properties Plc Chair and Chief Executive Officer of Rank Group Plc Chief Executive Officer of Holmes Place Health Clubs Chief Executive Officer of Thistle Hotels Plc Chair of Vet Partners Holdings Ltd 	<ul style="list-style-type: none"> Non-Executive Director and Chair of the Audit and Risk Committee of Anglian Water Services Limited Independent Non-Executive Director at Hays Plc Independent Non-Executive Director and Chair of the Audit and Risk Committee of HM Treasury Trustee of National Trust and Chair of its Audit Committee Member of Chapter Zero Member of Women on Boards 	<ul style="list-style-type: none"> Senior Independent Director of Superdry Plc Non-Executive Chair of Watches of Switzerland Group Plc Chair of Halfords Plc Senior Independent Director of Debenhams Plc Chair of Connect Group Plc Senior Independent Director of Premier Farnell Plc Senior Independent Director of Xchanging Plc Non-Executive Director of Exel Plc 	<ul style="list-style-type: none"> Chair of Audit at Cityfibre Board member and Chair of Safety and Security at Getlink SE External member of the University of Cambridge Council Fellow of Chapter Zero Independent Non-Executive Director at Scottish Mortgage Investment Trust Plc 	<ul style="list-style-type: none"> Partner at Highland Europe (Growth equity) and Non-Executive Director at various portfolio companies
Past roles	Past roles	Past roles	Past roles	Past roles
<ul style="list-style-type: none"> Member of the Board of Governors of Birmingham City University Non-Executive Chair of Studio Retail Group Plc Non-Executive Senior Independent Director of intu properties Plc Chair and Chief Executive Officer of Rank Group Plc Chief Executive Officer of Holmes Place Health Clubs Chief Executive Officer of Thistle Hotels Plc Chair of Vet Partners Holdings Ltd 	<ul style="list-style-type: none"> Non-Executive Director and Senior Independent Non-Executive Director of Post Office Limited and member of its Audit Committee Independent member of the Audit and Risk Committee of John Lewis Partnership Plc Chief Financial Officer of the BBC Chief Operating Officer of The Grass Roots Group Plc 	<ul style="list-style-type: none"> Senior Independent Director of Premier Farnell Plc Senior Independent Director of Xchanging Plc Non-Executive Director of Exel Plc 	<ul style="list-style-type: none"> Chair of Seraphine Group Plc Chair of Audit Committee at Crest Nicholson Plc Chair of Finance at Science Museum Group Chair of Audit Committee at Network Rail Chair of ST Dupont S.A. Group Chief Financial Officer at Sun European Finance Director at John Lewis Department Stores Chair of Audit at Shelter 	<ul style="list-style-type: none"> President and CEO of Photobox Group COO of AOL Europe
Contribution to the Board	Contribution to the Board	Contribution to the Board	Contribution to the Board	Contribution to the Board
Wealth of experience from the leisure and retail sectors. Ian has significant prior experience of participation in audit and remuneration committees.	Wide ranging financial and commercial expertise. Zarin is also a Chartered Accountant.	Wide ranging public company experience with retail, strategic and financial expertise. Dennis is also a Chartered Accountant and holds an MBA.	Retail, finance and public company experience. Sharon is also a Chartered Management Accountant.	Entrepreneurial background with digital and technology experience.
Committees	Committees	Committees	Committees	Committees
(N) (E)	(A) (R) (N) (E)	(N) (A) (R) (E)	(N) (A) (R) (E)	(N) (A) (E)

Committees – Key

(N) Nomination and Corporate Governance (A) Audit and Risk (R) Remuneration (E) ESG (Environmental, Social and Governance) (●) Chair of Committee

Executive Directors



Susan Dawson

**Independent
Non-Executive Director**

Appointment to the Board
2018

Current roles

- Trustee of Pet Blood Bank

Past roles

- Dean of the Institute of Veterinary Science at the University of Liverpool
- Council member of the Royal College of Veterinary Surgeons (RCVS)
- Member of the Veterinary Products Committee
- Member of the Antimicrobial Resistance and Healthcare Associated Infections Committee for the Department of Health

Contribution to the Board

Considerable veterinary experience and expertise on the training and wellbeing of vets.

Committees



Roger Burnley

**Non-Independent
Non-Executive Director**

Appointment to the Board
2023

Current roles

- Advisor with Bain & Company
- Chair of Plate-Up Limited
- Chair of Finnebrogue Artisan

Past roles

- Executive Director at J Sainsbury Plc
- COO and CEO at Asda Stores Limited

Contribution to the Board

Deep knowledge of the retail sector and food supply chains.

Committees



Lyssa McGowan

Chief Executive Officer

Appointment to the Board
2022

Current role

- Chief Executive Officer

Past roles

- Chief Consumer Officer at Sky UK Limited
- Non-Executive Director at Wm Morrison Supermarkets Plc

Contribution to the Board

Broad experience in consumer-facing businesses, expertise in customer and digital first initiatives, experience in data and digital transformation.

Committees



Mike Iddon

Chief Financial Officer

Appointment to the Board
2016

Current roles

- Chief Financial Officer
- Non Executive Director and Audit and Risk Committee Chair of Wickes Group Plc

Past roles

- Chief Financial Officer of New Look from 2014-2016
- Held a number of senior finance roles over 13 years working for Tesco Plc both in the UK and overseas. These included Group Planning, Tax and Treasury Director, UK Finance Director and Chief Financial Officer of Tesco Homeplus (South Korea)
- Number of senior roles with Kingfisher Plc and Whitbread Plc

Contribution to the Board

Financial knowledge and retail industry expertise.

Committees

Leadership and purpose

Principal governance activities during the financial year

2023 Board considerations

During the year the Board spent its time considering a wide range of matters, including:

- Development of the Group's strategic plan;
- Deeps dives on the key strategic initiatives;
- Updates from key business functions, including health and safety, cyber security and data protection;
- Business performance;
- Sustainability and climate matters;
- Overall performance of individual business functions;
- The cost of living crisis and inflation challenges;
- Budgets and long-term plans for the Group;
- Risk management and controls, including reputation risk and corporate governance;
- Financial statements, announcements and financial reporting matters;
- Competitor and customer updates;
- Diversity, talent, capability and succession planning matters;
- Reviewing Committee reports;
- Approving significant items of capital expenditure and contracts requiring Board approval under the Board's reserved matters;
- Group culture, behaviours and results from the colleague listening surveys;
- Shareholder feedback;
- Regulatory matters, corporate governance and corporate reporting;
- Approval of the financing arrangements and treasury items;
- Non Executive Director and Executive Management Team succession and talent development;
- Engagement with key stakeholders and the impact of Board decisions on such stakeholders;
- Board evaluation; and
- Key strategic projects and priorities across the Group.

Compliance with the 2018 UK Corporate Governance Code (the '2018 Code')

The Governance Report outlines how the Board has applied the main principles of good governance as required by the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018, the Disclosure Guidance and Transparency Rules ('DTRs') and the Listing Rules ('LRs').

The Board is responsible for ensuring that the Group has the necessary frameworks in place to ensure compliance with the Code. The Board believes that during this financial year, the Group was in full compliance with the Code, save the following.

Provision 38 – The pension contribution rate for the outgoing CEO (Peter Pritchard) was 9% of base salary from the start of the financial year until he left the business on 31 May 2022. The pension contribution rates for the CFO and the current CEO are 6.5%, being the rate provided to the majority of colleagues in central support office functions, therefore ensuring the business is fully aligned with the provisions of the Code.

Oversight of development and implementation of revised strategy

The Board continues to oversee and support the transformation and development of the strategic vision for the Group, in line with the Board's aim to generate and preserve long-term value. Increased focus and time has been given to Group strategy during meetings of the Board this year. The Board has considered risks and opportunities to the business throughout the year during the course of Board meetings.

Board meetings and attendance

In this financial year, the Board met formally eight times and attended an annual strategy day meeting. Ad hoc meetings of both the Board and Committees were arranged to deal with matters between scheduled Board meetings as appropriate. Board meetings were preceded by Committee meetings with the meetings lasting the majority of the day in most cases. Topics for the Board meetings are determined at the beginning of the year and new items are added to this as and when appropriate in consultation with the Board and Executive Management Team. All Directors receive papers in advance of Board meetings via an electronic board paper system which enables the fast dissemination of quality information in a safe and secure manner. These include a monthly Board report with updates from each of the Chief Executive Officer and the Chief Financial Officer, which monitors the achievements against the Group's key performance indicators, both financial and strategic. Performance against budget is reported to the Board monthly and any substantial variances are explained.

Forecasts for the year are revised and reviewed regularly. Members of the Executive Management Team and senior leadership teams are also invited to present at Board meetings from time to time so that Non-Executive Directors keep abreast of developments in the Group. For the Board, these meetings are an opportunity to meet colleagues below the level of the Executive Management Team and for colleagues asked to present, this is a valuable part of their career development. It is important to the Group that all Directors understand external views of the Group. Throughout the year, regular reporting is provided to the Board by the Company's Director of Investor Relations and Corporate Affairs covering broker reports and the output of meetings with significant shareholders.

Directors' conflicts of interest

The Articles of Association of the Company give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company. Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is maintained by the Company Secretary and reviewed by the Board at least annually. The Board has complied with these procedures during the year.

	Board	Remuneration Committee	Audit and Risk Committee	Nomination and Corporate Governance Committee	ESG Committee
Number of meetings ¹	8	5	4	3	3
Director					
Ian Burke (Chair)	8/8	–	–	3/3	3/3
Dennis Millard (Deputy Chair) ²	8/8	4/4	4/4	3/3	3/3
Peter Pritchard ³	2/2	–	–	–	1/1
Lyssa McGowan ³	8/8	–	–	–	2/2
Mike Iddon ³	8/8	–	–	–	–
Sharon Flood ⁴	7/8	5/5	4/4	3/3	2/3
Stanislas Laurent	8/8	–	4/4	3/3	3/3
Susan Dawson	8/8	5/5	–	3/3	3/3
Zarin Patel	8/8	5/5	4/4	3/3	3/3
Roger Burnley	2/2	1/1	–	1/1	1/1

1 Excludes the strategy day, which all Directors attended.

2 Dennis Millard stepped down as a formal member of the Audit and Risk Committee and the Remuneration Committee on 14 February 2023. He continues to attend meetings of those Committees as an observer from 14 February 2023.

3 Although not formally appointed as a member of the Audit and Risk and Remuneration Committees, Peter Pritchard (until the date of his resignation) and Lyssa McGowan attended meetings of such Committees as an observer at the invitation of the Chair. In addition, Mike Iddon also attended meetings of the Audit and Risk, Remuneration and ESG Committees as an observer, despite not being formally appointed as a member of those Committees.

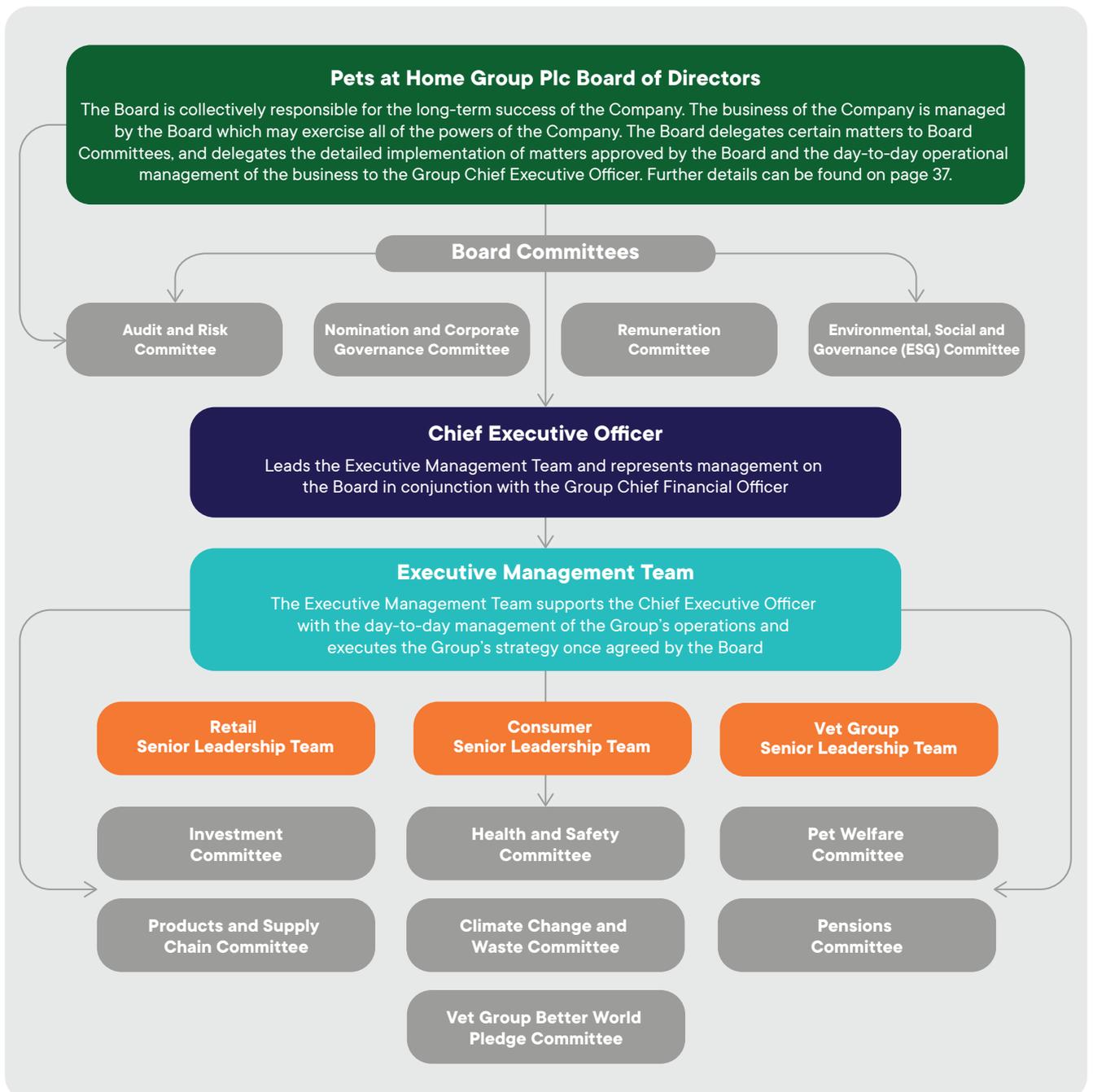
4 Sharon Flood did not attend a Board and ESG Committee meeting due to a prior commitment and was appropriately updated after those meetings.

Division of responsibilities

Governance Structure, Roles/Responsibilities, Board Committees

Governance structure

The Group's governance structure in respect of the Board and Committees is as detailed in the diagram below.



The role of the Board

Division of responsibilities

The Company is led and controlled by the Board which is collectively responsible for the long-term and sustainable performance of the Group. The roles of Chair and Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. The definitions of the roles are published on the Group's website <https://investors.petsathome.com/investors/governance/division-of-responsibilities-for-the-ceo-and-the-chairman/>.

Board Committees

The Board has established four Board Committees: an Audit and Risk Committee, a Nomination and Corporate Governance Committee, a Remuneration Committee and an ESG Committee. Each Committee has written terms of reference which are approved by the Board and subject to review each year. Only the terms of reference for the ESG Committee were updated during the year. The terms of reference are available on request from the Company Secretary and are published on the Group's website <https://investors.petsathome.com/investors/governance/our-committees>.

Executive Management Team

In addition to the Board, the Group has the Executive Management Team which includes: the Chief Executive Officer, Chief Financial Officer, Retail Chief Operating Officer, Vet Group Chief Operating Officer, Chief People Officer, Chief Data and Information Officer, Chief Legal Officer and Company Secretary and the Chief Consumer Officer. Supporting the Executive Management Team are senior leadership teams for retail, vet and consumer. The senior leadership teams support the Executive Management Team in the implementation of strategy and risk and governance oversight across their respective divisions.

Management committees

Details of our management committees are set out below:

Investment Committee

The Investment Committee assists the Board with the Group's store and veterinary surgery rollout and development process to ensure the Group's investment process is managed effectively and rigorously throughout the Group. The Investment Committee is chaired by the Chief Financial Officer and is also attended by the Chief Executive Officer and other members of the Executive Management Team and senior leadership team, including the Director of Property and the Development Director. The Investment Committee meets formally at least nine times a year and otherwise as may be required. Duties of the Investment Committee include reviewing and considering all proposals presented for the acquisition of new stores, standalone veterinary surgeries, vet extensions, Support Offices, Distribution Centres and any other type of property for which occupation is proposed for use by a member of the Group; approving all material variations and works of a capital nature proposed to be carried out to any property in which the Group has a right of occupation; approving all material variations to proposed property and standalone surgery acquisitions; periodically

reviewing proposed changes to the reporting and presentation of property investment criteria; reviewing all proposals presented for lease renewals and reviewing alternative strategies for new store investment, formats and geographical markets and reporting on such strategies to the Board for final approval on the terms of any such matter; and reviewing all proposals for the dispositions of all or part of any of the leases on stores including any sub-letting, assignments, surrenders or relocations and approving or rejecting any such proposals as appropriate. Each of the matters approved by the Investment Committee is subject to further approval by the Board where it falls within the level of expenditure requiring full Board approval. The Investment Committee formally updates the Board at least once a year, with additional regular updates.

Health and Safety Committee

Health and safety is a key priority for the Board and senior management. The Board has established a Health and Safety Committee that meets at least on a quarterly basis and is chaired by the Chief Legal Officer and Company Secretary with the agenda led by the Group Head of Health and Safety. The Committee is attended by key individuals in the business who are responsible for certain areas of health and safety including the veterinary business, retail, and grooming, and the Committee is tasked with reviewing the Group's overall health and safety performance. The Group's wellbeing and engagement manager also attends the meetings. A health and safety policy is in place for the Group which is reviewed on a regular basis. The Distribution Centres have their own dedicated health and safety manager and a separate health and safety sub-committee which also meets on a regular basis. The Vet Group also has a designated health and safety manager and health and safety assessors. Further details of the work of the Health and Safety Committee are contained in our separate Sustainability Report.

Other Management Committees

Pensions Committee

The Pensions Committee operates to consider pensions related issues across the business.

Pet Welfare Committee

The Pet Welfare Committee is responsible for leading the business to be the credible, trusted voice in pet welfare and the guardians of the value 'we put pets first'. The Committee considers all pet welfare matters impacting the group and research.

Product and Supply Chain Committee

The Product and Supply Chain Committee is responsible for considering sustainability issues in the supply chain.

Climate Change and Waste Committee

The Climate Change and Waste Committee considers all climate and waste matters impacting the business.

Vet Group Better World Pledge Committee

The Vet Group Better World Pledge Committee operates to consider sustainability issues and actions across the vet business and joint venture practices.

Division of responsibilities continued

Internal control and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. The Board has carried out a robust assessment of the Group's emerging and principal risks, including those that would threaten its business model, future performance, solvency, liquidity or reputation as detailed on pages 23 to 30. The Board delegates to the Executive Management Team the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing key and emerging risks, and include the risk management processes set out on page 48 of the Audit and Risk Committee Report.

The systems of internal control were in place throughout the period and up to the date of approval of the Annual Report. The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives. They can only provide reasonable and not absolute assurance against material errors, losses, fraud or breaches of law and regulations. A number of internal controls operate across the business. The key controls the business relied upon during the year are set out below:

- The annual Group-wide strategic review of the existing five-year strategic plan took place in November 2022 and was reviewed and approved by the Board. Following this approval, the business carried out its annual business plan and budget cycle, again culminating in formal review and approval by the Board on 23 March 2023.
- Management accounts have been reviewed at meetings of the Board. These reviews covered the comparison of actual performance against budget in the period end management accounts and consideration of outturn for the year. The period end accounts are prepared by the finance team and reviewed by the Chief Financial Officer.
- All capital investments during the year have been approved by the Chief Financial Officer; an authority framework is in place which details the approvals required for specific levels of capital spend including those capital projects requiring full Board approval. In line with delegation by the Board, the Investment Committee, chaired by the Chief Financial Officer, has reviewed and approved investments in respect of the acquisition and fit-out of new stores, and new standalone and in-store veterinary practices.
- There is an Internal Audit department in place that has its scope agreed with the Audit and Risk Committee and has reported at each Audit and Risk Committee meeting throughout the year. All internal audit reports are presented to the Audit and Risk Committee for review and consideration of any material findings. Where audit findings have been raised, management have agreed appropriate actions and these are prioritised based on risk. Further details of the areas covered in the internal audit reports can be found in the Audit and Risk Committee Report on page 48.
- A clearly articulated delegated authority framework in respect of all purchasing activity is in place across the Group. This is complemented by systemic controls including a contract approval policy that reflects the agreed authority framework and clear segregation of duties between relevant functions and departments.
- A schedule of matters reserved for the Board is in place for approving significant transactions and strategic and organisational change. Board discussion of the key risks and uncertainties facing the Group and the risk management system. Further details are contained in the Audit and Risk Committee Report on pages 44 to 45.

Whistleblowing policy

The Company has a duty to conduct its affairs in an open and responsible way. We are committed to high standards of corporate governance and compliance with legislation and appropriate codes of practice. By knowing about any wrong doing or malpractice at an early stage, we stand a good chance of taking the necessary steps to stop it. The Group has a whistleblowing policy designed to encourage colleagues to identify such situations and report them without fear of repercussions or recriminations provided that they are acting in good faith. The policy sets out how any concerns may be raised and the response which can be expected from the Company and in what timescales.

A copy of the Group's Code of Ethics and Business Conduct is published on the Group's website <https://investors.petsathome.com/responsibility/policies-and-procedures/code-of-ethics-and-business-conduct>.

Share dealing code

The Company has adopted a share dealing code in relation to its shares. The share dealing code applies to the Directors, its other Persons Discharging Managerial Responsibility and certain colleague insiders of Group companies and they are responsible for procuring the compliance of their respective connected persons with the Company's share dealing code. Pets at Home's investor website is also regularly updated with news and information, including this Annual Report which sets out our strategy and performance together with our plans for future growth <http://investors.petsathome.com>.

Composition, succession and evaluation

Board balance and independence

The 2018 Code recommends that at least half the board of Directors of a UK-listed company, excluding the chair, should comprise Non-Executive Directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Directors' judgement. The Board currently consists of five Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Non-Executive Chair. The Directors' biographies are contained on pages 32 to 33. The Board considers that all of its Non-Executive Directors, with the exception of Dennis Millard, are independent in character and judgement and that both individually and collectively, the Directors have the range of skills, knowledge, diversity of experience and dedication necessary to lead the Group and also contribute significantly to the work of the Board, together with the requisite strategic and commercial experience.

Dennis Millard has served on the Board as an Independent Non-Executive Director for nine years (as at 18 February 2023) and is therefore no longer considered independent in accordance with Provision 10 of the 2018 Code due to exceeding nine years tenure.

The skills matrix for the Board on page 41 demonstrates the Board's breadth of experience. More than half of the Directors are considered to be independent in accordance with the 2018 Code. In addition, the 2018 Code recommends that, on appointment, the chair of a company with a premium listing on the Official List should meet the independence criteria set out in the 2018 Code. The Board considers that Ian Burke meets the independence criteria set out in the 2018 Code.

Directors' induction and ongoing training

It is important to the Board that Non-Executive Directors have the ability to influence and challenge appropriately. New Directors receive a full, formal and tailored induction on joining the Board, including meeting with the Executive Management Team and advisors. The induction includes visits to the Group's stores, veterinary surgeries, Distribution Centres and other operational locations together with training on the Group's core values including its culture, environmental, social and governance issues as well as behaviours that are in place to support the Group's values. Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All Directors receive frequent updates on a variety of issues relevant to the Group's business, including regulatory and governance issues.

Appointment terms and election of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Report on pages 72 to 73. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. At each Annual General Meeting of the Company all Directors will stand for re-election in accordance with the 2018 Code. Each financial year the Chair will liaise with Non-Executive Directors to assess and review individual contributions to the Board and performance over the financial period. The skills and experience which each Non-Executive Director brings to the Board are detailed on pages 32, 33 and 41 and why their contribution is, and continues to be, important to the Company's long-term sustainable success.

Board effectiveness

The time commitments of each of the Non-Executive Directors are considered regularly and reviewed annually. The Board is satisfied that the Chair and each of the Non-Executive Directors are able to devote sufficient time to the Group's business.

Diversity and inclusion

The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background, ethnicity and experience.

The group's diversity and inclusion aim is to increase diverse representation of colleagues to reflect the communities we live and work in. The group's policy for all colleagues and applicants is to remove barriers to ensure equality of opportunity regardless of sex, race, ethnic origin or nationality, pregnancy or maternity, age, disability, religious or other philosophical belief, marital status, sexual orientation, gender or gender reassignment. Our culture of inclusivity ensures colleagues with different backgrounds, interests, appearances, perspectives and working styles feel welcome. Applications for employment from candidates who have a disability are given full and fair consideration, and candidates are assessed in accordance with their particular skills and abilities. The group takes all reasonable steps to meet its responsibilities towards the training and employment of people with a disability, and to ensure that appropriate training, career development and promotion opportunities are available to all colleagues, irrespective of disability. Every effort is made to provide continuity of employment in the event that any colleague becomes disabled. Attempts are made in every circumstance to provide employment, whether this involves adapting the current job role and remaining in the same job, or moving to a more appropriate job role. The group continues to be a member of the Business Disability Forum.

Board composition was reviewed by the Board this year to ensure that the requirements of the Code are met. No changes were recommended, however, the Nomination and Corporate Governance Committee will continue to regularly review the diversity of the Board and the Executive Management Team on an ongoing basis. The Board was considered to have an appropriate mix of tenure, skills and experience. The Board believes that appointments should be made solely on merit, an ethos which applies across the business. The Board continues to ensure that it maintains an appropriate balance through a diverse mix of experience, background, skill, knowledge and insight, to further strengthen the diversity and experience already on the Board. Significant work has been undertaken by the Group this year on diversity and inclusion, as detailed on page 33 and in the Sustainability Report.

The Board was pleased to meet the Parker Review targets on ethnic diversity again this year. The Board was also pleased to see the highest ranking to date for the business in the FTSE Women Leaders Report on gender balance this year.

Composition, succession and evaluation continued

The following tables set out the information required by Listing Rule 9.8.6R(10), in the prescribed format.

1. (a) Table for reporting on gender identity or sex

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	56%	2	2	29%
Women	4	44%	2	5	71%
Not specified/prefer not to say	-	-	-	-	-

2. (b) Table for reporting on ethnic background

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	78%	2	5	71%
Mixed/Multiple Ethnic Groups	-	-	-	1	14%
Asian/Asian British	-	-	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	2	22%	2	1	14%
Not specified/prefer not to say	-	-	-	-	-

The data above was collected by way of individual confirmation from the Board and Executive Management Team and is correct as at 24 May 2023.

Succession

The Board has continued to focus on succession planning and Group talent development this year. Further detail of the work undertaken by the Nomination and Corporate Governance Committee in this area is included on page 43.

Board evaluation

Further information relating to this year's Board evaluation can be found on page 43 of the Nomination and Corporate Governance Committee report.

Pets at Home Group Plc – Board Skills Matrix									
Director	Ian Burke	Zarin Patel	Dennis Millard	Sharon Flood	Stan Laurent	Susan Dawson	Lyssa McGowan	Mike Iddon	Roger Burnley
Pet Owner	✓	✗	✓	✓	✗	✓	✓	✗	✓
Expertise									
Accounting, Finance and Audit	✓	✓	✓	✓	✗	✗	✗	✓	✓
Risk Management	✓	✓	✓	✓	✗	✗	✗	✓	✓
Regulatory	✓	✓	✗	✓	✓	✓	✗	✓	✓
Governance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate Transactions (M&A)	✓	✓	✓	✓	✓	✗	✓	✓	✓
International (running a non UK Business)	✓	✗	✓	✓	✓	✗	✗	✓	✗
General Management (CEO)	✓	✓	✓	✓	✓	✓	✓	✗	✓
People and Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓
General Retailing Experience	✗	✓	✓	✓	✗	✗	✓	✓	✓
Customer Service and Communications Experience	✗	✓	✓	✓	✗	✗	✓	✓	✓
Online Retailing Experience	✓	✓	✓	✓	✓	✗	✓	✓	✓
Marketing/Branding	✓	✓	✓	✓	✓	✗	✓	✓	✓
General Services	✓	✗	✓	✓	✓	✗	✓	✗	✓
Veterinary	✗	✗	✗	✗	✗	✓	✗	✗	✗
Charity/Social Purpose	✓	✓	✓	✓	✓	✓	✗	✓	✓
Data	✗	✗	✗	✓	✓	✗	✓	✗	✓
IT and Technology	✗	✓	✗	✓	✓	✗	✓	✗	✓
Omnichannel	✗	✗	✗	✓	✗	✗	✓	✗	✓
Strategic Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓
Vision and Mission	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sustainability and Climate Change	✓	✗	✗	✓	✗	✓	✗	✗	✓
Transformation Leadership	✓	✓	✓	✓	✓	✗	✓	✓	✓
Chair of Plc Board	✓	✗	✓	✓	✗	✗	✗	✗	✗
Chair of Plc Board Committee	✓	✓	✓	✓	✗	✓	✗	✓	✗

Board by Tenure



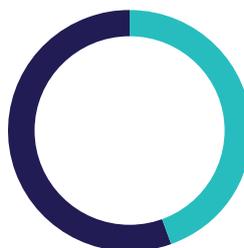
● Under 1 year 1/9
● 1-3 years 2/9
● 3-8 years 5/9
● 8+ years 1/9

Board by Age



● 45-50 1/9
● 50-55 2/9
● 56-60 2/9
● 61-65 2/9
● +66 2/9

Board by Gender



● Female 4/9
● Male 5/9

Balance of the Board (Exec/Non-Exec)



● Executive Directors 2/9
● Non-Executive Directors 7/9

Nomination and Corporate Governance Committee Report



Ian Burke
Chair, Nomination and Corporate Governance Committee

Who is on the Nomination and Corporate Governance Committee?

Member	No. of meetings
Ian Burke (Chair)	3/3
Dennis Millard	3/3
Sharon Flood	3/3
Susan Dawson	3/3
Stanislas Laurent	3/3
Zarin Patel	3/3
Roger Burnley	1/1

What we did in 2023

- Assessed Board composition and how it may be enhanced.
- Reviewed and considered Board evaluation and effectiveness.
- Reviewed the independence of the Non-Executive Directors.
- Reviewed and considered Directors' conflicts of interest.
- Reviewed the time commitment and length of service of the Non-Executive Directors.
- Recommended the appointment of Roger Burnley and Dr Natalie-Jane Macdonald as Non-Executive Directors.
- Reviewed and considered executive succession plans, including the restructuring of the Executive Management Team.
- Reviewed the frequency and focus of meetings of the Committee.
- Reviewed the Committee's corporate governance obligations.

What we will do in 2024

- Continue to review Board composition and effectiveness.
- Consider succession planning.
- Review corporate governance obligations and updates.
- Undertake a Board evaluation and continue to develop areas identified for improvement.

Introduction

The Nomination and Corporate Governance Committee is a key committee of the Board whose role is to keep the composition and structure of the Board and its Committees under review and has responsibility for nominating candidates for appointment as Directors to the Board having regard to its structure, size and composition (including the skills, knowledge, experience and diversity of its members).

We are also tasked with ensuring that succession plans are in place for the Directors, the Executive Management Team and the senior leadership teams, taking into consideration the current Board structure, the leadership requirements of the Group and the wider commercial and market environment within which the Group operates. The full terms of reference for the Nomination and Corporate Governance Committee can be found on the Company's website.

Committee membership

The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be independent Non-Executive Directors. The Nomination and Corporate Governance Committee is chaired by myself, and its other members are Dennis Millard, Sharon Flood, Susan Dawson, Stanislas Laurent, Zarin Patel and Roger Burnley. Each member is an Independent Non-Executive Director, with the exception of Dennis Millard who ceased to be independent due to his tenure on 18 February 2023. The majority of the Committee's members are independent. The Nomination and Corporate Governance Committee meets not less than once a year. The following Directors served on the Nomination and Corporate Governance Committee during the financial year:

Member	Period from	To	No of meetings
Ian Burke (Chair)	21 May 2020	To date	3/3
Dennis Millard	18 February 2014	To date	3/3
Sharon Flood	25 May 2017	To date	3/3
Susan Dawson	12 July 2018	To date	3/3
Stanislas Laurent	25 May 2017	To date	3/3
Zarin Patel	20 May 2021	To date	3/3
Roger Burnley	14 February 2023	To date	1/1

There were three formal Committee meetings held in the financial year and members' attendance was as shown in the table above.

Board appointments and resignations

As noted last year, Lyssa McGowan was appointed to the Board as CEO Designate on 25 April 2022, prior to her appointment as CEO on 1 June 2022, following Peter Pritchard's resignation on 31 May 2022. Lyssa has made an excellent start in her role and the Board look forward to her progressing the plans she has set in motion during the next financial year.

The Board was pleased to announce Roger Burnley's appointment as Independent Non-Executive Director with effect from 14 February 2023. Roger will be a member of the Audit and Risk Committee, the ESG Committee, the Remuneration Committee and the Nomination and Corporate Governance Committee with effect from his appointment. The Board is pleased to welcome Roger and he brings a wealth of knowledge from his retail and food supply chain experience.

In addition, Dr Natalie-Jane Macdonald will join the Board as an Independent Non-Executive Director with effect from 27 May 2023. Natalie will be a member of the Nomination and Corporate Governance Committee and the ESG Committee from appointment. She brings an exceptional level of strategic and operational healthcare experience, together with knowledge of complex consumer businesses at an executive and board level, skills which will be valuable as Pets at Home continues to build its consumer-centric, omnichannel, pet care platform. The Board looks forward to working with Natalie in FY24.

Stanislas Laurent and Sharon Flood have indicated their intention to step down from the Board on 26 May 2023 and will not therefore stand for re-election at this year's AGM.

Dennis Millard stepped down from his role as Senior Independent Non-Executive Director with effect from 14 February 2023. Dennis will remain with the Board for a further 12 months. Dennis stepped down from being a member of the Remuneration Committee and Audit and Risk Committee, after he ceased being independent, but will continue to attend those Committees as an observer.

Zarin Patel was appointed as Senior Independent Non-Executive Director from 14 February 2023.

A number of changes have also taken place at Executive Management Team level.

Louise Stonier was appointed as Vet Group Chief Operating Officer on 24 June 2022, following Jane Balmain's resignation. Kathryn Imrie joined the business in the newly created role of Chief Consumer Officer on 20 February 2023. Rachel Mooney joined as Chief People Officer from October 2022 until May 2023.

Lisa Miao and Lucy Williams were promoted to the Executive Management Team in the respective roles of Retail Chief Operating Officer and Chief Legal Officer and Company Secretary, with Lucy now taking responsibility for the Legal, ESG, Procurement, Data Protection, Health and Safety, and People functions. The data function for the business now reports to William Hewish, Chief Data and Information Officer.

Succession planning and Group talent development

At Board and Committee level, the Committee has considered the skills required to deliver the strategy and objectives in the longer term.

The Committee is responsible for reviewing talent, capability and succession at the most senior levels of the business, however, in the last four financial years, the Committee has increased its focus on talent development, retention and succession below Board and Executive Management Team level. This work has involved considering skills and capability gaps along with succession planning immediately below the Executive Management Team and the development of a talent framework whereby colleagues are assessed against the Group's core competencies and development plans put in place to support colleagues in reaching their full potential. Considerable progress has been made in identifying gaps in the talent pool in addition to mitigating the risks associated with unforeseen events such as key individuals leaving the business.

Board evaluation and effectiveness

This year, the Board carried out an internal evaluation, following last year's evaluation being carried out externally by MWM Consulting. An assessment and discussion took place in relation to key focus areas highlighted by the MWM review including: having less transactional/agenda free time, strategy, shareholders, succession planning and Committees. Progress was discussed against each of the areas highlighted and the Board was considered to be effective.

Diversity

The Board is committed to supporting work initiatives that promote a culture of inclusion and diversity. The Committee recognises the importance of diversity and inclusion both in the Boardroom and throughout the organisation and understands that a diverse Board will offer wider perspectives which lead to better decision-making, enabling it to meet its responsibilities. We take into account a variety of factors before recommending any new appointment to the Board, including relevant skills to perform the role, experience, knowledge, ethnicity and gender. The most important priority of the Committee, however, is ensuring that the best candidate is selected to join the Board. We will monitor the Group's approach to people development to ensure that it continues to enable talented individuals to enjoy career progression with the Group.

Further details on Board diversity can be found on page 40 of the Governance Report.

Conflicts of interest and independence of the Non Executive Directors

The Board has delegated authority to the Committee to consider, and where necessary authorise, any actual or potential conflicts of interest arising in respect of the Directors, however any potential conflicts of interest were considered during Board meetings as they arose during the course of this year.

We also support the Board in its annual consideration of the Conflicts of Interest Register, which is carried out prior to the publication of the Annual Report, and consider the independence of the Non-Executive Directors, in the context of the criteria set out in the Corporate Governance Code.

The Board's view on independence is contained on page 39 of the Governance Report. For further information on Board composition, diversity and independence, please see the Governance Report on page 39 to 40.

I will be available at the Annual General Meeting to answer any questions on the work of the Nomination and Corporate Governance Committee and I look forward to reporting on further progress as we continue our work next year.

Ian Burke
Chair, Nomination and Corporate Governance Committee
25 May 2023

Audit and Risk Committee Report



Zarin Patel

Chair of the Audit and Risk Committee

Who is on the Audit and Risk Committee?

Member	No. of meetings
Zarin Patel (Chair)	4/4
Sharon Flood	4/4
Dennis Millard	4/4
Stanislas Laurent	4/4

Roger Burnley joined the Audit and Risk Committee on 14 February 2023. Dennis Millard stepped down on 14 February 2023 and Sharon Flood will step down on 26 May 2023. There have been no meetings since Roger Burnley's appointment.

Introduction

This is my second report as Chair of the Audit and Risk Committee ('the Committee'), having joined the Board in April 2021. I am pleased to report that the Committee has been highly engaged in assisting the Board in fulfilling its responsibilities to protect the interests of shareholders regarding the integrity of the financial reporting, the adequacy and effectiveness of internal controls and risk management systems, and the effectiveness of both the Internal Audit function and external audit relationship.

What we did in 2023

Carried out our responsibilities as set out in the terms of reference, including monitoring the integrity, challenging the judgemental areas, and advising the Board on whether external reporting is fair, balanced, and understandable.

Reviewed and challenged the Longer-Term Viability Statement ('LTVS') and going concern basis of preparation in advance of its approval by the Board, particularly considering the presence of key risk factors such as climate change, current geopolitical tensions including the situation in Ukraine, the global supply chain issues, inflationary pressures and the impact of consumer confidence. As part of this work, the carrying value of the goodwill balance has been reviewed, as has the distributable reserves position prior to the declaration of dividends.

Monitored the control environment of the Group including our general risk management processes, as well as emerging and evolving risks considering the presence of key risk factors as noted above, and ongoing focus around pet welfare protocols. We have also monitored the controls and processes relating to the release of key IT and distribution projects.

Reviewed the effectiveness of the Group's whistleblowing procedures, fraud effectiveness framework, health and safety plans, and the activities and effectiveness of the Internal Audit function to meet the requirements of the Internal Audit plan.

Continued to monitor the process and controls around extending financial support to Joint Venture veterinary practices, and the recoverability of those loans and investments. We have also continued to review whether the level of practice indebtedness, or any other factors, infers additional control to the Group of a practice, and whether this challenges the existing accounting treatment.

The Committee has continued to monitor progress of the Internal Controls over Financial Reporting ('ICFR') project. A new Internal Financial Controls team has been put in place, dedicated to improving the robustness of the internal control environment and designing and executing processes to conduct business activities and manage associated risks within the appetite set by the Board.

We have worked with the ESG Committee to continue to support the development of the Group's risk scenario planning and reporting in relation to Task Force on Climate-Related Financial Disclosures ('TCFD') and the related considerations in the Group's going concern and longer-term viability assessment, including reviewing the commitments published by the Group. We also commissioned an external review of the disclosures.

Cyber security risk continues to be one of the Group's Principal Risks and an area we remain vigilant given the increasingly complex nature of cyber attacks. In December 2022 the business saw an increase in malicious activity which was contained quickly with minimal impact to data or services. The cyber security policies, controls and plans have been reviewed regularly by the Committee at the biannual Risk and Audit Review by the Board of Directors.

During the year the Financial Reporting Council ('FRC') Corporate Review team carried out a review of our Annual Report and Accounts for the year ended March 2022. The review was based solely on the Annual Report and Accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. The review has not highlighted any questions or queries requiring a response, however in the interests of supporting continuous reporting improvement there were a number of matters raised for our attention which we considered in relation to our 2023 Annual Report and Accounts. As a result of the FRC's review, we have considered and improved clarity of disclosure in relation to a number of areas including the prominence of Alternative Performance Measures ('APMs') compared to equivalent IFRS measures and Task Force on Climate-related Financial Disclosures ('TCFD'), specifically with reference to the recent thematic review.

What we will do in 2024

Continue to build on what we did in 2023 and to carry out our responsibilities as set out in the terms of reference. Continue to monitor emerging and maturing risks, in particular risks from the Ukraine crisis, the global supply chain issues, cyber security and data privacy. Continue to focus on the control environment of the Group, including pet welfare across our operations and the controls and processes relating to the release of key projects, in what is a key year for the delivery of our IT, distribution and internal financial controls projects.

Review the proposals set out by the Government in response to the Department for Business, Energy, and Industrial Strategy ('BEIS') corporate governance reform agenda.

Continue to develop our Internal Controls Framework and monitor progress of the Internal Controls over Financial Reporting ('ICFR') project. We will continue to monitor and build our fraud policy and carry out a fraud effectiveness review across the business. We are developing our audit and assurance policy in preparation for legislative requirements. We will review the newly published Minimum Audit Standards for Audit Committees and the forthcoming proposals from the Department of Business and Trade Strategy corporate governance reform agenda and company code changes from the FRC.

Consider the risk implications of the refreshed strategy.

Review the progress and delivery of major projects including the new distribution centre (Project Spice), digital capability (Project Polestar), Vet Group transformation (Project Apollo) and cyber security enhancements. We have ongoing embedded assurance within major strategic projects to report back to the Board and Audit and Risk Committee on key risk themes.

Continue to review the development of the Data Protection framework and data compliance programme across the business.

Carry out a competitive external audit tender in relation to the financial year ended March 2026, ensuring a focus on audit quality and effectiveness and giving due consideration to competition in the audit market with reference to the FRC's December 2022 policy paper.

Continue to work with the ESG Committee to support the development of the Group's scenario planning and reporting in relation to Task Force on Climate-Related Financial Disclosures ('TCFD'), specifically relating to new requirements and recommendations made by the FRC.

Committee membership

The Committee members have been selected to provide a wide range of financial, retail, technology and commercial experience necessary to fulfil the duties and responsibilities of the Committee. Each member of the Committee is an independent Non-Executive Director and has, through their other business activities, considerable experience in financial matters. Further details of the Committee members and their experience can be found on pages 32 to 41.

The Chair of the Company's Board, Executive Management Team and senior managers within the business are invited to attend meetings as appropriate to ensure that the Committee maintains a current and well-informed view of events within the business, and to reinforce a strong risk management culture. The Group Company Secretary acts as secretary to the Committee.

The Committee meets according to the requirements of the Company's financial calendar. The meetings of the Committee also provide the opportunity for the Independent Non-Executive Directors to meet without the Executive Directors present and to raise any matters of concern with the internal and external auditors. Committee members also meet in private prior to each Committee meeting and hold separate private sessions with the internal auditor and the external auditor, to provide additional opportunity for open dialogue and feedback without management present.

Committee activities

The Committee's role primarily covers the following areas:

- Financial reporting and narrative reporting;
- Ongoing viability;
- Risk management systems;
- Internal controls;
- Internal audit; and
- External audit.

Audit and Risk Committee Report continued

Audit and Risk Committee meetings

The Committee met on four occasions during the financial year with each meeting having a distinct agenda to reflect the annual reporting cycle of the Group. The agenda is regularly reviewed and developed to meet the changing needs of the Group.

A summary of the key matters considered at each meeting is as follows:

Meeting	Financial reporting	Risk management/internal control	Internal audit	External audit
May 22	<ul style="list-style-type: none"> Review of the Annual Report and Accounts for the period ended 31 March 2022 Review of IFRIC Cloud computing arrangements Review of goodwill impairment Review of supplier income recognition policy Review of operating loan provisioning policy Review of consolidation consideration for Joint Venture Companies Review of disclosures in relation to acquisitions and disposals Review of considerations of the Group's longer-term viability and going concern Review of Final Dividend recommendation and distributable reserves 	<ul style="list-style-type: none"> Review of Corporate Risk Register Review of principal risks for the Annual Report Review of Whistleblowing policy Review of Health and Safety reports Review of Tax policy Review of Treasury policy 	<ul style="list-style-type: none"> Review of FY23 Internal Audit plan Review reports on progress of the Internal Audit plan including Data Governance, Vet Group finance transformation (Project Apollo) and Risk Culture 	<ul style="list-style-type: none"> Report on Annual Financial Statements and external audit Review of policy on non-audit fees
September 22	<ul style="list-style-type: none"> Review of progress of subsidiary financial statements for the period ended 31 March 2022 	<ul style="list-style-type: none"> Review of principal risks and the related mitigation plans Review of Risk Management Framework Review of Risk Appetite Framework Review of key priorities and readiness assessment relating to the Internal Controls over Financial Reporting ('ICFR') project Review of Whistleblowing reports Review of Health and Safety reports Review of Treasury policy Review of cyber security maturity and controls Review progress on implementation of Vet Group finance transformation programme 	<ul style="list-style-type: none"> Review reports on progress of Internal Audit plan including cloud management, disaster recovery and wellbeing framework Review programme on implementation of internal audit actions 	<ul style="list-style-type: none"> Review of FY22 external consultancy and professional services spend Approval to commence External Audit tender
November 22	<ul style="list-style-type: none"> Review of the Interim Financial Statements Review of appropriateness and quantum of Alternative Performance Measures ('APMs'), with the intention to streamline for the year end reporting Review of goodwill impairment Review of considerations of the Group's longer-term viability and going concern Review of operating loan provisioning policy Review of consolidation consideration for joint venture companies Review Interim Dividend recommendations and distributable reserves 	<ul style="list-style-type: none"> Review of principal risks and the related mitigation plans Risk management including review of updated risk appetite Review of Whistleblowing reports Deep dive review of Health and Safety reports 	<ul style="list-style-type: none"> Review reports on progress of Internal Audit plan and update actions including TCFD disclosures 	<ul style="list-style-type: none"> Report on review of Interim Financial Statements Approval of external audit strategy for the year ended 30 March 2023 Approval of external audit fees
January 23		<ul style="list-style-type: none"> Review of completeness of emerging risks Deep dive on Data Protection risks Review of cyber security maturity and approval of actions to improve maturity Review progress of the Internal Controls over Financial Reporting ('ICFR') project Review of the proposals in relation to the Audit and Assurance Policy as set out by the Government in response to the Department for Business and Trade Strategy corporate governance reform agenda Fraud effectiveness and update on external fraud trend reports Review of Whistleblowing reports Review of Health and Safety reports 	<ul style="list-style-type: none"> Review reports on progress of Internal Audit plan including cash and banking (Retail and Group) and Retail discounting 	<ul style="list-style-type: none"> Review of FRC correspondence Assessed external auditor effectiveness as appropriate

Financial statement reporting matters

The Committee considered several significant matters in the year, considering in all instances the views of the Company's external auditor. The Committee has assessed the key risks and emerging risks and considers the key risks within the financial statements to be the carrying value of goodwill and parent Company's investment in subsidiaries.

The Committee oversaw the TCFD reporting together with the ESG Committee and considered the impact of climate change on the Group's longer-term viability and carrying values. The Committee considered the following in making its assessment of the reporting in the financial statements.

Issue	Nature of the risk	How the risk was addressed by the Committee
Carrying value of goodwill and parent Company's investment in subsidiaries	The Group holds a significant goodwill balance, and the Company holds significant investments in subsidiary companies. There are several factors that could impact on the future profitability and cash flows of the business, threat of competition, changes in market behaviour, and changes in the broader macro-economic environment (including inflationary pressures) and there is a risk that the business will not meet the required financial performance to support the carrying value of the Group and Company's intangible assets.	<p>The Committee reviewed and challenged management's process for testing goodwill for potential impairment, allocation of goodwill across cash-generating units (CGUs), and ensuring appropriate sensitivity analysis and disclosure. This included challenging the key assumptions within each CGU: principally cash flow forecasts, growth rates and discount rates and comparing the Group's value in use to its market capitalisation. This review considered the current geopolitical tensions including the situation in Ukraine, energy prices, supply chain security, and inflationary pressures on the Group's financial performance and future cash flows and therefore the carrying value of the Group and Company's intangible assets.</p> <p>The Committee also reviewed KPMG's work and conclusions on this risk and the key assumptions they tested in reaching their conclusions.</p> <p>The Committee is satisfied that there is no impairment to the Group's goodwill balance or the Company's investment in subsidiaries and that there is appropriate disclosure in the financial statements.</p>

Ongoing viability

In considering viability overall, the Committee reviewed the Group's strategic plan with particular focus on the key assumptions in relation to revenue, cost growth and cash flow management. Sensitivities to these key assumptions were also reviewed based on the impact of the Group's key risks, individually and conflated, as set out on pages 23 to 30. The review includes the consideration of the impact of wider macro-economic factors including inflationary pressures, supply chain stability, energy prices and geopolitical instability, and further operational disruption on future cash flows, as well as the potential impact of climate change as set out in our TCFD scenario analysis.

Following a review of the detailed considerations set out above by the Committee and Executive Management Team, the Committee is satisfied that it is appropriate for the Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group and, further, that the Longer-Term Viability Statement on page 91 is appropriate.

Fair, balanced and understandable

The Committee considered the Annual Report and Financial Statements for the financial year ended 30 March 2023, taken as a whole, including the non-underlying costs associated with the relocation of the distribution centre and group restructure and the simplification of the APMs. The Committee has concluded that the disclosures as well as processes and controls underlying its production were appropriate, and recommended to the Board that the Annual Report and Financial Statements for the financial year ended 30 March 2023 are fair, balanced and understandable, while providing the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Audit and Risk Committee Report continued

Risk management and internal controls

Risk management and the system of internal control are the responsibility of the Board. It ensures that there is a process in place to identify, assess and manage significant risks that may affect achievement of the Group’s objectives and that the level and profile of such risks is acceptable (based on the Board’s risk appetite). The processes have been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Committee provides oversight and challenge to the assessment of principal risks as set out on page 23. The Group’s key risks and uncertainties are set out on pages 24 to 30. The three lines of defence governance model is set out on page 23 along with the Board’s risk management process.

Throughout the year we have improved our processes for identifying and assessing current and emerging risks, and identifying and reporting against key risk indicators, building on our strong culture and behaviours framework. We have also reviewed the risk appetite framework.

We continue to align with the TCFD requirements for climate related risks and opportunities, specifically around the physical risks, transition risks and emerging risks around sustainable pet ownership.

The Committee explores specific key risks of the Group in detail, inviting the management team to discuss the matters and mitigations and further proposed actions. During the year, the Committee considered risks specific to the Retail and Vet Group operations and key IT and distribution projects, as well as cyber security, Health and Safety and Data Protection. The Internal Audit team is independent, appropriately skilled and has a direct reporting line to the Committee. The Internal Audit plan is based on providing assurance on key risks, controls and compliance throughout the year (see table of topics covered below). We use the varied experience of the Committee members to ensure assurance is focused on all the right issues. The Committee reviews the reports and recommendations in detail and ensures that action is taken in a timely manner to improve the control environment. The Committee has also performed risk reviews with management on a number of key risk areas as detailed in the Audit and Risk Committee meetings section on page 46. The Board, through the Audit and Risk Committee, are satisfied that the internal control framework is effective but acknowledges that the Internal Controls over Financial Reporting (ICFR) project is underway to enhance internal financial controls, which both the Board and Committee will continue to monitor in FY24.

Internal Audit

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

The Head of Internal Audit and Risk attends each Committee meeting, updating on progress against the audit plan throughout the year, reporting on any key control weaknesses identified and progress against mitigating actions.

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

Risk area	Work undertaken
Strategic	<ul style="list-style-type: none"> - Project Spice (distribution centre), capital project assurance - Project Polestar (digital capability), capital project assurance - Project Apollo (Vet Group finance transformation), capital project assurance - TCFD disclosures
Operational	<ul style="list-style-type: none"> - Vet finance system and access management - Retail Distribution Centre stock receiving - Retail customer complaints management - Cyber-threat scenario management - Payroll-system pay elements - Colleague wellbeing - Goods not for resale framework - Disaster recovery plans for principal IT systems - Cloud strategy and management - Pet welfare (Retail) - Supporting Vet practice performance
Financial	<ul style="list-style-type: none"> - Cash and banking controls (Retail and Central) - Retail customer discounts - Travel and expenses
Legal and regulatory compliance	<ul style="list-style-type: none"> - GDPR compliance - IR35 compliance - Senior Accounting Officer certification process

All reports, related findings and recommended actions have been discussed by the Committee and are tracked to completion.

External audit

KPMG presents their audit plan, risk assessment and audit findings to the Committee, identifying their consideration of the key audit risks for the year and the scope of their work. These reports are discussed throughout the audit cycle. These risks were the carrying value of goodwill (across the Group, but with specific reference to Vet Group goodwill), the carrying value of the parent Company's investment in subsidiaries, and management override of controls. In their reports presented to the Committee at both the interim and full year, the auditors considered these risks to be appropriately addressed and raised no significant areas of concern in these or any other areas of their review.

KPMG also attend the Committee meetings and meet separately, without management present, to discuss any matters in detail.

In line with the Statutory Audit Regulation and Directive, we have commenced a tender for our March 2026 year-end audit and our intention is to conclude this process during the financial year ending 28 March 2024. The tender will aim to comply with the quality standards set out in the newly published Minimum Audit Standards for Audit Committees which includes the consideration of both 'Big Four' and challenger audit firms. KPMG, who have audited the Group since 2000, were reappointed at the AGM on 7 July 2022. Ailsa Griffin has been appointed audit partner for the financial year ending 30 March 2023, replacing Stuart Burdass as part of the planned cycle of audit partner rotation.

External auditor's effectiveness

The Committee considered the quality, effectiveness, independence, and objectivity of the external auditors through the review of all reports provided, regular contact and dialogue both during Committee meetings and separately without management. Continuing from the process in the previous year, we conducted an audit quality and effectiveness review through a questionnaire to Committee members, management, and members of the finance team, which delivered focused insight into KPMG's effectiveness. We considered the audit quality reviews on the firm and sought confirmation that recommendations were appropriately actioned where relevant to the audits of our Company and Group.

Auditor independence

Maintaining the objectivity and independence of the external auditors is essential. The Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company and obtained written confirmation from them that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

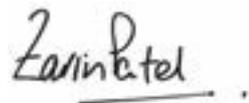
Additional non-audit services provided by the auditors may impair their independence or give rise to a perception that their independence may be impaired. The Group has a policy in relation to the provision on non-audit services that is aligned with the EU Regulation and Statutory Audit Directive to provide further clarity over the type of work that is acceptable for the external auditors to carry out. The policy sets out the process required for approval and a cap to the total non-audit fees for permitted services (at 70% of the audit fee). The policy was last reviewed in the year ended 30 March 2023.

Audit and non-audit fees paid to KPMG in the year were £1,388,000 and an analysis is presented in note 3 to the consolidated financial statements. Non-audit fees represent 8% of the audit fee. Non-audit services provided by the external auditors during the 2023 financial year comprised audit related assurance services, in the form of an independent review of the half-yearly statements and a financial covenant compliance certificate. The Committee concluded that the provision of such services was appropriate given that they were closely related to the work performed in the external audit process and, for reason of effectiveness and efficiency, it was considered advantageous to engage the external auditors due to their knowledge and expertise.

Resolutions to reappoint KPMG as auditors and to authorise the Directors to agree their remuneration will be put to shareholders at the Annual General Meeting that will take place on 6 July 2023.

Audit Committee effectiveness

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



Zarin Patel
Chair, Audit and Risk Committee
25 May 2023

ESG Committee Report



Susan Dawson
Chair of the ESG Committee

Who is on the ESG Committee?

Member	No. of meetings
Susan Dawson (Chair)	3/3
Ian Burke	3/3
Dennis Millard	3/3
Sharon Flood	2/3
Stan Laurent	3/3
Zarin Patel	3/3
Roger Burnley	1/1
Peter Pritchard	1/1
Lyssa McGowan	2/2

What we did in FY23

- Continued to focus on the monitoring and delivery of our high standards of pet welfare across the Group
- Overseen the refresh of the sustainability strategy, including an updated materiality assessment, and the agreement of three strategic priority areas
- Monitored the progress of the Group’s approach to the Task Force on Climate related Financial Disclosure (TCFD)
- Moved the review and focus on ESG risks to this Committee, reporting to the Audit and Risk Committee
- Reviewed and approved an updated supplier code of conduct and a Responsible Sourcing Handbook for suppliers

What we will do in FY24

In addition to our continued focus on pet welfare and ESG risks, during FY24 we will focus on the development of the refreshed strategy and the embedding of this across the business in particular:

- Monitor delivery against our net zero targets and how these are embedded into the relevant business areas
- Agree the strategies and review progress in relation to the sustainability strategic priority areas of pet food and supplier scope 1 and 2 carbon maturity
- Strengthen the sustainability skills and capability across the business

Introduction and strategic approach

The Committee oversees the governance of our sustainability strategy. In my fifth year as Chair I am delighted to see the progress that we have made in the first two years of the ‘Our Better World Pledge’ strategy and the important step of refreshing it to align with the updated business strategy.

Our strategic approach to ESG is organised around three pillars of Planet, Pets and People where the Group has material impact and creates value. We believe these pillars are the right way through which to approach our responsibilities and align with our Group purpose, to create a better world for pets and the people who love them.

Recognising that the Group participates in a broad range of activities and services involving pets, their welfare remains a central part of the Committee’s focus and a standing item on every Committee meeting agenda. The Committee maintains a regular and detailed review of pet welfare. The Committee regularly reviews the Group’s policies and procedures in relation to pet welfare in its retail business and supply chain, and the development of its clinical governance framework in the veterinary services business.

The Committee’s focus on people includes the approach to assessing salient human rights risks across the operations and supply chains.

Following COP26 in Glasgow in 2021 and the many subsequent scientific updates, the future of our planet has become a larger part of the focus of all business’s including Pets at Home. We recognise the need to not be complacent about our response and controls around this material topic therefore, climate change and environmental impact have now been made a standing item at every ESG Committee and additionally at every Board meeting.

It has been a year of change with Peter Pritchard leaving the business and Lyssa McGowan becoming the sixth CEO. During this time the management committees established in FY20 to support the Better World Pledge strategy, have continued to meet on a regular basis. Each of them is chaired by a Director and sponsored by an Executive Management team member. Our ESG Director and Sustainability Manager also attend all of these meetings. There has been an important update to our Pet Welfare Committee which is now chaired by our Group Veterinary Officer and now reviews pet welfare governance and strategy from a clinical and retail perspective.

Committee membership

The ESG Committee, which meets at least three times a year, is chaired by Susan Dawson. Acknowledging the importance of ESG to the Group, five additional Board members have been selected to attend the meetings. The CEO (Peter Pritchard for the first meeting of the year and Lyssa McGowan from the second meeting onwards) is the Executive member of the Committee. There have been some changes in executive responsibilities during the year which has meant that Louise Stonier, Chief People and Culture Officer, joined the April meeting and from September Lucy Williams, Chief Legal Officer, attended in her capacity of being the executive member with ESG responsibility. Amy Whidburn, ESG Director, and Karlien Heyrman, Head of Pets, attend each Committee meeting.

Highlights

Strategy refresh

- The first Committee meeting of the year in April 2022 began with a progress review of the previous financial year. The Committee reflected that although considerable progress had been made across many areas, there was a need to develop some strategic priority areas which would be differentiated from the core priorities
- The September Committee reviewed the strategy refresh proposal including the timeline and process and the emerging priority focus areas. The Committee agreed with the emerging priority focus area around scope 3 and particularly pet food
- The February Committee primarily focused on the strategy refresh. The materiality assessment was reviewed in detail. The Committee received an update on stakeholder input and perspectives on this assessment including a series of one to one meetings with five of our larger shareholders

TCFD disclosure

- The Committee reviewed and approved the TCFD disclosure to be included in the Annual Report and agreed to make TCFD an agenda item at every ESG Committee for the rest of the financial year. It was also agreed that ESG risks would be brought to the Committee as a standing item, this was in recognition of the benefit of allowing more dedicated time to review and discuss these risks and report back to the Audit and Risk Committee. An external audit of our TCFD readiness was agreed to take place in September 2022, which was then subsequently reviewed at the Board and the ESG Committee meetings

Human Rights

- The second Committee meeting in September 2022 received the annual update on the Human Rights strategy and progress along with the review and approval of the annual Modern Slavery Act statement. An updated supplier code of conduct was reviewed and approved along with the plans to launch a consolidated Responsible Sourcing Handbook for suppliers that contains all relevant policies and supporting guidance in one document. The Group's Human Rights specialist provided a detailed update on ethical audit progress and plans to resume in-house audits in China when COVID-19 restrictions allow. China was discussed as an area of concern because it had been almost three years since physical audits had taken place and it is the Group's largest sourcing country outside of the UK. In recognition of this concern some deep dive audits had been conducted by an independent third party and the results of these were discussed. The Committee agreed with the recommendation to publish our tier 1 retail supply chain, the number of workers in tier one factories, and gender diversity

ESG risk

- ESG risks were reviewed at the September and February Committee meetings. This included a deep dive of three corporate ESG risks and how TCFD had been successfully integrated into the corporate risk framework
- The Committee reviewed the results of an internal audit on the controlled drug policy and procedures which is an important area given the heightened risk in the vet profession

Pet welfare

- Pet welfare is a standing agenda item at every ESG Committee meeting and the Head of Pets attends every ESG Committee meeting. In addition to the regular reporting on pet governance, the Committee received an update regarding the changes to the Pet Welfare Committee. The Committee is now chaired by Gudrun Ravetz, Group Veterinary Officer, and the Terms of Reference (ToR) have been updated. Gudrun gave an update from the relaunched committee's first meeting and agreement to focus advocacy and action on four priority topics: kept animals bill; nutrition and obesity; behaviour and aversive training techniques and responsible dog breeding. This is in addition to the existing focus on pet welfare considerations relating to our products and services and governance of pets in our care

The ToR for the ESG Committee were reviewed in the April 2023 meeting. The ToR can be found on the Pets at Home Group investor website.

Susan Dawson
Chair of the ESG Committee
 25 May 2023

TCFD statement

Introduction

Pets at Home recognise the climate emergency poses both risks and opportunities to our strategy and operations. To that end, sustainability and climate change is featured as a principal risk within our Annual Report (see page 25). We are committed to implementing the TCFD recommendations, having made voluntary disclosures ahead of the FCA’s mandatory requirements for UK Premium Listed Companies to report. Pets at Home is required to implement the reporting recommendations of the TCFD (as set out in Listing Rule LR 9.8.6R) for the accounting period starting on or after 1 January 2021.

In this section, we outline our approach to climate-related risks and opportunities, which our scenario analysis concludes will likely present over the long-term which we define as between five and 20 years. In the last year we have made significant progress integrating climate-related risks within our risk management framework and business strategy.

Our disclosures are consistent with the TCFD’s four recommendations, and 10 of its 11 recommended disclosures, in line with the TCFD ‘Guidance for All Sectors’ (LR9.8.6BG). The remaining disclosure for ‘Strategy: Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning’, is partially consistent. We have analysed the risks in the short to medium term, which we classify as now to five years, and this analysis has been built into the going concern assessment detailed in note 1.3 on page 109 and the goodwill impairment testing detailed in note 13 on page 130. Our quantification of financial impact over the long term (five to 20 years) is work in progress due to the level of uncertainty. We will continue to enhance our financial impact models across the year with a view to disclosing these in our future reporting. Our ESG materiality review includes climate action and pet food sustainability as material topics and is referenced in our resilience statement on page 56. In the interest of space we have not included this full materiality assessment in this statement; it can be found in our standalone sustainability report.

Governance

Disclosure requirement	Description of progress
a) Describe the Board’s oversight of climate-related risks and opportunities	<p>The Board led by the Chair, Ian Burke, has ultimate responsibility for sustainability and climate change and ensuring that the strategy creates mutual value for stakeholders, including colleagues, customers, shareholders, and society. Oversight of climate change strategy is a matter reserved for the Board, via the ESG Committee.</p> <ul style="list-style-type: none"> – The ESG Committee comprises all Non-Executive Directors and the Chief Executive and Chief Financial Officer and is chaired by a Non-Executive Director. This Committee has a standing climate-change item on every agenda. The Committee meets at least three times a year and receives a written update at every meeting and an in-depth review on an annual basis. The regular update includes a review of ESG risks and the status of climate-related projects and initiatives. The in-depth review includes a progress update against the 2030 and 2040 carbon reduction targets vs a 2020 base. For example, in April 2023 the Board meeting reviewed the pathways to achieving the long term 2040 carbon reduction goals within the pet food area which represents a large proportion of scope 3 emissions. Scope 1 and 2 emissions are updated in full on an annual basis and the forward forecast is refreshed and discussed. – In addition, climate change has been made a standing agenda item at every Board meeting since December 2022. – During the year the Chair has undertaken additional climate related training through the completion of a six-week training course at the Said Business School on ‘Leading Sustainable Corporations’. Climate-related skills and experience are included in the skills matrix of the Board of Directors included in the Annual Report on page 41. The Board provides challenge to the Executive Management Team on progress against the goals and targets of the climate strategy and ensures the Group has an effective risk management system in place. This is principally governed via two main Committees: the Audit and Risk Committee and the ESG Committee. – At the ESG Committee meeting in April 2023 it was agreed that the Board and Executive Management Committee would receive an externally facilitated immersion session on sustainability and climate change during FY24. – Oversight and management of climate-related risks and opportunities occur at a number of levels in the organisation. Chart one below summarises the key forums and members of senior management with responsibility for climate-related issues. The reporting lines flow up to the Board level band of Committees. <p>Across FY23, the Board made a series of key decisions relating to our climate-related risks and resilience strategy. Examples include:</p> <ul style="list-style-type: none"> – The review, refinement, and approval of three over-arching climate-related risks and opportunities, following the conclusion of our TCFD qualitative scenario analysis. This has ensured our climate risks are now fully integrated into our corporate risk management process. – As part of our strategic business review, capital has been allocated across a 5-year timescale to enable investments to further reduce our operational environmental impact and scope 1 and 2 emissions. For example, in our distribution network, £2.8m of capital was approved to invest in a solar installation and battery storage at our new distribution centre at Stafford, reducing our dependency on purchased electricity. Additionally, a trial has been approved to test the use of HVO renewable fuel in our HGV fleet. This would enable us to operate our fleet with a considerably reduced carbon footprint by removing the use of fossil fuels. Both of these initiatives are key to enabling the business to achieve a 42% reduction in scope 1 and 2 emissions by 2030 vs a 2020 base. – The approval of long-term strategic partnerships with Cranswick Group plc. Pet food has been identified as a key pathway to delivering our long-term carbon reduction targets (see target section page 60). It accounts for a large proportion of our scope 3 emissions. These long-term partnerships enable collaboration with supplier stakeholders on carbon reduction projects.

Disclosure requirement	Description of progress
b) Describe Management's role in assessing/managing climate-related risks and opportunities	<p>The Chief Executive Officer has overall responsibility for climate change and sustainability topics.</p> <ul style="list-style-type: none"> - The Chief Executive is supported by the ESG Director and Executive management team to develop and implement the strategy through a number of management committees. Each committee is chaired by a Director. Our Better World Pledge (OBWP) strategy includes climate strategy as a key pillar. Progress towards delivering this strategy is discussed and updated at the Executive Management Team meeting on a regular basis and was specifically discussed three times during FY23. - Our new remuneration policy links an element of Executive remuneration to sustainability-related objectives, effective from FY24 and can be found on page 64 of this Annual Report. <p>As shown in Chart One, the management of climate change projects is the responsibility of three principal committees:</p> <ol style="list-style-type: none"> 1. <i>The Climate Change and Waste Committee</i> meets every six weeks and is responsible for developing and implementing the business strategy relating to operational environmental impact. This includes scope 1 and 2 energy and carbon emissions for buildings, transport logistics, and waste management. 2. <i>The Responsible Products Committee</i> meets every six weeks and is responsible for developing the strategy for managing the value chain environmental and ethical impacts of our products. This includes human rights, circularity and waste, packaging, raw materials, and scope 3 emissions of product ingredients, manufacturing, use and disposal. 3. <i>The Vet Group OBWP Committee</i> meets every six weeks and is responsible for developing the strategy for vet specific climate and environmental related risks and opportunities, such as a reduction in anaesthetic gas use. <p>Each committee is responsible for climate-related idea generation, operational delivery, project management, KPI development, and progress tracking. Progress is tracked using a project management approach that ladders up to period reporting to the Executive Management Team and the Board.</p>

Chart One – Pets at Home’s Oversight and Management of climate-related risks and opportunities



TCFD statement continued

Strategy

Strategic overview and context

This year we updated our business strategy to create a single purpose for the business, 'to create a better world for pets and the people who love them'. Sustainability has been placed at the heart of our role 'to build the world's best pet care platform'. Our sustainability strategy was refreshed to ensure that we are prioritising actions to make a material impact and create a commercial advantage. Within the 'Planet' pillar of our sustainability strategy we have provided more focus around the delivery of our Science Based Targets initiative ('SBTi') approved near-term (2030) and net-zero (2040) emissions reduction targets. We have created a new goal 'to make pet care environmentally sustainable' and plan to achieve this by prioritising making pet food sustainable, which is the most important and complex of our carbon reduction pathways. Making pet care environmentally sustainable is our strategy to manage and mitigate climate risks and develop climate resilience over the long term. In addition, we see environmentally sustainable pet care as an opportunity to be world leading and gain commercial advantage.

In FY22, we conducted a qualitative scenario analysis to review climate-related impacts. We developed three customised scenarios, each rooted in prevailing scientific evidence from the Intergovernmental Panel on Climate Change (IPCC),

the International Energy Agency (IEA) and Principles for Responsible Investment (PRI) (see: Information box 1), and during a series of internal workshops reviewed climate-related impacts across our short, medium, and long-term time horizons (see Information box 2). These time frames have been selected because of the alignment with our business process, cycles and strategic goals. The short term time frame aligns to our business financial forecasting cycle, the medium term aligns to the strategic planning cycle and the long term aligns to the long term SBTi approved carbon reduction targets that we have set.

The scenario analysis identified eight high-level risks/opportunities which were subjected to an initial materiality review and discussed with the Board. This year we have refined these risks and opportunities further through analysis and research, resulting in two being removed because they are not material. We have grouped the risks into three over-arching categories under which six of the initial high-level risks now sit: Physical risks, Transition risks and Sustainable Pet Ownership. The first two sit together under our Group principal risk of Sustainability and Climate Change, the third is categorised as an emerging risk. This third risk is monitored via the Group watch list of emerging and developing threats, where the timeline, impact or potential mitigation is not yet clear.

These risks and our analysis are summarised in Information box 2.

Information box 1 – a qualitative scenario analysis was conducted in FY22, over a period of three months and was reviewed and shaped by the Executive Management Team and ESG Committee.

Climate-related scenario	Scenario analysis coverage	Temperature alignment of scenario	Parameters and assumptions
Physical and Transition scenarios	Company-wide	1.5°C	Action taken has achieved the aims set out in the 2015 Paris Agreement to limit climate change to below 1.5°C of pre-industrial levels, but with significant shifts in policy, cost and consumer behaviours. The scenario was developed by incorporating scenarios which are rooted in prevailing scientific evidence. Specifically: <ul style="list-style-type: none"> – Representative Concentration Pathway (RCP) 2.6 – Shared Socioeconomic Pathway (SSP) 1 – PRI Inevitable Policy Response (IPR): 1.5C Required Policy Scenario
Physical and Transition scenarios	Company-wide	2°C	Not much has changed from today. Some action has been taken, but it's very much business as usual. Uncertainty increases, and impacts of a changing climate manifest themselves in vulnerable parts of the world. The scenario was developed by incorporating scenarios which are rooted in prevailing scientific evidence. Specifically: <ul style="list-style-type: none"> – RCP 4.5 – SSP 2 – PRI IPR: Forecast Policy Scenario
Physical and Transition scenarios	Company-wide	3°C	Economies around the world have continued to be powered by fossil fuels. As a result, the planet is in crisis and well past the point of no return by 2030. Global warming has accelerated and changes in climate are all around, tangible and, in some cases, catastrophic. The scenario was developed by incorporating scenarios which are rooted in prevailing scientific evidence. Specifically: <ul style="list-style-type: none"> – RCP 6.0 – SSP 5

Information box 2

Risk	Time frame			Scenario		
	Short-Term 1-3 years	Medium-Term 3-5 years	Long-Term 5-20 years	1.5/2°C	3°C	
Physical	Likely			Probability:	Low	Moderate
				Impact:	Low	Moderate
Transition	Likely			Probability:	Moderate	Low
				Impact:	Moderate	Low
Sustainable Pet Ownership	Likely			Probability:	Emerging	
				Impact:		

The impact of these climate-related risks on our businesses and strategy are further disclosed in the following tables. Over the next year, we plan to further refine the quantification of these climate-related risks and opportunities over the long term (five to 20 years) in order to better understand their potential financial impacts. Our initial assessment has identified that in the long term there could be material financial impacts.

TCFD Strategy Disclosure requirement sections a and b: Description of climate-related risks and opportunities identified and their impact on business, strategy and financial planning identified.

1. Physical risk – category: Chronic, 3°C scenario

Description of risk:	Business impact:	Proximity:	Risk Management and mitigation actions:
<p><i>Cost of repair and/or loss of revenue from assets and supply chain disruption.</i></p> <p>Extreme weather events affecting continuity of own operations, supply of products and retail sales (stores, distribution centres, vet practices) and disrupting supply chain sourcing (raw material sourcing and supplier operations).</p>	<p>Modelling of our UK sites indicates that the vast majority are not located in areas of flood risk. While we have observed weather events increase in severity and frequency over recent years, operational impacts have been minor and further incidents in the short and medium term can be managed within the framework and cost of existing controls.</p> <p>The majority of our pet food is sourced from the UK. Initial assessment of raw material and manufacturing exposure to risk of extreme weather events in the short and medium term is assessed as low. Further work is required to understand long-term impacts on UK farming and raw material availability.</p> <p>Our accessories ranges are predominantly sourced overseas. Initial assessment of raw material and manufacturing exposure to risk of extreme weather in the short and medium term is assessed as low. Further work is required to understand long-term weather-related impacts.</p>	<p>Proximity: <i>Long term (five to 20 years)</i></p> <p><u>Risk rating before mitigation:</u> <i>Probability: Moderate</i> <i>Impact: Low – Moderate</i></p> <p>As climate change persists, we expect these effects to increase in the long-term and our broader supply chains could be vulnerable.</p>	<ul style="list-style-type: none"> – Ongoing assessment of climate-related weather vulnerabilities in relation to our operations, suppliers and raw materials. – Monitoring the frequency and severity of climate-related weather events. – Regular review of business continuity plans for the distribution centres. – Conducting climate risk reviews proactively ahead of decisions to locate new operational infrastructure or select new suppliers. – Continuing to strengthen our long-standing relationships with key suppliers and freight partners. – Maintaining sourcing location flexibility, across the medium to long term, to switch supply lines away from areas of emerging risk, including review of weather-related risk when new sourcing locations are being considered.

2. Transition Risk – categories: Regulatory requirements and Reputation. 1.5°C scenario

Description of risk:	Business impact:	Proximity:	Risk Management and mitigation actions:
<p><i>Increase in the cost of doing business</i></p> <p>Operational and value chain decarbonisation – inability to efficiently transition our value chain and products and services to low carbon models.</p> <p>Possible introduction of more stringent environmental regulation has the potential to increase the cost of production and operational flexibility, as carbon costs become increasingly internalised.</p>	<p>Increased operating costs relating to the transition to a low carbon economy e.g., higher energy costs, changes in production costs, and direct and indirect carbon taxation e.g., meat tax on pet food.</p> <p>Capital investments relating to uncertainty and nascent development of low carbon technology e.g., alternative fuels for distribution vehicles. Market competition and unpredictable costs relating to delivery of our carbon transition plan, particularly in relation to the availability and demand for new products and services e.g., high quality carbon removal opportunities.</p> <p>Products and services not transitioned quickly enough to low carbon models to meet consumer shift in preference to low meat/no meat pet food and low carbon accessory products resulting in loss of revenue and reputational damage.</p>	<p>Proximity: <i>Long term (five to 20 years)</i></p> <p><u>Risk rating before mitigation:</u> <i>Probability: Moderate</i> <i>Impact: Moderate</i></p> <p>Further work is planned to understand long-term R&D investment cost, and its effect on margin, assuming no action taken to mitigate risk.</p>	<ul style="list-style-type: none"> – Business case – capital allocation to invest in operational infrastructure to reduce operational carbon, such as securing low carbon energy resilience. – Long term supplier partnerships to enable collaboration and investment in innovative R&D solutions. – R&D investment to develop the market for animal-meat alternatives. Also an opportunity to become the market leader in alternative pet food protein for consumers, a potential revenue opportunity. – Pet food strategy – mitigation of meat protein tax could include pass on to customers to enable switching to lower carbon options. – Supplier engagement underway to decarbonise supply chain. – Investing in renewable energy generation to reduce cost exposure to carbon pricing.

TCFD statement continued

3. Sustainable Pet Ownership – Category: Market, 3°C scenario			
<p>Description of risk/opportunity: <i>Emerging</i></p> <p>Pet ownership – changes in pet ownership, over the long-term driven by potential cost increases of pet care, due to the manifestation of physical and transitional risks.</p> <p>Changes in consumer attitudes to pet ownership, where owning a pet may be viewed as irresponsible in a warming world.</p> <p>Counter balancing these is the opportunity of increased customer revenue and market share from Pets at Home leading the market for environmentally sustainable pet care, in a warming world.</p>	<p>Business impact:</p> <p>The implicit and explicit price of carbon drives up prices and general living costs are squeezed. At the same time pet ownership becomes socially unacceptable as consumers seek to reduce their environmental impact and pets are seen as a luxury and climate burden. In this scenario, pet numbers fall as fewer consumers opt for pet ownership.</p> <p>Expanding products and services marketed as environmentally sustainable drives revenue and market share, as consumers switch to sustainable brands.</p>	<p>Proximity: <i>Long term (5 to 20 years)</i></p> <p>Risk rating before mitigating action: <i>Probability: Very Low Impact: Moderate</i></p> <p>Pet ownership has historically been resilient to economic and social factors, this seems unlikely to change over the next 10 years. Market insight on pet ownership and trends offers early signals to changes. Our experience suggests these will be gradual over time.</p> <p>This risk is monitored via the Group watch list of emerging risks, where the timeline, impact or potential mitigation is not yet clear.</p>	<p>Risk Management and mitigation actions:</p> <p>Our strategy is to make pet care environmentally sustainable, thereby neutralising potential consumer concerns that pet ownership is socially unacceptable.</p> <ul style="list-style-type: none"> – Strategic investment in priority areas such as pet food to identify lower carbon ingredients and manufacturing processes that meet consumer expectations. – Ongoing long-term monitoring of consumer and societal attitudes to pet ownership. – Regular monitoring of consumer and market trends to identify shifts in behaviour to which we can respond. – Frequent planned range reviews to respond to change in consumer preferences. – Championing the benefits that pets bring to our lives, e.g., enhanced wellbeing via consolidation of existing research.

TCFD Strategy disclosure requirement section c: Describe the resilience of your strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario

The scenario planning work was conducted using three different warming scenarios. These have been used to develop the impact on our identified physical, transitional and emerging risks and this has then informed our strategic response to ensure that we are developing a resilient strategy. Our sustainability strategy 'Our Better World Pledge' has been refreshed during FY23 which has enabled this latest work on risk at different warming scenarios to be a key consideration in developing our response. The key element of this strategy update has been the prioritisation of our scope 3 emissions, and within that, pet food as the largest impact area and a non-discretionary purchase for pet owners. Our materiality assessment identified sustainable pet food and climate action among the top sustainability topics to address.

Our strategic response to the physical risks following our analysis focuses on monitoring. Our UK based operations present a lower risk and our supply chain locations remain flexible in the long term which provides resilience to the most extreme (3°C) scenario. Within the supply chain the majority our pet food suppliers are UK based and this remains our strategy.

The impacts of a lower warming scenario (1.5°C) on our transitional risks are higher as more change and investment would have been required to enable the temperature increases to be contained at lower levels. Our strategic response is to ensure a smooth transition as we work with our suppliers to decarbonise supply chains and products and as we invest in areas of technological potential to support the long-term transition (such as lab grown meat). Strategic resilience will be ensured through working consistently towards the long term goals often before our customers are demanding them. We have been investing in our operational decarbonisation for many years, purchasing renewable energy since 2017 and investing in LEDs and buildings' energy management systems. As we make new investments our strategy is to consider how we can do this in a carbon efficient way, for example our new DC in Stafford does not use natural gas and we are investing in solar and battery storage.

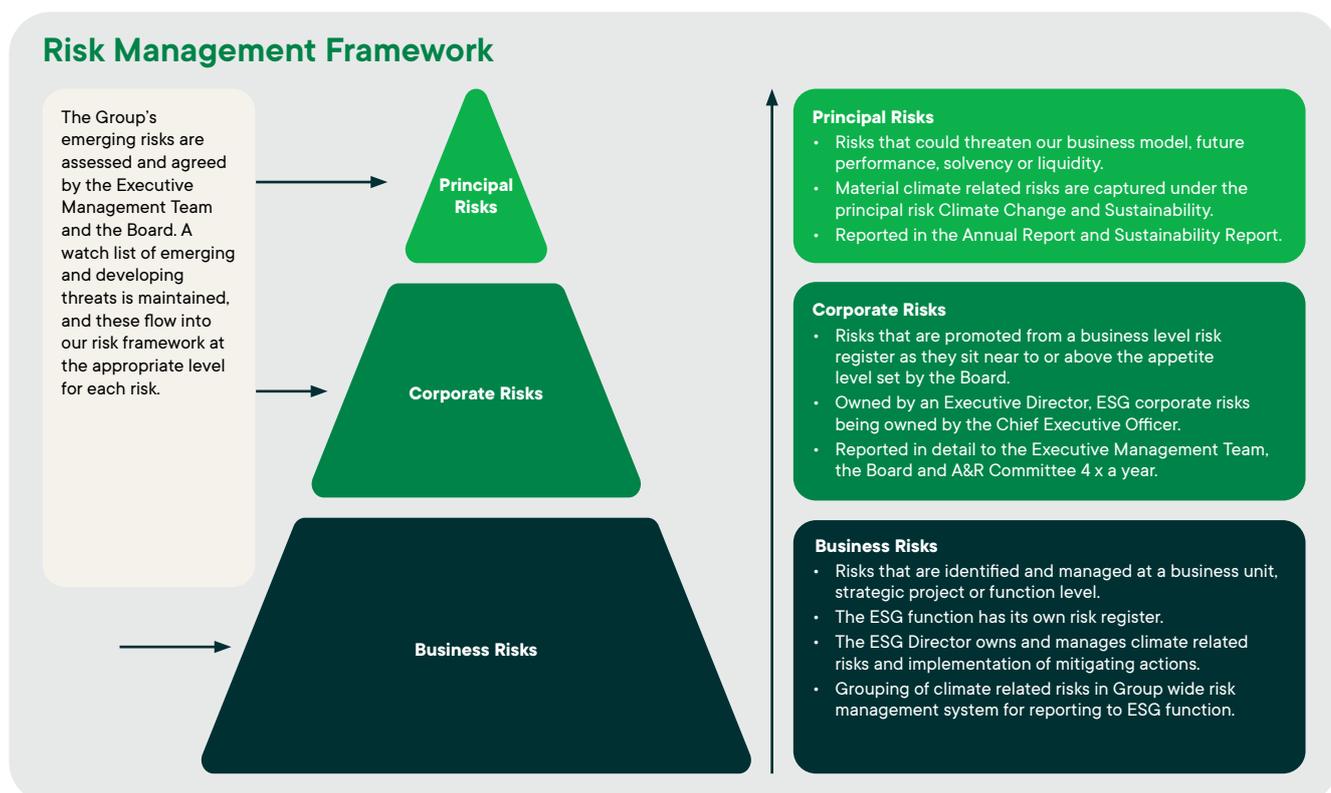
Our emerging risk around pet ownership could present in any of the different warming scenarios. Our strategy of making pet ownership sustainable is relevant and builds resilience through reducing the impact of owning pets and reducing the likelihood of pet ownership as being viewed as a luxury. Equally our strategy of celebrating the benefits that pets bring to our lives builds resilience by demonstrating value creation.

We will continue to review our strategic approach to ensure it aligns to the prevailing scientific advice and best practice. Over the next year, we will further develop the quantification of these climate-related risks and opportunities on our business, strategy and financial planning over the long term (5 to 20 years) to enhance further the resilience of our strategy.

Risk Management

Disclosure requirement	Description/progress
<p>a) Describe the processes for identifying and assessing climate-related risks.</p>	<p>The initial process for identifying climate risks for TCFD took place through a series of scenario planning workshops. These included detailed horizon scanning briefings and then consideration of the implication through the eyes of the key stakeholders of the business (pet, customer, vet, store manager, supplier) in three different global warming scenarios (see information box 1). This led to the 8 high level risks and opportunities to be created. This process and its outcomes were reviewed by the Executive Management team and the ESG Committee. These 8 high level risks and opportunities have been refined and consolidated into the three ESG risks that sit under the principal risk of sustainability and climate change. On an ongoing basis risks are identified through the risk management system. At a business level this happens using the risk champions who include ESG risks as part of their risk assessment for their respective areas of the business. Additionally the climate change, responsible products and vet group committees are responsible for identifying climate change risks. On an annual basis overall ESG materiality assessment is reviewed, and this includes detailed consideration of established and emerging topics that are relevant to climate change. At this annual review the ESG Committee also reviews existing and emerging regulatory requirements related to climate change. On a three yearly basis this materiality review becomes a deep dive exercise where external stakeholder feedback is gathered to horizon scan topics and review assessment of importance.</p> <p>These risks are assessed using the corporate standardised risk scoring methodology which includes measurement of likelihood, impact, and proximity. This produces a gross risk score before mitigating actions. This aids the escalation and consolidation of risks into a Group-wide view. See the risk framework on page 23 of this Annual Report.</p>
<p>b) Describe the processes for managing climate-related risks.</p>	<p>The climate related risks are managed using our corporate risk management framework. Each risk has a gross, net score, and a target score where the risk is not within appetite. Mitigating actions are then monitored for expected remediation of the risk and progress towards the target score. This mitigation strategy assigns owners and timescales to each action. Progress against the strategy is updated and reported to the executive management team and the Audit and Risk Committee four times a year. In addition, our climate risks, along with other ESG risks, are reviewed at each ESG Committee, which meets at least three times a year.</p> <p>Examples of risk mitigation and management exercised for Transition risks include engaging suppliers to commit to having carbon reduction plans in place by 2027. Also, investing in solar at our Stafford Distribution Centre and continuing to invest in renewable electricity.</p>
<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.</p>	<p>Chart two demonstrates how Pets at Home’s climate-related risks are fully integrated into our overall risk management approach. Climate related risks are identified, assessed, and managed through the corporate risk management approach which classifies risks as business, corporate or principal risks. Our ability to identify, assess and effectively manage current and emerging risks is critical in ensuring the continued success of our business.</p>

Chart Two - climate-related risks are fully integrated into our overall risk management approach



TCFD statement continued

Metrics and Targets

Disclosure requirement	Description/progress
<p>a) Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>	<p>These metrics are used to monitor our performance in managing and assessing climate-related risks and opportunity identified in the Strategy section.</p> <p>Physical risks</p> <ul style="list-style-type: none"> - Mapping and tracking weather sensitivity for UK key infrastructure locations. Mapping to weather sensitivity completed. - Mapping and tracking Supply Chain locations for tier 1. Mapping location of tier one own brand factories, disclosed on our corporate website. - Tracking of extreme climate related weather events and impacts in operations and supply chains. This is a new area and we are considering how we can track starting with our operations the actual financial impact of severe weather events (lost business and repair costs). <p>Transition risks</p> <ul style="list-style-type: none"> - Monitoring the percentage of suppliers with scope 1 and 2 carbon reduction plans in place. New metric, progress will be disclosed in FY24 reporting. - Monitoring the proportion of own brand pet food range with carbon footprinting completed. New metric, progress will be disclosed in FY24 reporting. <p>Sustainable Pet Ownership an emerging risk</p> <ul style="list-style-type: none"> - Ongoing long-term monitoring of consumer and societal attitudes to pet ownership. - Regular monitoring of consumer and market trends to identify shifts in behaviour to which we can respond. <p>In addition, Pets at Home reports using the SASB methodology. We complete the CDP climate change disclosure on an annual basis, our latest disclosure achieved an overall score of 'B'.</p>
<p>b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>	<p>Pets at Home has measured and disclosed our scope 1 and 2 CO₂e emissions since FY14. These emissions (including both location-based and market-based) are externally assured on an annual basis. Trend data from FY16 is updated and reported annually in our sustainability report. We measured our scope 3 baseline, in order to set net zero targets, and this has been validated by the Science Based Targets initiative. During FY24 we will begin the work to include Forest, Land and Agriculture emissions in our scope 3 baseline, in line with SBTi's FLAG requirement.</p> <p>Operational (scope 1 and 2) performance</p> <p>During the year we have continued to invest in energy reducing initiatives. We have run an education campaign with colleagues to further reduce our use of energy in our buildings. All of our forklifts at our DCs are now electric. We have moved our company car fleet list to a low carbon selection and 75% of our company cars are now either EV or hybrid.</p> <p>Our absolute carbon used has reduced by 4.3%. Our intensity-based performance has continued to improve year/year at 17.2 Tonnes CO₂e relative to £1,404m revenue.</p> <p>Our scope 1 emissions reduction of 2.2% has been caused by the removal of red diesel from our business which has offset the increase in diesel emissions of 5.4% as our business has grown, and our network reconfiguration as we ramp up operations at our new national distribution centre in Stafford and transition from our current operation from multiple sites. From an efficiency perspective our km/l has remained broadly flat at 2.97 in FY23 vs 2.94 in FY22.</p> <p>Our scope 2 emissions have shown a slight improvement of 6.2% benefiting from the de-carbonisation of the national grid.</p> <p>The element of our scope 3 emissions which we report within our operational footprint, included in table 3, have increased by 7.4%. This is a small part of our total scope 3 emissions that are reported in more detail on page 60.</p> <p>Our performance over the longer term continues to demonstrate the importance of carbon reduction to our business. Since 2016 our revenue has grown by 80.2% and our absolute emissions have reduced by 41.5% as shown in table 1.</p>

Carbon reporting summary

Table 1: Scope 1 & 2 carbon emissions eight year performance tonnes CO₂e emissions

		Tonnes CO ₂ e emissions								
		FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY23 vs FY16
Emissions	Scope 1	9,498	9,619	9,649	8,431	12,085	11,337	11,968	11,709	23.3%
	Scope 2 (location based)	31,680	28,840	21,584	17,066	15,133	13,616	13,200	12,386	-62.1%
	Total	41,178	38,459	31,233	25,497	27,218	24,953	25,168	24,095	-41.5%
	% change		-7%	-19%	-18%	7%	-8%	1%	-4%	
Group Revenue	£m	779	834	899	961	1,059	1,143	1,318	1,404	80.2%
	% change		7.1%	7.8%	6.9%	10.2%	7.9%	15.3%	6.6%	
	Normalisation/Intensity	52.9	46.1	35.1	26.5	25.7	21.8	19.1	17.2	-67.5%
	% change		-13.0%	-25.0%	-24.0%	-3.0%	-15.0%	-12.5%	-10.0%	

Normalisation: Intensity calculated using Group revenue and location based scope 1 & 2 emissions. Exclusions: Anaesthetics & Fugitive emissions are included from year FY20 onwards. Intensity has been calculated using Group revenue and location based scope 1 and 2 emissions

Table 2: Carbon emissions summary by Scope 2021/22/23

	Tonnes CO ₂ e emissions			
	2020/21 (scope 2 location-based)	2021/22 (scope 2 location-based)	2022/23 (scope 2 location-based)	2022/23 (scope 2 market-based)
Scope 1	11,337	11,968	11,709	11,709
Scope 2	13,616	13,200	12,386	0
Scope 3 (see additional inclusions)	4,697	4,954*	5,319	5,319
Total	29,650	30,122	29,414	17,028
Inclusion of 1,500 tonnes of carbon mitigation			27,914	15,528
Scope 1 and Scope 2 kWh	90,400,963	96,425,923	96,138,431	
Normalisation of CO ₂ e scope 1 & 2 to £m revenue	21.8	19.1	17.2	

Methodology: We have applied UK SECR and WBCSD/WRI Greenhouse Gas Protocol Corporate Standard as our methodology. We have used emissions factors from UK Government 2022 conversion factors, IEA 2019 for international sites and AIB residual mix from 2020.

Methodology: An operational control approach has been used for the organisational boundary. This is the same as last year 2021/22.

Additional inclusions: We have included the emissions from our standalone vet practices and some elements of our scope 3 emissions where we have greater operational oversight (3rd party business travel, 3rd party logistics and distribution and electricity transmission and distribution losses).

Exclusions: Only anaesthetics sourced from preferred Pets at Home suppliers has been included in the calculation.

Exclusions: Train and air journeys are not reported, as no accurate carbon intensity data was available. This will be worked on in FY24 to ensure inclusion going forward.

Estimation: Where this year's data was not available 1.9% of sites used last year's consumption data.

Independent verification: Our 2022/23 scope 1, 2 and some scope 3 emissions (3rd party business travel, 3rd party logistics and distribution and electricity transmission and distribution losses) Please refer to page 42 of the sustainability report for their assurance statement.

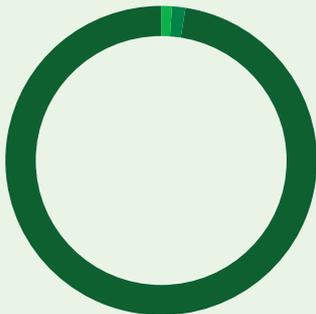
Market-based criteria: Since October 2017 we have procured 100% renewable electricity backed by REGOs and assessed for conformance with GHG Protocol scope 2 Quality Criteria. An emission factor of zero has therefore been applied since that date to calculate our scope 2 market-based figure, whilst a location-based factor was used to calculate scope 3 emissions from transmission and distribution losses.

Carbon mitigation: Pets at Home Ltd is donating £45,000 to the Woodland Trust, a company limited by guarantee (Company Number: 1982873) and a registered charity, Charity Number England and Wales: No. 294344, Scotland No. SC038885 whose registered office is at Kempton Way, Grantham, Lincolnshire NG31 6LL) to absorb 1,500 tonnes of carbon dioxide (equivalent to our use of fugitive gas, natural gas in our buildings and electricity procured outside of the Group renewable contract), through the planting of 6,400 trees, helping with our strategy to reduce our business carbon footprint.

UK proportions: Pets at Home operations are UK based except for a small office in Hong Kong. Therefore less than 0.1% of total scope 1 and 2 emissions and kWh usage was from outside of the UK.

Restatements: Absolute scope 3 greenhouse gas emissions (tCO₂e) have been restated for FY22 from 5453 to 4954 due to an incorrect emissions factor being used in FY22 for 3rd party diesel fuel. Greenhouse gas emissions from natural gas were incorrectly allocated to scope 1 emissions in FY22 therefore 590 tCO₂e has been moved from scope 1 to scope 2. This does not affect the total absolute greenhouse gas emissions and has not been restated for years before FY22.

TCFD statement continued

Disclosure requirement	Description/progress
<p>b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks <i>continued</i></p>	<p>Value chain (scope 3) emissions Tonnes CO₂e</p> <p>Our scope 3 assessment and SBTi target setting approach demonstrated that like most retail-based businesses the largest part of our impact comes through our products being made, used and disposed of. We completed an original assessment in FY20 and updated this in FY21. This assessment was reviewed as part of our SBTi target setting approval process. Following SBTi guidelines, this scope 3 assessment includes the relevant GHG protocol categories which is why it is bigger than the limited scope 3 categories included in table 2 on page 59. We have not reassessed our scope 3 base since then, instead prioritising our resources to our carbon reduction activities that the assessments helped to identify.</p> <div style="text-align: center;">  </div> <ul style="list-style-type: none"> ● Scope 1 11.7k t CO₂e ● Scope 2 12.4k t CO₂e ● Scope 3 885k t CO₂e <p style="text-align: center;">Tonnes CO₂e location based FY23 scope 1 and 2 data, scope 3 assessment FY21</p>
<p>c) Describe the targets used to manage climate-related risks and opportunities and performance against targets.</p>	<p>At Pets at Home, we have taken the decision to set our carbon emissions target using the guidance of the Science Based Targets initiative (SBTi). We have made this decision because science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.</p> <ul style="list-style-type: none"> – Near-term: Pets at Home commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY30 from a 2020 base year. – Near-term: Pets at Home commits to reduce absolute scope 3 GHG emissions from purchased goods and services, and upstream transportation and distribution 42% by FY30 from a 2020 base year. – Long-term: Pets at Home Group commits to reduce absolute scope 1 and 2 GHG emissions 90% by FY40 from a 2020 base year. Pets at Home Group also commits to reduce scope 3 GHG emissions 90% within the same time frame. <p>These targets have been approved by the Science Based Targets initiative. Actions and progress to achieve these targets are reported in our Sustainability Report on page 16.</p> <p>Related Targets:</p> <ul style="list-style-type: none"> – By 2028 all priority suppliers to have carbon reduction plans in place and 50% to have achieved leadership status. This is a new target and progress will be updated in FY24 reporting. – By 2028 all priority own brand food products to be carbon footprinted. This is a new target and progress will be updated in FY24 reporting. – By 2028 all priority raw materials to be sustainable and packaging recyclable. These are existing targets and our reporting can be seen on page 18 of our standalone sustainability report. – By 2028 create, protect and restore 15k acres of UK native woodland (2020 base). This is an existing target and our reporting can be seen on page 15 of our standalone sustainability report. <p>We also identify other opportunities to align our targets to climate reduction goals. For example, our revolving credit facility with HSBC acting as sustainability coordinator, agreed in March 2022, is linked to sustainability targets. The Group now has financial incentives (or penalties) to accelerate our work on pets, people and planet through targets focused on carbon reduction, supporting pets in need and community action. Our performance against our sustainability linked loan can be seen on page 4 in the standalone Sustainability Report.</p> <p>Our new remuneration policy links an element of Executive remuneration to sustainability objectives, effective from FY24.</p> <p> Read more on page 64 of the Annual Report.</p>

Directors' Remuneration Report



Sharon Flood

Chair of the Remuneration Committee

Who is on the Remuneration Committee?

Member	Period from	To	Meetings attended
Dennis Millard	1 April 2022	14 February 2023	4/4
Sharon Flood (Chair)	1 April 2022	30 March 2023	5/5
Prof Susan Dawson	1 April 2022	30 March 2023	5/5
Zarin Patel	1 April 2022	30 March 2023	5/5
Roger Burnley	14 February 2023	30 March 2023	1/1

Introduction

On behalf of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for FY23.

FY23: Looking back

Overview

Our performance over the past year has been strong, in what remains a challenging macro-environment. Our business, and the wider industry, remains in growth across all channels, demonstrating the resilience of the pet care category and the strength of our unique model. We have supported our colleagues and provided lifelines to our local communities throughout the cost of living challenges while delivering strong returns for our investors and an enhanced proposition for our customers.

Business Performance

FY23 was a year of significant financial challenge due to the turbulent economic backdrop, which impacted energy prices, FX costs, freight, and inflation. Despite this, we will exit FY23 with underlying PBT¹ of £136.4m (vs. £130.1m (53 weeks) in FY22), having grown sales ahead of the market, and with more customers than ever before. We have also made notable steps forward in our strategic initiatives, including the first despatches from our Stafford DC and the launch of our new digital app, with record investments into our strategic capabilities in FY23.

Highlights Include:

- The UK pet care market remains in growth, and our scale and reach continue to drive share gains. In the past year we gained further share to 24%, taking 5-year gains to 600bps.
- We continued to welcome new customers to the platform, growing our VIP club to 7.7m active members (+5%) averaging over 24,000 Puppy & Kitten sign-ups a week and with 8,500 new vet clients a week.
- Total Group revenue growth of 6.6% to £1,404.2m, with Group like-for-like¹ (LFL) revenue up 7.9%, with quarterly LFL accelerating sequentially throughout the year.
 - Vet Group revenue increased by 13.3%, with LFL¹ revenue up 13.4%. Across our general practices we are now consistently delivering in excess of £10m consumer revenue¹ per week.
 - Retail revenue growth of 5.9%, and LFL¹ growth of 7.5%. All channels remain in growth, and we delivered further progress in our relative price competitiveness.
- Group free cash flow¹ up 3.5% to £98.2m reflecting YoY underlying profit growth offset by our planned increased investment into our key strategic growth areas.
- Our new DC is now onstream, underpinning capacity needs beyond the next decade and will materially reduce our cost to serve. Deliveries to our store network are underway and we will look to move to one DC from three by Spring 2024, improving fulfilment costs, consumer experience and efficiency.
- Continued progress in the development of our digital platform, with Q3 seeing the launch of an enhanced mobile app bringing together VIP and shopping in one easy to use experience.

Shareholder Experience

- Overall, the shareholder experience in FY23 was positive.
- The share price has moved to £3.61 on the 30 March 2023 with a 12 month high of £3.93 recorded on 27 February 2023.
- Reported results have been towards the upper end of market expectations, particularly in terms of revenue, and as a result we upgraded our full year profit guidance alongside our Q3 results in January.
- Despite the strong performance our overall share price reaction has been fairly muted and influenced by the macro-economic climate all businesses across the UK are facing.
- The interim dividend was increased by 5% to 4.5p and a £50m share buyback programme completed.
- The final dividend per share of 8.3p, an increase of 11% YoY. Full year dividend per share of 12.8p, an increase of 8% YoY.

¹ Alternative Performance Measure (APMs) are defined and reconciled to IFRS information, where possible, on page 169.

Directors' Remuneration Report continued

Supporting our customers

- Throughout FY23 we constantly reviewed our price position vs. key competitors to ensure that the output of any pricing decisions we make as a response to cost price increases does not jeopardise our commitment to our pricing principles around maintaining a fair price index differential to our key competitors.
- The Nutrition Campaign, 'Food for Less, Advice for Free', focuses on supporting customers through the cost-of-living challenges to select the right, affordable food for their pet, no matter what their budget.
- The new Pets at Home app brings together VIP and shopping in one easy to use experience.
- Introduction of Pet Care Expert Live video call for customers to speak to Experts in-store.
- Launched a new trial of the capability to offer customers nutrition subscriptions in-store.
- Introduced a new digital tool in our Vet Group to enable quick and easy appointment booking, payment, and communication between practice and client, removing friction from the consumer experience.

Supporting our colleagues

- We continue to invest in, and focus our attention, on short, medium and long term financial resilience combined with financial education and wellbeing.

Investment in base pay:

- The average increase in base pay for our colleagues was 9.4% (wider workforce).
- 81.7% of our hourly paid store and grooming colleagues were paid the 2022/2023 Real Living Wage or more by investing in our earn as you learn pay structure and rewarding training.
- We awarded an out of cycle pay increase in addition to our annual pay review for our hourly paid store, grooming and Distribution Centre colleagues.
- In April 2023 we increased our hourly store and grooming pay rates to a starting rate of £10.60 (+10.4% vs April 2022).
- Colleagues can now earn 30p more than the Real Living Wage on completion of the first step of their training which is achievable after three months.
- Within Support Office, we awarded higher increases to our colleagues below senior management levels.

Colleague bonus:

- All colleagues will be awarded their usual annual bonus in respect of FY23 in line with the usual timeline.

Colleague share ownership:

- We continued our investment in colleague share ownership awarding 10,300 colleagues an award of free shares and we continued to offer our Sharesave scheme at a 20% discounted option price.
- Over 4,500 colleagues received access to awards which vested under our free share scheme and our Sharesave scheme creating greater colleague share ownership, supporting their medium to longer term financial resilience.

Colleague Hardship Fund:

- We awarded over £283,000 in grants to colleagues through the Colleague Hardship Fund supporting our colleagues through periods of unexpected financial difficulties.

Wellbeing:

- We closed our stores on Boxing Day to give all our retail store and grooming colleagues an invaluable two-day break.
- We invested nearly £100,000 in Mental Health First Aid training and Manager's Mental Health training across the business. A further 207 colleagues were trained in Mental Health First Aid this year. Over 80% of our veterinary practices have one Mental Health First Aid trained colleague per practice providing vital support to colleagues. We also brought our total number of managers who received Manager's Mental Health training to 425.

Recognition:

- We have awarded £280,000 to colleagues through our various recognition schemes across the business.

Supporting colleagues through the cost-of-living challenges:

- **Resources:** We developed our online digital Benefits and Recognition platform which is available 24/7 creating a section called 'Money'. Colleagues could access a plethora of tools, tips, advice, resource and support, including hundreds of shopping discounts, budget calculators, Cycle2Work schemes, financial aid and grants, access to our Colleague Hardship Fund, simplifying the government support into small digestible chunks. The support was easy to read and understand. Colleagues felt less overwhelmed meaning anyone needing support knew where to go and how to get it, supporting colleagues at a time when they need it most.
- **Education:** We wanted colleagues to realise the true value from all of our benefits, support and discounts, which led us to invest in financial education, hosting a 'cost of living and all things money' live and interactive Q&A session with a financial expert to engage colleagues with simple steps to improving their financial position.
- **Savings and Discounts:** By offering discounts and savings through our online benefits platform, in FY23 colleagues have saved a collective £162,000 on their everyday shopping. We also increased our colleague discount to 30% for our own branded products.
- **Loans:** For those colleagues wanting to borrow money, we partnered with Salary Finance to support our colleagues to borrow in a sustainable way. Introducing affordable loans and debt consolidation with realistic, fair and manageable repayment plans.

Supporting our communities

- 2,009 colleagues have completed a Better World Pledge Day in FY23, donating over 11,000 hours to support Pets, People or Planet.
- £100,000 was donated to help individuals, families, and communities caught up in the Turkey-Syria earthquake crisis.
- Over £2,000,000 was raised through our Santa Paws appeal, the biggest fundraising appeal in aid of the Pets at Home Foundation.
- Launched a nationwide Pet Food Bank service with Blue Cross.
- £2,900,000 granted to pet rescue and rehoming organisations through the Pets at Home Foundation.
- Over £283,000 paid to our colleagues in FY23 through the Colleague Hardship Fund.
- Through our Colleague Appreciation Day initiative, 1,100 colleagues donated their celebration for a tree to be planted on their behalf with the Woodland Trust (£5,500).
- 1,000 colleagues donated their £5 celebration to food banks (£5,000), and 400 colleagues donated to the Pets at Home Foundation (£2,000).

Directors' remuneration in respect of FY23

FY23 was the third and final year of our current Remuneration Policy, approved by shareholders in 2020. In the light of the context set out above, the Committee made the following decisions in respect of Executive Pay.

Base Salary:

The CEO and CFO received a standard increase of 3.5% in line with the increase awarded to all senior management colleagues which was substantially less than the wider workforce increase of an average of 9.4% throughout FY23. Salary increases in respect of FY23 were effective from 14 October 2022 (day 1 of our first period after our half year point, P8).

In FY23 we committed to carrying out a benchmarking exercise for the Non-Executive member fees. The benchmarking exercise revealed that our fees were behind the market benchmark and in light of these fees having never been increased since they were set in 2014, it was agreed to increase the Non-Executive Director fee, Committee Chair fee and Board Chair fee by 6.6%, being the known wider workforce average increase at the time of review. The Senior Independent Director fee remains competitive and therefore no adjustment was made.

Pension:

There were no changes to the Executive pension contribution in FY23. Executive Directors already receive a pension contribution capped at the rate provided to the majority of colleagues in central support office functions. Currently this is up to 6.5% of base salary and consistent with workforce rates at other retailers. The company continues to actively target an increase in the rate available to all other colleagues by at least 0.5% per year.

Annual Bonus:

The Executive Directors were assessed against Group underlying Profit Before Tax (PBT) (65%), Group Free Cash Flow (FCF) (25%), Pet Care Plans (10%) and a mandatory ESG bonus underpin, which required the senior leadership team, including the Executive Directors to complete a Better World Pledge Day. Targets were set in May against a budget that was agreed to be ambitious and stretching.

In light of business and stakeholder context set out above, the Committee was comfortable that the formulaic outcome set out immediately below was fair and appropriate therefore no adjustments were made and no discretion was exercised in relation to that outcome. FY23 bonuses will be delivered two thirds in cash and a third will be awarded in shares in line with the bonus deferral policy. The shares will not be released until a two-year holding period is complete.

- The underlying PBT target range was set between £130.7m and £140.7m. Actual underlying PBT was £136.4m and achieved a bonus target of trigger 3.3, 66%.
- The Group Free Cash Flow target range was set between £74.2m and £82.2m and the actual Free Cash Flow was £98.2m, in excess of the maximum target.
- The Pet Care Plans target range was set between 1.54m and 1.61m net plans. The actual number of net Pet Care Plans achieved was 1.60m, bonus trigger 4.80%.
- The bonus outcome was therefore £710,286 for the CEO, which represents 71% of bonus max (pro-rated by length of employment), and £474,301 for the CFO, which represented 76% of the bonus maximum.

Restricted Stock Plans:

The TSR financial underpin was met and the Committee was also comfortable that having assessed these awards for any windfall gains on both vest and grant of the 2020 RSP awards, that no discount should be applied and therefore the Executive Directors' awards will vest 100% in May 2023 and will be subject to the 2 year post vest holding period. The annual RSP awards were also granted to all eligible colleagues, including the Executive Directors, in May 2022 under the usual terms.

Directors' Remuneration Report continued

FY24: Looking forward

Remuneration Policy

We have undertaken a thorough and detailed review of our existing policy to assess whether it remains appropriate and relevant in the context of our strategic plan and business goals set against a changing macro-economic environment. The Committee concluded that the Policy remains appropriate in respect of salary, annual bonus and benefits provided to Executive Directors, and there are no changes proposed in respect of these elements. There are, however, a few minor amendments to our Policy to ensure our Policy remains in line with best practice and current governance.

The key areas within the Policy to be amended, subject to Shareholder approval at the 6 July 2023 AGM are:

- **No changes are proposed to the base pay, pension, annual bonus or Restricted Stock Plan awards (RSP):** The annual bonus will remain at 170% of salary for the CEO and 150% for the CFO and the RSP level will remain at 100% of salary for the CEO and 75% of salary for the CFO. Executive Directors will continue to receive a pension contribution capped at 6.5% of base salary.
- For RSP awards made under new policy the RSP underpin will be judgement-based allowing the Committee to take a broader range of considerations into account when determining vesting. Pets at Home was an early adopter of an RSP six years ago and at that time, a TSR underpin was deemed appropriate following shareholder feedback. Market practice has since evolved and a judgement-based assessment aligns Pets at Home with the majority of other businesses using RSPs. A judgement-based underpin will allow the Committee to continue to take share price performance into account in addition to business, individual and wider company performance during the vesting period.
- A **post-cessation shareholding guideline** was introduced in the previous policy and required Executive Directors to retain the lower of 2x salary (or their actual shareholding) for 1 year and 1x salary for 2 years. New policy will fully align with the Investment Association guidelines of the lower of 2x salary or their actual shareholding for 2 years post cessation, starting with shares awarded from the start of FY24 onwards.

The Committee acknowledges the importance of ESG targets for shareholders, particularly environmental carbon emissions, and the Board is close to finalising its sustainability strategy. As RSPs are not designed to incorporate performance conditions, it is intended that ESG performance targets will be included in the Company's annual bonus scheme when the Committee is confident that relevant and measurable ESG targets can be set.

The Committee has carried out a consultation exercise with our major shareholders on both the proposed changes to our remuneration policy as well as the performance of the business. At our AGM on 6 July 2023 we will be asking shareholders to pass resolutions to approve our new Directors' Remuneration Policy and our FY23 Directors' Remuneration Report. Further details of the consultations on remuneration and the new policy are in the Directors' Remuneration Report on pages 65 to 75.

Directors' remuneration in respect of FY24

Base Salary

The usual annual pay review will take place for the Executive Management Team in September 2023. The Committee will continue to benchmark against relative market comparisons to ensure that the package is considered competitive and does not pose a risk to retention and succession planning whilst considering the salary increases in the context of the broader colleague population and business performance.

Pension

No changes proposed for FY24.

Annual Bonus

The maximum bonus opportunity will continue to be 170% of salary for the CEO and 150% of salary for the CFO with one-third of any bonus paid being deferred in shares for two years in line with the bonus deferral policy. The Executive Directors' annual bonus will be based on Group PBT (65%), Group FCF (25%) and sustainability measures (10%), underpinned by a mandatory Better World Pledge Day (BWPD) supporting Pets, People and our Planet. The sustainability measures combined with the BWPD will together support the various pillars of our ESG Strategy which focus on Pets, People and our Planet.

Restricted Stock Plans

Awards granted during FY24 will continue to be set in line with the Remuneration Policy with a maximum grant value of 100% of salary for the CEO and 75% of salary for the CFO and will continue to vest subject to an underpin which will take into account share price performance as well as financial and strategic performance with a three-year vesting schedule and two-year post vesting holding period as set out in the Remuneration Policy. The Committee considered the shareholder experience when determining award levels. As recent share price performance has been positive, it was judged that no reduction to the normal grant level was required.

Closing remarks

We hope that you find this report helpful and we would welcome any feedback or comments on this report. We look forward to your support of the resolutions for approval of by binding vote at the Company's AGM on 6 July 2023 for our new Directors' Remuneration Policy and by advisory vote for our Directors' Remuneration Report which sets out how we have applied our existing policy during FY23.

Finally, I would like to highlight that this will be my last report as Chair of the Committee. Having served in the role since July 2017, I will be resigning from the role and stepping down from the Board following our AGM on 6 July 2023. I am delighted to hand over to Susan Dawson who will be succeeding me in the role and I would like to wish Susan every success in the future in her new role.



Sharon Flood
Chair of the Remuneration Committee
 25 May 2023

Our Directors' Remuneration Policy

The Committee considered a range of materials when undertaking the policy review including:

- Feedback following interviews with many key internal stakeholders (including Executive and Non-Executive Directors, People Team, Reward and other management team members) as well as feedback obtained from our colleague listening programme, further details on which can be found at page 75;
- Consultations with investors received prior to the 2023 AGM;
- Proxy agency reports on our FY23 DRR;
- The feedback received from Director engagement with our largest shareholders and their proxy advisors undertaken between March to July on the potential changes in our policy;
- Company performance over the policy review period;
- Recent governance updates and best practices;
- The total pay opportunity in comparison to highly relevant external market benchmarks;
- The experience of our colleagues, shareholders and wider stakeholders.

a) Introduction

The Committee presents our Directors' Remuneration Policy (the Policy) which applies to all of the Executive Directors and the Non-Executive Directors (as well as any individuals who may become Directors or cease to be Directors whilst this Policy is in effect). The Policy is to be approved by shareholders at the Annual General Meeting on 6 July 2023 and becomes effective on the date it is approved.

The Policy explains the purpose and principles underlying the structure of remuneration packages and how the Policy links remuneration to the achievement of sustained high performance and long-term value creation.

Overall remuneration is structured and set at levels to enable us to recruit and retain high calibre colleagues necessary for business success, whilst ensuring that our reward structure and performance measures are aligned to the strategy and are simple to communicate to participants and shareholders.

The following section on pages 65 to 75 sets out our Directors' Remuneration Policy (Policy) for all of the Executive Directors and the Non-Executive Directors (as well as any individuals who may become Directors whilst this Policy is in effect) for approval by shareholders at the Company's AGM in July 2023. A copy of our current policy that was approved by shareholders at the Company's AGM in July 2020 can be found on the Group's website (<https://investors.petsathome.com>).

Remuneration principles

The objectives of our Directors' Remuneration Policy are:

Strategy	To have incentives that are appropriate for our business for the next three years as we continue to focus on delivering long term, sustainable returns to investors. To reward in ways that support delivery of our integrated pet care strategy.
Culture	To adopt a 'bottom-up' approach to remuneration – a policy that works for our colleagues and can be applied to our Executives. To support our ongoing desire to embed share ownership across the organisation. To assist with succession planning.
Retention	To simplify and therefore enhance perceived value of awards and thereby reduce flight risk.
Shareholders	To deliver better value to shareholders by: <ul style="list-style-type: none"> - Improving perceived value; - Creating stronger alignment with shareholders; and - Increasing focus on long term sustainable value creation.

How we ensure pay for performance linkage:

Annual bonus	<ul style="list-style-type: none"> - Pay-out linked to achievement of robust and challenging annual performance targets and any bonus achieved is paid 2/3rd cash and 1/3rd shares with a two-year deferral period to ensure a link with longer term performance and shareholder experience. - Full disclosure of bonus – commitment to disclosing all target ranges on a retrospective basis at the end of the financial year in question.
Underpin	<ul style="list-style-type: none"> - The satisfaction of an underpin that applies to RSP awards and as shall be determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. - Serves as a security mechanism to prevent pay-outs for poor performance.
Share price	<ul style="list-style-type: none"> - Share price inherently links pay to performance. - Build-up of shareholding, long term vesting and holding horizon and post-cessation shareholding guidelines incentivise Executive Directors to increase focus on long term, sustainable performance and value creation.

Directors' Remuneration Report continued

UK Corporate Governance Code – Provision 40 alignment

The table below explains how the Remuneration Committee has addressed the factors set out in Provision 40 of the UK Corporate Governance Code.

Factor	How taken into account
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	The Remuneration Committee has aimed to incorporate simplicity and transparency into the design and delivery of our Remuneration Policy. The remuneration structure aims to be simple for both participants and shareholders to understand and is closely aligned to the strategic priorities of the business. We aim for disclosure of the Policy and how it is implemented to be clear and succinct.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Our remuneration arrangements are purposefully simple, comprising fixed pay (salary, benefits, pension/cash in lieu), a short-term incentive plan (Annual Bonus) and a long-term incentive plan (RSP).
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The Policy includes a number of points to mitigate potential risk, including: <ul style="list-style-type: none"> – defined limits on the maximum opportunity levels under incentive arrangements; – provisions to allow malus and clawback to be applied, where appropriate; – annual bonus performance targets calibrated at appropriately stretching but sustainable levels; and – bonus deferral, RSP holding periods, in-employment and post-employment shareholding requirements ensuring alignment of interests between Executive Directors and shareholders and encouraging sustainable performance.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy	We aim for our disclosure to be clear to allow shareholders to understand the range of potential values which may be earned under the remuneration arrangements.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance	A significant part of an Executive's reward is linked to performance with a clear line of sight between business performance and the delivery of shareholder value.
Alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy	The incentive arrangements and annual bonus performance measures used are strongly aligned to those that the Board considers when determining the success of the implementation of the Group's purpose, values and strategy. Arrangements are consistent in structure at all seniority levels, supporting a culture where all employees are aligned to the company's success.

Pay element – Fixed pay

Base Salary			
Purpose and link to strategy	Operation	Maximum opportunity	Changes
The Company provides competitive salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	<ul style="list-style-type: none"> – Base salaries are paid in cash and are pensionable. – Base salaries will be reviewed annually by the Remuneration Committee. Any changes will usually take effect from 1 October in line with the wider management and salaried colleague group. The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): <ul style="list-style-type: none"> – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators, including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group. 	<ul style="list-style-type: none"> – Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population. – Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: increase in the scope and/or responsibility of the individual's role; and development of the individual within the role. 	No changes.
Benefits			
Purpose and link to strategy	Operation	Maximum opportunity	Changes
The Company provides colleagues with market competitive benefits suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	<ul style="list-style-type: none"> – The Company provides a range of benefits, which may include: <ul style="list-style-type: none"> – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance – These benefits are not pensionable. – Other benefits may be offered from time to time, if considered appropriate by the Committee and consistent with the Company's overriding purpose for offering such benefits. – The Company may also meet any reasonable home working and/or certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing home working and/or mobility policies and practice for other senior executives. – Executive Directors are eligible to participate in any tax approved all-colleague share plans operated by the Company on the same basis as other eligible colleagues such as the SAYE scheme. 	<p>The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits.</p> <p>The Committee keeps the level of benefit provision under regular review.</p>	No changes.
Pension			
Purpose and link to strategy	Operation	Maximum opportunity	Changes
To provide colleagues with an allowance for retirement planning.	<ul style="list-style-type: none"> – Pension contributions are made to either the Group Pension Plan, or to personal pension schemes, or cash allowances in lieu of contributions are paid. 	<ul style="list-style-type: none"> – The employer contribution level for all current and any future external hire or internally promoted Executive Director is provided to the majority of colleagues in central support office functions from time to time (currently 6.5%). 	No changes other than formalising previous commitments made to align current executive pension contributions with colleagues into policy.

Directors' Remuneration Report continued

Pay element – Variable pay

Annual bonus				
Purpose and link to strategy	Operation	Maximum opportunity	Performance measures	Changes
<p>To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy.</p>	<ul style="list-style-type: none"> - Delivery will normally be in cash and is not pensionable. - Performance measures are set annually and pay-out levels are determined by the Committee after the year-end, based on performance against those targets during the relevant financial year. - The Committee may amend the performance targets and measures during the relevant financial year if events occur which result in the original targets and measures no longer being a fair measure of performance. - The Committee may amend formulaic bonus outcomes if they do not reflect the wider shareholder experience over the period or the performance of the Executive Director in delivery of the business strategy and results. - Malus and clawback provisions apply to these awards in circumstances as set out on page 73 of the Policy. - Change of control provisions apply as set out on page 73 of the Policy. - Leaver provisions apply as set out on page 72 of the Policy. 	<p>The maximum bonus opportunity shall be 170% of base salary for the CEO and 150% of base salary for the CFO provided 1/3 of any bonus achieved will be paid in shares (or share awards) and subject to a two-year holding period.</p>	<ul style="list-style-type: none"> - Each year, the Committee determines the measures and weightings within the following parameters: <ul style="list-style-type: none"> - At least 75% of the annual bonus will be based on financial performance measures; and - No more than 25% of the annual bonus will be based on performance against non-financial measures, including for example, individual and strategic objectives, which may include ESG metrics. - The Committee ensures that targets are appropriately stretching in the context of the business plan and that there is an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific non-financial goals. This balance allows the Committee to effectively reward performance against the key elements of our strategy. - The performance metrics for the annual bonus for the Executive Directors are set out retrospectively within the Annual Report. - The Committee has discretion to amend formulaic bonus outcomes if they do not reflect the wider shareholder experience over the period or the performance of the Executive Director in delivery of the business strategy and results. Where discretion is applied this will be summarised within the Annual Report. 	<p>No changes</p>

Long Term Incentive Plan¹

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures	Changes
<ul style="list-style-type: none"> - To promote continued alignment between Executive Directors and shareholders, increasing focus on long term sustainable value creation. - To support our principle of embedding share ownership across the organisation. - To assist with succession planning. 	<ul style="list-style-type: none"> - Awards will be made under the RSP annually. - Share awards are normally made in the form of nil cost options but may be awarded in other forms if appropriate (such as conditional share awards). The plan rules specify that awards may also be satisfied in cash although this is unlikely to apply to Executive Directors (other than partially, to facilitate the net settlement of an award). - No award will vest under the RSP unless the Committee is satisfied that performance in respect of the underpins has been satisfactory. Where the Committee concludes that performance has not been satisfactory it has discretion to reduce the number of shares subject to an RSP vesting downwards including to zero. 100% of the award will vest on the third anniversary of grant, subject to the achievement of the aforementioned assessment of the TSR underpin and continued employment. - Following vesting, the award will vest after three years followed by a two-year holding period until the fifth anniversary of grant. If the vested award is exercised during this two-year period, the net number of shares acquired (after taxes have been settled) must continue to be held (and cannot be sold) until the fifth anniversary of grant. - Additional shares (or cash) may be awarded in lieu of dividends on any shares which vest, which would have been paid during the vesting period and, in the case of a vested but unexercised award, the holding period. - Malus and clawback provisions apply to these awards in circumstances as set out on page 73 of the policy. - Change of control provisions apply as set out on page 73 of the policy. - Leaver provisions apply as set out on page 72 of the policy. 	<p>The maximum value of restricted shares that may be awarded in respect of any financial year for new hires effective 27 March 2020 may be up to 100% of salary. Existing Executives may only be awarded a maximum of 75% of salary.</p>	<ul style="list-style-type: none"> - There are no performance targets attached to the awards. - A baseline performance underpin applies, which requires absolute TSR performance to be positive over the first three years of the vesting period. If the underpin is not achieved, the awards lapse in full. 	<p>RSP awards made in FY24 shall be subject to a holistic underpin that allows the Committee to take into account factors including overall financial performance, the shareholder experience, performance against strategic imperatives and any serious reputational damage (subject to approval at the AGM on 6 July 2023).</p>

SAYE¹

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures	Changes
<ul style="list-style-type: none"> - An all-colleague plan, which encourages long term shareholding and aligns the interests of UK colleagues with shareholders. - Executive Directors are eligible to participate. 	<ul style="list-style-type: none"> - SAYE is an HMRC-approved scheme where eligible colleagues are granted savings-related share options to subscribe for shares in the Company. - Options are granted to be exercisable in conjunction with either a three-year or five-year savings contract with a monthly savings limit set according to HMRC limits (currently £500 per month out of taxed income). - Options are normally granted at a discount to market price at the time of invitation, as per HMRC regulations (currently a maximum of 20%). 	<ul style="list-style-type: none"> - The market value of the shares under option at the date of maturity of the Sharesave savings contract, less the grant price of the option at the contract start date. 	<ul style="list-style-type: none"> - There are no performance measures attached to awards under the SAYE. 	<p>No changes.</p>

Directors' Remuneration Report continued

Chair and Non-Executive Directors' Remuneration Policy				
Purpose and link to strategy	Operation	Maximum opportunity	Performance measures	Changes
To attract and retain high calibre individuals by offering market competitive fee arrangements.	<ul style="list-style-type: none"> - Non-Executive Directors receive a basic fee in respect of their Board duties. - Further fees are paid to Non-Executive Directors in respect of Deputy Chair of the Board and/or chairship of Board Committees. - The Non-Executive Chair receives an all-inclusive fee for the role. - The remuneration of the Non-Executive Chair is set by the Remuneration Committee, whilst the Board as a whole is responsible for determining Non-Executive Director fees. These fees are the sole element of Non-Executive remuneration and they are not eligible for incentive awards, pensions or other benefits. - Fees are typically reviewed annually. - Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits. 	<ul style="list-style-type: none"> - Current fee levels can be found on page 84. - Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. - The Company's Articles of Association provide that the total aggregate remuneration paid to the Non-Executive Chair and the NEDs will be within the limits set by shareholders. 	n/a	No changes.

The Committee may in the event of any variation of the Company's share capital, demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

Shareholding guidelines and post cessation shareholding requirements

The Committee believes that colleague share ownership is an important means to support long-term commitment to the Company and the alignment of colleague interests with those of shareholders.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years.

Executive Directors are subject to a post cessation shareholding requirement equal to the lower of 200% of base salary or their actual shareholding at the date of cessation. This applies to shares awarded after the start of FY21 when the requirement was first adopted. The requirement was for 200% for one year and 100% for two years. From the start of FY24 Executive Directors will be required to hold 200% (or their actual shareholding if lower) for two years post cessation unless the Committee determines otherwise. This applies to shares awarded after the start of FY24.

Legacy matters

The Committee will honour remuneration related commitments to former, current and future Executive and Non-Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to them becoming a Director (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director or Non-Executive Director of the Company) and/or where the terms were agreed and commitments made in accordance with the previous Remuneration Policy approved by the Company's shareholders in July 2017. For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. This includes allowing the vesting of outstanding awards under the CSOP, PSP and RSP, the terms of which are detailed in the previous policy that was approved by shareholders at the Company's AGM in July 2020.

Remuneration Committee discretion

As described elsewhere in this Policy, the Committee may exercise its discretion to: (i) determine the size of the annual bonus and restricted share plan awards granted to Executive Directors; (ii) set the performance measures and targets attaching to the annual bonus and restricted share plan awards granted to Executive Directors; (iii) amend such performance measures and targets if events occur which result in the original measures and targets no longer being a fair measure of performance; (iv) override the formulaic outcomes of such performance measures and targets to ensure that payments under the annual bonus plan and restricted stock plan reflect the underlying performance of the business or of the Executive Director concerned; (v) decide whether and to what extent dividend equivalents should apply to awards under the deferred share bonus arrangements and/or the restricted stock plan; (vi) apply malus and clawback; (vii) adjust the shares subject to the deferred share bonus arrangements, the SAYE options and the restricted stock plan awards in the event of a variation of the Company's share capital (or similar corporate event); (viii) apply the holding period; (ix) apply the leaver provisions; and (x) apply the change of control provisions. In addition, the Committee may exercise its discretion in order to make such other non-material decisions affecting the Executive Directors' awards in order to facilitate the administration of the annual bonus plan, RSP and SAYE respectively. Any and all decisions will be made within policy maxima and in accordance with the applicable plan rules. Use of discretion will be disclosed in the relevant Directors' Remuneration Report.

Remuneration arrangements throughout the Company

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company. The Company believes in having a consistent approach to remuneration rather than designing alternative plans for our Executive Directors. All our reward arrangements are built around the common objectives and principles outlined below:

- Aligned incentives – A meaningful proportion of remuneration is based on performance. Individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- Colleagues as shareholders – Our culture is built on a cohesive team approach and widespread shareholding amongst colleagues which we believe enhances our long-term sustainable success by promoting stewardship and alignment amongst a wide colleague participation group.
- Transparency – our Policy seeks to reflect our culture and values in being open and transparent about our reward offering at all levels in our organisation, from how we operate reward in our supply chain and stores, right through to our Support Offices.

b) Recruitment policy

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component and which remain unchanged from the previous Policy.

Element	Policy and operation	
Overall	The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and not to pay more than necessary to facilitate the recruitment of the individual.	Where an Executive Director is appointed from within the business, in addition to considering the matters detailed for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions as set out under legacy matters on page 70.
Fixed elements (base salary, pension and other benefits)	We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time. The maximum level of opportunity will be no greater than that set out in the Policy Table above i.e. in line with the rate provided to the majority of our salaried colleagues, unless the Executive Director is appointed from within the business, in which case the rate will be as set out for incumbent Executive Directors in the Policy Table on page 67 to 69.	The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short term incentives	The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 170% of base salary for the CEO and 150% for the CFO).	
Long term incentives	The individual will be eligible to participate in the RSP, in accordance with the rules and terms of the plan in operation at the time.	The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 75% of base salary for current Executive Directors and up to 100% of salary for new hires).
Buy-out awards	<ul style="list-style-type: none"> – The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. – The Committee will seek to structure any buy-out awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. – In determining the quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of the awards forfeited. 	<ul style="list-style-type: none"> – Buy-out awards, if used, will be granted using the Company's existing Long Term Incentive Plans to the extent possible, although awards may also be granted outside of these plans if necessary and as permitted under the Listing Rules. – In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms as set out under legacy matters on page 70. – If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

Directors' Remuneration Report continued

c) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is on pages 72 to 73. In principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances, including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules. For the avoidance of doubt, Non-Executive Directors will not receive compensation for loss of office.

The key employment terms and conditions of the current Executive Directors, as stipulated in their service contracts, are set out below:

Area	Policy and operation
Notice period	<ul style="list-style-type: none"> - The service contract for Lyssa McGowan provides for a notice period of 12 months from the Company and six months from the individual. - The service contract for Mike Iddon provides for a notice period from both the Company and the individual of six months. <ul style="list-style-type: none"> - New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Company and the individual. - The Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination.
Contractual payments	<ul style="list-style-type: none"> - Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice (PILON), at the Company's discretion. Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for their full notice period. - Neither notice nor PILON will be given in the event of gross misconduct. <ul style="list-style-type: none"> - Payment in lieu of notice will be limited to base salary and contractual benefits for the relevant notice period. - There is no contractual entitlement to a payment under the annual bonus in respect of the notice period. - Service contracts allow for mitigation if the individual finds alternative employment.
Short term incentives	<ul style="list-style-type: none"> - The Committee's policy is not to award an annual incentive for any portion of the notice period not served. - Where an Executive Director leaves office after the end of a performance year but before the payment is made, the executive will remain eligible for an annual bonus for that performance year, subject to the normal assessment of performance achieved over the period. <ul style="list-style-type: none"> - Where an Executive Director leaves office during a performance year, any bonus would be at the Committee's absolute discretion and would take into account performance and the time served during the period. - No bonus will be paid in the event of gross misconduct. - Where an Executive Director holds shares pursuant to a deferred share bonus arrangement, the shares will be retained upon a loss of office event but the holding period will continue to apply (unless the Committee determines otherwise in its absolute discretion). - Deferred shares that are subject to a holding period will still count towards the Company's post-cessation shareholding policy (in force from time to time).
Long term incentives	<ul style="list-style-type: none"> - The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan, which are summarised below: CSOP, PSP, RSP and SAYE. - Under the CSOP, PSP and RSP, the default position is for both vested (to the extent not yet exercised) and unvested awards to lapse upon a loss of office event. - Under the RSP, the default position is for vested awards to be exercisable on the usual date and unvested awards to lapse upon a loss of office event. - Where an individual is determined to be a 'good leaver' (which includes for reasons of death, illness, injury, disability, retirement, sale or transfer out of the Group or any other reason at the discretion of the Committee) the Committee may allow vested awards (to the extent not yet exercised) to be retained and unvested awards to continue to subsist until the relevant vesting date(s), subject to satisfaction of the performance conditions/financial underpin and pro-rated for time served. <ul style="list-style-type: none"> - Alternatively, the Committee may, at its discretion, allow unvested awards to vest at an earlier date, having regard to the achievement of performance conditions/financial underpin to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances. - Either way, vested RSP awards (or the shares acquired upon the exercise of vested RSP awards) will continue to be subject to a two-year holding period upon a loss of office event (unless the Committee determines otherwise in its absolute discretion). - Under the SAYE, the default position is for unvested awards to lapse upon a loss of office event. - Where an individual is determined to be a 'good leaver' in accordance with HMRC regulations (which include for reasons of death) unvested awards may vest pro-rata by reference to the period of time that has elapsed since the date of the grant and up to six months following the leaver event (12 months in the case of death). - Vested (but unexercised) awards under the CSOP, PSP, RSP and SAYE will count towards the Company's post-cessation shareholding policy (in force from time to time), including vested RSP awards (or shares acquired upon the exercise of vested RSP awards) that are subject to a holding period.

Area	Policy and operation
Change in control	<ul style="list-style-type: none"> – The Committee’s policy is that service contracts should not provide for additional compensation on severance as a result of a change in control. – Under the CSOP, the PSP and the RSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders.
	<ul style="list-style-type: none"> – Under the RSP, any holding periods applicable to vested awards (including awards that vest early because of the change of control) will fall away on/immediately prior to the change of control. – Under any deferred share bonus arrangements, any holding periods applicable to deferred shares will fall away on/immediately prior to a change of control. – Under the SAYE, awards shall vest pro-rata by reference to the period of time that has elapsed since the date of grant and up to six months following the change of control.
Malus and clawback	<ul style="list-style-type: none"> – Annual bonus payments and long term incentive awards (but not including SAYE awards) are subject to malus and clawback for a period beginning on the date of award and ending two years following vesting and payment in the event of: <ul style="list-style-type: none"> – A material misstatement of audited results; – Serious financial irregularity; – Any circumstances justifying summary dismissal of a participant from their office or employment with any Group company including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust;
	<ul style="list-style-type: none"> – Any material breach of a participant’s terms and conditions of employment; and/or any material violation of Company policy, rules of regulation; Serious reputational damage or material loss caused by the participant’s actions; and – Material contravention by the participant of the Company’s ethics and values. – Malus and clawback will continue to apply to any bonus payments or awards retained by leavers and/or on a change of control.

External appointments

Executive Directors are permitted to hold an external appointment with the prior consent of the Board. Any fees may be retained by the individual.

Chair and Non-Executive Directors

The Non-Executive Directors, including the Chair of the Board, have letters of appointment which set out their duties and responsibilities. They do not have service contracts. The key terms of the appointments are set out in the table below:

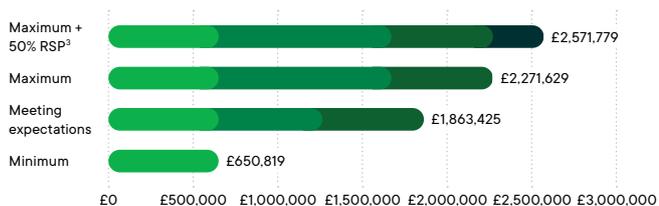
Provision	Policy
Period	<ul style="list-style-type: none"> – Initially appointed for a period of three years, subject to annual review and notice – In line with the UK Code, all Directors will seek annual reappointment by shareholders at the AGM
Appointment terms	<ul style="list-style-type: none"> – Three months’ notice by either the Company or the Non-Executive Director – Non-Executive Directors and the Chair of the Board are not entitled to compensation on leaving the Board
Fees	<ul style="list-style-type: none"> – As set out on page 84
Expiry of current term	<ul style="list-style-type: none"> – See page 42 for details of the expiry of the current term of Non-Executive Directors’ letters of appointment
Availability of documentation	<p>Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Handforth, Cheshire. They will also be available for inspection during the 30 minutes prior to the start of our AGM.</p>

Directors' Remuneration Report continued

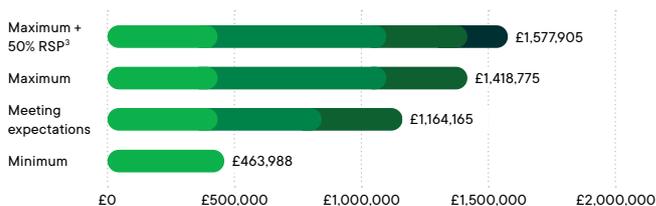
d) Illustration of the Remuneration Policy

Our remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders. The charts below provide illustrative values of the potential remuneration packages for Executive Directors in FY24, prior to any salary increase not yet awarded, under three assumed performance scenarios and including an example of the impact on RSP, should the share price increase by 50%.

Lyssa McGowan



Mike Iddon



● Fixed Pay¹ ● Bonus ● RSP² ● 50% RSP³

These charts are for illustrative purposes only and actual outcomes may differ from those shown.

- 1 Fixed pay includes car allowance, pension, current salary and private health insurance (if they participate).
- 2 Is illustrated above as 100% of salary for the CEO and 75% of salary for the CFO.
- 3 50% RSP has been calculated using the closing share price of £3.610 on 30 March 2023 plus 50%, resulting in a share price of £5.415.

Scenario	Assumptions
Fixed pay	
All performance scenarios	<ul style="list-style-type: none"> Consists of total fixed pay, including base salary, benefits and pension Base salary – excludes any potential salary increase not yet awarded Benefits – amount estimated to be received by each Executive Director in FY24 Pension – based on the FY24 6.5% contribution levels
Variable pay	
Minimum performance	<ul style="list-style-type: none"> No pay out under the annual bonus No vesting under the RSP
Meeting expectations	<ul style="list-style-type: none"> 60% of the maximum pay-out under the annual bonus (i.e. 102% of salary for the CEO and 90% of salary for the CFO) 100% vesting under the RSP (i.e. 100% of salary for CEO and 75% of salary for CFO)
Maximum performance	<ul style="list-style-type: none"> 100% of the maximum pay-out under the annual bonus (i.e. 170% of salary for the CEO and 150% of salary for the CFO) 100% vesting under the RSP (i.e. 100% of salary for CEO and 75% of salary for CFO)
Impact of 50% share price increase over the period	<ul style="list-style-type: none"> Based on the share price on 30 March 2023 (£3.610), the last day of the financial year FY23 plus 50%

Note: All-colleague share plans (i.e. the SAYE) have been excluded. Any legacy awards made in accordance with the policy for 2014 which Executive Directors hold have been excluded.

e) Consideration of conditions elsewhere in the Company

As per the Committee's terms of reference, we also review the pay and conditions of colleagues at levels below the Executive Directors. This includes approving the design of and determining targets for the principal performance related pay schemes, such as the bonus scheme operated by the Company, and approving the total annual payments made under such schemes that have been made throughout the year to our colleagues. The Committee is also consulted concerning any major changes in colleague benefit and pay structures throughout the business.

The remuneration package for all colleagues (including the Executive Directors) are reviewed on an annual basis and a consistent approach is applied at all levels. As part of the annual salary and benefits review, the Company takes into account industry standards, future legislative framework (including the National Minimum Wage, the National Living Wage, the Apprenticeship Levy and the gender pay gap reporting requirements), market benchmarks (survey benchmarks and we consider the views of the Real Living Wage Foundation) and the financial and economic environment of the business, both internally and externally. The annual salary and benefits review is presented to the Committee with recommendations on remuneration throughout the colleague base, including any proposed salary increases to be applied to all colleagues' wages, including the Executive Directors.

Further details of the remuneration decisions applied across the business and shared with the Committee can be found on pages 61 to 63 of the Chair's introduction.

As such, the Committee has regard to this Group-wide annual review process when setting its Remuneration Policy for Executive Directors.

Whilst our colleagues are not directly consulted as part of the process of determining pay, the output from our colleague listening groups and engagement surveys is considered when carrying out the annual salary and benefits review, including any pulse surveys specifically dedicated to pay and benefits. A significant number of our colleagues are also shareholders and so are able to express their views on remuneration in the same way as other shareholders.

Sharon Flood, as the Non-Executive Director with responsibility for consultation with the wider colleague population, also ensures that our colleagues' voice is heard by the Committee and gives them direct access to the Committee Chair via our regular listening sessions.

f) Consideration of shareholder views

The Committee has always been committed to dialogue with the Company's shareholder base; we actively consulted with shareholders during the formulation of our 2017, 2020 and 2023 Policy, during the formation of our ESG strategy, and we have continued to consult with shareholders through the last financial year particularly in relation to the renewal of our 2023 Directors' Remuneration Policy subject to shareholder approval at our 6 July 2023 AGM.

We directly engaged with our top 20 shareholders to discuss the proposed changes to the 2023 Policy, all of which were offered a call to discuss these changes further if they wished. It was positive to see that there was very little feedback from our shareholders, and those that did engage were broadly supportive and welcomed the change.

We will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and we are committed to consulting with shareholders prior to any significant changes to our Policy.

g) Minor amendments

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Directors' Remuneration Report continued

Annual Report on Remuneration

a) Directors' remuneration – report on implementation for the year ended 30 March 2023

This section of the report sets out how the Policy, approved by shareholders at the Company's Annual General Meeting (AGM) on 9 July 2020 (2020 Policy), has been applied in the financial year being reported on.

The information presented from this section up until the relevant note on page 79 represents the audited section of this report.

b) Single total figure of remuneration for Executive Directors for the year ended 30 March 2023

The following table sets out the total remuneration for Executive Directors for the year ended 30 March 2023. All payments are in line with the Policy.

Director	Base salary (£)	Benefits (£)	Pension (£)	Total fixed pay (£)	Annual bonus (£)	Long term incentives (£)	Total variable pay (£)	Total (£)
FY23								
Lyssa McGowan	493,246	1,773	32,061	527,080	710,286	–	710,286	1,237,366 ¹
Peter Pritchard	90,962	1,987	8,187	101,135	–	–	–	101,135
Mike Iddon	416,623	12,055	27,080	455,758	474,301	405,309 ²	879,610	1,335,369
FY22								
Peter Pritchard	550,000	11,971	49,500	611,471	845,633	374,331 ³	1,219,964	1,831,435
Mike Iddon	389,623	11,971	35,270	436,864	528,499	535,822 ⁴	1,064,321	1,501,185

1 FY23 base salary, benefits and pension contributions have been calculated using actual amounts earned then pro-rated for Lyssa's time in appointment and bonus pro-rated based on length of service in FY23.

2 The 2020 RSP will vest in full on 29 May 2023 since the absolute TSR had been achieved. The value has been calculated using £3.610 being the closing share price on 30 March 2023, the financial year end. The figure reflects 100% of the 2020 RSP award, however the true value will be subject to the share price at the time of vest.

3 The 2019 RSP vested in full on 30 May 2022 since the absolute TSR underpin which was calculated as at the end of FY22 had been achieved. However, in line with the agreed leaver treatment, only the first 50% of the 2019 award vested in full in May FY23. The 25% tranches due to vest in FY24 and FY25 will lapse in full.

4 The 2019 RSP vested in full on 30 May 2022 since the absolute TSR underpin which was calculated as at the end of FY22 had been achieved. The value has been calculated using £3.614 being the closing share price on 31 March 2022, the financial year end which corresponds to the end of the performance period. The figure reflects 100% of the 2019 RSP award, however the true value will vary due to the phased release over the three years: 50% in FY23, 25% in FY24 and 25% in FY25, and will be subject to the share price at the time of vest.

Base salary – corresponds to the amount received during the relevant financial year.

Benefits – corresponds to the taxable value of benefits received during the relevant financial year and principally includes company car (or cash equivalent), life assurance and permanent health insurance.

Pension – corresponds to either the amount contributed to personal pension plans or the cash value of the salary supplement received during the relevant financial year. Executive Directors received a Company pension contribution worth 6.5% of their salary or a cash allowance where the annual allowance has been reached.

Annual bonus – corresponds to the amount earned in respect of the relevant financial year. Details of how this was calculated are set out below.

Long term incentives – corresponds to the amount earned by the Executive Directors in respect of the relevant financial year. Details of how this was calculated are set out in the footnotes above.

Annual bonus

The Executive Directors were assessed against stretching PBT, FCF and Pet Care Plan subscription targets. Underlying PBT for the 52 week period ended 30 March 2023, was £136.4m (53 week period ended 31 March 2022: £130.1m), which was ahead of guidance and between the minimum and maximum targets. This represents a growth of 4.8% YoY. FCF was £98.2m (FY22: £95.0m) which exceeded the maximum target.

- The maximum annual bonus opportunity in respect of FY23 for the CEO was 170% of base salary and 150% of base salary for the CFO.
- In FY23, Executive Directors had an annual bonus based on Group PBT (65%), Group FCF (25%), Pet Care Plan subscriptions (10%) and a mandatory ESG bonus underpin which required each Executive Director to complete a Better World Pledge Day. Our Better World Pledge (OBWP) Days have been carried out by all of our Support Office colleagues and store managers. The OBWP Days provide significant value and non-financial support to a range of different charities, in addition to the financial support we already provide. Colleagues have supported a range of people, pet and climate change focused charities.
- Free Cash Flow is defined as net increase/(decrease) in cash before the impacts of dividends paid, share buybacks, investments, proceeds from new loans and repayment of borrowings.
- Pet Care Plan subscriptions are calculated on the number of net Pet Care Plans after the removal of any anomalies, paused or cancelled Pet Care Plans. We achieved 1.60m net Pet Care Plans (FY22: 1.48m).

The table below shows the targets set and the achieved pay out levels for Executive Directors:

Performance measures	Target			Achieved	
	% Weighting	Minimum	Maximum	Total	%
Underlying PBT	65%	£130.7m	£140.7m	£136.4m	66%
Free Cash Flow	25%	£74.2m	£82.2m	£98.2m	100%
Net Pet Care Plans	10%	1.54m plans	1.61m plans	1.60m plans	80%
Total	100%				75.9%

In order to achieve full pay-out, the Committee had set ambitious and stretching targets which required the individuals to deliver performance which significantly exceeded business expectations.

The Committee has reviewed whether the payments achieved reflect the wider business performance and the experience of shareholders during the year.

The Committee carefully considered whether the bonus outcome should be adjusted. However after significant assessment and in the light of the business and stakeholder context set out above in the Chair's letter on pages 61 to 63, the Committee was comfortable that the formulaic outcome was fair and appropriate. No adjustments were therefore made to the bonus targets and no discretion was exercised in relation to the outcome. As usual, the FY23 bonus will be delivered two thirds in cash and a third will be awarded in shares in line with the bonus deferral policy for the CEO and CFO. The shares will not be released until a two-year holding period is complete. For all other colleagues, the bonus for FY23 will be delivered in cash.

Long term incentives

Awards granted under the RSP for 2019 vested in May 2022, including awards for the Executive Directors under the RSP which were subject to the agreed performance metrics of an absolute TSR underpin. The absolute TSR underpin was met, therefore awards vested according to the relevant timetable. For Executive Directors, this means 50% immediately, 25% in 2023 and the remaining 25% in 2024. The absolute TSR was calculated using a standard methodology that calculates returns to shareholders based on a change in share price and dividends paid to shareholders, assuming that those dividends are reinvested into Pets at Home shares. The averaging period for TSR and share price was 3 months prior to the start and end of the performance period for the 2019 award.

Awards granted to the Executive Directors under the RSP in 2020 will vest in full in May 2023 as a result of the absolute TSR underpin having been met, and the Committee was also comfortable that having assessed these awards for any windfall gains on both vest and grant of the 2020 RSP awards, that no discount should be applied and therefore the awards vested in full, with a 2 year post vest holding requirement.

The Committee has reviewed the outcomes of the variable incentive plans, as well as the overall levels of remuneration to ensure that, in the wider economic context and external environment they remain consistent with the underlying performance of the business and are in line with both colleague and shareholder experience. On this basis, we are satisfied that this is the case. In light of this, the Committee decided not to make any adjustments.

Performance metric – TSR

Targets

A baseline performance underpin applies, which requires absolute TSR performance to be positive over the first three years of the vesting period. If the underpin is not achieved, the awards lapse in full.

Performance achieved

2020 RSP – due to vest May 2023 based on FY23 performance

TSR performance was positive.

Underpin met and award vesting will be 100% in May 2023 subject to a 2 year post vest holding period.

Directors' Remuneration Report continued

c) Single total figure of remuneration for Non-Executive Directors for the year ended 30 March 2023

The following table sets out the total remuneration for Non-Executive Directors and the Chair of the Board for the year ended 30 March 2023 ('FY23').

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chair (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chair (£)	CSR and Pets Come First Committee Chair (£)	Total single figure FY23 (£)	Total single figure FY22 (£)
Dennis Millard ¹	51,523	20,000 ¹	n/a	n/a	n/a	n/a	71,523	70,000
Stanislas Laurent	51,523	n/a	n/a	n/a	n/a	n/a	51,523	50,000
Sharon Flood	51,523	n/a	10,305	n/a	n/a	n/a	61,827	60,000
Prof Susan Dawson	51,523	n/a	n/a	n/a	n/a	10,305	61,827	60,000
Ian Burke	206,092	n/a	n/a	n/a	n/a	n/a	206,092	200,000
Zarin Patel ²	51,523	n/a	n/a	10,305	n/a	n/a	61,827	57,057
Roger Burnley ³	6,765	n/a	n/a	n/a	n/a	n/a	6,765	n/a

N.B. Chair of the Board, basic Non-Executive Director fee, and Board Committee chair fees increased by 6.6% effective from 14 October 2022 (day 1 of our first period after half year (P8)). Therefore, all fees detailed above are reflective of the mid-year annual pay increase.

- The additional fee paid to Dennis Millard is in respect of his position as Deputy Chair of the Board and Senior Independent Director.
- Zarin Patel was appointed as Senior Independent Director on 14 February 2023.
- On 14 February 2023 Roger Burnley joined as Non-Executive Director. Roger's fees have been pro-rated to reflect this.

d) Scheme interests awarded during the financial year

In FY23 Executive Directors received RSP awards in line with the Policy as follows:

Executive Director	Date of award	Number of shares awarded under the RSP	Grant price of RSP awards	% of salary for total awards	Performance period end date
Lyssa McGowan	31 May 2022	168,115	Nil cost awards	100%	20 March 2025
Mike Iddon	31 May 2022	89,130	Nil cost awards	75%	20 March 2025

All awards are made as performance shares based on a percentage of salary and the value is divided by the closing share price the day before the grants, being £3.450.

The awards were made subject to the satisfaction of the achievement of the absolute TSR underpin at the end of the performance period of the three financial years (FY23 to FY25). A positive absolute TSR using a standard methodology that calculates returns to shareholders based on a change in share price and dividends paid to shareholders, assuming that those dividends are reinvested into Pets at Home shares, is required in order for the awards to vest. The averaging period for TSR and share price was 3 months prior to the start and end of the performance period for the FY23 award. In accordance with the Policy, 100% of the award will vest on the third anniversary of grant, subject to the achievement of the TSR underpin and continued employment at that date, followed by a two-year post vest holding period until the fifth anniversary of grant. If the vested award is exercised during this two-year period, the net number of shares acquired (after taxes and transaction fees have been settled) must continue to be held (and cannot be sold) until the fifth anniversary of grant.

e) Payments for loss of office

No payments for loss of office were made during the financial year.

f) Payments to past Directors

No payments were made to past Directors during the year.

g) Statement of Directors' shareholding and share interests

The Committee believes that colleague share ownership is an important means to support long term commitment to the Company and the alignment of colleague interests with those of shareholders.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. Under the Policy applicable from FY21, Executive Directors have been subject to a post cessation shareholding requirement of 200% of salary for one year and 100% of salary for two years under the Policy applicable from FY24. Subject to shareholder vote at the July 2023 AGM, this post-cessation shareholding requirement will be extended to 200% of salary for two years, starting with shares awarded from the start of FY24 onwards.

The Committee reviews share ownership levels annually.

Current shareholding levels for Directors are set out in the table below:

Director	Shareholding as a % of salary	Number of shares			
		Shares owned outright at 30 March 2023	Interests in share incentive schemes, awarded without performance conditions at 30 March 2023	Interests in share incentive schemes, awarded subject to performance conditions at 30 March 2023	Shares owned outright at 31 March 2022
Lyssa McGowan	17%	32,325	7,386	168,115	n/a
Mike Iddon	244%	327,155	63,276	384,899	243,892
Dennis Millard	–	30,000	–	–	30,000
Stanislas Laurent	–	30,000	–	–	30,000
Sharon Flood	–	60,088	–	–	60,088
Prof Susan Dawson	–	4,195	–	–	4,195
Ian Burke	–	47,900	–	–	47,900
Zarin Patel	–	30,000	–	–	30,000
Roger Burnley	–	–	–	–	n/a

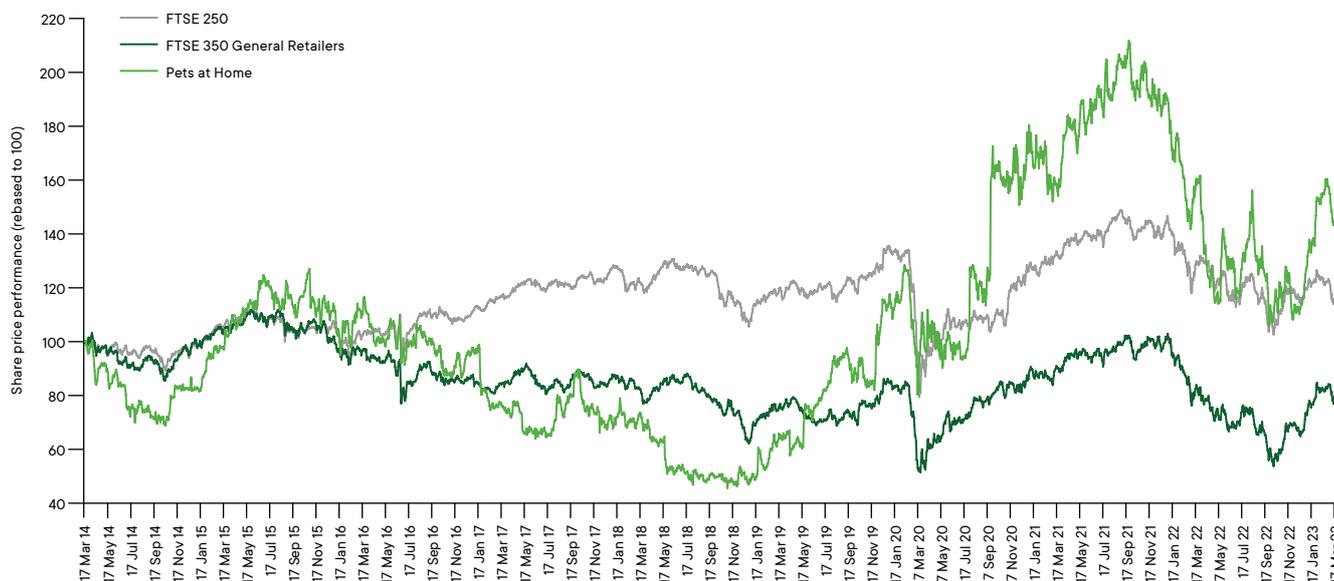
Shareholding as a % of salary has been calculated using the closing share price at year end on £3.610.

This represents the end of the audited section of the report.

Directors' Remuneration Report continued

h) TSR performance chart

The Company's shares were admitted to the premium listing segment of the Official List maintained by the UK Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities on 17 March 2014. The chart below shows performance from that date until the end of FY23. This disclosure will be expanded in subsequent years in line with the regulations.



CEO		FY14 ¹	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
CEO single figure of remuneration	LM	-	-	-	-	-	-	-	-	-	£1,237,366
	PP ²	-	-	-	-	-	£930,298	£1,599,710 ³	£2,140,916	£1,831,435	£101,135
	IK ⁴	-	-	-	£662,087	£575,953	£122,037	-	-	-	-
	NW ⁵	£19,460	£790,461	£962,224 ⁶	£129,696	-	-	-	-	-	-
Annual bonus pay-out (as % of maximum opportunity)	LM	-	-	-	-	-	-	-	-	-	71% ⁷
	PP	-	-	-	-	-	75.8%	100%	100%	90.4%	-
	IK	-	-	-	20.4%	- ⁸	-	-	-	-	-
	NW	73%	75%	60%	-	-	-	-	-	-	-
Long term incentive vesting (as % of maximum opportunity)	LM	-	-	-	-	-	-	-	-	-	-
	PP	-	-	-	-	-	16.8%	100%	100%	100%	-
	IK	-	-	-	16.8% ⁹	-	-	-	-	-	-
	NW	-	-	96% ⁶	-	-	-	-	-	-	-

LM – Lyssa McGowan PP – Peter Pritchard IK – Ian Kellett NW – Nick Wood

- In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.
- Peter Pritchard was appointed on 27 April 2018 therefore his single figure remuneration as CEO for 2018/19 reflects this partial year of service in role. His FY20 single figure includes the full value of his total 2017 RSP award which vested on a phased basis in line with the Policy, 50% in July 2020, and 25% of the award will vest in each of years four and five. The true value will vary due to the phased release over the three years and was subject to the share price at the time. Peter's FY21 single figure includes the full value of his total 2018 RSP award which will vest on a phased basis, 50% May 2021, 15% May 2022 and 25% May 2023.
- The FY20 single figure has been adjusted since the FY20 Annual Report was issued to include the 2017 RSP award which vested based on the performance period of FY20 as opposed to the grant awarded in FY20 as previously disclosed.
- Ian Kellett was appointed on 4 April 2016 and stepped down from his role on 27 April 2018 before leaving the Group effective 31 May 2018.
- Nick Wood resigned as an Executive Director on 4 April 2016, however, he continued in the business until 1 July 2016. His payment in FY17 relates to the period from 1 April 2016 to 1 July 2016.
- Under the early leaver provisions of the plan rules, Nick Wood received 19.2% of his total Matching Award under the Co-Investment Plan, as shown in the single figure table. Given that this included time pro rating, with performance against the performance conditions being at 96% of maximum, the latter is shown here with the value of £198,168 of the Matching Awards.
- Lyssa McGowan's bonus outturn was prorated by length of employment, therefore the bonus outturn of 75.9% was reduced to reflect her time in employment during the FY23 bonus year.
- Ian Kellett waived his bonus for FY18.
- Shares were awarded on 17 March 2014 under the Co-Investment Plan. Based on performance in the period March 2014 to March 2017 the performance conditions for these shares were measured in 2017 and the Committee determined that 16.8% of the awards would vest. The vested award became exercisable in equal tranches, subject to continued employment, between May 2017 and March 2019. The first tranche of shares were released when the award vested in March 2017. The value for FY17 is based on the share price of 198.19p, being the average share price over the last three months of the performance period, being the period from 1 January to 30 March 2017. The second tranche of shares were released on 17 March 2018. The value is based on the share price of 178.3p being the share price on 16 March 2018, being the last working day before the shares were released. The final third tranche of shares vested on 17 March 2019 and were made available on the first working day being 18 March 2019. The value is based on the share price of 160p being the share price on 15 March 2019, being the last working day before the shares were released.

i) Percentage change in Directors' remuneration

The table below sets out the increase in total remuneration of Directors and that of all colleagues for FY23:

	% Change in base salary FY22 to FY23	% Change in bonus earned FY22 to FY23 ¹	% Change in benefits FY22 to FY23
Lyssa McGowan (CEO) ²	n/a	n/a	n/a
Mike Iddon (CFO) ³	3.5%	-10.3%	-17.2%
Dennis Millard	2.2%	n/a	n/a
Stanislas Laurent	3.0%	n/a	n/a
Sharon Flood	3.0%	n/a	n/a
Prof Susan Dawson	3.0%	n/a	n/a
Ian Burke	3.0%	n/a	n/a
Zarin Patel	8.4%	n/a	n/a
Roger Burnley ²	n/a	n/a	n/a
All colleagues ⁴	9.4%	-17.2% ⁵	no change

1 We achieved a bonus outturn of 75.9% in FY23 vs 90.4% in FY22.

2 Lyssa McGowan and Roger Burnley were both appointed during FY23 and therefore no annual change is shown.

3 Mike Iddon's benefits have reduced due to a decrease in his company pension contribution to 6.5%.

4 All colleague information is presented by comparing the average annual bonus paid in FY22 to the average annual bonus paid in FY23 and includes colleagues who started throughout FY23.

5 The average colleague bonus has reduced due to lower targets being achieved across the business this year, combined with more bonuses being pro-rated for new joiners within senior roles in FY23 which has influenced the overall average decrease.

j) Relative importance of the spend on pay

The following table shows the relationship between the Group's PBT, distributions to shareholders and the total remuneration paid to all colleagues.

	FY23 £m	FY22 £m	FY21 £m	FY20 £m	FY19 £m	FY18 £m	FY17 £m
Underlying PBT	136.4	130.1	87.5	93.5	89.7	84.5	96.5
Returned to shareholders:							
Dividend	58.7	48.5	37.1	37.1	37.2	37.3	39.9
Share Buy Back	50.3	-	-	-	-	-	-
Payments to colleagues:							
Wages and salaries	261.9	235.2	227.6	203.1	187.8	181.0	162.9

Directors' Remuneration Report continued

k) Our CEO pay ratio FY23

This is our fourth year reporting our CEO pay ratio in line with the Code requirements.

The table below sets out the single figure total remuneration of the CEO compared to the median, lower quartile and upper quartile of the colleague population. Remuneration is calculated on the same basis under methodology A of The Companies (Miscellaneous Reporting) Regulations 2018. The ratio when calculated as required by the regulations can vary substantially from year to year as the CEO total remuneration is more heavily weighted towards variable pay elements. For this reason, we have also included a base pay comparison which we believe will be a more consistent method of comparison between each reporting year.

		Ratio			
		CEO	25th%tile	Median	75th%tile
FY23 ¹	Base Pay (FTE)	£584,208	27:1	23:1	17:1
	Single figure remuneration	£1,338,502	59:1	50:1	38:1
FY22	Base Pay (FTE)	£550,000	28:1	23:1	17:1
	Single figure remuneration	£1,831,435	88:1	72:1	52:1
FY21	Base Pay (FTE)	£514,703	26:1	22:1	17:1
	Single figure remuneration	£2,140,916	106:1	88:1	69:1
FY20	Base Pay (FTE)	£504,084	30:1	27:1	23:1
	Single figure remuneration	£1,599,710	90:1	78:1	59:1

Note: Ratios rounded to the nearest whole number.

¹ The FY23 single figure is using the data required by the regulation, i.e. a combination of Lyssa McGowan's and Peter Pritchard's remuneration throughout FY23. For the FY23 single figure, no shares are included as the 2020 scheme lapsed in full for Peter Pritchard when he left in May 2022, and Lyssa McGowan has no share plans which are vesting in FY23. The FY23 bonus scheme outturn for the CEO is 71% vs FY22 at 90.4%. Benefits are lower as Lyssa McGowan is not enrolled in Private Medical Insurance. Base pay includes the amount received by both Lyssa McGowan and Peter Pritchard. An increase is shown as Lyssa McGowan joined on a higher salary than Peter Pritchard.

The following table provides base salary and total remuneration information in respect of the 25th, 50th and 75th percentile colleagues, on a full-time equivalent basis.

Year		CEO	25th	50th	75th
FY23	Base Salary	584,208	21,746	25,654	33,452
	Total Remuneration	1,339,070	22,501	26,748	22,501

We expect to see substantial variations in our ratio as long term incentive plans and deferred bonus schemes mature creating substantial variation in the ratio when compared at the single figure level. All of the single figure remuneration numbers above for FY20 to FY23 include 100% of the RSP awards which have vested based on the financial year which the performance measurement period was measured over, whereas the FY20 and FY21 awards vest over 3 years, 50% in year one and 25% in year two and three. For FY22 the single figure remuneration number includes only the first 50% of the 2019 RSP award which vested in full in 2022. The 25% tranches due to vest in 2023 and 2024 lapsed in full, in line with the agreed leaver provisions for Peter Pritchard. For FY23, no LTIPs were included in the CEO pay ratio as all of Peter's 2020 RSPs had lapsed in full and Lyssa had no share grants due to vest in FY23. It should also be noted that the bonus maximum has increased and the share price has decreased between FY21 and FY22. The LTIPs in FY22 were calculated based on the closing share price on 31 March 2022 (financial year end) of £3.614 and the FY21 LTIPs have been calculated based on the closing share price on 25 March 2021 (financial year end) of £3.862. We therefore believe that at the base pay level our CEO pay ratio compares favourably with the wider retail sector and comparable FTSE companies.

l) Consideration of wider colleague pay

Our culture and colleague engagement

Pets at Home's unique culture and high levels of colleague engagement continue to be a key differentiator in attracting talent to our Group. Our colleague listening sessions across all of our divisions combined with our annual engagement survey and pulse surveys ensure that our colleagues have a voice. The sessions allow us to gauge colleagues in their views on the impact of the cost of living challenges, overall team morale, service levels, senior leadership management of the business, and how their teams are feeling about the next phase of our pet care journey.

Our colleagues are incredibly passionate about our sustainability strategy and we knew it was essential to engage them in our strategy refresh. To do this we launched a company wide listening and engagement campaign called 'The Big Listen' where we went out to all teams and trained them to run sessions to capture what they were currently doing, what they could do in the future and what their ideas were for business wide initiatives and opportunities from an environmental perspective. We were overwhelmed with the level of engagement with over 1,000 unique ideas contributed from more than 500 listening sessions. This campaign also saw the launch of our first Better World Pledge Planet champions network with almost 200 colleagues signing up to be champions in their areas. We are now focused on playing back the insights and critically applying the actions to the business.

The Committee also receives feedback on the results from the engagement and pulse surveys to ensure the colleague voice and opinions from across the business as well as our Joint Venture Partners are heard and considered as part of our decision making.

Colleague share ownership

It is pleasing that this pillar of our engagement strategy continues to come to fruition with our third RSP vesting in May 2022. The RSPs were offered to both salaried and hourly colleagues at all levels which resulted in enhancing shareholdings or creating new shareholders in over 4,500 of our colleagues. The next RSP awards will vest at the end of May 2023 which will further enhance or create new shareholdings for over 4,700 colleagues.

We also granted a further 1.7m shares to 10,300 colleagues via the RSP in May 2022 which will vest in 2025.

Our 2019 Sharesave matured on 1 December 2022, generating a potential value of £1.1m, and a potential profit of £0.3m to over 300 colleagues based on the closing share price on the maturity date of £2.740.

The Executive Management Team and Board will continue to actively encourage engagement with our share plans and we see our share schemes as a key differentiator in both attracting talent and aiding colleague retention. We granted a further offering of the Sharesave scheme in September 2022, with a take up of 15.38%, our highest take up rate since our first issue in 2014, which we believe is as a result of the favourable business performance combined with the first and second maturity of the RSP and a successful 2018 Sharesave maturity which encouraged further colleague shareholder engagement interest last year.

Gender Pay Gap report

We published our Gender Pay Gap report on 4 April 2023. Our mean pay gap reduced, and our median pay gap remained stable. Our bonus pay gap increased which is impacted by the number of women working part-time in our business as we are required to calculate our bonus pay gap from actual bonus amounts paid, without taking account pro-ration, whereas in practice, bonus payments are pro-rated where a colleague works part-time.

Since the reporting period for our gender pay gap, we now have a greater balance of males and females in senior roles, and an over index with females in senior leadership roles. The FTSE Women Leaders Review recognised our high representation of women at executive level and our ranking increased from 22nd to 7th this year. A full copy of the Gender Pay Gap report can be found here: <https://investors.petsathome.com/responsibility/policies-and-procedures/gender-pay-gap-report/>.

m) Dilution limits

In accordance with the IA Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to maximum of 10% of its issued share capital in a rolling ten-year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans (i.e. the CSOP, PSP and RSP). As at 30 March 2023, the Company's dilution position was 1.89% for all plans and 1.09% for the Executive plans.

n) External appointments

Executive Directors are entitled to accept one external appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director. As at the date of this report, Mike Iddon, the Chief Financial Officer, is appointed to the Board of Wickes Group plc as a Non-Executive Director (appointed 28 April 2021). The Chief Executive Officer holds no external appointment for which they receive a fee.

o) Non-Executive Directors – letters of appointment

A summary of the Non-Executive Directors' letters of appointment is contained on page 42 of the report.

Directors' Remuneration Report continued

Statement of implementation for FY24

This section provides an overview of how the Committee is proposing to implement our new Policy in FY24 subject to shareholder approval at our AGM on 6 July 2023.

Base salary

The date for the pay review for the Executive Team now aligns to the wider management and salaried colleague population and takes place in October each year.

When reviewing the Executive Team's base pay, the Committee will continue to benchmark against relative market comparisons to ensure that the package is considered competitive and does not pose a risk to retention and succession planning, whilst at the same time taking into consideration the salary increase to the broader colleague population and external impacts on the business. The Committee may over time approve salary increases that are ahead of the wider colleague population if this is indicated by a significant gap in market benchmark.

Benefits

The Committee sets benefits in line with the Policy set out on page 67 of the report. There are no proposed changes in the benefits policy for FY24 other than anticipated standard inflationary increases on premiums.

Pensions

Executive Directors already receive a pension contribution capped at the rate provided to the majority of colleagues in central support office functions. Currently this is up to 6.5% of base salary and consistent with workforce rates at other retailers. The company continues to actively target an increase in the rate available to all other colleagues by at least 0.5% per year.

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY24 will continue at 170% for the CEO and to 150% for the CFO. A third of bonus will be awarded in shares in line with the bonus deferral policy. The shares will not be released until a two-year holding period is complete. This will continue to remain in place in FY24. We believe this will support in maintaining the alignment of Executive and shareholder interests.

The annual bonus framework will be in line with that presented in the Policy table on page 68. As detailed on page 64 the target metrics include FCF, PBT, sustainability measures and will continue to have an ESG underpin which requires each Executive Director to complete a Better World Pledge Day.

As with previous years, the annual bonus will be subject to malus and clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Long Term Incentive Awards

It is proposed that awards under the RSP will be made in FY24 following the preliminary results announcement at 100% of salary for the CEO and 75% of salary for the CFO in line with the Policy and subject to a judgement-based underpin which will allow the Committee to take share price performance into account in addition to business, individual and wider company performance during the vesting period. The three-year vesting schedule and two-year post-vest holding period will apply to these awards.

Sharesave

The Company intends to operate the Sharesave scheme again for FY24. The maximum monthly savings will be retained at £500 per month. Executive Directors are eligible to participate.

Non-Executive Director remuneration

The fees paid to the Non-Executive Directors will be reviewed again in October and benchmarked against relative market comparisons to see whether there have been any changes in the market and to establish if the fees need a further adjustment in FY24. This follows an increase in fees in FY23 as they had fallen behind the market benchmarks having not been adjusted prior to FY23 since 2014. The table below shows the Non-Executive Director fee structure for FY24 that will be reviewed in October:

	FY24
Chair of the Board (all-inclusive fee)	£213,200
Basic Non-Executive Director fee	£53,300
Board Committee Chair fee	£10,660
Deputy Chair and Senior Independent Director	£20,000

There are no fees paid for membership of Board Committees.

The Remuneration Committee

Shareholder context for the Committee's activities

During the year, the Committee received independent advice on executive remuneration matters from Willis Towers Watson (WTW). WTW is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by WTW during the year and is comfortable that it has been objective and independent. Total fees received by WTW in relation to the remuneration advice provided to the Committee during FY23 amounted to £199,939 (FY22: £57,850) based on the required time commitment.

During FY23 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all-colleague share plans.

Committee membership and meetings

The Directors listed below in the table served on the Committee during the year. The Committee met four times during FY23 and the Committee members' attendance is also shown in the table below:

Member	Period from	To	Meetings attended
Dennis Millard	1 April 2022	14 February 2023	4/4
Sharon Flood (Chair)	1 April 2022	30 March 2023	5/5
Prof Susan Dawson	1 April 2022	30 March 2023	5/5
Zarin Patel	1 April 2022	30 March 2023	5/5
Roger Burnley	14 February 2023	30 March 2023	1/1

The individuals listed in the table below, none of whom were Committee members, attended at least part of a meeting by invitation during the year.

Attendee	Position
Louise Stonier	Chief People and Culture Officer
Peter Pritchard	CEO
Mike Iddon	CFO
Lucy Williams	Legal Director and Company Secretary
Lyssa McGowan	CEO
Amy Smith	Head of Reward
Gordon Dunn	Vet People Director
Rachel Mooney	Chief People Officer
Stanislas Laurent	Non-Executive Director
Ian Burke	Chair of the Board
Jessica Norton	Willis Towers Watson Director Executive Compensation
Laura O'Kane	Willis Towers Watson Senior Director
Paul Townsend	Willis Towers Watson
Alex Little	Willis Towers Watson

None of the individuals were involved in making decisions at meetings regarding their own compensation.

Governance

The Board and the Committee consider that, throughout FY23 and up to the date of this report, the Company has complied with the provisions of the UK Corporate Governance Code relating to Directors' remuneration.

Directors' Remuneration Report continued

Shareholder voting

At the Annual General Meeting on 7 July 2022, the total number of shares in issue with voting rights was 498,756,282. The resolution to approve the Directors' Remuneration Report received the following votes from shareholders:

To approve the Directors' Remuneration Report for the year ended 31 March 2022	
Votes for ¹	364,013,541
% ²	90.83
Votes against	36,771,235
%	9.17
Votes total	400,784,776
% of issued share capital ³	80.36
Votes withheld ⁴	8,943

1 Votes 'for' include discretionary votes.

2 Percentages above are rounded to two decimal places.

3 Issued share capital at meeting date: 498,756,282.

4 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes 'for' and 'against' a resolution.

Annual General Meeting

As set out in my statement on page 64, our Directors' Remuneration Report will be subject to an advisory vote at our AGM to be held on 6 July 2023.

On behalf of the Board



Sharon Flood
Chair of the Remuneration Committee
 25 May 2023

Directors' Report

This section of the Annual Report includes additional information required to be disclosed under the Companies Act 2006 (Companies Act), the UK Corporate Governance Code 2018 ('2018 Code'), the Disclosure Guidance and Transparency Rules and the Listing Rules of the Financial Conduct Authority.

The Company has chosen in accordance with section 414C(11) of the Companies Act to provide disclosures and information in relation to a number of additional matters which are covered elsewhere in this Annual Report. These matters and cross-references to the relevant sections of this Annual Report are shown in the table below.

Pets at Home Group Plc

Registered Number:	8885072
Registered Office:	Epsom Avenue, Stanley Green Trading Estate, Handforth, Cheshire, SK9 3RN
Telephone Number:	+44 161 486 6688
Date of Incorporation:	10 February 2014
Country of Incorporation:	England and Wales
Type:	Public Limited Company

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Directors' Report continued

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Disclosures required under Listing Rules

In accordance with Listing Rule 9.8.4C, the information required to be disclosed in the Annual Report under Listing Rules 9.8.4R and 9.8.6(8) is disclosed on the following pages of this Annual Report:

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Principal activities

The principal activity of the Group is that of a specialist omnichannel retailer of pet food, pet related products and pet accessories. The Group is also a service provider to small animal veterinary businesses and pet grooming salons. The principal activity of the Company is that of a holding company.

The Company's registrar is Computershare Investor Services Plc situated at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

Research and development

The Strategic Report (pages 5 to 30) sets out the innovation carried out by the Group in relation to product and service development. Our funding of the Senior Clinical Training Scholarship (Residency) in Small Mammal Medicine and Surgery at the University of Edinburgh School of Veterinary Studies is progressing well. As part of the partnership our clinical colleagues in Vets for Pets are able to access expert clinical advice from the team at the University of Edinburgh to aid them in providing the best of care for small mammals.

We are committed to creating good veterinary workplaces and are also aware of the levels of stress endured by veterinary professionals which can impact negatively on their mental health. We have partnered with the University of Edinburgh to support a cross-disciplinary project aimed at better understanding how we can prevent veterinary suicide. The aims of the project are: to provide insight into factors influencing methods of suicide attempt among veterinary professionals, to understand people's attitudes to and experience of restriction of access to means of suicide in veterinary workplaces and to help identify opportunities for veterinary suicide prevention. As part of our commitment to continual improvement and professional engagement we have become a member of the Responsible Use of Medicines in Agriculture Companion Animal and Equine Group (RUMA CA&E) which was established to define the principles of responsible use of medicines in the companion animal and equine sectors. It covers the responsible use of medicines in dogs, cats, rabbits, small mammals, exotic animals kept as pets, and equids. RUMA CA&E's current focus is on the responsible use of antibiotics and as a member we will be contributing to collation of evidence and establishment of evidence-based activities that will enhance antibiotic stewardship.

Directors

The names of the persons who, at any time during the financial year, were Directors of the Company are:

Name	Date of appointment	Date of resignation
Dennis Millard	18 February 2014 (reappointed)	n/a
Mike Iddon	17 October 2016 (reappointed)	n/a
Sharon Flood	25 May 2017 (reappointed)	n/a
Stanislas Laurent	25 May 2017 (reappointed)	n/a
Peter Pritchard	27 April 2018	31 May 2022
Susan Dawson	12 July 2018 (reappointed)	n/a
Ian Burke	27 March 2020 (reappointed)	n/a
Lyssa McGowan	25 April 2022	n/a
Roger Burnley	14 February 2023	n/a
Zarin Patel	14 April 2021	n/a

Further details in relation to Director changes are included on pages 42 to 43.

Appointment and removal of Directors

The appointment and removal of Directors of the Company is governed by the Articles.

Appointment of Directors: A Director may be appointed by the Company by an ordinary resolution of the Company's shareholders or by the Board. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next Annual General Meeting of the Company and is then eligible for reappointment.

Annual re-election of Directors: All Directors stand for re-election on an annual basis in line with the recommendations of the 2018 Code.

Removal of Directors: A Director may be removed by the Company in certain circumstances set out in the Articles or by a special resolution of the Company's shareholders.

Vacation of office: The office of a Director shall be vacated if (amongst other circumstances): (i) he/she is prohibited by law from being a Director; (ii) he/she resigns; (iii) his/her resignation is requested by all of the other Directors; (iv) he/she is or has been suffering from mental or physical ill health and the Board resolves that his/her office be vacated; (v) he/she is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him/her attends) for six consecutive months and the Board resolves that his/her office is vacated; (vi) he/she becomes bankrupt; (vii) he/she ceases to be a Director by virtue of the Companies Act; or (viii) he/she is removed from office pursuant to the Articles.

Powers of the Directors

Subject to the Articles, the Companies Act, any directions given by the Company by special resolution of the Company's shareholders and any relevant statutes and regulations, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Directors' interests

Information relating to the Directors' interests in, and options over, Ordinary Shares in the capital of the Company are shown in the Directors' Remuneration Report on page 79.

In accordance with Disclosure Guidance and Transparency Rule 9.8.6R(1)(a) and (b), in the period between the end of the financial year and 24 May 2023 (being not more than one month prior to the date of the Notice of Annual General Meeting), there have been no changes to such interests.

In line with the requirements of the Companies Act, each Director has notified the Company of any situation in which he or she has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These were considered and approved by the Board in accordance with the Articles and each Director informed of the authorisation and any terms on which it was given. The Board has formal procedures to deal with Directors' conflicts of interest as and when they arise. The Board reviews and, where considered appropriate, approves situational conflicts of interest that were reported to it by Directors and a register of those situational conflicts is maintained by the Company. The register is reviewed by the Board on an ongoing basis.

Compensation for loss of office

The Company does not have any agreements with any Director or colleague that would provide compensation for loss of office or employment (whether through resignation, redundancy or otherwise) resulting from a takeover bid except that it should be noted that provisions of the Company's share schemes may cause options and awards granted to Directors or colleagues under such schemes to vest on a takeover. For further information on the change of control provisions in the Company's share schemes refer to the Directors' Remuneration Report on page 73.

Directors' insurance and indemnities

The Company maintains Directors' and officers' liability insurance cover for its Directors and officers (and those of other Group companies) as permitted under the Articles and the Companies Act. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. Each Director and officer of the Company also has the benefit of a qualifying indemnity, as defined by section 236 of the Companies Act, and as permitted by the Articles. An indemnity deed is entered into by a Director at the time of his or her appointment to the Board. Prospectus liability insurance remains in force which provides cover for liabilities incurred by certain Directors in the performance of their duties in connection with the issue of the Company's prospectus dated 28 February 2014 in relation to the Company's Initial Public Offering and Listing.

No amount was paid under any of these indemnities or insurances during the financial year other than the applicable insurance premiums.

Directors' Report continued

Share capital

The issued share capital of the Company as at 30 March 2023 was 483,197,785 Ordinary Shares of 1 pence each. As at 24 May 2023, being the latest practicable date prior to the date of this Annual Report, the issued share capital of the Company remained 483,197,785 Ordinary Shares of 1 pence each. Further information regarding the Company's issued share capital can be found in note 22 to the Group's financial statements.

During the 2023 financial period, the Company carried out a share buyback programme which commenced on 20 June 2022 and finished on 11 January 2023. The Company's share capital was reduced from 500,000,000 Ordinary Shares of 1 pence each to 483,197,785 Ordinary Shares of 1 pence each as noted above.

Details of colleague share schemes are provided in note 24 to the Group's financial statements.

Voting rights

All members who hold Ordinary Shares are entitled to attend and vote at the Annual General Meeting. On a show of hands at a general meeting every member present in person shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every Ordinary Share held. No shareholder holds Ordinary Shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

Powers for the Company to issue shares: The Directors were granted authority at the previous Annual General Meeting on 7 July 2022 to allot shares in the Company under two separate resolutions: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. These authorities apply until the end of the Annual General Meeting to be held on 6 July 2023 (or, if earlier, until the close of business on 6 October 2023). During the period, the Directors did not use their power to issue shares under the authorities, but did satisfy options and awards under the Company's option and incentive schemes.

The Directors were also granted authority at the previous Annual General Meeting on 7 July 2022 to disapply pre-emption rights. This resolution (which is in accordance with the guidance issued by the Pre-Emption Group (the 'PEG Principles')) sought the authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. A further authority was also granted to disapply pre-emption rights in respect of an additional 5% for financing a transaction which the Directors determine to be an acquisition or other capital investment as allowed by the PEG Principles. During the period, the Directors did not use their power to issue shares under the authorities, but did satisfy options and awards under the Company's option and incentive schemes. The Company will, consistent with the 2022 Annual General Meeting, seek to renew these powers at the 2023 Annual General Meeting.

Powers for the Company to buy back its shares: The Company was authorised by its shareholders on 7 July 2022, at the 2022 Annual General Meeting, to purchase in the market up to 10% of its issued Ordinary Shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. This standard authority is renewable annually and the Directors will seek to renew this authority at the 2023 Annual General Meeting to be held on 6 July 2023.

Restrictions on transfer of Ordinary Shares

The Company's shares are freely transferable, save as set out below.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share which is not a fully paid share. The Company does not currently have any partially paid shares. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (A) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (B) is in respect of only one class of share; and (C) if to joint transferees, is in favour of not more than four such transferees. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Regulations (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Certain restrictions are also imposed by laws and regulations (such as the Market Abuse Regulation) and pursuant to the Company's share dealing code whereby certain Directors and Persons Discharging Managerial Responsibility and restricted colleagues require clearance to deal in the Company's securities.

Significant shareholdings

Information provided to the Company pursuant to the Disclosure Guidance and Transparency Rules is published on a Regulatory Information Service and on the Company's website. As at 30 March 2023, the following information had been received, in accordance with DTR5.1.2R, from holders of notifiable interests in the Company's issued share capital. These figures represent the number of shares and percentages held as at the date of notification to the Company. It should be noted that these holdings may have changed since notified to the Company however, notification of any change is not required until the next applicable threshold is crossed.

Name of shareholder	Number of Ordinary Shares as at 30 March 2023	Percentage of issued share capital (%)	Nature of holding (direct/indirect)
Schroder Investment Management Ltd.	47,128,473	9.8	Indirect
Capital Research Global Investors	33,154,950	6.9	Indirect
Jupiter Asset Management Ltd	21,566,522	4.5	Indirect
Allianz Global Investors GmbH	17,582,899	3.6	Indirect
BlackRock Investment Management (UK) Ltd	16,401,174	3.4	Indirect
The Vanguard Group Inc	16,144,847	3.3	Indirect

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 30 March 2023 and 23 May 2023 (being not more than one month prior to the date of the Notice of Annual General Meeting).

Significant related party transactions

There are no contracts of significance during the financial period between the Company or any Group company and: (1) a Director of the Company; (2) a close member of a Director's family; or (3) a controlling shareholder of the Company.

Amendment of the Articles

The Articles may only be amended by a special resolution of the Company's shareholders in a general meeting, in accordance with the Companies Act.

Profits and dividend

The consolidated profit for the year after taxation and all non-underlying items was £100.7m (FY22: £124.5m). The results are discussed in greater detail in the Chief Financial Officer's review on pages 20 to 22.

A final dividend of 8.3 pence per ordinary share (FY22: 7.5 pence per ordinary share) will be recommended to the Company's shareholders in respect of the 2023 financial year. The final dividend will be proposed by the Directors at the 2023 Annual General Meeting on 6 July 2023 in respect of the financial year ended 30 March 2023 to add to an interim dividend of 4.5 pence per ordinary share paid on 6 January 2023 (FY22: 4.3 pence per ordinary share).

The Directors' proposed final dividend of 8.3 pence per ordinary share takes the total dividend payable in respect of the 2023 financial year to 12.8 pence per ordinary share. The ex-dividend date will be 15 June 2023 and, subject to shareholder approval being obtained at the 2023 Annual General Meeting, the final dividend of 8.3 pence per ordinary share will be payable on 11 July 2023 to shareholders on the register at the close of business on 16 June 2023.

Political donations

The Group made no political donations and incurred no political expenditure during the year (FY22: nil). It remains the Company's policy not to make political donations or to incur political expenditure, however the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities. The Board has no intention of using this authority.

Suppliers

The Group understands the importance of maintaining good relationships with suppliers and it is Group policy to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations. Average trade creditors of the Group's operations for FY23 were 51 days (FY22: 53 days).

Post balance sheet events

There are no post balance sheet events that are non-adjusting requiring disclosure.

Going concern

The unprecedented uncertainty created by current geopolitical instability, inflationary pressures, economic uncertainty and the potential impacts of climate change as noted in our TCFD scenario analysis, make it challenging to predict how the business will be impacted in the year ahead, but on the basis of current financial projections and facilities available, the Directors are satisfied that the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

The impact of geopolitical instability on our supply chains, the impact of inflationary pressures and the considerations from our TCFD scenario analysis are discussed in detail in the Chief Executive Officer's statement on pages 8 to 9. The basis of preparation and going concern assessment can be found within note 1 to the financial statements.

Viability statement

The Group has developed a detailed strategic and business planning ('SBP') process, which comprises a strategic plan (Strategic Plan) containing financial projections and a Business Plan which forms a detailed near term one-year plan for the upcoming financial year. The SBP process produces standard outputs in respect of the key financial performance metrics of the Group which deliver consolidated financial plans at both Group level and at a number of levels within the Group. The Strategic Plan is reviewed each year by the Board as part of the strategy review process. Once approved by the Board, the Strategic Plan is cascaded across the Group and provides the basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The SBP process covers a five-year period. The five-year plan provides a robust planning tool against which strategic decisions can be made. In making their viability assessment, the Board has taken into consideration that financing facilities are maintained for the duration of the Strategic Plan and the potential impact of geopolitical instability, inflationary pressures and climate change on future cash flows and liquidity. The Directors have considered a combination of risks and uncertainties and the mitigating controls operated by the Group as detailed on pages 23 to 30 that may impact on the Group's reputation and its ability to trade. These risks include issues on pet welfare, competitor activity and broader macro-economic risks and their impact on the Strategic Plan on an individual and combined level. On this basis and in conjunction with other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the five financial years used for its assessment. In making this assessment, the Board has assumed that there is no material change in the legislative environment in relation to the sale of small animals and the practice of veterinary medicine. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and therefore future outcomes cannot be guaranteed or predicted with certainty.

Directors' Report continued

Modern Slavery Act

Our Modern Slavery Statement is reviewed and approved by the Board on an annual basis and published on our investor website. The statement covers the activities of Pets at Home Limited and Companion Care (Services) Limited (whose activities fall within the scope of s.54(2) of the Modern Slavery Act 2015) and details the policies, processes and actions taken to ensure that slavery and human trafficking are not taking place in our supply chain or any part of our business.

Anti bribery matters

The Group has a zero tolerance approach to bribery and corruption and supports colleagues to make decisions in line with this position. The Group's anti-bribery policy applies to all colleagues and extends to our business dealings and transactions in all countries in which the business operates. The policy is implemented in conjunction with the Group's Code of Ethics and Business Conduct. Colleagues receive training in relation to bribery and corruption as appropriate.

Our policies and contractual controls

We are committed to ensuring there is transparency in our business and throughout our supply chain. Our Code of Ethics and Business Conduct policy reflects our commitment to acting ethically and with integrity in all our business dealings and relationships and we expect full compliance with it by colleagues, suppliers and business partners. Our policy is reviewed on an annual basis.

Our suppliers are also required to comply with our Ethical Trading policy which sets out the minimum standards that they are required to adhere to wherever they procure materials, manufacture or perform services for, or supply products to, our business. We also contractually require suppliers to comply with the Group's Code of Ethics and Business Conduct policy.

Our supplier standard general terms and conditions include a right for Pets at Home to conduct audits on supplier compliance. Our Group Whistleblowing policy promotes vigilance amongst colleagues and encourages central reporting of concerns about any issue or suspicion in any parts of our business or supply chain.

Branches outside of the UK

The Company has no branches outside of the UK.

Change of control

The only significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effect thereof, are as follows:

- The Group has a revolving credit facility with a total facility amount of £300m. This senior facilities agreement expires on 29 March 2027 (unless extended in accordance with its terms), and contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control. In addition the Group has a £26m loan facility to fund the purchase of capital items which expires on 27 March 2030 and mirrors the terms of the senior facilities agreement.

- The Company's subsidiary, Companion Care (Services) Ltd (CCSL), has an existing facility agreement dated November 2020 with Santander for a £20m reducing basis (non-revolving) loan facility with a three-year availability period. In addition to the Santander facility agreement, CCSL also has an agreement with Lloyds dated May 2021 and, along with Vet4Pets Limited (V4P), a further facility with HSBC dated April 2021. Both the HSBC and Lloyds facilities are capable of being reborrowed and contain clauses that vary the maximum facility limits over their availability periods. As at 30 March 2023, the maximum facility limit on the Lloyds and HSBC facility agreements were £20m and £18.5m respectively. Both facility agreements contained one-year extension options, which have now been successfully exercised, taking the revised availability periods to April 2024 and May 2024 respectively. CCSL is currently in discussions with Santander with a view to extending their availability period by a further year from November 2023 to November 2024.
- Alongside these new facilities, the portfolio of Joint Venture companies also have existing loans in place with NatWest (RBS), Lloyds, HSBC and Santander under historic agreements. These agreements are no longer active, however the loans drawn down under them are still amortising.
- Pursuant to the terms of these facility agreements entered into in November 2020, April and May 2021, CCSL and V4P provide guarantees in respect of a certain fixed proportion of the outstanding facility loans provided to the Joint Venture practices which borrow under the facility. The facility agreements contain customary prepayment, cancellation and default provisions which include the event of a change of control (direct or indirect) of CCSL or V4P. For these purposes 'control' means the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to: (a) cast or control more than 90% of the votes that may be cast at a general meeting of CCSL or V4P (as relevant); (b) appoint or remove all or a majority of the Directors of CCSL or V4P (as relevant); (c) give directions with respect to the operating and financial policies of CCSL or V4P (as relevant) with which the Directors are obliged to comply; and/or (d) hold beneficially (directly or indirectly) at least 90% of the issued share capital of CCSL or V4P (as relevant). The historic agreements contain similar clauses and guarantees.

Directors' information to auditors

In accordance with section 418 of the Companies Act, each Director who held office at the date of the approval of this Directors' Report (whose names and functions are listed in the Board of Directors on pages 32 to 33) confirms that, so far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Independent auditors

During the 2016 financial year, a competitive tender process of audit services was completed in accordance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order). KPMG LLP was reappointed as auditor of the Company at the 2022 Annual General Meeting. The Company’s auditor, KPMG LLP, has indicated their willingness to continue their role as the Company’s auditor. Resolutions concerning the reappointment of KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration will be proposed at the 2023 Annual General Meeting as set out in the Notice of Annual General Meeting. For further information on the reappointment of the auditors, refer to page 49 of the Audit and Risk Committee Report.

Corporate Governance Statement

The Corporate Governance Report is referred to on pages 31 to 94 and includes details of compliance with the Code. A description of the main features of our internal control and risk management arrangements in relation to the financial reporting process is set out on page 23 to 30. The information required under DTR 7.2.6R can be found in the Governance section of this Annual Report. A description of the Board composition, operation and its Committees, including diversity matters, is set out on pages 36 to 41. The Code can be viewed on the FRC’s website at frc.org.uk

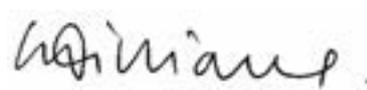
Additional Information

In order to consolidate our reporting requirements, the following information is incorporated by reference into this Directors’ Report:

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Greenhouse gas emissions	Sustainability Report, 12 to 19

Approval of Annual Report

The Strategic Report, Corporate Governance Statement and the Governance Report were approved by the Board on 18 May 2023. This Directors’ Report was approved by the Board on 18 May 2023 and signed on its behalf by:



Lucy Williams
Chief Legal Officer and Company Secretary
 25 May 2023

Non-financial reporting

Non-financial measures are an important part of our business. The table below constitutes the Company’s non-financial information statement as required by sections 414CA and 414CB of the Companies Act 2006. Our Sustainability Report and websites (www.petsathome.com and investors.petsathome.com) contain non-financial information, including actions, to manage our environmental and social impact and look after our colleagues.

-  Copies of our policies are available on our investor website: investors.petsathome.com
-  Information relating to our business model is included on pages 2 to 3
-  Our non-financial KPIs are detailed on page 11
-  Information relating to how the business manages risk is set out on pages 23 to 30

Reporting requirement	Relevant policies and documents		Further information and outcomes
Environmental matters	<ul style="list-style-type: none"> – Packaging policy – Environmental policy – Social Value Strategy 	<ul style="list-style-type: none"> – Supplier Code of Conduct – Responsible Sourcing Handbook – Raw Materials Sourcing Policy 	<ul style="list-style-type: none"> – Sustainability Report – Annual Report pages 16 to 19
Colleagues	<ul style="list-style-type: none"> – Diversity and Inclusion Policy – Diversity and Inclusion Strategy – Whistleblowing policy 	<ul style="list-style-type: none"> – Health and Safety policy – Colleague Handbook 	<ul style="list-style-type: none"> – Sustainability Report – Gender Pay Gap Report – Annual Report pages 39 to 40
Social matters	<ul style="list-style-type: none"> – Responsible Sourcing Handbook – Supplier Code of Conduct – Social Value Strategy 	<ul style="list-style-type: none"> – Whistleblowing policy – Tax strategy 	<ul style="list-style-type: none"> – Sustainability Report – Pets at Home Foundation Impact Report
Respect for human rights	<ul style="list-style-type: none"> – Human Rights policy – Responsible Sourcing Handbook – Supplier Code of Conduct 	<ul style="list-style-type: none"> – Social Value Strategy – Child Protection Procedure – Whistleblowing policy 	<ul style="list-style-type: none"> – Sustainability Report – Human Rights and Modern Slavery Statement – Annual Report pages 51 and 92
Anti-corruption and anti-bribery matters	<ul style="list-style-type: none"> – Anti-bribery policy – Code of Ethics and Business Conduct 	<ul style="list-style-type: none"> – Responsible Sourcing Handbook – Supplier Code of Conduct 	<ul style="list-style-type: none"> – Annual Report page 92

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of the Group's profit or loss in the period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with UK adopted international accounting standards;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the financial statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The auditor's report on these financial statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by:



Lyssa McGowan
Chief Executive Officer
25 May 2023

Financial statements

Financial statements

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Independent Auditor’s Report

to the members of Pets at Home Group Plc

1. Our opinion is unmodified

We have audited the financial statements of Pets at Home Group plc ('the Company') for the 52 week period ended 30 March 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, Company Statement of Cash Flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the parent Company’s affairs as at 30 March 2023 and of the Group’s profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 10 February 2014. The period of total uninterrupted engagement is for the 10 financial periods ended 30 March 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£6.8m (2022: £6.5m) 5.0% (2022: 5.0%) of underlying profit before tax	
Coverage	97% (2022: 98%) of underlying Group profit before tax	
Key audit matters		vs 2022
Recurring risks	Carrying value of Vets Group CGU Goodwill	▼
Parent Company key audit matter	Carrying value of parent Company’s investment in its subsidiary	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Impairment of Goodwill allocated to the Vet Group Cash Generating Unit ('CGU')</p> <p>(£362 million; 2022: £362 million)</p> <p>Refer to page 47 (Audit Committee Report), page 115 (accounting policy) and page 130 (financial disclosures).</p>	<p>Forecast based assessment:</p> <p>Goodwill in the Vet Group cash generating unit ('CGU') is significant and is based on higher growth rates than other parts of the business. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, specifically the projected revenue growth and the gross margin percentage, which form the basis of the value in use calculation.</p> <p>The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the Vet Group cash generating unit had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the Vet Group cash generating unit would not be expected to result in material impairment.</p> <p>The financial statements (note 13) disclose the sensitivities estimated by the Group.</p>	<p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> – Re-performance: we re-performed the value in use calculations and compared data used in the model against source information, where applicable; – Historical comparison: we assessed the reasonableness of the Vet Group's budgets by considering the historical accuracy of previous forecasts; – Benchmarking assumptions: we used our own internal discount rate tools to assess the reasonableness of the Vet Group's discount rate by comparing the Group's assumptions to externally derived data; – Our sector experience: we assessed whether key assumptions included in the forecast cash flows, such as projected revenue growth and gross margin percentage, reflect our knowledge of the business and industry, including known or probable changes in the business environment and for consistency with industry analyst reports; – Sensitivity analysis: we performed breakeven analysis on the assumptions and checked whether the Directors have identified reasonably possible downside scenarios in their own sensitivity analysis; and – Assessing transparency: we assessed whether the disclosures about the impairment testing appropriately reflect the risks inherent in the assessment of the recoverability of Vet Group goodwill. <p>Our results</p> <ul style="list-style-type: none"> – We found the Group's conclusion that there is no impairment of the Vet Group CGU goodwill to be acceptable (2022 result: acceptable).
<p>Recoverability of the Parent Company's investment in its subsidiary</p> <p>(£936.2 million; 2022: £936.2 million)</p> <p>Refer to page 47 (Audit Committee Report), page 110 (accounting policy) and page 158 (financial disclosures).</p>	<p>Low risk, high value:</p> <p>The carrying amount of the Parent Company's investment in its only direct subsidiary (Pets at Home No. 1 Limited) represents 61.6% (2022: 60.8%) of the parent Company's total assets. Its recoverability is not a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent Company financial statements this is considered to be the area that had the greatest effect on our overall parent Company audit.</p>	<p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> – Tests of detail: we compared the value of the investment to the market capitalisation as at the period end date and post period end; – Comparing valuations: as the investment's carrying amount exceeded the net asset value, we compared the carrying amount to the expected value of the business based on the value in use calculation prepared by the Directors in relation to the goodwill impairment; and assessed the accuracy of the key inputs into the value in use calculations; and – Sensitivity analysis: we performed sensitivity analysis on the key assumptions and checked whether the Directors have identified reasonably possible downside scenarios in their own sensitivity analysis. <p>Our results</p> <ul style="list-style-type: none"> – We found the Company's conclusion that there is no impairment of its investment in its subsidiary to be acceptable (2022: acceptable).

We continue to perform procedures over the accounting treatment of costs related to cloud-based software arrangements. However, following the application of a consistent methodology regarding the treatment of these costs in line with the IFRS Interpretation Committee's agenda decision in relation to configuration or customisation costs in a cloud computing arrangement, we have not assessed this as one of the most significant risks in our current period audit and, therefore, it is not separately identified in our report this period.

Independent Auditor's Report continued to the members of Pets at Home Group Plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £6.8m (2022: £6.5m), determined with reference to a benchmark of Group profit before tax, normalised to exclude the non-underlying items as disclosed in note 3, of £136.4m, of which it represents 5.0% (2022: 5.0%).

Materiality for the parent Company financial statements as a whole was set at £3.4m (2022: £2.9m), which is the component materiality for the parent Company determined by the Group audit engagement team. This is lower than the materiality we would otherwise have determined with reference to parent Company total assets, of which it represents 0.22% (2022: 0.19%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2022: 75%) of materiality for the financial statements as a whole, which equates to £5.1m (2022: £4.9m) for the Group and £2.6m (2022: £1.7m) for the parent Company.

We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.3m (2022: £0.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2022: 8) reporting components, we subjected 3 (2022: 3) to full scope audits for Group purposes. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team performed procedures on the items excluded from underlying Group profit before tax.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £3.2m to £6.2m (2022: £2.9m to £6.2m), having regard to the mix of size and risk profile of the Group across the components.

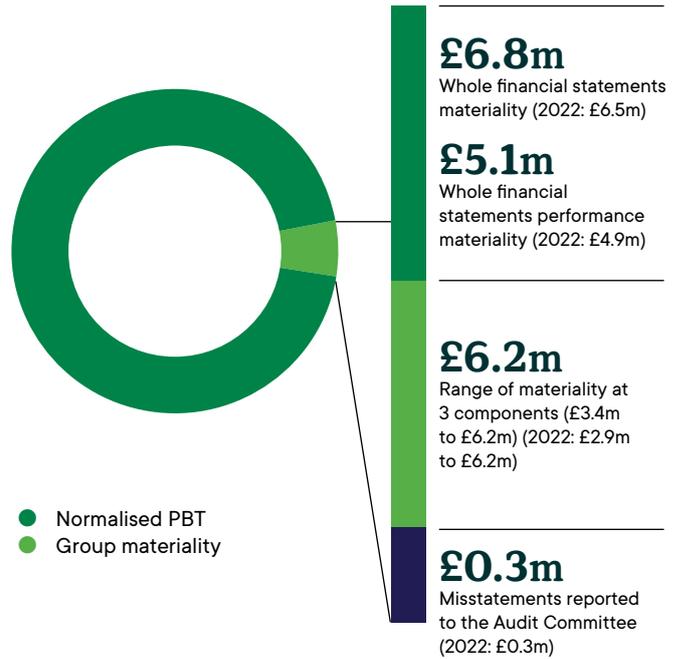
The Group team visited 3 (2022: 3) component locations. Video and telephone meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The work on 1 of the 8 components (2022: 1 of the 8 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

Normalised Group profit before tax
£136.4m (2022: £130.1m)

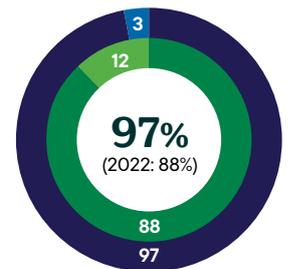
Group materiality
£6.8m (2022: £6.5m)



Group revenue



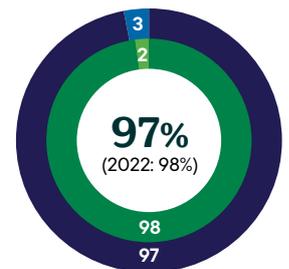
Group profit before tax



Group total assets



Normalised Group profit before tax



- Full scope for Group audit purposes 2023
- Residual components 2023
- Full scope for Group audit purposes 2022
- Residual components 2022

4. The impact of climate change on our audit

In planning our audit, we have performed a risk assessment of the potential impact of risks arising from climate change on the business and the impact of the commitments made by the Group on the financial statements. We held discussions with our own climate change professionals to challenge our risk assessment.

Based upon this risk assessment, we concluded that climate risk has no material effect on the financial statements due to the nature of the Group's current business operations and, in particular, the headroom between the carrying value and recoverable amount of goodwill and parent Company investment in subsidiaries.

There was no impact of climate change on our key audit matters included in section 2.

We have read the disclosure of climate change in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

5. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- Failure to meet sales growth targets; and
- The impact of inflation on the Group's cost base.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures included:

- We critically assessed assumptions in base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation to revenue growth by comparing to published economic forecasts and historical trends and overlaying knowledge of the entity's plans based on approved budgets and our knowledge of the entity and the sector in which it operates;
- We assessed whether downside scenarios applied mutually consistent and severe assumptions in aggregate, using our assessment of the possible range of each key assumption and our knowledge of inter-dependencies;
- We compared past budgets to actual results to assess the Directors' track record of budgeting accurately;

- We inspected the confirmation from the lender of the level of committed financing, and the associated covenant requirements; and
- We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1.3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1.3 to be acceptable; and
- the related statement under the Listing Rules set out on page 110 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Group's high level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for Directors and key management personnel.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to the component audit team of relevant fraud risks identified at the Group level and request to the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the simplistic nature of revenue transactions, and the absence of judgement in revenue recognition.

Independent Auditor's Report continued to the members of Pets at Home Group Plc

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management and other unexpected users, postings to override accounts close to the period end and journal entries posted to unexpected account combinations including revenue or cash.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and others management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the component audit team of relevant laws and regulations identified at the Group level, and a request for the component audit team to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: sale of goods and consumer rights legislation, animal welfare legislation, health and safety, data protection laws, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of Company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 91 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

- the Emerging Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 91 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 94, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

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.



**Ailsa Griffin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

25 May 2023

Consolidated income statement for the 52 week period ended 30 March 2023

	Note	52 week period ended 30 March 2023			53 week period ended 31 March 2022 (reclassified) ¹		
		Underlying trading £m	Non-underlying items (note 3) £m	Total £m	Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	1,404.2	–	1,404.2	1,317.8	–	1,317.8
Cost of sales		(737.9)	–	(737.9)	(670.6)	0.1	(670.5)
Impairment gains on receivables	3	2.0	–	2.0	0.7	–	0.7
Gross profit		668.3	–	668.3	647.9	0.1	648.0
Selling and distribution expenses		(409.8)	(10.1)	(419.9)	(393.9)	–	(393.9)
Administrative expenses	3	(121.0)	(2.8)	(123.8)	(121.2)	–	(121.2)
Other income ¹	3	12.2	–	12.2	11.7	–	11.7
Profit on disposal of subsidiary	3	–	–	–	–	19.2	19.2
Operating profit	2,3	149.7	(12.9)	136.8	144.5	19.3	163.8
Financial income	6	2.7	–	2.7	0.2	–	0.2
Financial expense	7	(16.0)	(1.0)	(17.0)	(14.6)	(0.7)	(15.3)
Net financing expense		(13.3)	(1.0)	(14.3)	(14.4)	(0.7)	(15.1)
Profit before tax		136.4	(13.9)	122.5	130.1	18.6	148.7
Taxation	8	(24.4)	2.6	(21.8)	(24.3)	0.1	(24.2)
Profit for the period		112.0	(11.3)	100.7	105.8	18.7	124.5

1 See note 1.1 for an explanation of the prior year reclassification.

Basic and diluted earnings per share attributable to equity shareholders of the Company:

	Note	52 week period ended 30 March 2023	53 week period ended 31 March 2022
Equity holders of the parent – basic	5	20.5p	24.9p
Equity holders of the parent – diluted	5	20.2p	24.5p

Dividends paid and proposed are disclosed in note 9.

The notes on pages 109 to 168 form an integral part of these financial statements.

Consolidated statement of comprehensive income for the 52 week period ended 30 March 2023

	Note	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Profit for the period		100.7	124.5
Other comprehensive income			
<i>Items that are or may be recycled subsequently into profit or loss:</i>			
Foreign exchange translation differences	22	(0.1)	(0.0)
Effective portion of changes in fair value of cash flow hedges	22	(10.6)	7.9
Other comprehensive income for the period, before income tax		(10.7)	7.9
Income tax on other comprehensive income	15,22	1.3	(1.2)
Other comprehensive income for the period, net of income tax		(9.4)	6.7
Total comprehensive income for the period		91.3	131.2

The notes on pages 109 to 168 form an integral part of these financial statements.

Consolidated balance sheet

at 30 March 2023

	Note	At 30 March 2023 £m	At 31 March 2022 (restated) ¹ £m
Non-current assets			
Property, plant and equipment	11	146.9	108.9
Right-of-use assets	12	359.6	340.1
Intangible assets	13	989.5	987.1
Deferred tax asset ¹	15	1.9	1.1
Other non-current assets	16	10.9	14.1
		1,508.8	1,451.3
Current assets			
Inventories	14	108.6	84.5
Other financial assets	16	2.2	3.0
Trade and other receivables	17	51.8	53.7
Corporation tax receivable		-	9.1
Cash and cash equivalents	18	178.0	166.0
		340.6	316.3
Total assets		1,849.4	1,767.6
Current liabilities			
Trade and other payables	20	(261.5)	(224.8)
Other interest-bearing loans and borrowings	19	(1.2)	-
Lease liabilities	12	(83.3)	(78.3)
Provisions	21	(3.9)	(6.5)
Other financial liabilities	16	(3.7)	(0.0)
		(353.6)	(309.6)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(119.3)	(96.9)
Lease liabilities	12	(338.1)	(304.7)
Provisions	21	(12.9)	(6.7)
Other financial liabilities	16	(0.4)	-
		(470.7)	(408.3)
Total liabilities		(824.3)	(717.9)
Net assets		1,025.1	1,049.7
Equity attributable to equity holders of the parent			
Ordinary share capital	22	4.8	5.0
Consolidation reserve		(372.0)	(372.0)
Merger reserve		113.3	113.3
Translation reserve		(0.1)	(0.0)
Capital redemption reserve		0.2	-
Cash flow hedging reserve		(1.6)	3.4
Retained earnings		1,280.5	1,300.0
Total equity		1,025.1	1,049.7

¹ See note 1.1 for an explanation of the prior year restatement.

On behalf of the Board:



Mike Iddon

Chief Financial Officer
25 May 2023

Company number: 08885072

The notes on pages 109 to 168 form an integral part of these financial statements.

Consolidated statement of changes in equity as at 30 March 2023

	Share capital £m	Consolidation reserve £m	Merger reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2022	5.0	(372.0)	113.3	3.4	(0.0)	-	1,300.0	1,049.7
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	100.7	100.7
Other comprehensive income (note 22)	-	-	-	(9.3)	(0.1)	-	-	(9.4)
Total comprehensive income for the period	-	-	-	(9.3)	(0.1)	-	100.7	91.3
Hedging gains and losses reclassified to inventory	-	-	-	4.3	-	-	-	4.3
Total hedging gains and losses reclassified to inventory	-	-	-	4.3	-	-	-	4.3
Transactions with owners, recorded directly in equity								
Equity dividends paid	-	-	-	-	-	-	(58.7)	(58.7)
Share-based payment charge	-	-	-	-	-	-	4.9	4.9
Deferred tax movement on IFRS2 reserve	-	-	-	-	-	-	(2.0)	(2.0)
Share buyback	(0.2)	-	-	-	-	0.2	(50.3)	(50.3)
Purchase of own shares	-	-	-	-	-	-	(14.1)	(14.1)
Total contributions by and distributions to owners	(0.2)	-	-	-	-	0.2	(120.2)	(120.2)
Balance at 30 March 2023	4.8	(372.0)	113.3	(1.6)	(0.1)	0.2	1,280.5	1,025.1

Consolidated statement of changes in equity as at 31 March 2022

	Share capital £m	Consolidation reserve £m	Merger reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 25 March 2021	5.0	(372.0)	113.3	(1.5)	(0.0)	1,231.7	976.5
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	124.5	124.5
Other comprehensive income (note 22)	-	-	-	6.7	(0.0)	-	6.7
Total comprehensive income for the period	-	-	-	6.7	(0.0)	124.5	131.2
Hedging gains and losses reclassified to inventory	-	-	-	(1.8)	-	-	(1.8)
Total hedging gains and losses reclassified to inventory	-	-	-	(1.8)	-	-	(1.8)
Transactions with owners, recorded directly in equity							
Equity dividends paid	-	-	-	-	-	(48.5)	(48.5)
Share-based payment charge	-	-	-	-	-	4.9	4.9
Deferred tax movement on IFRS2 reserve	-	-	-	-	-	(0.3)	(0.3)
Purchase of own shares	-	-	-	-	-	(12.3)	(12.3)
Total contributions by and distributions to owners	-	-	-	-	-	(56.2)	(56.2)
Balance at 31 March 2022	5.0	(372.0)	113.3	3.4	(0.0)	1,300.0	1,049.7

Consolidated statement of cash flows for the 52 week period ended 30 March 2023

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Cash flows from operating activities		
Profit for the period	100.7	124.5
<i>Adjustments for:</i>		
Depreciation and amortisation	103.4	103.9
Profit on disposal of subsidiaries	-	(19.2)
Financial income	(2.7)	(0.2)
Financial expense	17.0	14.6
Share-based payment charges	4.9	4.9
Taxation	21.8	24.2
	245.1	252.7
Decrease in trade and other receivables	3.4	0.6
(Increase) in inventories	(24.1)	(0.8)
Increase in trade and other payables	36.9	19.8
Increase in provisions	3.6	6.8
Movement in working capital	19.8	26.4
Tax paid	(13.7)	(31.0)
Net cash flow from operating activities	251.2	248.1
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	-	0.3
Interest received	2.7	0.3
Costs to acquire right-of-use assets	(1.9)	(0.3)
Acquisition of subsidiaries, net of cash acquired	(0.5)	(1.7)
Disposal of subsidiaries, net of cash disposed	0.4	0.6
Disposal of subsidiaries, net of cash disposed (non-underlying)	-	19.2
Acquisition of property, plant and equipment and other intangible assets	(75.7)	(55.5)
Net cash used in investing activities	(75.0)	(37.1)
Cash flows from financing activities		
Equity dividends paid	(58.7)	(48.5)
Proceeds from new loan	123.3	100.0
Repayment of borrowings	(100.0)	(100.0)
Debt issue costs	(0.1)	(3.3)
Cash receipts from lease incentives	22.0	-
Cash payments for the principal portion of the right-of-use lease liability	(68.9)	(67.3)
Purchase of own shares	(14.1)	(12.3)
Share buyback	(50.3)	-
Interest paid	(5.0)	(3.5)
Interest paid on lease obligations	(12.4)	(11.5)
Net cash used in financing activities	(164.2)	(146.4)
Net increase in cash and cash equivalents	12.0	64.6
Cash and cash equivalents at beginning of period	166.0	101.4
Cash and cash equivalents at end of period	178.0	166.0

The notes on pages 109 to 168 form an integral part of these financial statements.

Company balance sheet at 30 March 2023

	Note	At 30 March 2023 £m	At 31 March 2022 (restated) ¹ £m
Non-current assets			
Investments in subsidiaries	28	936.2	936.2
Deferred tax asset ¹	15	2.8	2.8
Trade and other receivables	17	578.4	600.2
		1,517.4	1,539.2
Current assets			
Other financial assets	16	2.0	1.6
Cash and cash equivalents	18	0.4	-
		2.4	1.6
Total assets		1,519.8	1,540.8
Current liabilities			
Trade and other payables	20	(618.0)	(552.9)
		(618.0)	(552.9)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(97.3)	(96.9)
Other financial liabilities	16	(0.4)	-
		(97.7)	(96.9)
Total liabilities		(715.7)	(649.8)
Net assets		804.1	891.0
Equity attributable to equity holders of the parent			
Ordinary share capital	22	4.8	5.0
Merger reserve		113.3	113.3
Capital redemption reserve		0.2	-
Cash flow hedging reserve		1.2	1.3
Retained earnings		684.6	771.4
Total equity		804.1	891.0

¹ See note 1.1 for an explanation of the prior year restatement.

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's profit for the 52 week period ended 30 March 2023 was £33.4m (profit for the 53 week period ended 31 March 2022 was £23.8m).

On behalf of the Board:



Mike Iddon
Chief Financial Officer

25 May 2023

Company number: 08885072

The notes on pages 109 to 168 form an integral part of these financial statements.

Company statement of changes in equity as at 30 March 2023

	Share capital £m	Merger reserve £m	Cash flow hedging reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2022	5.0	113.3	1.3	–	771.4	891.0
Total comprehensive income for the period						
Profit for the period	–	–	–	–	33.4	33.4
Other comprehensive income	–	–	(0.1)	–	–	(0.1)
Total comprehensive income for the period	–	–	(0.1)	–	33.4	33.3
Transactions recorded directly in equity						
Equity dividends paid	–	–	–	–	(58.7)	(58.7)
Share-based payment charge	–	–	–	–	4.9	4.9
Deferred tax movement on IFRS2 reserve	–	–	–	–	(2.0)	(2.0)
Share buyback	(0.2)	–	–	0.2	(50.3)	(50.3)
Purchase of own shares	–	–	–	–	(14.1)	(14.1)
Total contributions by and distributions to owners	(0.2)	–	–	0.2	(120.2)	(120.2)
Balance at 30 March 2023	4.8	113.3	1.2	0.2	684.6	804.1

Company statement of changes in equity as at 31 March 2022

	Share capital £m	Merger reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 25 March 2021	5.0	113.3	(1.2)	800.8	917.9
Total comprehensive income for the period					
Profit for the period	–	–	–	23.8	23.8
Other comprehensive income	–	–	2.5	–	2.5
Total comprehensive income for the period	–	–	2.5	23.8	26.3
Transactions recorded directly in equity					
Equity dividends paid	–	–	–	(48.5)	(48.5)
Share-based payment charge	–	–	–	7.9	7.9
Deferred tax movement on IFRS2 reserve	–	–	–	(0.3)	(0.3)
Purchase of own shares	–	–	–	(12.3)	(12.3)
Total contributions by and distributions to owners	–	–	–	(53.2)	(53.2)
Balance at 31 March 2022	5.0	113.3	1.3	771.4	891.0

Company statement of cash flows for the 52 week period ended 30 March 2023

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Cash flows from operating activities		
Profit for the period	33.4	23.8
Financial expense	1.5	3.2
Share-based payment charges	4.9	7.9
Tax	(3.0)	(2.9)
	36.8	32.0
Increase in trade and other payables	62.8	44.6
Tax paid	3.5	3.5
Net cash flow from operating activities	103.1	80.1
Cash flows from investing activities		
Decrease/(increase) in amounts owed by group undertakings	21.9	(12.8)
Net cash flow used in investing activities	21.9	(12.8)
Cash flows from financing activities		
Equity dividends paid	(58.7)	(48.5)
Proceeds from new loan	100.0	100.0
Repayment of borrowings	(100.0)	(100.0)
Debt issue costs	-	(3.3)
Share buyback	(50.3)	-
Interest paid	(1.5)	(3.2)
Purchase of own shares	(14.1)	(12.3)
Net cash used in financing activities	(124.6)	(67.3)
Net increase in cash and cash equivalents	0.4	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	0.4	-

Notes (forming part of the financial statements)

1 Significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

1.1 Basis of preparation

The consolidated financial statements were prepared in accordance with UK adopted international accounting standards and applicable law. The Company's financial statements have been prepared in accordance with UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and applicable law. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value, and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under UK adopted international accounting standards.

New standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) becoming effective during the 52 week period ended 30 March 2023 have not had a material impact on the Group's financial statements.

The Group is assessing the impact of IFRS 17 Insurance Contracts (applicable for the financial period beginning 31 March 2023).

The Group receives rental and other occupancy income from Joint Venture veterinary practices which are located within the Group's retail stores, and that income has increased as this part of the Group's business has grown. Therefore, the Directors have concluded that this income should be separately presented on the face of the income statement. Following the change in the current period presentation and to aid comparability, the Directors have also reclassified the comparative amounts for the 53 week period ended 31 March 2022 and so £11.7m has been reclassified from selling and distribution expenses to other income. There is no impact on profit, net assets, or the cash flow statement.

The Directors have restated the presentation of the deferred tax assets in the Consolidated and Company balance sheets as at 31 March 2022. Under IAS 1, deferred tax is classified as a non-current balance. As a result, the £1.1m of deferred tax assets on the Group balance sheet and £2.8m on the Company balance sheet at 31 March 2022 have been reclassified from current assets to non-current assets. The restatement has had no impact on profit, net assets, or the cash flow statement.

The Directors have restated the number and FTE of colleagues in note 4 for the 53 week period ended 31 March 2022. These have been restated to show averages across the financial period.

1.2 Measurement convention

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Going concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Group and Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review. In addition, note 23 to the financial statements includes the Group and Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors of the Group have prepared cash flow forecasts for a period of at least 12 months from the date of the approval of these financial statements which indicate that, despite net current liabilities of £13.0m and taking account of reasonably possible downsides, the Group will have sufficient funds, through its revolving credit facility, to meet its liabilities as they fall due for that period.

In preparing the forecasts for the Group, the Directors have carefully considered the impact of consumer confidence, geopolitical tensions and the actual and potential impact on supply chains, as well as energy cost inflation on liquidity and future performance. The Group has also considered the impact of climate change and the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis conducted in undertaking this assessment.

Notes (forming part of the financial statements) continued

1 Significant accounting policies continued

1.3 Going concern continued

The Group has access to a revolving credit facility of £300m which expires in March 2027 and a £26.0m asset backed loan which expires on 27 March 2030. The Group has £123.3m drawn down at 30 March 2023 and cash balances of £178.0m. The lowest level of headroom forecast over the next 12 months from the date of signing of the financial statements is in excess of £360.5m in the base case scenario. On a sensitised basis, the lowest level of headroom forecast over the next 12 months from the date of approving of the financial statements is £346.6m due to the removal of the dividend payment in an extreme scenario. The Group has been in compliance with all covenants applicable to this facility within the financial year and is forecast to continue to be in compliance for 12 months from the date of signing of the financial statements. Two severe but plausible downside scenarios were calculated compared to the base case forecast of profit and cash flow to assess headroom against facilities for the next 12 months. A third extreme scenario, which is considered highly unlikely was also modelled to thoroughly sensitise the assumptions in the base case scenario. The three scenarios include:

- **Scenario 1:** Reduction on Group like-for-like sales growth assumptions of 1% in each year throughout the forecast period, but ordinary dividends continue to be paid.
- **Scenario 2:** Using scenario 1 outcomes and further impacted by a conflated risk impact of £26.5m on sales and £13.25m on PBT per annum (using specific financial risks taken from the Group risk register with sales and PBT financial impact quantified), with dividends held at 12.8p per share per annum.
- **Scenario 3:** Group like-for-like sales growth declines to 0% in each year and a conflated risk impact of £84.5m on sales and £42.0m on PBT is applied (using the top risks from the Group risk register with sales and PBT impact quantified), with dividends cut to nil to conserve cash.

Against these negative scenarios, adjusted projections showed no breach of covenants. Further mitigating actions could also be taken in such scenarios should it be required, including reducing capital expenditure.

Despite net current liabilities of £13.0m at Group level and £615.6m in the Company, the Directors of Pets at Home Group Plc, having made appropriate enquiries including the principal risks and uncertainties on pages 23 to 30, consider that the Group and Company will have sufficient funds to continue to meet their liabilities for a period of at least 12 months from the date of approval of these financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the Group consolidated financial statements and the Company only financial statements as at and for the period ended 30 March 2023.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group and Company operate an Employee Benefit Trust (EBT) for the purposes of acquiring shares to fund share awards made to employees. The EBT is deemed to be a subsidiary of the Group and Company as Pets at Home Group Plc is considered to be the ultimate controlling party for accounting purposes. The assets and liabilities of this trust have been included in the consolidated financial information. The cost of purchasing own shares held by the EBT is accounted for in retained earnings.

Investment in Joint Venture veterinary practices

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as Joint Venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the Joint Venture Partner, and do not give the Group power over decision making, nor joint control, to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profits, losses, or any surplus on winding up or disposal of the Joint Venture veterinary practices, and as such no participatory interest is recognised. The Group's category of shareholding in the Joint Venture veterinary practices entitles the Group to charge management fees for support services provided. For further details see notes 16, 17 and 27. The Group's shares are non-participatory, and therefore the Group does not share in any profits, losses or other distribution of value from the Joint Venture company; the investments are held at cost less impairment, which is deemed to be their carrying value as explained further in note 16.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Functional currency

The consolidated financial statements are presented in sterling which is the Group and Company's functional currency and have been rounded to the nearest £0.1m.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit loss.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purposes of the cash flow statement and are only offset for balance sheet purposes where the offsetting criteria are met.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Contingent consideration

Contingent consideration on acquisition or disposal of a subsidiary is valued at fair value at the time of acquisition or disposal. Any subsequent change in fair value is recognised in profit or loss (see 1.13).

1.8 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

Notes (forming part of the financial statements) continued

1 Significant accounting policies continued

1.8 Derivative financial instruments and hedging continued

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging is included directly in the initial cost of the non-financial item when it is recognised. For all other hedging forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect the profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.9 Intra-group financial instruments

Financial guarantee contracts to guarantee the indebtedness of companies within the Group are considered to be insurance arrangements and accounted for as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

1.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	– 50 years
Fixtures, fittings, tools and equipment	– 3 to 10 years
Leasehold improvements	– the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The impact of climate change, particularly in the context of risks identified in the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis have been considered and no material impact on the carrying value, useful lives or residual values have been identified.

1.11 Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Customer lists are valued based on the forecast net present value of the future economic relationship with those customers, adjusted for forecast retention rates. Technology based 'know how' assets are valued based on the expected cost to reproduce or replace the asset, adjusted for the physical deterioration and functional or economic obsolescence, if present and measurable. Software is stated at cost less accumulated amortisation.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of an asset. The estimated useful lives are as follows:

Software	– 2 to 7 years
Customer lists	– 10 years
Technology based know-how	– 10 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

Expenditure on Software as a Service ('SaaS') customisation and configuration that is distinct from access to the cloud software can only be capitalised to the extent it gives rise to an asset, i.e. where the Group has the power to obtain the future economic benefits and can restrict others' access to those benefits, otherwise such expenditure in relation to developing SaaS for use is expensed.

The impact of climate change, particularly in the context of risks identified in the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis have been considered and no material impact on the carrying value, useful lives or residual values have been identified.

1.12 Leases

On completion of a lease, the Group recognises a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. The lease liability is measured at the present value of the lease payments over the term of the lease, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The rate implicit in the lease cannot be readily determined and therefore a rate based on the Group's incremental borrowing rate is used. This rate is adjusted to take into account the risk associated with the length of the lease. Lease payments will include any fixed payments, including as a result of stepped rent increases.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date and any lease incentives received or premiums paid. In the current period the Group has received a lease incentive of £22m (2022: £nil) in relation to the new distribution centre. The cash received has been included within cash flows from financing activities on the basis that it is associated with the payments for the lease liability.

The Group has lease contracts in relation to property and equipment. There are recognition exemptions for low-value assets and short-term leases with a lease term of 12 months or less. Any leases under a short-term licence agreement are excluded as they fall into the lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease. The total value of leases where the Group has taken a recognition exemption is disclosed in note 12.

The Group has a small number of leases where it is an intermediate lessor. For these leases, it accounts for the interest in the head lease and sub-lease separately. It assesses the lease classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group currently receives rental income from related Joint Venture veterinary practices which are located within the Group's retail stores. These rental incomes are disclosed in note 3. Under IFRS16, the lease classification of sub-leases is assessed by reference to the right-of-use asset under the head lease rather than the underlying asset. This rental income is presented in other income in the Consolidated Income Statement.

Right-of-use assets may be impaired if the lease becomes onerous. Impairment costs would be charged to administrative expenses if this occurred.

1.13 Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 26 March 2010

For acquisitions on or after 26 March 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. If contingent consideration is payable and is dependent on future employment, it is recognised as an expense over the relevant period as a cost of continuing employment.

Any contingent deferred consideration receivable is recognised at fair value.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 26 March 2010 (date of adoption of IFRS)

IFRS1 grants certain exemptions from the full requirements of Adopted IFRS for first time adopters. In respect of acquisitions prior to 26 March 2010, goodwill is included on the basis of its deemed cost.

Notes (forming part of the financial statements) continued

1 Significant accounting policies continued

1.14 Assessment of control with regard to Joint Ventures

The Group has assessed, and continually assesses, whether the level of an individual Joint Venture veterinary practice's indebtedness to the Group, particularly those with high levels of indebtedness, implies that the Group has the practical ability to control the Joint Venture, which would result in the requirement to consolidate. In making this judgement, the Group reviewed the terms of the Joint Venture agreement and the question of practical ability, as a provider of working capital to control the activities of the practice. This included consideration of barriers to the Group's ability to exercise such practical or other control which include difficulty in replacing Joint Venture Partners due to the shortage of veterinarians in the UK and reputational damage within the veterinary network should the Group attempt to exercise control, as well as potential barriers to the Joint Venture Partner exercising their own power over the activities of the practice. We note that under the terms of the Joint Venture agreement, the partners run their practices with complete operational and clinical freedom. The Group is satisfied that on the balance of evidence from the Group's experience as shareholder and provider of working capital support to the practices, it does not have the current ability to exercise control over those practices to which operating loans are advanced, and therefore non consolidation is appropriate.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less rebates and discounts.

Provision is made against specific inventory lines where market conditions identify an issue in recovering the full cost of that Stock Keeping Unit ("SKU"). The provision focuses on the age of inventory and the length of time it is expected to take to sell and applies a progressive provision against the gross inventory based on the numbers of days' stock on hand. Where necessary, further specific provision is made against inventory lines, where the calculated provision is not deemed sufficient to carry the inventory at net realisable value.

To the extent that the ageing profile of gross inventory as calculated by this provision methodology results in a material provision, it will be disclosed as an estimate that may have an impact on subsequent periods. To the extent this is material, it will be disclosed in note 1.22.

1.16 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

Measurement of Expected Credit Losses ('ECLs') and definition of default

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The definition of default is applicable to intercompany and related party receivables but not relevant to trade receivables where the lifetime expected credit loss is considered. The Group considers Joint Venture receivables (operating loans) to be in default when the underlying veterinary practice is significantly under-performing against its business plan, assessed based on future cash flow forecasts for the individual practices which utilise consistent assumptions across all practices. Any shortfall in repayment of the Joint Venture loans and receivables following the 10-year forecast period are considered to be in default. Loss given default is also determined based on the forecast shortfall amount. Those within the performing credit risk category are deemed to have low credit risk. Practices categorised within the in default credit risk categories are those considered to be in default based on their cash flow forecast. Significant increase in credit risk is not applicable to Joint Venture operating loans due to the on-demand payment terms.

The Group considers initial set up loans to Joint Ventures to be in default when the loan remains outstanding once the practice has reached 15 years of age. Significant increase in credit risk is defined as any practice which has an operating loan which is in default as defined above. All other loans are considered to be performing and have low credit risk.

The Group considers other intercompany and related party assets to be in default when the entity does not have the forecasted future funds available to repay the balance, if recalled.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. Details of these provisions are explained in note 16.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit as defined by IAS36 is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ('CGUs'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

A number of employees of the Company's subsidiaries (including Directors) receive an element of remuneration in the form of share-based payments, whereby employees render services in exchange for shares in Pets at Home Group Plc or rights over shares.

Share-based payments are measured at fair value at the date of grant. The fair value of transactions involving the granting of shares is determined by the share price at the date of grant. The fair value of transactions involving the granting of share options is calculated by an external valuer based on a binomial model. In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pets at Home Group Plc ('market conditions').

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Company's estimate of how many of the awards will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where the terms of a share-based payment award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where a share-based payment award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification to the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Notes (forming part of the financial statements) continued

1 Significant accounting policies continued

1.17 Employee benefits continued

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust ('EBT') have been included in the Group and Company accounts. The assets of the EBT are held separately from those of the Company. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

Investments in the Company's own shares held by the EBT are presented as a deduction from reserves and the number of such shares is deducted from the number of shares in issue when calculating the diluted earnings per share. The trustees of the holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trust have waived or otherwise foregone any and all dividends paid.

1.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.19 Revenue and cost of sales

Revenue represents the total amount receivable for goods and services, net of discounts, coupons, returns and excluding value added tax, sold in the ordinary course of business, and arises substantially from activities in the United Kingdom.

Revenue is recognised when the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled, and substantially all of the Group's performance obligations have been fulfilled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer.

Sale of goods in-store and online

Retail revenue from the sale of goods is recorded net of value added tax, colleague discounts, coupons, vouchers, returns and the free element of multi-save transactions. Sale of goods represents food and accessories sold in-store and online, with revenue recognised at the point in time the customer obtains control of the goods and substantially all of the Group's performance obligations have been fulfilled, which is when the transaction is completed in-store and at point of delivery to the customer for online orders. Revenue is adjusted to account for estimates for anticipated returns and a provision is recognised within trade and other payables. Estimates for anticipated returns are calculated using past data for both in-store and online transactions. No separate asset has been recognised (with no corresponding adjustment to cost of sales) in relation to the value of products to be recovered from the customer as the products are not always in a resaleable condition.

Gift vouchers and cards

Revenue from the sale of gift vouchers and cards is deferred until the voucher is redeemed, at which point performance obligations have been fulfilled. In line with IFRS15 the value of revenue deferred is based on expected redemption rates. The Group continues to assess the appropriateness of the expected redemption rates against actual redemptions.

VIP loyalty scheme

Under the VIP loyalty scheme, points are earned by customers upon the purchase of goods and services. These points can be converted by nominated charities into gift cards for redemption against goods and services in-store and online. The sales value of the points earned under the VIP scheme are treated as deferred income; the sales are only recognised once the points have been redeemed by the charities, at which point performance obligations have been fulfilled. The points do not expire and have no value to the customer.

Subscription orders

Revenue for subscription orders is recognised at the point of delivery of each incremental order to the customer at which point performance obligations have been fulfilled. Subscription services primarily relate to the repeat order of flea and worm products sold online and in-store.

Provision of services

Revenue from the provision of services is recorded net of value added tax, colleague discounts, coupons and vouchers. Provision of services represents veterinary group income, grooming revenue and insurance commissions, with revenue recognised upon provision of the service to the customer at the point at which the Group has substantially fulfilled its performance obligations.

i) Veterinary Group income

Veterinary Group income represents revenue from the provision of veterinary services from Company managed practices and income from the provision of administrative support services to Joint Venture veterinary practices. Revenue received for the provision of veterinary services is recognised at the point of provision of the service and is recognised net of value added tax, colleague discounts, coupons and vouchers. Fee income received from the Joint Venture veterinary practice companies for administrative support services is recognised in the period the services relate to and recorded net of value added tax. Fee income received from Joint Venture companies in relation to network purchasing arrangements is recognised as the contractual commitments are fulfilled to create an entitlement to the revenue. The Group also receives revenue in relation to business development for the Joint Venture companies and recognises this within operating income.

Revenue derived from care plans is recognised on an apportioned basis relative to delivery of the service. Revenue on annual 'Complete Care' plans is deferred and recognised at the point at which treatment and/or services are provided against the plan at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Once the plan has expired, any unutilised deferred revenue will be recognised as revenue. Revenue from 'Vac4Life' plans is deferred when payment is received and then recognised in reducing proportions over the first three years of the plan when vaccinations/boosters are provided.

Rental income received from in-store Joint Venture veterinary practices is disclosed within note 3 and is categorised as other income.

ii) Grooming revenue

Grooming revenue is recognised net of value added tax, colleague discounts, coupons and vouchers, at the point of provision of the service to the customer. Deposits received are deferred until the grooming service has been performed.

iii) Insurance commissions

Insurance commissions are recognised on a pro-rated basis over the period the insurance policy relates to.

Accrued income

Accrued income relates to income in relation to fees from Joint Venture veterinary practices, and override and promotional income from suppliers which has not yet been invoiced. Accrued income has been classified as current as it is expected to be invoiced and received within 12 months of the period end. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract.

Cost of sales

Cost of sales includes costs of goods sold and other directly attributable costs, promotional income and rebate income received from suppliers, including costs to deliver administrative support services to Joint Venture veterinary practices and costs to deliver grooming services.

Supplier income

A number of different types of supplier income are negotiated with suppliers via the joint business planning process in connection with the purchase of goods for resale, the largest of which being override income and promotional income, which are explained below. The supplier income arrangements are typically not coterminous with the Group's financial period, instead running alongside the calendar year. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group, and the income can be measured reliably based on the terms of the contract. This income is recognised as a credit within gross margin to cost of sales and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory.

Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at period end are included within trade and other receivables.

Given the presence of the joint business plans, on the basis of the historic recoverability of accrued balances, and as amounts are typically agreed with suppliers prior to recognition, supplier income is not considered to be an area of significant estimation that could impact on the following financial year.

Supplier income comprises:

Override income

Override income comprises three main elements:

1. **Fixed percentage-based income:** These relate largely to volumetric rebates based on the joint business plan agreements with suppliers. The income accrued is based on the Group's latest forecast volumes and the latest contract agreed with the supplier. Income is not recognised until the Group has reasonable certainty that the joint business agreement will be fulfilled, with the amount of income accrued regularly reassessed and remeasured throughout the contractual period, based on actual performance against the joint business plan.
2. **Fixed lump sum income:** These are typically guaranteed lump sum payments made by the supplier and are not based on volume. Fixed lump sum income is usually predicated on confirmation of a supplier contract and typically includes performance conditions upon the Group, such as marketing and promotional campaigns. These amounts are recognised periodically when contractual milestones have been met such as the promotion being run or marketing in-store.
3. **Growth income:** These are tiered volumetric rebates relating to growth targets agreed with the supplier in the joint business planning process. These are retrospective rebates based on sales volumes or purchased volumes. Income is recognised to the extent that it is reasonably certain that the conditions will be achieved, with such certainty increasing in the latter part of the calendar year.

Promotional income

Promotional income relates to supplier funded rebates specific to promotional activity run in agreement between the Group and its suppliers. Rebates are agreed at an individual inventory article level for agreed periods of time and are systemically calculated based on article sales information. No estimation is applied in calculating the promotional income receivable.

Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at period end are included within trade and other receivables.

Notes (forming part of the financial statements) continued

1 Significant accounting policies continued

1.20 Expenses

Financing income and expenses

Financing expenses comprise interest payable under the effective interest rate method, incorporating amortisation of loan arrangement fees, finance charges on shares classified as liabilities, unwinding of the discount on provisions, interest on lease liabilities and net foreign exchange gains or losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

1.21 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.22 Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

Impairment of goodwill and other intangibles (estimate)

Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value. Details of CGUs as well as further information about the assumptions made are disclosed in note 13. The Directors consider that it is not reasonably possible for the assumptions for the current financial year to change so significantly to warrant inclusion as a significant estimate but acknowledge that there is estimation uncertainty over the assumptions used in future financial periods when calculating future cash flows.

1.23 Dividends

Final dividends are recognised in the Group's financial statements as a liability in the period in which the dividends are approved by shareholders such that the Company is obliged to pay the dividend. Interim equity dividends are recognised in the period in which they are paid.

1.24 Non-underlying items

Income or costs considered by the Directors to be non-underlying are disclosed separately to facilitate year-on-year comparison of the underlying trade of the business. The Directors consider non-underlying costs to be those that are not generated from ordinary business operations, infrequent in nature and unlikely to reoccur in the foreseeable future.

1.25 Alternative Performance Measures

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by UK-adopted IFRS. These Alternative Performance Measures may not be directly comparable with other companies' Alternative Performance Measures and the Directors do not intend these to be a substitute for, or superior to, IFRS measures. Further information can be found in the Glossary on page 169.

2 Segmental Reporting

The Group has three reportable segments, Retail, Vet Group and Central, which are the Group's strategic business units. The Group's operating segments are based on the internal management structure and internal management reports, which are reviewed by the Executive Directors on a periodic basis. The Executive Directors are considered to be the Chief Operating Decision Makers.

The Group is a pet care business with the strategic advantage of being able to provide products, services and advice, addressing all pet owners' needs. Within this strategic umbrella, the Group has three reportable segments, Retail, Vet Group and Central, which are the Group's strategic business units. The strategic business units offer different products and services, are managed separately and require different operational and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of pet products purchased online and in-store, pet sales, grooming services and insurance products. The operations of the Vet Group reporting segment comprise General Practice veterinary practices. Central includes the veterinary telehealth business, Group costs and finance expenses. Revenue and costs are allocated to a segment where reasonably possible. For the purposes of goodwill allocation, the veterinary telehealth business (hereafter known as TVC) is classed as a separate CGU which sits within the central operating segment.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment underlying operating profit as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these financial statements. All material operations of the reportable segments are carried out in the UK and all revenue is from external customers.

Income statement	52 week period ended 30 March 2023			
	Retail £m	Vet Group £m	Central £m	Total £m
Revenue	1,278.7	122.8	2.7	1,404.2
Underlying gross profit	601.5	65.6	1.2	668.3
Underlying operating profit/(loss)	109.9	51.7	(11.9)	149.7
Non-underlying operating expenses	(10.1)	–	(2.8)	(12.9)
Segment operating profit/(loss)	99.8	51.7	(14.7)	136.8
Underlying net financing expense	(11.1)	(0.8)	(1.4)	(13.3)
Non-underlying financing expense	(1.0)	–	–	(1.0)
Profit/(loss) before tax	87.7	50.9	(16.1)	122.5
Total non-underlying items	11.1	–	2.8	13.9
Underlying profit/(loss) before tax	98.8	50.9	(13.3)	136.4

Non-underlying operating expenses in the periods ended 30 March 2023 and 31 March 2022 are explained in note 3.

Income statement	53 week period ended 31 March 2022			
	Retail £m	Vet Group £m	Central £m	Total £m
Revenue	1,206.9	108.4	2.5	1,317.8
Underlying gross profit	589.9	56.5	1.5	647.9
Underlying operating profit/(loss)	112.5	43.2	(11.2)	144.5
Non-underlying items	–	0.1	19.2	19.3
Segment operating profit	112.5	43.3	8.0	163.8
Underlying net financing expense	(11.1)	(0.1)	(3.2)	(14.4)
Non-underlying financing expense	–	–	(0.7)	(0.7)
Profit before tax	101.4	43.2	4.1	148.7
Total non-underlying items	–	(0.1)	(18.5)	(18.6)
Underlying profit/(loss) before tax	101.4	43.1	(14.4)	130.1

Notes (forming part of the financial statements) continued

2 Segmental Reporting continued

Segmental revenue analysis by revenue stream	52 week period ended 30 March 2023			
	Retail £m	Vet Group £m	Central £m	Total £m
Retail – Food	744.8	–	–	744.8
Retail – Accessories	486.4	–	–	486.4
Retail – Services	47.5	–	–	47.5
Vet Group – Joint Venture fee income	–	77.2	–	77.2
Vet Group – Company managed practices	–	37.5	–	37.5
Vet Group – Other income	–	8.1	–	8.1
Central – Veterinary telehealth services	–	–	2.7	2.7
Total	1,278.7	122.8	2.7	1,404.2

Segmental revenue analysis by revenue stream	53 week period ended 31 March 2022			
	Retail £m	Vet Group £m	Central £m	Total £m
Retail – Food	668.8	–	–	668.8
Retail – Accessories	490.6	–	–	490.6
Retail – Services	47.5	–	–	47.5
Vet Group – Joint Venture fee income	–	69.9	–	69.9
Vet Group – Company managed practices	–	31.2	–	31.2
Vet Group – Other income	–	7.3	–	7.3
Central – Veterinary telehealth services	–	–	2.5	2.5
Total	1,206.9	108.4	2.5	1,317.8

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 (reclassified) ¹ £m
Non-underlying items		
Provisions for voluntary redundancies for colleagues at existing Distribution Centres	2.1	–
Provisions for retention bonuses for colleagues at existing Distribution Centres	1.8	–
Pre-opening costs for new Distribution Centre	4.0	–
Dual running costs of operating new and existing Distribution Centres	0.4	–
Project management costs of opening new Distribution Centre	0.7	–
Depreciation of property plant and equipment (dual running costs)	0.4	–
Depreciation of right-of-use assets (dual running costs)	0.7	–
Group restructure costs	2.7	–
Aborted transaction costs	0.1	–
Costs associated with the purchase of Joint Venture veterinary practices	–	(0.1)
Profit on disposal of subsidiary	–	(19.2)
Total non-underlying items	12.9	(19.3)
Underlying items		
Impairment gains on receivables	(2.0)	(0.7)
Software as a service (SaaS) expense	29.9	24.0
Depreciation of property, plant and equipment	25.7	25.4
Amortisation of intangible assets	9.8	8.8
Depreciation of right-of-use assets	66.8	69.7
<i>Rentals under operating leases:</i>		
Expenses relating to short term or low value leases	0.1	0.1
<i>Other income</i>		
Rental income from sub-leasing right-of-use assets to third parties	(0.3)	(0.3)
Rental and other occupancy income from related parties ¹	(12.2)	(11.7)
Share-based payment charges	4.9	4.9

¹ Rental and other occupancy income from related parties is included in other income. Following the change in the current period presentation and to aid comparability, the Directors have also reclassified the comparative amounts for the 53 week period ended 31 March 2022 and so £11.7m has been reclassified from selling and distribution expenses to other income.

Non-underlying items in operating profit

New Distribution Centre

The Group is in the process of building a new Distribution Centre which is due to become fully operational in summer 2023. This will replace the existing Distribution Centres. The process is a significant operational change for the Group, outside of the ordinary course of business. As part of the transition, the Group has incurred operational and payroll costs which it has classed as non-underlying. The items are split out as follows:

- £2.1m of non-underlying charges relate to a provision for voluntary redundancies for colleagues employed within the existing Distribution Centres.
- £1.8m of non-underlying charges relate to a provision for retention bonuses for colleagues at the existing Distribution Centres to remain employed by the Group until the point at which the sites close.
- £4.0m of non-underlying charges relate to pre-opening costs for the new Distribution Centre such as rent and utilities which have been incurred despite the site not yet being fully operational.
- £1.5m of non-underlying charges relate to costs incurred whilst the existing Distribution Centres and the new distribution centre are both in operation. These 'dual running' costs incurred are temporary, and won't continue after the closure of the existing distribution centres. A further £1.0m of dual running costs relates to the interest expense on the lease liabilities of the Distribution Centres. This is shown within finance expenses below operating profit on the consolidated income statement.
- £0.7m of non-underlying charges relate to project management costs of opening the new Distribution Centre, including the transfer of inventory from the existing Distribution Centres.

The remaining non-underlying items relate to:

- £2.7m of non-underlying charges relate to costs for a restructure within the Group Support Office. These have been finalised and have either been paid or are due for payment in the following financial year.
- £0.1m of non-underlying charges relate to aborted transaction costs.

The non-underlying credit of £0.1m recognised in the 53 week period ended 31 March 2022 relates to the reversal of the impairment of a right-of-use asset previously recognised on acquisition of a Joint Venture veterinary practice. The property has now been sub-leased, and therefore the impairment has been reversed. The credit has been treated as a non-underlying item since the original impairment was also treated in this way.

During the 52 week period ended 25 March 2021, the Group disposed of its 100% shareholding in the subsidiary Pets at Home Veterinary Specialist Group Limited, and its subsidiaries Northwest Veterinary Specialists Limited, Anderson Moores Veterinary Specialists Limited, Eye-Vet Limited, Dick White Referrals Limited and Veterinary Specialists (Scotland) Limited (collectively referred to as the Specialist Referral Centres). The profit on disposal of £19.2m reported in the non-underlying items in the 53 week period ended 31 March 2022 represented contingent deferred consideration received as a result of the Specialist Referral Centres achieving certain key performance indicators.

During the 53 week period ended 31 March 2022, the Group has also recognised non-underlying charges of £0.7m in net financing expense. These related to the acceleration of amortisation on debt issue costs, as a consequence of the related senior finance facilities being replaced on 31 March 2022.

Income or costs considered by the Directors to be non-underlying are disclosed separately to facilitate year-on-year comparison of the underlying trade of the business. The Directors consider non-underlying costs to be those that are not generated from ordinary business operations, infrequent in nature and unlikely to reoccur in the foreseeable future.

Underlying items

The rentals under short term leases disclosed in relation to the 52 week period ended 30 March 2023 and the 53 week period ended 31 March 2022 relate to leases under short-term agreements or of low value. These fall under the short-term and low value exemptions so are excluded from the requirements of IFRS16 on the basis that the lease terms are 12 months or less.

Auditor's remuneration

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Audit of the parent company financial statements	0.0	0.0
<i>Amounts receivable by the Company's auditor and its associates in respect of:</i>		
Audit of financial statements of subsidiaries pursuant to legislation	1.3	1.0
Review of interim financial statements	0.1	0.1
Other assurance services	0.0	0.2
	1.4	1.3

Notes (forming part of the financial statements) continued

4 Colleague numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	52 week period ended 30 March 2023 Number	53 week period ended 31 March 2022 (restated) ¹ Number
Sales and distribution – FTE	7,063	6,859
Administration – FTE	960	869
	8,023	7,728
Sales and distribution – total	10,371	9,869
Administration – total	1,006	926
	11,377	10,795

¹ The number of colleagues and FTE for the 53 week period ended 31 March 2022 have been restated to show the average number and FTE of colleagues across the financial period.

The aggregate payroll costs of these persons were as follows:

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 (restated) ¹ £m
Wages and salaries	261.9	235.2
Social security costs	23.0	21.7
Contributions to defined contribution pension plans	8.6	7.9
	293.5	264.8

¹ Costs from FY22 have been restated by £4.0m to take into account the cost of colleagues implementing Software as a Service ('SaaS') based projects.

Remuneration of Directors and Executive Management Team

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Executive Directors' emoluments	2.9	2.8
Non-Executive Directors' emoluments	0.6	0.5
Executive Directors' amounts receivable under share options	1.3	1.6
Executive Directors' pension contributions	0.1	0.1
Total Directors' remuneration	4.9	5.0
Executive Management Team emoluments	7.1	6.7
Executive Management Team amounts receivable under share options	2.7	1.9
Executive Management Team pension contributions	0.2	0.3
Total Executive Management Team remuneration	10.0	8.9

In the opinion of the Board, the key management as defined under revised IAS24 Related Party Disclosures are the Executive Directors, Non-Executive Directors and the Executive Management Team. Executive Directors' emoluments are also included within the Executive Management Team emoluments disclosed above.

5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	52 week period ended 30 March 2023		53 week period ended 31 March 2022	
	Underlying trading	After non-underlying items	Underlying trading	After non-underlying items
Profit attributable to equity shareholders of the parent (£m)	112.0	100.7	105.8	124.5
Basic weighted average number of shares	491.9	491.9	500.0	500.0
Dilutive potential ordinary shares	6.5	6.5	7.4	7.4
Diluted weighted average number of shares	498.4	498.4	507.4	507.4
Basic earnings per share	22.8p	20.5p	21.2p	24.9p
Diluted earnings per share	22.5p	20.2p	20.8p	24.5p

6 Finance income

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Interest receivable on loans to Joint Venture veterinary practices	0.4	0.2
Other interest receivable	2.3	0.0
Total finance income	2.7	0.2

7 Finance expense

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Bank loans at effective interest rate	4.6	3.2
Underlying interest expense on lease liability	11.4	11.4
Non-underlying interest expense on lease liability	1.0	-
Non-underlying accelerated amortisation on debt issue costs	-	0.7
Total finance expense	17.0	15.3

8 Taxation

Recognised in the income statement

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Current tax expense		
Current period	24.2	23.6
Adjustments in respect of prior periods	(0.9)	(0.6)
Current tax expense	23.3	23.0
Deferred tax expense		
Origination and reversal of temporary differences	(0.6)	1.1
Impact of difference between deferred and current tax rates	(0.1)	0.2
Adjustments in respect of prior periods	(0.8)	(0.1)
Deferred tax expense	(1.5)	1.2
Total tax expense	21.8	24.2

The UK corporation tax standard rate for the period was 19% (2022: 19%). Deferred tax at 30 March 2023 has been calculated based on the rate of 25% which is the rate at which the majority of items are expected to reverse. This is due to the increase in the main rate of corporation tax to 25% from April 2023, which was substantively enacted on 24 May 2021.

Notes (forming part of the financial statements) continued

8 Taxation continued

Deferred tax recognised in comprehensive income

	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
Effective portion of changes in fair value of cash flow hedges (note 22)	(1.3)	1.2

Reconciliation of effective tax rate

	52 week period ended 30 March 2023			53 week period ended 31 March 2022		
	Underlying trading £m	Non-underlying items £m	Total £m	Underlying trading £m	Non-underlying items £m	Total £m
Profit for the period	112.0	(11.3)	100.7	105.8	18.7	124.5
Total tax expense/(credit)	24.4	(2.6)	21.8	24.3	(0.1)	24.2
Profit excluding taxation	136.4	(13.9)	122.5	130.1	18.6	148.7
Tax using the UK corporation tax rate for the period of 19% (53 week period ended 31 March 2022: 19%)	25.9	(2.6)	23.3	24.7	3.5	28.2
Impact of difference between deferred and current tax rates	(0.1)	–	(0.1)	0.2	–	0.2
Depreciation on expenditure not eligible for tax relief	0.8	–	0.8	0.6	–	0.6
Capital allowances super-deduction	(1.7)	–	(1.7)	(0.8)	–	(0.8)
Expenditure not eligible for tax relief	1.1	–	1.1	0.3	–	0.3
Non-taxable income	–	–	–	–	(3.6)	(3.6)
Adjustments in respect of prior periods	(1.6)	–	(1.6)	(0.7)	–	(0.7)
Total tax expense	24.4	(2.6)	21.8	24.3	(0.1)	24.2

The UK corporation tax standard rate for the 52 week period ended 30 March 2023 was 19% (53 week period ended 31 March 2022: 19%). The effective tax rate before non-underlying items for the 52 week period ended 30 March 2023 was 17.9% (53 week period ended 31 March 2022: 18.7%).

9 Dividends paid and proposed

	Group and Company	
	52 week period ended 30 March 2023 £m	53 week period ended 31 March 2022 £m
<i>Declared and paid during the period</i>		
Final dividend of 7.5p per share (2021: 5.5p per share)	37.0	27.2
Interim dividend of 4.5p per share (2022: 4.3p per share)	21.7	21.3
<i>Proposed for approval by shareholders at the AGM</i>		
Final dividend of 8.3p per share (2022: 7.5p per share)	40.1	37.5

The trustees of the following holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trust have waived or otherwise foregone any and all dividends paid in relation to the periods ended 30 March 2023 and 31 March 2022 and to be paid at any time in the future (subject to the exceptions in the relevant trust deed) on its respective shares for the time being comprised in the trust funds:

Computershare Nominees (Channel Islands) Limited (holding at 30 March 2023: 5,323,525 shares; holding at 31 March 2022: 3,363,989 shares).

10 Business combinations

In the 52 week period ended 30 March 2023, the Group has acquired 100% of the 'A' shares of six veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares, equating to 50% of the total shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.4.

In the 52 week period ended 30 March 2023, £2.0m of operating loans relating to these practices were written off in advance of the acquisitions.

Up to the date of acquisition and in the comparative period being the 53 week period ending 31 March 2022, these entities listed below were all accounted for as a Joint Venture veterinary practice where the Group held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices on the dates below, leading to control from the date of acquisition and consolidation from that date forward.

Subsidiaries acquired in the 52 week period ended 30 March 2023

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £m
Accrington Vets4Pets Limited	Veterinary practice	16/06/2022	50%	100%	0.0
Companion Care (Banbury) Limited	Veterinary practice	24/06/2022	50%	100%	0.0
Companion Care (Chippenham) Limited	Veterinary practice	28/06/2022	50%	100%	0.0
Bangor Wales Vets4Pets Limited	Veterinary practice	19/10/2022	50%	100%	0.0
Newtownards Vets4Pets Limited	Veterinary practice	24/11/2022	50%	100%	0.0
Companion Care (Llantrisant) Limited	Veterinary practice	07/03/2023	50%	100%	0.5

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group. On acquisition, assets and liabilities are revalued to fair value. Pre existing relationships between the Group and acquired Joint Venture practices are not considered part of the business combination and have been removed from the fair values of assets and liabilities recognised on acquisition.

	Book value of assets and liabilities acquired £m	Adjustments on acquisition £m	Fair value of assets and liabilities acquired £m
Current assets			
Cash and cash equivalents	0.1	-	0.1
Trade and other receivables	0.1	-	0.1
Inventories	0.1	-	0.1
Non-current assets			
Tangible fixed assets	0.3	-	0.3
Intangible assets	0.1	0.3	0.4
Non-current liabilities			
Lease liabilities	0.0	-	0.0
Current liabilities			
Bank loans	(0.2)	-	(0.2)
Overdrafts	(0.2)	-	(0.2)
Partner loans	(0.4)	0.4	-
Trade and other payables	(2.4)	2.1	(0.3)
Net (liabilities)/assets	(2.5)	2.8	0.3

Goodwill arising on acquisition

	£m
Consideration	0.5
Less: Fair value of assets acquired	(0.3)
Goodwill arising on acquisition	0.2
Impairment of goodwill	-
Carrying value of goodwill	0.2

The consideration shown within the table above relates to both consideration for the purchase of A-shares and cash settlement of 'A' shareholder Joint Venture Partner loans, which were repaid to the 'A' shareholder at the point of acquisition.

The goodwill acquired on the purchase of the six Joint Venture practices has been allocated to the Vet Group CGU.

In line with IFRS3, the right-of-use asset has been brought on at a value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices.

Notes (forming part of the financial statements) continued

10 Business combinations continued

Goodwill arising on acquisition continued

In the 53 week period ended 31 March 2022, the Group acquired 100% of the 'A' shares of 11 veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares, equating to 50% of the total shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.4.

In the 53 week period ended 31 March 2022, £2.3m of operating loans relating to these practices were written off in advance of the acquisitions.

Subsidiaries acquired in the 53 week period ended 31 March 2022

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £m
South Shields Quays Vets4Pets Limited	Veterinary practice	8 April 2021	50%	100%	-
Companion Care (Barnsley Cortonwood) Limited	Veterinary practice	29 April 2021	50%	100%	-
Crewe Vets4Pets Limited	Veterinary practice	20 July 2021	50%	100%	-
Lancaster Vets4Pets Limited	Veterinary practice	19 August 2021	50%	100%	0.9
Companion Care (Ely) Limited	Veterinary practice	13 September 2021	50%	100%	0.7
Kendal Vets4Pets Limited	Veterinary practice	29 October 2021	50%	100%	-
Denbigh Vets4Pets Limited	Veterinary practice	15 November 2021	50%	100%	-
Runcorn Vets4Pets Limited	Veterinary practice	20 December 2021	50%	100%	-
Huddersfield Vets4Pets Limited	Veterinary practice	16 March 2022	50%	100%	-
Blackpool Warbreck Vets4Pets Limited	Veterinary practice	18 March 2022	50%	100%	0.5
Northwich Vets4Pets Limited	Veterinary practice	22 March 2022	50%	100%	-

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

	Book value of assets and liabilities acquired £m	Adjustments on acquisition £m	Fair value of assets and liabilities acquired £m
Current assets			
Cash and cash equivalents	0.7	-	0.7
Trade and other receivables	0.0	-	0.0
Inventories	0.1	-	0.1
Non-current assets			
Tangible fixed assets	0.9	-	0.9
Right-of-use assets	0.8	-	0.8
Intangible assets	-	0.7	0.7
Non-current liabilities			
Lease liabilities	(0.8)	-	(0.8)
Current liabilities			
Bank loans	(1.5)	-	(1.5)
Overdrafts	(0.3)	-	(0.3)
Trade and other payables	(3.2)	-	(3.2)
Net (liabilities)/assets	(3.3)	0.7	(2.6)

Goodwill arising on acquisition of veterinary practice subsidiaries in 53 week period ended 31 March 2022

	£m
Consideration	2.1
Less: Fair value of assets acquired	2.6
Goodwill arising on acquisition	4.7
Impairment of goodwill	(3.7)
Carrying value of goodwill	1.0

The consideration shown within the table above relates to both consideration for the purchase of A-shares and cash settlement of 'A' shareholder Joint Venture Partner loans, which were repaid to the 'A' shareholder at the point of acquisition. The impairment of goodwill relates to loss making practices.

In line with IFRS3, the right-of-use asset has been brought on at value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices.

The goodwill acquired on the purchase of the 11 Joint Venture practices has been allocated to the Vet Group CGU.

During the 52 week period ended 30 March 2023, the Group invested £1.0m in Project Blu Ltd, a sustainable pet product company, and acquired 8.7% of the shares.

During the 53 week period ended 31 March 2022, the Group invested £0.0m in Dog Stay Limited. The Group's percentage stake in Dog Stay Limited has remained unchanged at 12% following the investment.

11 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Fixtures, fittings, tools and equipment £m	Assets under construction £m	Total £m
Cost					
Balance at 31 March 2022	2.4	65.7	261.6	12.7	342.4
Additions	–	11.7	34.5	19.1	65.3
On acquisition (note 10)	–	0.2	0.1	–	0.3
Brought into use	–	0.8	0.8	(1.6)	–
Transfers ¹	–	–	–	(1.7)	(1.7)
Disposals	–	(0.4)	(0.6)	–	(1.0)
Balance at 30 March 2023	2.4	78.0	296.4	28.5	405.3
Depreciation					
Balance at 31 March 2022	0.4	32.9	200.2	–	233.5
Depreciation charge for the period	0.0	4.4	21.7	–	26.1
Disposals	–	(0.6)	(0.6)	–	(1.2)
Balance at 30 March 2023	0.4	36.7	221.3	–	258.4
Net book value					
At 31 March 2022	2.0	32.8	61.4	12.7	108.9
At 30 March 2023	2.0	41.3	75.1	28.5	146.9

1 Included within the cost of assets under construction brought forward at 31 March 2022 was £1.7m which related to software assets under construction. These have been reallocated to intangible assets as at 30 March 2023.

	Freehold property £m	Leasehold improvements £m	Fixtures, fittings, tools and equipment £m	Assets under construction £m	Total £m
Cost					
Balance at 25 March 2021	2.4	62.4	245.3	–	310.1
Additions	–	6.7	17.6	9.3	33.6
On acquisition (note 10)	–	0.8	0.1	–	0.9
Transfers ¹	–	(3.4)	–	3.4	–
Disposals	–	(0.8)	(1.4)	–	(2.2)
Balance at 31 March 2022	2.4	65.7	261.6	12.7	342.4
Depreciation					
Balance at 25 March 2021	0.3	29.4	180.8	–	210.5
Depreciation charge for the period	0.1	4.1	21.2	–	25.4
Disposals	–	(0.6)	(1.8)	–	(2.4)
Balance at 31 March 2022	0.4	32.9	200.2	–	233.5
Net book value					
At 25 March 2021	2.1	33.0	64.5	–	99.6
At 31 March 2022	2.0	32.8	61.4	12.7	108.9

1 Included within the cost of leasehold improvements brought forward at 25 March 2021 was £3.4m which related to assets under construction. These have been reallocated to assets under construction as at 31 March 2022.

Notes (forming part of the financial statements) continued

12 Leases

As Lessee

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

The majority of the Group's trading stores, standalone veterinary practices, Distribution Centres and Support Offices are leased under operating leases with remaining lease terms of between 1 and 20 years. The Group also has a number of non-property operating leases relating to vehicle, equipment and material handling equipment with remaining lease terms of between 1 and 6 years.

Right-of-use assets

	Property £m	Equipment £m	Total £m
Cost			
Balance at 31 March 2022	531.6	16.6	548.2
Additions	83.4	4.0	87.4
Cost reallocation ¹	(0.2)	–	(0.2)
Disposals	–	(0.3)	(0.3)
Balance at 30 March 2023	614.8	20.3	635.1
Depreciation			
Balance at 31 March 2022	199.2	8.9	208.1
Depreciation charge for the period	64.1	3.4	67.5
Cost reallocation ¹	0.2	–	0.2
Disposals	–	(0.3)	(0.3)
Balance at 30 March 2023	263.5	12.0	275.5
Net book value			
At 31 March 2022	332.4	7.7	340.1
At 30 March 2023	351.3	8.3	359.6

¹ Included within the cost of property right-of use assets brought forward at 31 March 2022 was £0.2m which related to accumulated amortisation. This has been reallocated to accumulated amortisation and has no impact on net book value.

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of IFRS16 (leases with a contract term of less than 12 months) amounted to £0.1m in the 52 week period ended 30 March 2023.

	Property £m	Equipment £m	Total £m
Cost			
Balance at 25 March 2021	493.5	14.7	508.2
Additions	37.6	2.9	40.5
On acquisition (note 10)	0.8	–	0.8
Disposals	(0.3)	(1.0)	(1.3)
Balance at 31 March 2022	531.6	16.6	548.2
Depreciation			
Balance at 25 March 2021	132.8	6.7	139.5
Depreciation charge for the period	66.5	3.2	69.7
Disposals	(0.1)	(1.0)	(1.1)
Balance at 31 March 2022	199.2	8.9	208.1
Net book value			
At 25 March 2021	360.7	8.0	368.7
At 31 March 2022	332.4	7.7	340.1

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of IFRS16 (leases with a contract term of less than 12 months) amounted to £0.1m in the 53 week period ended 31 March 2022.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date:

Maturity analysis – contractual undiscounted cash flows

	At 30 March 2023 £m	At 31 March 2022 £m
Less than one year	83.3	78.3
Between one and three years	145.3	137.9
Between three and five years	99.5	99.0
Between five and ten years	103.9	94.3
More than ten years	59.4	13.8
Total undiscounted lease liabilities	491.4	423.3
Carrying value of lease liabilities included in the statement of financial position	421.4	383.0
Current	83.3	78.3
Non-current	338.1	304.7

For the lease liabilities at 30 March 2023 a 0.1% change in the discount rate used would have increased the carrying value of lease liabilities by £1.8m (31 March 2022: £1.4m).

Following increases in Bank of England interest rates in the 52 week period ended 30 March 2023, the Group has reviewed and subsequently revised the interest rates implicit in new leases and lease extensions in line with IFRS 16. The revised rates used are between 4.8% and 5.4% and vary according to the length of the lease.

Surplus leases

The Group has a small number of leases on properties from which it no longer trades. A small number of these properties are currently vacant or the sublet is not for the full term of the lease and there is deemed to be a risk on the sublet. These leases are included within the lease balances disclosed on the face of the balance sheet and a related provision has been made for other property costs relating to these properties.

Short term leases

The Group has a small number of leases on properties from which it no longer trades, or a subsection of a trading retail store. These properties are sublet to third parties at contracted rates.

In line with IAS36, the carrying value of the right-of-use asset will be assessed for indicators of impairment and an impairment charge will be recognised if necessary. An onerous lease provision was recognised where management believed there was a risk of default or where the property remained vacant for a period of time. As part of this review the Group has assessed the ability to sub-lease the property and the right-of-use asset has been written down to £nil where the Group does not consider a sublease likely.

13 Intangible assets

	Goodwill £m	Customer lists and 'know-how' £m	Software £m	Software under construction £m	Total £m
Cost					
Balance at 31 March 2022	959.1	6.7	68.3	–	1,034.1
Additions	–	–	5.5	4.5	10.0
On acquisition (note 10)	0.2	0.4	–	–	0.6
Transfers ¹	–	–	(4.0)	5.7	1.7
Brought into use	–	–	1.9	(1.9)	–
Disposals	–	(0.1)	–	–	(0.1)
Balance at 30 March 2023	959.3	7.0	71.7	8.3	1,046.3
Amortisation					
Balance at 31 March 2022	0.1	1.0	45.9	–	47.0
Amortisation charge for the period	–	0.7	9.1	–	9.8
Balance at 30 March 2023	0.1	1.7	55.0	–	56.8
Net book value					
At 31 March 2022	959.0	5.7	22.4	–	987.1
At 30 March 2023	959.2	5.3	16.7	8.3	989.5

¹ Included within the cost of assets under construction in fixed assets brought forward at 31 March 2022 was £1.7m which related to software assets under construction. These have been reallocated to intangible assets as at 30 March 2023. A further £4.0m of software assets under construction were classified as software assets in use at 31 March 2022. These have been reallocated to software assets under construction.

Notes (forming part of the financial statements) continued

13 Intangible assets continued

	Goodwill £m	Customer lists and 'know-how' £m	Software £m	Total £m
Cost				
Balance at 25 March 2021	958.5	6.2	55.7	1,020.4
Additions	–	–	15.5	15.5
On acquisition (note 10)	1.0	0.7	–	1.7
Disposals	(0.4)	(0.2)	(2.9)	(3.5)
Balance at 31 March 2022	959.1	6.7	68.3	1,034.1
Amortisation				
Balance at 25 March 2021	0.1	0.4	40.4	40.9
Amortisation charge for the period	–	0.7	8.1	8.8
Disposals	–	(0.1)	(2.6)	(2.7)
Balance at 31 March 2022	0.1	1.0	45.9	47.0
Net book value				
At 25 March 2021	958.4	5.8	15.3	979.5
At 31 March 2022	959.0	5.7	22.4	987.1

Impairment testing

Cash generating units ('CGUs'), as defined by IAS36, within the Group are considered to be aligned to three operating segments as shown in the table below. Within the Retail operating segment, the CGU comprises the body of stores, online operations, grooming operations and insurance operations. Within the Vet Group operating segment, the CGU comprises the General Practice veterinary practices. The veterinary telehealth business, hereafter disclosed as The Vet Connection (TVC) CGU, forms part of the Central operating segment. Revenue and costs are allocated to a segment and CGU where reasonably possible.

As at 30 March 2023 and 31 March 2022, the Group is deemed to have CGUs as follows:

	Goodwill	
	At 30 March 2023 £m	At 31 March 2022 £m
Retail	586.1	586.1
TVC	11.1	11.1
Vet Group	362.0	361.8
Total	959.2	959.0

The recoverable amount of the CGU has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	52 week period ended 30 March 2023			53 week period ended 31 March 2022		
	Retail	Vet Group	TVC	Retail	Vet Group	TVC
Period on which management approved forecasts are based (years)	5	5	5	5	5	5
Growth rate applied beyond approved forecast period	2.0%	3.5%	2.0%	2.0%	3.5%	2.0%
Discount rate (pre-tax)	12%	11%	11%	11%	11%	11%
Like-for-like sales growth	8%	10%	34%	7%	10%	35%
Gross profit margin (average over next 5 years)	46%	61%	61%	48%	63%	59%

The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on 'value-in-use' calculations. These calculations use a post-tax cash flow projection based on a five-year plan approved by the Board. For the purposes of intangible asset impairment testing, the model removes all cash flows associated with business units (for example stores or practices yet to open, but within the planning horizon) which the Group has a strategic intention to invest capital in, but has not yet done so, thus ensuring that the future cash flows used in modelling for impairment exclude any cash flows where the investment is yet to take place, in accordance with the requirements of IAS36 to exclude capital expenditure to improve asset performance. Contributions from and costs associated with new stores and veterinary practices which are already operational at the impairment test date are included in the cash flows. The Group reviews components within CGUs such as stores and veterinary practices for indicators of impairment. This approach is consistent with impairment reviews carried out in the 2022 financial statements.

The key assumptions in the business plans for the Retail, Vet Group and TVC CGUs are like-for-like sales growth and gross profit margin. The Retail forecast assumptions reflect continual innovation and our deep understanding of our customers, incorporating assumptions based on past experience of the industry, products and markets in which the CGU operates, in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The Vet Group forecast assumptions are based on a deep understanding of the maturity profile of the practices and their performance, incorporating assumptions based on past experience of the industry, services and markets in which the CGU operates in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The TVC forecast assumptions are based on building on the linkages between the three operating segments and increasing the Group's service offering. These linkages are embedded in the revenue growth assumption as a result of offering online veterinary consultations as an additional service to Joint Venture veterinary practices. The projections are based on all available information and growth rates do not exceed growth rates experienced in prior periods. A different set of assumptions may be more appropriate in future years depending on changes in the macro-economic environment and the industry in which each CGU operates. The Group has considered the impact of climate change and in particular the risks identified in the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis conducted in undertaking this assessment.

The discount rate was estimated based on past experience and a market participant weighted average cost of capital. A post tax discount rate was used within the value in use calculation and adjustments made to calculate the pre-tax discount rate which is disclosed above in line with IAS36 requirements.

The Directors have assumed a growth rate projection beyond the five-year period based on market growth rates based on past experience within the Group, taking into account the economic growth forecasts within the relevant industries. The long-term growth rate in the Vet Group and TVC CGUs exceed the long-term average for the UK but is an appropriate rate due to the growth in the pet care industry.

The total recoverable amount in respect of goodwill for the CGU group as assessed by the Directors using the above assumptions is greater than the carrying amount and therefore no impairment charge has been recorded in each period.

Within the Retail, Vet Group and TVC CGUs, a number of sensitivities have been applied to the assumptions in reaching this conclusion including:

- Reduction in growth rate applied beyond forecast period by 100 bps
- Increasing the discount rate by 100 bps
- Reduction in gross margin percentage of 100 bps

None of the above, considered reasonably possible changes in assumptions, would result in impairment when applied either individually or collectively.

The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess of the recoverable amount over the carrying value.

14 Inventories

	At 30 March 2023 £m	At 31 March 2022 £m
Finished goods	108.6	84.5

The cost of inventories recognised as an expense and included in 'cost of sales' is £642.6m (53 week period ended 31 March 2022: £585.3m).

Inventory expensed to cost of sales includes the cost of the Stock Keeping Units ('SKUs') sold, supplier income, stock wastage and foreign exchange variances.

At 30 March 2023 the inventory provision amounted to £4.0m (31 March 2022: £3.9m). The inventory provision is calculated by reference to the age of the SKU and the length of time it is expected to take to sell. The provision percentages applied in calculating the provision are as follows:

- Discontinued stock greater than 365 days: 100%
- Current stock greater than 365 days with a use by date: 50%
- Current stock within 180 and 365 days with a use by date: 25%
- Greater than 180 days with no use by date: 25%

In addition, a provision is held to account for store stock losses during the period since which the SKU was last counted. The value of inventory against which an ageing provision is held is £8.4m (31 March 2022: £10.3m).

In the 52 week period ended 30 March 2023, the value of inventory written off to the income statement amounted to £9.6m (53 week period ended 31 March 2022: £7.6m).

Notes (forming part of the financial statements) continued

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 30 March 2023			At 31 March 2022		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Property, plant and equipment	-	(2.2)	(2.2)	1.9	-	1.9
Financial assets	1.0	-	1.0	(0.0)	-	(0.0)
Financial liabilities	-	(0.5)	(0.5)	-	(0.8)	(0.8)
Other short term timing differences	3.4	(0.9)	2.5	0.9	(4.0)	(3.1)
Share based payments	1.1	-	1.1	3.1	-	3.1
Net deferred tax assets/(liabilities)	5.5	(3.6)	1.9	5.9	(4.8)	1.1

Movement in deferred tax during the period

	31 March 2022 £m	Recognised in income £m	Recognised in equity £m	30 March 2023 £m
Property, plant and equipment	1.9	(4.1)	-	(2.2)
Net financial assets/(liabilities)	(0.8)	-	1.3	0.5
Other short term timing differences	(3.1)	5.6	-	2.5
Share based payments	3.1	-	(2.0)	1.1
	1.1	1.5	(0.7)	1.9

Other short-term timing differences primarily relate to inventory provisions.

Movement in deferred tax during the prior period

	25 March 2021 £m	Recognised in income £m	Recognised in equity £m	31 March 2022 £m
Property, plant and equipment	3.5	(1.6)	-	1.9
Net financial assets/(liabilities)	0.4	-	(1.2)	(0.8)
Other short-term timing differences	(3.5)	0.4	-	(3.1)
Share based payments	3.4	-	(0.3)	3.1
	3.8	(1.2)	(1.5)	1.1

Company

Movement in deferred tax during the period

	31 March 2022 £m	Recognised in income £m	Recognised in equity £m	30 March 2023 £m
Net financial liabilities	(0.3)	-	(0.1)	(0.4)
Other short term timing differences	-	2.1	-	2.1
Share based payments	3.1	-	(2.0)	1.1
	2.8	2.1	(2.1)	2.8

The rate used to calculate deferred tax assets and liabilities is 25% based on the rate at which the majority of items are expected to reverse.

Movement in deferred tax during the prior period

	25 March 2021 £m	Recognised in income £m	Recognised in equity £m	31 March 2022 £m
Net financial assets/(liabilities)	0.3	-	(0.6)	(0.3)
Share based payments	3.4	-	(0.3)	3.1
	3.7	-	(0.9)	2.8

The rate used to calculate deferred tax assets and liabilities is 22% based on a blended rate at which the majority of items are expected to reverse.

16 Other financial assets and liabilities

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Non-current assets				
Investments in Joint Venture veterinary practices	0.4	0.2	-	-
Loans to Joint Venture veterinary practices – initial set up loans	6.6	8.6	-	-
Loans to Joint Venture veterinary practices – other loans	1.2	2.1	-	-
Other investments	2.1	1.1	-	-
Other receivables	0.6	0.5	-	-
Interest rate swaps	-	1.6	-	1.6
Fuel forward contracts	-	0.0	-	-
	10.9	14.1	-	1.6

Investments in Joint Venture veterinary practices

Investments represent £0.4m (2022: £0.2m) of the 'B' share capital in Joint Venture veterinary practice companies. These investments are held at cost less impairment. The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory. The share capital of the veterinary practice companies is split equally into 'A' ordinary shares (held by Joint Venture Partners) and 'B' ordinary shares (held by the Group). Any operational decisions require the agreement of the Joint Venture Partner.

Under the terms of the agreements, the Group ('B' shareholder) is not entitled to any profits, losses or dividends, or any surplus on winding up or disposal, although it is entitled to appoint Directors to the Board and carry the same shareholder voting rights as 'A' ordinary shareholders.

The agreements entitle the Group to receive income in relation to support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property.

Loans to Joint Venture veterinary practices – initial set up loans

Loans to Joint Venture veterinary practices of £6.6m (2022: £8.6m) are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long-term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost under IFRS9. The carrying value is cost as the impact of discounting future cash flows at a market rate of interest has been assessed as not material. Under the terms of the loans provided to veterinary companies trading under the Companion Care and Vets4Pets brands the loans attract varying interest rates between 2% and 3%. There is no set date for repayment of the loans due to the Group.

The balances are shown net of an expected credit loss ('ECL') of £1.0m (2022: £1.2m).

	Gross loan value £m	Expected credit loss £m	Carrying value of loan £m
As at 31 March 2022	9.8	(1.2)	8.6
Net repayment and further advances	(2.2)	-	(2.2)
Provisions utilised during the period	-	0.2	0.2
As at 30 March 2023	7.6	(1.0)	6.6

Analysis of expected credit loss by risk category

The following table presents an analysis of the credit risk and credit impairment of initial set up loans held at amortised cost. The loans are categorised as performing, significant increase in credit risk or in default in accordance with the policy set out in note 1.16. The loss allowance is calculated depending on the credit risk of each loan, the Group's expectations of future cash flow recoverability and practice age in accordance with the policy set out in note 1.16.

Credit risk	At 30 March 2023 £m	At 31 March 2022 £m
Performing	6.6	8.1
Significant increase in credit risk	1.0	1.7
Gross carrying amount	7.6	9.8
Loss allowance	(1.0)	(1.2)
Net carrying amount	6.6	8.6

Notes (forming part of the financial statements) continued

16 Other financial assets and liabilities continued

Loans to Joint Venture veterinary practices – other loans

Loans to Joint Venture veterinary practices – other loans of £1.2m (2022: £2.1m) represent loan balances to Joint Venture veterinary practices. These loans are unsecured, typically for five to seven years and attract an interest rate of SONIA plus 2.8%. The loans are accounted for at amortised cost under IFRS9. The carrying value is considered to be cost as the impact of discounting future cash flows at a market rate of interest has been assessed as not material. The loans are typically to support capacity expansion. The balances have been assessed under the criteria in note 1.16 as fully performing. Any expected credit losses are immaterial (2022: £nil).

	Gross loan value £m	Expected credit loss £m	Carrying value of loan £m
As at 31 March 2022	2.1	–	2.1
Net repayment and further advances	(0.9)	–	(0.9)
Provisions made during the period	–	–	–
As at 30 March 2023	1.2	–	1.2

Other investments

Other investments are held at fair value through other comprehensive income ('FVOCI'). The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Other financial assets				
Non-current assets				
Interest rate swaps	–	1.6	–	1.6
	–	1.6	–	1.6

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Other financial assets				
Current assets				
Fuel forward contracts	–	0.5	–	–
Interest rate swaps	2.0	–	2.0	–
Forward exchange contracts	–	2.2	–	–
Other receivables	0.2	0.3	–	–
	2.2	3.0	2.0	–

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Other financial liabilities				
Current liabilities				
Fuel forward contracts	(0.3)	–	–	–
Forward exchange contracts	(3.4)	(0.0)	–	–
	(3.7)	(0.0)	–	–

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Non-current liabilities				
Interest rate swaps	(0.4)	–	(0.4)	–
	(0.4)	–	(0.4)	–

17 Trade and other receivables

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Current assets				
Trade receivables	13.5	14.9	–	–
Amounts owed by Joint Venture veterinary practices – operating loans	10.4	15.2	–	–
Amounts owed by Joint Venture veterinary practices – trading balances	11.5	–	–	–
Other receivables	5.7	13.1	–	–
Prepayments	3.4	1.7	–	–
Accrued income	7.3	8.8	–	–
Non-current assets				
Amounts owed by Group undertakings	–	–	578.4	600.2
	51.8	53.7	578.4	600.2

Trade and other receivables

The impairment of trade and other receivables is assessed in line with IFRS9. As at 30 March 2023 and 31 March 2022 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

The Group applies the simplified approach under IFRS9 and default to lifetime expected credit loss. The ECL is immaterial on the trade receivables balance for the 52 week period ended 30 March 2023 (53 week period ended 31 March 2022: £nil).

Amounts owed by Joint Venture veterinary practices

Amounts owed by Joint Venture veterinary practices represent trading balances and operating loans owed by Joint Venture veterinary practices to the Group.

The impairment of amounts owed by Joint Venture Veterinary practices relating to trading balances are assessed in line with IFRS 9. As at 30 March 2023 and 31 March 2022, the impact of expected credit loss on these balances was deemed to be immaterial due to the short term nature of these balances and as such no provision has been made.

Operating loans are provided on a short-term monthly cycle to the extent that a practice requires additional funding above their external bank loan. Practices generate cash on a monthly basis which is applied to the repayment of brought forward operating loans. For immature practices, loan balances may increase due to operating requirements. Based on a projected cash flow forecast on a practice by practice basis, the funding is expected to be required for a number of years, however as cash is applied against opening loan balances, the Group's expectation is that the brought forward balance will be repaid in cash within 12 months. The loans have been classified as current on this basis and the Group has chosen not to charge interest on these balances, and they are initially recognised under IFRS9 at their nominal value as the effect of discounting the expected cash flows based on the effective interest rate at the market rate of interest is not material. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. No facility exists and the levels of loans are monitored in relation to review of the practices' performance against business plan and a number of financial and non-financial KPIs in accordance with the policy set out in note 1.16.

For those practices in default, a credit impairment charge is recognised under IFRS9 taking into account the Group's expectations of future cash flow recoverability. For other practices, a credit impairment charge is recognised under IFRS9, taking into account both the probability of loss and the loss proportion given default.

The balances above are shown net of allowances for expected credit losses held for operating loans of £3.4m (2022: £5.0m). The basis for this allowance and the movement in the period is set out below.

Group

	Gross loan value £m	Expected credit loss £m	Carrying value of loan £m
As at 31 March 2022	20.2	(5.0)	15.2
Loans written off	(2.0)	–	(2.0)
Net repayment and further advances	(4.4)	–	(4.4)
Utilisation of provision	–	1.3	1.3
Release of impairment recognised during the period	–	0.3	0.3
As at 30 March 2023	13.8	(3.4)	10.4

During the 52 week period ended 30 March 2023, £2.0m of operating loans which were deemed to be in default were written off in advance of the acquisition of the 'A' shares (53 week period ended 31 March 2022: £2.3m) which led to the control and consolidation of these practices. Further details of these acquisitions are provided in note 10.

Notes (forming part of the financial statements) continued

17 Trade and other receivables continued

Group continued

The Group holds expected credit losses of £3.4m against operating loans of £13.8m (31 March 2022: ECLs of £5.0m against operating loans of £20.2m). The movements are shown in the table above. The Group continues to work with a number of Joint Venture Partners, where the partners choose to follow the Group's recommendations on remediation plans aimed at improving practice performance. Further details regarding credit risk are provided in note 1.16.

The following table presents an analysis of the credit risk and credit impairment of operating loans held at amortised cost. Based on their future cash flow forecast, loans are categorised as performing or in default. The loss allowance is calculated in accordance with the policy set out in note 1.16, depending on the credit risk of each loan.

Credit risk	At 30 March 2023 £m	At 31 March 2022 £m
Performing	9.1	9.5
In default	4.7	10.7
Gross carrying amount	13.8	20.2
Loss allowance	(3.4)	(5.0)
Net carrying amount	10.4	15.2

Should forecast cash flows, as defined by the risk criteria in note 1.16, decrease by 0.5% over the 10-year time horizon, this would lead to an increase in the required provision for operating loans of £0.8m (31 March 2022: £1.2m). This sensitivity is considered by management to represent a reasonably possible range of estimation uncertainty, based on the variance in current trading performance within these Joint Venture veterinary practices. The factors which give rise to the estimation uncertainty include macro-economic and industry specific factors, including the level of industry growth, as well as gross margin percentages achieved within the industry, which contain a number of factors including the availability of suitably qualified veterinary personnel. Further details are provided in note 27.

Accrued income

Accrued income relates to income in relation to fees to Joint Venture veterinary practices and override and promotional income from suppliers which have not yet been invoiced. Accrued income is classified as current as it is expected to be invoiced and received within 12 months of the period end date. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. As detailed in note 1.19, supplier income is recognised as a credit within gross margin to cost of sales and is outside of the scope of IFRS15 and therefore a contract asset has not been separately recognised. Further detail of the Group's revenue recognition policy is provided in note 1.19.

Company

Amounts owed by Group undertakings

Amounts owed by Group undertakings are repayable on demand bearing no interest but there is no valid expectation that it will be settled within the next 12 months.

18 Cash and cash equivalents

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Cash and cash equivalents	178.0	166.0	0.4	-

19 Other interest-bearing loans and borrowings

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Non-current liabilities				
Unsecured bank loans	97.3	96.9	97.3	96.9
Asset backed loans	22.0	-	-	-
Total	119.3	96.9	97.3	96.9

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Current liabilities				
Asset backed loans	1.2	–	–	–

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 30 March 2023 £m	Carrying amount at 30 March 2023 £m	Face value at 31 March 2022 £m	Carrying amount at 31 March 2022 £m
Revolving credit facility	GBP	SONIA +1.35%	2027	100.0	97.3	100.0	96.9
Asset backed loan	GBP	SONIA +1.50%	2030	23.3	23.2	–	–

The drawn amount on the £300.0m revolving credit facility was £100.0m at 30 March 2023 (drawn amount on the £300m revolving credit facility was £100.0m at 31 March 2022) and this amount is reviewed each month. Interest is charged at SONIA plus a margin based on leverage on a pre-IFRS16 basis (net debt: EBITDA). The loan also has ESG linked metrics which will be reflected in the margin payable, which is +/- 5bps. Face value represents the principal value of the revolving credit facility. The facility is unsecured.

On 27 March 2023, the Group entered into a loan agreement to fund the purchase of capital items. The drawn amount on the £26m facility at 30 March 2023 was £23.3m. Interest is charged on the amount drawn at SONIA plus 1.5%. The Group will make monthly repayments until the loan matures on 27 March 2030. The repayments do not begin until the full facility has been drawn.

Interest-bearing borrowings are recognised initially at fair value, being the principal value of the loan net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at a carrying value, which represents the amortised cost of the loans using the effective interest method.

The analysis of repayments on the loans is as follows:

	At 30 March 2023 £m	At 31 March 2022 £m
Within one year or repayable on demand	1.2	–
Between one and two years	3.7	–
Between two and five years	111.2	100.0
Greater than five years	7.2	–
	123.3	100.0

The £100m revolving credit facility at 30 March 2023 is held by the Company. The £23.3m of asset backed loan are held by Pets at Home Limited, a 100% owned subsidiary company.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Group has fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which expire on 25 September 2023. From 25 September 2023 the Group has new fixed interest rate swap agreements covering £50.0m of senior facility borrowing at a blended fixed rate of 5.058%.

The hedges are structured to hedge at least 70% of the forecast outstanding debt for the next 12 months.

Analysis of changes in net debt

	At 31 March 2022 £m	Cash flow £m	Non-cash movement £m	At 30 March 2023 £m
Cash and cash equivalents	166.0	12.0	–	178.0
Debt due within one year at face value	–	(1.2)	–	(1.2)
Debt due after one year at face value	(100.0)	(22.1)	–	(122.1)
Net debt	66.0	(11.3)	–	54.7

Notes (forming part of the financial statements) continued

20 Trade and other payables

	Group		Company	
	At 30 March 2023 £m	At 31 March 2022 £m	At 30 March 2023 £m	At 31 March 2022 £m
Current				
Trade payables	155.5	118.5	–	–
Accruals and deferred income	68.5	62.8	1.5	0.4
Amounts owed to Joint Venture veterinary practices	4.5	9.2	–	–
Other payables including tax and social security	33.0	34.3	–	–
Amounts owed to Group undertakings	–	–	616.5	552.5
	261.5	224.8	618.0	552.9

Amounts owed to Joint Venture veterinary practices that relate to trading balances are interest free and repayable on demand.

Within accruals and deferred income above, contract liabilities under IFRS15 of £0.5m (2022: £0.7m) relate to advanced consideration received from customers in relation to gift vouchers, cards and points redeemable by charities. This revenue will be recognised as the vouchers, cards and points are redeemed, which is expected to be over the next two years.

Within accruals above, contract liabilities under IFRS15 of £1.9m (2022: £1.6m) relate to advanced consideration received from customers in relation to online orders which have not yet been delivered. This revenue will be recognised as the online orders are delivered to customers, which is expected to be in less than one week from the balance sheet date.

21 Provisions

	Dilapidation provision £m	Closed stores provision £m	Provisions for exit and closure costs relating to Joint Venture veterinary practices £m	Provision for exit and closure costs relating to existing Distribution Centres £m	Total £m
Balance at 31 March 2022	7.9	1.3	4.0	–	13.2
Provisions made during the period	1.6	–	0.6	3.7	5.9
Provisions utilised during the period	(0.3)	(0.1)	(1.9)	–	(2.3)
Provisions reclassified	–	(0.5)	0.5	–	–
Balance at 30 March 2023	9.2	0.7	3.2	3.7	16.8

	At 30 March 2023 £m	At 31 March 2022 £m
Current	3.9	6.5
Non-current	12.9	6.7
	16.8	13.2

As a result of the planned closure of the existing Distribution Centres, at 30 March 2023, the Group has a provision of £2.0m for voluntary redundancies for colleagues employed at those sites. The Group also holds a provision of £1.7m for retention bonuses payable to colleagues at the existing Distribution Centres provided they remain employed by the Group until the sites close. Further information is provided in note 3.

The closed stores provision relates to the rates, service charge and utilities payable on vacant stores. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between one and three years. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

The dilapidations provision relates to the expected cost of repairs on leased properties at future lease expiry dates. The timing of the utilisation of these provisions is variable depending on the expiry dates of the property leases concerned.

The provision is discounted in line with the discount rates used to calculate the value of a right-of-use asset. A decrease in this rate of 100 bps would increase the provision by £0.0m.

The provisions for exit and closure costs relating to Joint Venture veterinary practices relate to expenses for any Joint Venture veterinary practices that the Group has bought out or has offered to buy out from Joint Venture Partners, and therefore which have been provided for under IAS37. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 3 and 14 years. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

22 Capital and reserves

Share capital

Group

	Share capital Number	Share capital £m
At 25 March 2021	500,000,000	5.0
At 31 March 2022	500,000,000	5.0
At 30 March 2023	483,197,785	4.8

Company

	Share capital 30 March 2023 £m
At beginning of period	5.0
Nominal value of shares cancelled in year following purchase by the Group	(0.2)
On issue at period end - authorised	4.8

In the 52 week period ended 30 March 2023, the Company bought back and cancelled 16,802,215 ordinary shares for total consideration including stamp duty of £50.3m, at an average market value of 298 pence per share.

	Share capital 31 March 2022 £m
At beginning of period	5.0
On issue at period end - authorised	5.0

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Consolidation and Merger reserves

The consolidation reserve and the merger reserve arose as a result of the creation of Pets at Home Group Plc and its purchase of the existing group of companies as part of the Initial Public Offering in 2014. As part of the IPO, a number of shares in Plc were issued in exchange for various instruments or cash. The premium arising on the issue was allocated between the share premium and merger reserve. A consolidation reserve was also created which reflected the difference between Plc reserves and the consolidated equity of PAH Lux S.a.r.l as part of the IPO in 2014.

Capital redemption reserve

The capital redemption reserve comprised the par value of the 16.8m shares purchased and cancelled as part of the share buyback programme completed in the 52 week period ended 30 March 2023.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 21 November 2011, the date of incorporation of Pets at Home Asia Ltd where the functional currency differs from that of the rest of the Group.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings

Included within the Group is Pets at Home Employee Benefit Trust (EBT). The EBT purchases shares to fund the share option schemes. As at 30 March 2023, the EBT held 5,766,243 ordinary shares (31 March 2022: 3,363,989) with a cost of £19,546,982 (2022: £12,833,137). The average market value of these shares as at 30 March 2023 was 367.2 pence per share (31 March 2022: 361.40 pence per share).

Notes (forming part of the financial statements) continued

22 Capital and reserves continued

Other comprehensive income

30 March 2023

	Translation reserve £m	Cash flow hedging reserve £m	Total other comprehensive income £m
Other comprehensive income	(0.1)	–	(0.1)
Effective portion of changes in fair value of cash flow hedges	–	(10.6)	(10.6)
Deferred tax on changes in fair value of cash flow hedges	–	1.3	1.3
Total other comprehensive income	(0.1)	(9.3)	(9.4)

31 March 2022

	Translation reserve £m	Cash flow hedging reserve £m	Total other comprehensive income £m
Other comprehensive income	(0.0)	–	(0.0)
Effective portion of changes in fair value of cash flow hedges	(0.0)	7.9	7.9
Deferred tax on changes in fair value of cash flow hedges	0.0	(1.2)	(1.2)
Total other comprehensive income	(0.0)	6.7	6.7

23 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management framework

Risk management in respect of financial risk is carried out by the Group Treasury function under policies approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board provides written principles through its Group Treasury Policy for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The main objectives of the Group Treasury function are:

- To ensure shareholder and management expectations are managed on cash flow and earnings volatility resulting from financial market movements;
- To protect the expected cash flow and earnings from interest rate and foreign exchange fluctuations to within parameters acceptable to the Board and shareholders; and
- To control banking costs and service levels.

Market risk

Foreign currency risk

The Group sources a significant level of purchases in foreign currency, in the region of US\$105m each financial year, and monitors its foreign currency requirements through short, medium and long-term cash flow forecasting. The value of purchases in US dollars continues to increase each year and the risk management policy has evolved with this increased risk.

At 30 March 2023, the Group's policy is to hedge up to 95% of the next 12 months and additionally up to 60% of the following six months out to 18 months forecast foreign exchange transactions, using foreign currency bank accounts and forward foreign exchange contracts. The transactions are deemed to be 'highly probable' and are based on historical knowledge and forecast purchase and sales projections.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments, except for derivatives which are based on notional amounts:

30 March 2023

	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.3	6.8	-	7.1
Trade payables	(2.9)	(7.2)	-	(10.1)
Forward exchange contracts	0.0	(3.3)	-	(3.3)
Balance sheet exposure	(2.6)	(3.7)	-	(6.3)

31 March 2022

	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.0	0.2	0.0	0.2
Trade payables	(2.1)	(5.2)	-	(7.3)
Forward exchange contracts	0.0	2.2	-	2.2
Balance sheet exposure	(2.1)	(2.8)	0.0	(4.9)

Sensitivity analysis

A 5% weakening of the following currencies against the pound sterling at the period end date in both years would have increased profit or loss or equity by the amounts shown below. This calculation is post the impact of hedging and assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		Profit or loss	
	30 March 2023 £m	31 March 2022 £m	30 March 2023 £m	31 March 2022 £m
US Dollar	0.2	(0.1)	(0.0)	0.2
Euro	(0.0)	-	(0.0)	0.1

A 5% strengthening of the above currencies against the pound sterling in any period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Managing interest rate benchmark reform and associated risks

The Group's exposure to sterling SONIA designated in hedging relationships is £123.3m at 30 March 2023, £100.0m of which represents the nominal amount of the hedging interest rate swap and the principal amount of the hedged sterling-denominated revolving credit facility.

Interest rate risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. As at 30 March 2023 the Group had a revolving credit facility with a face value totalling £100.0m and an asset backed loan with a face value of £23.3m. The Group's borrowings as at 30 March 2023 incur interest at a rate of 1.35% to 1.50% plus SONIA at the leverage prevalent in the period, which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in note 19.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Group has fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which commenced on 31 March 2021 and will expire on 25 September 2023. From 25 September 2023 the Group has new fixed interest rate swap agreements covering £50.0m of senior facility borrowing at a blended fixed rate of 5.058% which expires on 25 September 2024. The hedge is structured to hedge at least 70% of the forecast outstanding debt for the next year.

Notes (forming part of the financial statements) continued

23 Financial instruments continued

Sensitivity analysis continued

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	Book value At 30 March 2023 £m	Book value At 31 March 2022 £m	Book value At 30 March 2023 £m	Book value At 31 March 2022 £m
Fixed rate instruments				
Financial liabilities	100.0	100.0	100.0	100.0
Variable rate instruments				
Financial liabilities	23.3	-	-	-
Total financial liabilities	123.3	100.0	100.0	100.0

All borrowings bear a variable rate of interest based on SONIA. Group policy is to hedge at least 70% of the loan to ensure a fixed rate of interest. Therefore, designated above is the portion of the loan hedged by a fixed rate interest rate swap, which at the 30 March 2023 is £100.0m which is 100% of the drawn down revolving credit facility, and the remaining unhedged portion is designated as variable rate.

Sensitivity analysis

A change of 50 basis points in interest rates at the period end date would have increased/(decreased) equity and profit or loss by the amounts shown below post hedging. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the comparative period.

	At 30 March 2023 £m	At 31 March 2022 £m
Equity		
Increase	0.5	0.5
Decrease	(0.5)	(0.5)
Profit or loss		
Increase	0.1	-
Decrease	(0.1)	-

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, investment securities and operating loans to Joint Venture veterinary practices.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group ensures that the banks used for the financing of the revolving credit facilities and interest rate swap agreements hold an acceptable risk rating by independent parties.

The Group has in place certain guarantees over the bank loans taken out by a number of Joint Venture veterinary practice companies in which it holds an investment. Further details of these guarantees are disclosed in note 27. The performance of the Joint Venture veterinary practice companies is reviewed on an ongoing basis.

Exposure to credit risk

The Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised in the table within the fair values section below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management prepares and monitors rolling forecasts of the Group's cash balances based on expected cash flows to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. Covenants are monitored on a regular basis to ensure there is no risk or breach which would lead to an 'Event of Default' and compliance certificates are issued as required to the syndicate agent.

The following are the contractual maturities of financial liabilities including estimates of interest payable based on SONIA rates at the end of the financial period:

Group

30 March 2023

	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	120.5	140.5	6.6	7.5	118.8	7.6
Trade payables (note 20)	155.5	155.5	155.5	–	–	–
	276.0	296.0	162.1	7.5	118.8	7.6

31 March 2022

	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	96.9	100.0	–	–	100.0	–
Trade payables (note 20)	118.5	118.5	118.5	–	–	–
	215.4	218.5	118.5	–	100.0	–

Company

30 March 2023

	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	97.3	111.9	4.0	2.7	105.2	–
	97.3	111.9	4.0	2.7	105.2	–

31 March 2022

	Carrying amount £m	Contractual cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	96.9	100.0	–	–	100.0	–
	96.9	100.0	–	–	100.0	–

Notes (forming part of the financial statements) continued

23 Financial instruments continued

Liquidity risk and cash flow hedges

Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and to affect profit or loss:

Group

30 March 2023

	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
<i>Interest rate swaps:</i>						
Current assets (note 16)	2.0	2.0	2.0	-	-	-
Non-current liabilities (note 16)	(0.4)	(0.4)	-	(0.4)	-	-
<i>Forward exchange contracts:</i>						
Current liabilities (note 16)	(3.4)	(3.4)	(3.4)	-	-	-
<i>Fuel forward contracts:</i>						
Current liabilities (note 16)	(0.3)	(0.3)	(0.3)	-	-	-
	(2.1)	(2.1)	(1.7)	(0.4)	-	-

31 March 2022

	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
<i>Interest rate swaps:</i>						
Assets (note 16)	1.6	1.6	-	1.6	-	-
<i>Forward exchange contracts:</i>						
Assets (note 16)	2.2	2.2	2.2	-	-	-
<i>Fuel forward contracts:</i>						
Assets (note 16)	0.5	0.5	0.5	-	-	-
	4.3	4.3	2.7	1.6	-	-

Company

30 March 2023

	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
<i>Interest rate swaps:</i>						
Assets (note 16)	2.0	2.0	2.0	-	-	-
Liabilities (note 16)	(0.4)	(0.4)	-	(0.4)	-	-
	1.6	1.6	2.0	(0.4)	-	-

31 March 2022

	Carrying amount £m	Expected cash flows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
<i>Interest rate swaps:</i>						
Assets (note 16)	1.6	1.6	-	1.6	-	-
	1.6	1.6	-	1.6	-	-

Fair values of financial instruments

Investments

The fair values of investments are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

Trade and other payables and receivables

The fair values of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand (such as term deposits), then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long term and short term borrowings

The fair value of bank loans and other loans approximates their carrying value as they have interest rates based on SONIA. The impact of credit risk has an immaterial impact on the fair value.

Short term deposits

The fair value of short term deposits is considered to be their carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Derivative financial instruments

The fair values of forward exchange contracts and interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and are based on forward exchange rates and anticipated future interest yield respectively.

Contingent consideration

Contingent consideration on acquisition or disposal of a subsidiary is valued at fair value at the time of acquisition or disposal. Any subsequent changes in fair values are recognised in profit or loss.

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Fair value hierarchy

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes (forming part of the financial statements) continued

23 Financial instruments continued

Fair values of financial instruments continued

30 March 2023

Carrying amount	Fair value – hedging instruments £m	FVOCI – equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Other investments (note 16)	–	2.1	–	–	2.1
Interest rate swaps used for hedging (note 16)	2.0	–	–	–	2.0
	2.0	2.1	–	–	4.1
Financial assets not measured at fair value					
Investments in Joint Venture veterinary practices (note 16)	–	–	0.4	–	0.4
Current trade and other receivables (note 17)	–	–	19.2	–	19.2
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	21.9	–	21.9
Cash and cash equivalents (note 18)	–	–	178.0	–	178.0
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	6.6	–	6.6
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	1.2	–	1.2
Non-current other receivables (note 16)	–	–	0.6	–	0.6
	–	–	227.9	–	227.9
Financial liabilities measured at fair value					
Fuel forward exchange contracts used for hedging (note 16)	(0.3)	–	–	–	(0.3)
Forward exchange contracts used for hedging (note 16)	(3.4)	–	–	–	(3.4)
Interest rate swaps used for hedging (note 16)	(0.4)	–	–	–	(0.4)
	(4.1)	–	–	–	(4.1)
Financial liabilities not measured at fair value					
Current lease liabilities (note 12)	–	–	–	(83.3)	(83.3)
Non-current lease liabilities (note 12)	–	–	–	(338.1)	(338.1)
Trade payables (note 20)	–	–	–	(155.5)	(155.5)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	–	(4.5)	(4.5)
Other interest-bearing loans and borrowings (note 19)	–	–	–	(120.5)	(120.5)
	–	–	–	(701.9)	(701.9)

30 March 2023

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Other investments (note 16)	–	–	2.1	2.1
Interest rate swaps used for hedging (note 16)	–	–	2.0	2.0
Financial assets not measured at fair value				
Investments in Joint Venture veterinary practices (note 16)	–	–	0.4	0.4
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	21.9	21.9
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	6.6	6.6
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	1.2	1.2
Non-current other receivables (note 16)	–	–	0.6	0.6
Financial liabilities not measured at fair value				
Other interest-bearing loans and borrowings (note 19)	–	(123.3)	–	(123.3)

31 March 2022

Carrying amount	Fair value – hedging instruments £m	FVOCI – equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Other investments (note 16)	–	1.1	–	–	1.1
Forward exchange contracts used for hedging (note 16)	2.2	–	–	–	2.2
Fuel forward contracts used for hedging (note 16)	0.5	–	–	–	0.5
Interest rate swaps used for hedging (note 16)	1.6	–	–	–	1.6
	4.3	1.1	–	–	5.4
Financial assets not measured at fair value					
Investments in Joint Venture veterinary practices (note 16)	–	–	0.2	–	0.2
Current trade and other receivables (note 17)	–	–	28.0	–	28.0
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	15.2	–	15.2
Cash and cash equivalents (note 18)	–	–	166.0	–	166.0
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	8.6	–	8.6
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	2.1	–	2.1
Non-current other receivables (note 16)	–	–	0.5	–	0.5
Current other receivables (note 16)	–	–	0.3	–	0.3
	–	–	220.9	–	220.9
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging (note 16)	(0.0)	(0.0)	–	–	(0.0)
	(0.0)	(0.0)	–	–	(0.0)
Financial liabilities not measured at fair value					
Current lease liabilities (note 12)	–	–	–	(78.3)	(78.3)
Non-current lease liabilities (note 12)	–	–	–	(304.7)	(304.7)
Trade payables (note 20)	–	–	–	(118.5)	(118.5)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	–	(9.2)	(9.2)
Other interest-bearing loans and borrowings (note 19)	–	–	–	(96.9)	(96.9)
	–	–	–	(607.6)	(607.6)

31 March 2022

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Other investments (note 16)	–	–	1.1	1.1
Interest rate swaps used for hedging (note 16)	–	–	2.0	2.0
Financial assets not measured at fair value				
Investments in Joint Venture veterinary practices (note 16)	–	–	0.2	0.2
Amounts owed by Joint Venture veterinary practices – funding and operating loans (note 17)	–	–	15.2	15.2
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	8.6	8.6
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	2.1	2.1
Non-current other receivables (note 16)	–	–	0.5	0.5
Other receivables (note 16)	–	–	0.3	0.3
Financial liabilities not measured at fair value				
Other interest-bearing loans and borrowings (note 19)	–	(100.0)	–	(100.0)

Notes (forming part of the financial statements) continued

23 Financial instruments continued

Changes in liabilities arising from financing activities

Group

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 31 March 2022	96.9	383.0	479.9
Changes from financing cash flows			
Proceeds from loans and borrowings	123.3	–	123.3
Repayment of borrowings	(100.0)	–	(100.0)
Lease incentives received	–	22.0	22.0
Payment of lease liabilities	–	(83.1)	(83.1)
Total changes from financing cash flows	23.3	(61.1)	(37.8)
Other changes			
Interest expense on lease liabilities	–	12.4	12.4
Additions to lease liabilities	–	87.4	87.4
Disposal of lease liabilities	–	(0.3)	(0.3)
Capitalisation of debt issue costs	(0.1)	–	(0.1)
Amortisation of debt issue costs	0.4	–	0.4
Total other changes	0.3	99.5	99.8
Balance at 30 March 2023	120.5	421.4	541.9

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 25 March 2021	98.7	409.7	508.4
Changes from financing cash flows			
Proceeds from loans and borrowings	100.0	–	100.0
Repayment of borrowings	(100.0)	–	(100.0)
Payment of lease liabilities	–	(78.2)	(78.2)
Total changes from financing cash flows	–	(78.2)	(78.2)
Other changes			
Interest expense on lease liabilities	–	11.5	11.5
Additions to lease liabilities	–	41.3	41.3
Disposal of lease liabilities	–	(1.3)	(1.3)
Capitalisation of debt issue costs	(3.3)	–	(3.3)
Accelerated amortisation of debt issue costs	0.7	–	0.7
Amortisation of debt issue costs	0.8	–	0.8
Total other changes	(1.8)	51.5	49.7
Balance at 31 March 2022	96.9	383.0	479.9

Company

	Loans and borrowings £m	Total £m
Balance at 31 March 2022	96.9	96.9
Changes from financing cash flows		
Proceeds from loans and borrowings	100.0	100.0
Repayment of borrowings	(100.0)	(100.0)
Total changes from financing cash flows	–	–
Other changes		
Amortisation of debt issue costs	0.4	0.4
Total other changes	0.4	0.4
Balance at 30 March 2023	97.3	97.3

	Loans and borrowings £m	Total £m
Balance at 25 March 2021	98.7	98.7
Changes from financing cash flows		
Proceeds from loans and borrowings	100.0	100.0
Repayment of borrowings	(100.0)	(100.0)
Total changes from financing cash flows	-	-
Other changes		
Capitalisation of debt issue costs	(3.3)	(3.3)
Accelerated amortisation of debt issue costs	0.7	0.7
Amortisation of debt issue costs	0.8	0.8
Total other changes	(1.8)	(1.8)
Balance at 31 March 2022	96.9	96.9

	Cash flow hedge reserve	
	2023 £m	2022 £m
<i>Foreign currency risk</i>		
Inventory purchases	(2.5)	1.7
<i>Commodity price risk</i>		
Fuel purchases	(0.3)	0.4
<i>Interest rate risk</i>		
Variable rate instruments	1.2	1.3

	Commodity price risk		Foreign currency risk		Interest rate risk	
	Forward exchange contracts- fuel		Forward exchange contracts- inventory		Interest rate swaps	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Nominal amount						
Carrying amount-asset	0.0	0.5	0.0	2.2	2.0	1.6
Carrying amount-liability	(0.3)	-	(3.4)	(0.0)	(0.4)	-
<i>Changes in the value of hedging instrument recognised in OCI</i>						
Amount of hedging reserve transferred to cost of inventory	0.5	0.1	2.2	(0.4)	1.6	(1.5)

The following table provides a reconciliation by risk category of hedging reserve and analysis of OCI items, net of tax, resulting from cash flow hedging accounting:

	2023 £m	2022 £m
Balance at 31 March 2022/25 March 2021	3.4	(1.5)
<i>Changes in fair value</i>		
Foreign currency risk-inventory purchase	(5.5)	2.6
Commodity risk-fuel	(0.9)	0.5
Interest rate risk	0.1	3.0
Tax on movements on reserves during the year	1.3	(1.2)
Balance at 30 March 2023/31 March 2022	(1.6)	3.4

Notes (forming part of the financial statements) continued

23 Financial instruments continued

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values at the balance sheet dates, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment in equity securities	The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.	Not applicable	Not applicable
Forward exchange contracts and interest rate swaps	Market comparison technique – the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.	Not applicable	Not applicable
Other financial liabilities	Other financial liabilities include the fair values of the put and call options over the non-controlling interests of subsidiary undertakings. The fair values represent the best estimate of amounts payable based on future earnings performance discounted to present value.	Future earnings performance	Fair value linked to increase or decrease in the best estimate of the future earnings performance

Hedge accounting

Cash flow hedges

At 30 March 2023 and 31 March 2022, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity 2023			Maturity 2022		
	1-6 months	6-12 months	More than 1 year	1-6 months	6-12 months	More than 1 year
Foreign currency risk						
Forward exchange contracts						
Net exposure (£m)	50.1	30.8	–	52.9	21.0	–
Average GBP-USD forward contract rate	1.16	1.21	–	1.37	1.34	–
Average GBP-EUR forward contract rate	1.14	1.11	–	1.18	1.18	–
Interest rate risk						
Interest rate swaps						
Net exposure (£m)	100.0	–	50.0	–	–	100.0
Average fixed interest rate	0.811%	–	5.058%	–	–	0.811%

Company

The Company held interest rate swaps as at 30 March 2023 and 31 March 2022 which are valued as above.

Capital management

The Group's objectives when managing capital, which is deemed to be total equity plus total debt, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom on financial covenants. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group.

The funding requirements of the Group are met by the utilisation of external borrowings together with available cash, as detailed in note 19.

A key objective of the Group's capital management is to maintain compliance with the covenants set out in the revolving credit facility and to maintain a comfortable level of headroom over and above these requirements.

Management have continued to measure and monitor covenant compliance throughout the period and the Group has complied with the requirements set.

24 Share-based payments

At 30 March 2023 and 31 March 2022, the Group has four share award plans, all of which are equity settled schemes.

1 CSOP

On 25 February 2014 the Company adopted the CSOP. Part I of the CSOP is tax approved under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of tax approved options. Part II of the CSOP provides for the grant of unapproved options.

The tax approved options under Part I of the CSOP will be exercisable between the third and tenth anniversary of the date of grant, subject to continued employment with the Group. These awards will be granted with an exercise price equal to the market value of the shares at the grant date (as agreed with HMRC).

a) Eligibility

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the CSOP, at the discretion of the Remuneration Committee.

b) Grant of options

No options may be granted more than ten years after the adoption of the CSOP. Options under the CSOP will not form part of a colleague's pensionable earnings.

c) Vesting and performance

Colleagues who receive options under the CSOP and under the PSP in connection with Admission will be subject to the same performance conditions described in Section 1 (d) above in respect of both grants. Colleagues who only receive options under the CSOP in connection with Admission will not be subject to performance conditions.

d) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of market value of a share at the time of grant and its nominal value. The exercise price is therefore fixed at grant date.

e) Individual limits

No option may be granted to an eligible colleague under Part I of the CSOP which would result in the aggregate exercise prices of shares comprised in all outstanding options granted to him/her under Part I, when aggregated with outstanding options held under any other tax approved executive share option scheme established by the Company, exceeding the tax approved limit (currently £30,000).

In addition, (both under Part I and II of the CSOP) the aggregate exercise price of shares comprised in options granted to a colleague under the CSOP and the PSP in any financial year shall not exceed 150% of his/her annual salary for that year.

For the purposes of these limits, market value will be calculated by reference to the market value of the shares on or prior to the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) and subject to HMRC approval if applicable.

Part II of the CSOP provides for the grant of unapproved options. This enables options to be granted under the same terms as Part I of the CSOP but without complying with the particular requirements of the legislation applicable to tax approved CSOP Schemes. The provisions of the CSOP that do not apply under Part II include the £30,000 limit and the need to seek HMRC approval for the scheme and subsequent amendments (as applicable).

2 PSP

On 25 February 2014 the Company adopted the PSP. Awards under the PSP were made on 17 March 2014 and annually thereafter up until 2017 after which no further awards were granted. The awards will be exercisable between the third and tenth anniversary of the grant date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards were granted at nil cost.

a) Eligibility

Only the Executive Directors, Senior Executives and certain other senior colleagues were selected to participate in the PSP.

b) Grant of awards

Awards under the PSP will not form part of a colleague's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee.

c) Exercise price

The price at which a colleague may acquire shares on the exercise or vesting of an award under the PSP shall be determined by the Remuneration Committee on the date of grant, and may, if the Remuneration Committee determines, be nil or nominal value only.

Notes (forming part of the financial statements) continued

24 Share-based payments continued

2 PSP continued

d) Scheme limits

The number of newly issued shares over which (or in respect of which) awards may be granted under the PSP on any date shall be limited so that: (i) the total number of shares issued and issuable in respect of options or awards granted in any ten year period under the PSP and any other discretionary share option scheme of the Company (including the RSA and the CSOP but other than to satisfy dividend equivalent payments) is restricted to 5% of the Company's issued shares calculated at the relevant time; and (ii) the total number of shares issued and issuable pursuant to options or awards granted in any ten year period under the PSP and any other employee share scheme operated by the Company (including the CSOP, SAYE and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards granted before, on or in connection with Admission and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Shares held in treasury will be treated as newly issued shares for the purposes of these limits (as long as this is required by institutional investor guidelines), but (for the avoidance of doubt) shares acquired in the market will not.

e) Individual limits

The aggregate market value of shares comprised in awards granted to a colleague under the PSP, RSA and the CSOP in any financial year shall not exceed 150% of their annual salary for that year.

For the purposes of awards granted on (or before) Admission, market value for these purposes was calculated by reference to the Offer Price. For the purposes of awards granted following Admission, market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

f) Performance

The Matching Awards granted on 17 March 2014 vested subject to the satisfaction of the performance conditions outlined below. To the extent that any future awards are granted, different conditions may apply (in the absolute discretion of the Remuneration Committee).

The performance conditions were as follows:

- 75% of the Matching Award was subject to the CAGR in the Company's earnings per share ('EPS') over three financial years, namely FY15, FY16 and FY17 (together the 'Performance Period') (which, for the avoidance of doubt, ended on 30 March 2017). If the CAGR in the Company's EPS was 10%, then 10% of the total Matching Award would vest. If the CAGR in the Company's EPS was 17.5% or more, then 75% of the total Matching Award would vest. Vesting was on a straight-line basis between these two points. For the avoidance of doubt, if the CAGR in the EPS was less than 10% over the Performance Period then the amount of the Matching Award which would vest under this EPS performance condition would be nil.
- 25% of the total Matching Award was subject to the Company's total shareholder return ('TSR') as compared to a comparator group made up of a selected group of retail companies over the Performance Period. Vesting of 6.25% of the total Matching Award would occur for median performance. Vesting of the maximum 25% of the total Matching Award would occur for upper quartile performance or above. Vesting would occur on a straight-line basis between these two points. If the Company's TSR performance over the Performance Period was below median, then the amount of the Matching Award which would vest under this TSR performance condition would be nil.
- To the extent vested as to performance, Matching Awards became exercisable in three equal amounts on the third, fourth and fifth anniversary of 17 March 2014, but subject to continued employment with the Group.

3 SAYE

On 25 February 2014, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 4 April 2015). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. In September each year, the Company issues invitations under the rules of the SAYE which provides eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings is £500 per month. The Executive Directors have elected to participate in the SAYE, along with 15.38% of eligible colleagues.

The options are granted once a year, and in normal circumstances they are not exercisable until completion of a three year savings period, beginning on 1 December each year, and will then be exercisable for a period of six months following completion of the relevant savings period.

a) Eligibility

All colleagues and full-time Directors of the Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option and who are liable to UK income tax, are eligible to participate in the SAYE.

Participation may also be offered, at the discretion of the Board (taking account of the recommendations of the Remuneration Committee), to other Directors or employees who otherwise do not satisfy all of the above criteria, although Non-Executive Directors are not eligible to participate in the SAYE.

b) Issue of invitations

Invitations to participate in the SAYE may be made during each 42 day period from (and including) (i) the date on which any amendment to the SAYE is approved or adopted by the Company's shareholders, (ii) the announcement of the Company's final or interim results for any financial period, (iii) the occurrence of an event which the Remuneration Committee considers to be a non-underlying event concerning the Group or (iv) changes to the legislation affecting tax approved SAYE option schemes coming into effect. If any of the above periods is a 'close period' as a result of the application of the Model Code for Securities Transactions by Directors of Listed Companies (or as a result of the Company's equivalent internal share dealing rules) and the Company is prohibited from issuing invitations and/or granting options as a result, then invitations may be made within 42 days of the end of the close period.

Invitations may be issued by the trustee of an employee benefit trust. No invitations may be issued or options granted more than ten years after the adoption of the SAYE.

c) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80% of the market value of a share at the time of grant and its nominal value.

d) Savings contract

Options may be granted by the Board or the trustee of an employee benefit trust. Upon applying for an option, the colleague will be required to enter into an approved savings contract with a savings institution nominated by the Company which lasts for three years. The maximum amount which an employee is permitted to contribute under SAYE contracts is £500 per month. The Board may set lower savings limits than this for different colleagues by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10). The total exercise price of the shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the colleague's related SAYE contract.

e) Scheme limits

The number of newly issued shares over which (or in respect of which) options may be granted under the SAYE on any date of grant shall be limited so that the total number of shares issued or capable of being issued in any ten year period under all the Company's employee share schemes (including the CSOP, PSP and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time. Any options or rights to acquire shares granted before, on or in connection with Admission will be excluded from this limit, and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting.

f) Exercisability

Options will normally be exercisable during a period of six months following the allocation of a bonus under the related SAYE contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the colleague dies or leaves employment through injury, disability, redundancy or retirement or where a colleague leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. Early exercise will also be permitted in the event of a takeover, reconstructions or voluntary winding up of the Company.

4 RSA

On 20 July 2017 the Company adopted the RSA. Awards under the RSA were made on 20 July 2017 and annually thereafter and will be exercisable between the third and tenth anniversary of this date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards are granted at nil cost.

a) Eligibility

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the RSA, at the discretion of the Remuneration Committee.

b) Grant of awards

Awards under the RSA will not form part of a colleague's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee.

c) Exercise price

The price at which a colleague may acquire shares on the exercise or vesting of an award under the RSA shall be determined by the Remuneration Committee on the date of grant, and may, if the Remuneration Committee determines, be nil or nominal value only.

d) Scheme limits

The number of newly issued shares over which (or in respect of which) awards may be granted under the RSA on any date shall be limited so that: (i) the total number of shares issued and issuable in respect of options or awards granted in any ten year period under the RSA and any other discretionary share option scheme of the Company (including the PSP and the CSOP but other than to satisfy dividend equivalent payments) is restricted to 5% of the Company's issued shares calculated at the relevant time; and (ii) the total number of shares issued and issuable pursuant to options or awards granted in any ten year period under the RSA and any other employee share scheme operated by the Company (including the CSOP, SAYE and PSP but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time.

Notes (forming part of the financial statements) continued

24 Share-based payments continued

4 RSA continued

For the purposes of these limits, no account will be taken of options or awards granted before, on or in connection with Admission and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Shares held in treasury will be treated as newly issued shares for the purposes of these limits (as long as this is required by institutional investor guidelines), but (for the avoidance of doubt) shares acquired in the market will not.

e) Individual limits

The aggregate market value of shares comprised in awards granted to a colleague under the RSA, PSP and the CSOP in any financial year shall not exceed 150% of their annual salary for that year. Market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions and a Monte-Carlo simulation for the market-based (TSR element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

	RSA					PSP		
	2022	2021	2020	2019	2018	2017	2016	2015
At grant date								
Share price	£3.47	£4.57	£2.28	£1.87	£1.37	£2.59	£2.75	£2.45
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	32%	32%	32%	32%	32%	32%	30%	30%
Option life (years)	10	10	10	10	10	10	10	10
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	n/a	n/a	n/a	n/a	n/a	0.50%	1.07%	1.07%
Weighted average fair value of options granted	£3.47	£4.57	£2.28	£1.87	£1.37	£2.06	£2.06	£2.06

	CSOP			SAYE		
	2017	2016	2015	2022	2021	2020
At grant date						
Share price			£2.59	£2.75	£2.31	£2.87
Exercise price			£2.59	£2.75	£2.31	£2.29
Expected volatility			32%	32%	37%	32%
Option life (years)			10	10	10	3
Expected dividend yield			2.00%	2.00%	2.00%	2.00%
Risk free interest rate			0.50%	2.25%	2.25%	0.20%
Weighted average fair value of options granted			£0.65	£0.89	£0.75	£0.95

As both the RSA and PSP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value.

Movements in awards under share-based payment schemes:

	PSP 000	CSOP 000	SAYE 000	RSA 000	Total 000
Outstanding at start of year	2	476	3,218	5,925	9,621
Granted	-	-	2,276	1,778	4,054
Forfeited	-	(32)	(1,102)	(855)	(1,989)
Exercised	-	(114)	(490)	(1,830)	(2,434)
Lapsed	-	(2)	(11)	(11)	(24)
Outstanding at end of year	2	328	3,891	5,007	9,228
Weighted average exercise price	-	2.57	2.55	-	NA

The Group income statement charge recognised in respect of share-based payments for the 52 week period ended 30 March 2023 is £4.9m (53 week period ended 31 March 2022: £4.9m).

25 Commitments

Capital commitments

At 30 March 2023, the Group is committed to incur capital expenditure of £3.0m (31 March 2022: £21.7m). Capital commitments predominantly relate to the cost of investment in and refurbishment of the new Pets at Home Distribution Centre.

At 30 March 2023, the Group has a commitment to increase the loan funding to Joint Venture companies of £0.4m (31 March 2022: £0.8m), this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

26 Contingencies

Veterinary practices

Provisions are maintained by the Group, where necessary, against certain balances held with the veterinary practices. During the period, the Group also had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £7.6m (31 March 2022: £11.2m).

The Group is a guarantor for the lease for veterinary practices that are not located within Pets at Home stores. The Group is also a guarantor to a small number of third parties where the lease has been reassigned.

Exemption from audit by parent guarantee

The following wholly owned subsidiaries of the Company are covered by a guarantee provided by Pets at Home Group Plc and are consequently entitled to an exemption under s479A from the requirement of the Act relating to the audit of individual accounts. Under this guarantee, the Group will guarantee all outstanding liabilities of these entities. No liability is expected to arise under the guarantee. The entities covered by this guarantee are disclosed below.

Company	Registered number
Aberdeen Vets4Pets Limited	09393267
Aberdeen North Vets4Pets Limited	11024679
Accrington Vets4Pets Limited	10015704
Alton Vets4Pets Limited	09639868
Andover Vets4Pets Limited	08132407
Bangor Wales Vets4Pets Limited	08314827
Companion Care (Ballymena) Limited	08294444
Companion Care (Banbury) Limited	08606393
Companion Care (Barnsley Cortonwood) Limited	04141142
Bearsden Vets4Pets Limited	07780175
Bedminster Vets4Pets Limited	09267870
Belfast Stormont Vets4Pets Limited	09022077
Bicester Vets4Pets Limited	10285804
Blackpool Warbreck Vets4Pets Limited	08394978
Bonnyrigg Vets4Pets Limited	10757330
Borehamwood Vets4Pets Limited	09319066
Bourne Vets4Pets Limited	10200670
Bracknell Vets4Pets Limited	10605544
Bramley Vets4Pets Limited	04238788
Brighton Vets4Pets Limited	13539268
Carmarthen Vets4Pets Limited	09498169
Companion Care (Chippenham) Limited	08107702
Clitheroe Vets4Pets Limited	09878308
Corby Vets4Pets Limited	08163294
Craigavon Vets4Pets Limited	08846831
Davidsons Mains Vets4Pets Limited	07726992
Denbigh Vets4Pets Limited	10976376
Doncaster Vets4Pets Limited	04335358
East Kilbride South Vets4Pets Limited	09628917
Ellesmere Port Vets4Pets Limited	09725644
Companion Care (Ely) Limited	04417089
Evesham Vets4Pets Limited	09269582
Companion Care (Exeter) Limited	04930076
Companion Care (Exeter Marsh) Limited	08314727
Companion Care (Farnborough) Limited	07673889

Notes (forming part of the financial statements) continued

26 Contingencies continued

Exemption from audit by parent guarantee continued

Company	Registered number
Grantham Vets4Pets Limited	08361049
Guildford Vets4Pets Limited	13470077
Handforth Vets4Pets Limited	13371655
Haverfordwest Vets4Pets Limited	09485504
Huddersfield Vets4Pets Limited	07207906
Inverurie Vets4Pets Limited	11056047
Kendal Vets4Pets Limited	10163314
Companion Care (Kirkcaldy) Limited	07680864
Lancaster Vets4Pets Limited	08536904
Leeds Kirkstall Vets4Pets Limited	10291543
Leicester St Georges Vets4Pets Limited	09881176
Linlithgow Vets4Pets Limited	09966547
Liverpool OS Vets4Pets Limited	06959208
Companion Care (Llantrisant) Limited	08080307
Companion Care (Speke) Limited	07149744
Companion Care (Macclesfield) Limited	08285995
Maidstone Vets4Pets Limited	05171954
Companion Care (Maidstone) Limited	05094399
Malvern Vets4Pets Limited	10516552
Market Harborough Vets4Pets Limited	10602806
Marlborough Vets4Pets Limited	09869384
Monmouth Vets4Pets Limited	10756991
Musselburgh Vets4Pets Limited	10425760
Companion Care (Newport) Limited	08425358
Newton Mearns Vets4Pets Limited	07957431
Newtownards Vets4Pets Limited	10067571
Northwich Vets4Pets Limited	11107287
Pet Advisory Services Limited	09180974
Prescot Vets4Pets Limited	08878815
Rawtenstall Vets4Pets Limited	09009519
Redditch Vets4Pets Limited	05612150
Runcorn Vets4Pets Limited	11446894
Sheldon Vets4Pets Limited	08822150
Sidcup Vets4Pets Limited	08187232
South Shields Quays Vets4Pets Limited	09848857
Companion Care (Slough) Limited	07427613
St Neots Vets4Pets Limited	09811640
Staines Vets4Pets Limited	13584062
Companion Care (Stratford-upon-Avon) Limited	07329166
Sudbury Vets4Pets Limited	09916308
Thamesmead Vets4Pets Limited	09881179
Tiverton Vets4Pets Limited	11023079
Uttoxeter Vets4Pets Limited	11145982
VetsDirect Limited	SC230445
Wallasey Bidston Moss Vets4Pets Limited	09190138
Wellingborough Vets4Pets Limited	07620413
Wokingham Vets4Pets Limited	09869355
Wrexham Vets4Pets Limited	07103838
Companion Care Management Services Limited	08878037
Pets at Home (ESOT) Limited	03911784
Pets at Home No.1 Limited	08887355
Pets at Home Holdings Limited	03864149
Pet City Limited	02466773
Pet City Holdings Limited	02342109
Pet City Resources Limited	02634797
Vets4Pets Services Limited	05055601
Vets4Pets Veterinary Group Limited	04263054

27 Related parties

Joint Venture veterinary practice transactions

The Group has entered into a number of arrangements with third parties in respect of veterinary practices. These veterinary practices are deemed to be related parties due to the factors explained in note 1.4.

Financial commitments provided to related party veterinary practices for funding are set out in note 25.

During the period, the Group had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £7.6m (31 March 2022: £11.2m).

The transactions entered into during the period and the balances outstanding at the end of the period are as follows:

	30 March 2023 £m	31 March 2022 £m
<i>Transactions</i>		
Fees for services provided to Joint Venture veterinary practices	77.2	69.9
Rental and other occupancy charges to Joint Venture veterinary practices	12.2	11.7
Total income from Joint Venture veterinary practices	89.4	81.6
<i>Acquisitions</i>		
Consideration for Joint Venture veterinary practices acquired (note 10)	0.5	2.1
<i>Balances</i>		
Included within trade and other receivables (note 17):		
Operating loans		
– Gross value of operating loans	13.8	20.2
– Allowance for expected credit losses held for operating loans	(3.4)	(5.0)
Net operating loans	10.4	15.2
Trading balances	11.5	–
Included within other financial assets and liabilities (note 16):		
Loans to Joint Venture veterinary practices – initial set up loans		
– Gross value of initial set up loans	7.6	9.8
– Allowance for expected credit losses held for initial set up loans	(1.0)	(1.2)
– Net initial set up loans	6.6	8.6
Loans to Joint Venture veterinary practices – other loans		
– Gross value of other loans	1.2	2.1
– Allowance for expected credit losses held for other loans	–	–
– Net other loans	1.2	2.1
Included within trade and other payables (note 20):		
– Trading balances	(4.5)	(9.2)
Total amounts receivable from veterinary practices (before provisions)	29.6	22.9

Fees for services provided to related party veterinary practices are included within revenue and relate to charges for support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property. In accordance with IFRS15, revenue in the 52 week period ended 30 March 2023 and the 53 week period ended 31 March 2022 excludes irrecoverable fee income from Joint Venture veterinary practices.

Funding for new practices represents the amounts advanced by the Group to support veterinary practice opening costs. The funding is short term and the related party Joint Venture veterinary practice draws down their own bank funding to settle these amounts outstanding with the Group shortly after opening.

Trading balances represent costs incurred and income received by the Group in relation to the services provided to the Joint Venture veterinary practices that have yet to be recharged.

Operating loans represent amounts advanced to related party Joint Venture veterinary practices to support their working capital requirements and longer term growth. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. No facility exists and the levels of loans are monitored in relation to review of the practices performance against business plan. Based on the projected cash flow forecast on a practice by practice basis, the funding is often expected to be required for a number of years. As practices generate cash on a monthly basis it is applied to the repayment of brought forward operating loans. For immature practices, loan balances may increase due to operating requirements. The balances above are shown net of allowances for expected credit losses held for operating loans of £3.4m (31 March 2022: £5.0m).

Notes (forming part of the financial statements) continued

27 Related parties continued

Joint Venture veterinary practice transactions continued

Loans to Joint Venture veterinary practices for other related parties - other loans are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long-term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost under IFRS9. The balances above are shown net of allowances for expected credit losses held for initial set up loans of £1.0m (31 March 2022: £1.2m).

In the 52 week period ended 30 March 2023, the value of loans written off recognised in the income statement amounted to £2.0m which relates to operating loans. In the 53 week period ended 31 March 2022 the value of loans written off recognised in the income statement amounted to £2.3m, which relates to operating loans.

At 30 March 2023, the Group had a commitment to increase the loan funding to Joint Venture companies of £0.4m (31 March 2022: £0.8m); this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

The Group is a guarantor for the leases for veterinary practices that are not located within Pets at Home stores.

Key management personnel

Details of remuneration paid to key management personnel are set out in note 4.

28 Investment in subsidiaries

Company

	Investments in subsidiaries £m
At 30 March 2023 and 31 March 2022	936.2

Impairment testing

Management have conducted a full impairment review which has been undertaken on the Group's cash generating units of which the Company's investments form part. The results of this review are disclosed in note 13, including a sensitivity analysis. In this review, the goodwill on consolidation balance of £959.2m at 30 March 2023 exceeds the investments held in subsidiary undertakings of £936.2m, and therefore management have concluded that under IAS36, no impairment has been identified with regard to the Company's investments in subsidiaries.

Registered office addresses

Pets at Home (Asia) Limited: Units 704 5A, 7/F, Tower B, Manulife Financial Centre, 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong

PAH Pty Limited: Herbert Greer and Rundle, Level 21, 385 Bourke Street, Melbourne, VIC 3000, Australia

Pure Pet Food Limited: Unit 6, Brookmills, Saddleworth Road, Greetland, Halifax, West Yorkshire, England, HX4 8LZ

Dog Stay Limited: 305 Regents Park Road, Finchley, London, England, N3 1DP

VetsDirect Limited: Dickson Minto, 16 Charlotte Square, Edinburgh, Scotland, EH2 4DF

Project Blu Limited: 34 Cardiff Road, Dinas Powys, Wales CF64 4JS

The registered office of all the remaining companies in which the Group has an interest in the share capital is Epsom Avenue, Stanley Green, Handforth, Cheshire, England SK9 3RN.

Group

Details of the subsidiary undertakings are as follows:

In the 52 week period ended 30 March 2023, the Group has also acquired 100% of the 'A' shares of six companies. These practices were previously accounted for as Joint Venture veterinary practices as the Group held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to the control and consolidation of these companies. A detailed explanation for the basis of consolidation can be found in note 1.4.

Further details of these acquisitions can be found in note 10.

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Brand Development Limited	Indirect	Guernsey	Ordinary	100	100
Companion Care (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care Management Services Limited	Indirect	United Kingdom	Ordinary	100	100
Les Boues Limited	Indirect	Jersey	Ordinary	100	100
PAH Pty Limited	Indirect	Australia	Ordinary	100	100
Pet Advisory Services Limited	Indirect	United Kingdom	Ordinary	100	100
Pet Investments Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home (Asia) Limited	Indirect	Hong Kong	Ordinary	100	100
PAH Financial Services Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home No.1 Limited	Direct	United Kingdom	Ordinary	100	100
Pets at Home Superstores Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Vets Group Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home (ESOT) Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Resources Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Holdings Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets I.P. Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Services Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets UK Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Veterinary Group Limited	Indirect	United Kingdom	Ordinary	100	100
VetsDirect Limited	Indirect	United Kingdom	Ordinary	100	100
Aberdeen North Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Aberdeen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Accrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Addlestone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Alton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Andover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Aylesbury Berryfields Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bangor Wales Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bearsden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bedminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Belfast Stormont Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bicester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bishop Auckland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Blackpool Warbreck Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bodmin Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bolton Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bonnyrigg Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Borehamwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bourne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bracknell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bradford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets (Newco) Limited	Indirect	United Kingdom	Ordinary	100	100
Bridlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Brighton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bromborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Cambridge Perne Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Canvey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Carmarthen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Chorley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Notes (forming part of the financial statements) continued

28 Investment in subsidiaries continued

Group continued

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Clacton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Clitheroe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Colchester Layer Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Colchester Vets4Pets Advanced Practice Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Ballymena) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Banbury) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Barnsley Cortonwood) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Chippenham) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Ely) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Exeter Marsh) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Exeter) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Farnborough) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kendal) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kirkcaldy) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Llantrisant) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Macclesfield) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Maidstone) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Newport) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Nottingham) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Slough) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Speke) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Stratford-Upon-Avon) Limited	Indirect	United Kingdom	Ordinary	100	100
Corby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Coventry Canley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Craigavon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Crosby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Davidsons Mains Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Denbigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Didcot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	-
Doncaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Dundee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
East Grinstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
East Kilbride South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ellesmere Port Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Evesham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Gillingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Grantham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Great Yarmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Guildford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Handforth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Haverfordwest Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hemsworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Horden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Horsham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	-
Huddersfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Inverness Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Inverurie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kendal Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Lancaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leamington Spa Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leamington Spa Myton Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	-
Leeds Kirkstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leicester St Georges Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Leven Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Linlithgow Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Littleover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Liverpool OS Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Long Eaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Maidstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Malvern Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Market Harborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Marlborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Melton Mowbray Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Mexborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Milton Keynes Broughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Monmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Musselburgh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newark Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newhaven Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newton Mearns Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newtownards Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Northwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Norwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Nottingham Castle Marina Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Pentland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Perth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Peterlee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Poynton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Prescot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Rawtenstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Redditch Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ripon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Runcorn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Scunthorpe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Selby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheffield Heeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Shepton Mallet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sidcup Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
South Shields Quays Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
St Austell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	95	95
St Neots Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Staines Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Stocksbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Stoke-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sudbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Teesside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Thamesmead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
The Heart of Dulwich Veterinary Care Limited	Indirect	United Kingdom	Ordinary	100	100
Thornbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Tiverton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Uckfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Uttoxeter Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wallasey Bidston Moss Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Warrington Winnick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wellingborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
West Drayton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wokingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wrexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Notes (forming part of the financial statements) continued

28 Investment in subsidiaries continued

Investments in Joint Venture practices and other investments

The Group holds an indirect interest in the share capital of the following companies:

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Abingdon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
ABTW Limited	Indirect	United Kingdom	Ordinary	50	50
Airdrie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Alsager Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Altrincham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Amesbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bagshot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnsley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnstaple Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Beeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Beverley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Biggleswade Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishops Stortford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishopston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bitterne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackburn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackheath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackpool Squires Gate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bolton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bracknell Peel Centre Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bradford Idle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Brighouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Emerson Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Imperial Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Longwell Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bromsgrove Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Buckingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bulwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burscough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burton-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury St Edmunds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Byfleet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Caerphilly Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Camborne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cannock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Canterbury Sturry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Ely Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Newport Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carlisle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carrickfergus Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Castleford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Catterick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chadwell Heath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cheadle Hulme Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Caldy Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Chesterfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cirencester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clevedon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cleveleys Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clifton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clowne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Coalville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Colne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Aintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Andover) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Aylesbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ayr) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon Pippis Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basingstoke) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Beckton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bedford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Belfast) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bishopbriggs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bletchley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bolton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bournemouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Braintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brentford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgend) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brislington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bristol Filton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Broadstairs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Burgess Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge Beehive) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cannock) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Canterbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cardiff) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Charlton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chatham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chelmsford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cheltenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chesterfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chichester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chingford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Christchurch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Colchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Corstorphine) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Coventry Walsgrave) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cramlington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crawley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crayford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Croydon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby Kingsway) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Dunstable) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Eastbourne) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Enfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Falmouth) Limited	Indirect	United Kingdom	Ordinary	50	50

Notes (forming part of the financial statements) continued

28 Investment in subsidiaries continued

Investments in Joint Venture practices and other investments continued

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Companion Care (Fareham Collingwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fareham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Farnham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Folkestone) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fort Kinnaird) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Friern Barnet) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Gloucester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Harlow) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hatfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hemel Hempstead) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (High Wycombe) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hove) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huddersfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huntingdon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ilford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ipswich Martlesham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Keighley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kidderminster) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kings Lynn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Beaumont Leys) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Fosse Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leighton Buzzard) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Linwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Lisburn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Liverpool Penny Lane) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Livingston) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Merry Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Milton Keynes) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (New Malden) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newcastle Kingston Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Northampton Nene Valley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Hall Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Longwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Orpington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oxford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Perth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough Bretton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Plymouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Poole) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Portsmouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Preston Capitol) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Pudsey) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Reading) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redditch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redhill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Romford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rotherham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rustington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Salisbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Scarborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Southampton) Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Companion Care (Southend-On-Sea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stevenage) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stirling) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stockport) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stoke Festival Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swansea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swindon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tamworth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Taunton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Telford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Truro) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tunbridge Wells) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wakefield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Weston-Super-Mare) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winnersh) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woking) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woolwell) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Worcester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wrexham Holt Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Craigleith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crescent Link Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crewe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Cross Hands Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cumbernauld Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dagenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Darlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Daventry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Denton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dorchester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Dog Stay Limited	Indirect	United Kingdom	Ordinary	12	12
Dover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Droitwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Drumchapel Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dudley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dumbarton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dunfermline Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Durham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
East Kilbride Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eastleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eastwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eccleshill Vets4Pets (Newco) Limited	Indirect	United Kingdom	Ordinary	50	50
Epsom Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Falkirk Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Feltham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Filton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gamston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gateshead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Glasgow Forge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Glasgow Pollokshaws Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Goldenhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gosport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gravesend Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Greasby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Greenford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Grimsby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Notes (forming part of the financial statements) continued

28 Investment in subsidiaries continued

Investments in Joint Venture practices and other investments continued

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Guernsey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halesowen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halifax Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hamilton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate New Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hartlepool Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hastings Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Havant Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Haverhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hayling Island Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Heanor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hedge End Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hemel Hempstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hendon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hereford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hertford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
High Wycombe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hinckley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hucknall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Anlaby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Stoneferry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ilkeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ipswich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Irvine Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kettering Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kidderminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kilmarnock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Kirkby in Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Larne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Launceston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Birstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Colton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Letchworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leyland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lichfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lincoln South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lisburn Longstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llandudno Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanelli Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanrumney Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Longton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Gipsy Lane Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lytham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maidenhead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mansfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mapperley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Merthyr Tydfil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Middlesbrough Cleveland Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middleton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Millhouses Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Morpeth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
New Milton Vets4pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newcastle-Upon-Tyne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newmarket Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newton Abbot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownabbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
North Tyneside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northallerton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nottingham Chilwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nottingham Netherfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nuneaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oadby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Old Kent Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oxford Cowley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Paisley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Penrith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pentland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Penzance Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Peterborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pontypridd Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Poole Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portishead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portsmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prenton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Preston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prestwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Project Blu Limited	Indirect	United Kingdom	Ordinary	9	-
Pure Pet Food Ltd	Indirect	United Kingdom	Ordinary	12	12
Quinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rayleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rhyl Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Richmond Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rochdale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rotherham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ruislip Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rushden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Saffron Walden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Salford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Selly Oak Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sevenoaks Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Drakehouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Sheffield Wadsley Bridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Meole Brace Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sittingbourne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Solihull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Notes (forming part of the financial statements) continued

28 Investment in subsidiaries continued

Investments in Joint Venture practices and other investments continued

Company	Holding	Country of incorporation	Class of shares held	At 30 March 2023 %	At 31 March 2022 %
Somercotes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
South Shields Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend Airport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Albans Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Helens Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stafford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stechford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stockton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stourbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Street Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sunderland South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sunderland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton Coldfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton In Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swindon Bridgemead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sydenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Telford Madeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Thurrock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Tilehurst Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Torquay Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Totton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trafford Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trowbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wakefield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walkden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walsall Reedswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Waltham Abbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walton on Thames Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walton Vale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warrington Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Washington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Waterlooville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Watford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
West Bromwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Weymouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Whitstable Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Widnes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wigan Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wimbledon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wolverhampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worksop Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worthing Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
WSM Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Yate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Yeovil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
York Clifton Moor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
York Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

During the 52 week period ended 30 March 2023, the Group has sold 100% of the 'A' shares in five companies which were previously classified as subsidiaries, and subsequent to the sale of the 'A' shares, have been accounted for as Joint Venture veterinary practices, which has led to the reduction in the holding in five entities listed above to 50% investment.

Glossary – Alternative Performance Measures

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under UK-adopted international accounting standards and consider these to be important measures in evaluating the Group's strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods by adjusting for non-underlying items, to aid the user in understanding the Group's performance. The number and appropriateness of APMs presented in the Financial Statements has been reviewed and reduced from the comparative period to those considered to be the most relevant for measuring the performance of the Group.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes.

All APMs relate to the current period results and comparative period where provided.

APMs considered by the business to be a key performance indicator are explained in more detail on page 10 of the Annual Report.

The key APMs used by the Group are:

'Like-for-Like' sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons and veterinary practices that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future.

Underlying PBT: Underlying profit before tax (PBT) is based on pre-tax profit before the impact of non-underlying items, being certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Free cash flow: Net increase/(decrease) in cash before the impacts of dividends paid, share buybacks, investments, proceeds from new loans and repayment of borrowings.

References to **Underlying GAAP measures** and **Underlying APMs** throughout the financial statements are measured before the effect of non-underlying items.

APM	Definition	Reconciliation			
Consumer revenue	Consumer revenue being statutory Group revenue, less Joint Venture veterinary practice fee income (which forms part of statutory revenue within the Vet Group), plus gross consumer revenue made by Joint Venture veterinary practices (unaudited).	Consumer revenue (£m)	FY23	FY22	Note
		Statutory Group revenue	1,404.2	1,317.8	CIS
		Joint Venture fee income	(77.2)	(69.9)	2
		Revenue by Group managed veterinary practices	(37.5)	(31.2)	2
		Revenue by all veterinary practices	492.9	457.1	
		Consumer revenue	1,782.4	1,673.8	
		<i>CIS = Consolidated income statement</i>			
Like-for-like revenue	'Like-for-like' revenue growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons and veterinary practices that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future.	Not applicable.			
Underlying profit before tax	Underlying profit before tax (PBT) is based on pre-tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	Underlying PBT (£m)	FY23	FY22	Note
		Underlying PBT	136.4	130.1	CIS
		Non-underlying items	(13.9)	18.6	CIS
		Profit before tax	122.5	148.7	
		<i>CIS = Consolidated income statement</i>			

Glossary – Alternative Performance Measures continued

APM	Definition	Reconciliation			
Underlying basic EPS	Underlying basic earnings per share (EPS) is based on earnings per share before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	Underlying basic EPS (p)	FY23	FY22	Note
		Underlying basic EPS	22.8	21.2	5
		Non-underlying items	(2.3)	3.7	5
		Basic earnings per share	20.5	24.9	
Free cash flow	Net increase/(decrease) in cash before the impacts of dividends paid, share buybacks, investments, proceeds from new loans and repayment of borrowings.	Free cash flow (£m)	FY23	FY22	Note
		Net increase in cash	12.0	64.6	CFS
		<i>Remove effects of:</i>			
		Dividends	58.7	48.5	CFS
		Acquisition of subsidiary	0.5	1.7	CFS
		Proceeds from new loan	(123.3)	(100.0)	CFS
		Repayment of borrowings	100.0	100.0	CFS
		Share buyback	50.3	-	CFS
		Proceeds from sale of PPE relating to GVs	-	(0.6)	
		Disposal of subsidiaries net of cash disposed (non-underlying)	-	(19.2)	CFS
		Free cash flow	98.2	95.0	
<i>CFS = Consolidated statement of cash flows</i>					
Underlying CROIC	Cash return on invested capital represents cash returns divided by the average of gross capital invested (GCI) for the last 12 months. Cash returns represent underlying operating profit before share-based payments subject to tax, then adjusted for depreciation of PPE, right-of-use assets and amortisation. GCI represents gross PPE, right-of-use assets and software, and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, before the effect of non-underlying items in the period. Net working capital movement is a measure of the cash required by the business to fund its inventory, receivables and payables.	Underlying CROIC	FY23	FY22	Note
		Cash returns:			
		Underlying operating profit	149.7	144.5	2
		Share-based payment charges	4.9	4.9	3
			154.6	149.4	
		Effective tax rate	19%	19%	
		Tax charge on above	(29.4)	(28.4)	
			125.2	121.0	
		Underlying depreciation and amortisation	102.3	103.9	2
		Cash returns	227.5	224.9	
		Gross capital invested (GCI):			
		Gross property, plant and equipment	405.3	342.4	11
		Gross right-of-use assets	635.1	548.2	12
		Intangibles	1,046.3	1,034.1	13
		Less KKR goodwill	(906.4)	(906.4)	
		Investments	9.1	9.9	16
		Net working capital:	(121.6)	(90.7)	see definition
		Debtors	51.8	62.8	
		Stock	108.6	84.5	
		Creditors	(265.2)	(224.8)	
Provisions	(16.8)	(13.2)			
GCI (at period end)	1,067.8	937.5			
Average	1,002.7	899.5			
Underlying CROIC	22.7%	25.0%			

APM	Definition	Reconciliation			
Net cash/(debt)	Cash and cash equivalents less loans and borrowings.	Net cash/(debt) (£m)	FY23	FY22	Note
		Cash and cash equivalents	178.0	166.0	18
		Loans and borrowings	(123.3)	(100.0)	19
		Net cash/(debt)	54.7	66.0	
Total indebtedness	Cash and cash equivalents less loans and borrowings plus lease liabilities.	Total indebtedness (£m)	FY23	FY22	Note
		Cash and cash equivalents	178.0	166.0	18
		Loans and borrowings	(123.3)	(100.0)	19
		Net cash/(debt)	54.7	66.0	
		Lease liabilities	(421.4)	(383.0)	12
		Total indebtedness	(366.7)	(317.0)	
Pre IFRS 16 leverage	Net cash (above) divided by underlying EBITDA less expected rental charges pre IFRS 16.	Pre IFRS 16 leverage	FY23	FY22	Note
		Net (cash) (above)	(54.7)	(66.0)	
		Statutory operating profit	136.8	163.8	
		Underlying depreciation of property, plant and equipment	25.7	25.4	3
		Underlying depreciation of right-of-use assets	66.8	69.7	3
		Amortisation of intangible assets	9.8	8.8	3
		Non-underlying depreciation of property, plant and equipment	0.4	–	3
		Non-underlying depreciation of right-of-use assets	0.7	–	3
		Other non-underlying items in EBITDA	11.8	(19.3)	3
		Underlying EBITDA	252.0	248.4	
		Less:			
		Proforma rental charges pre IFRS 16	(79.9)	(80.8)	
		Underlying EBITDA (pre IFRS 16) ¹	172.1	167.6	
		Pre IFRS 16 leverage	(0.3)x	(0.4)x	
<p>¹ Proforma rental charges pre IFRS 16 cannot be directly referenced in the financial statements as the balance represents 52 weeks (FY22: 53 weeks) of rental charges for each lease held at the balance sheet date.</p>					
Lease adjusted leverage	Total indebtedness divided by underlying EBITDA.	Lease adjusted leverage	FY23	FY22	Note
		Total indebtedness (above)	366.7	317.0	
		Underlying EBITDA	252.0	248.4	
		Lease adjusted leverage	1.5x	1.3x	

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