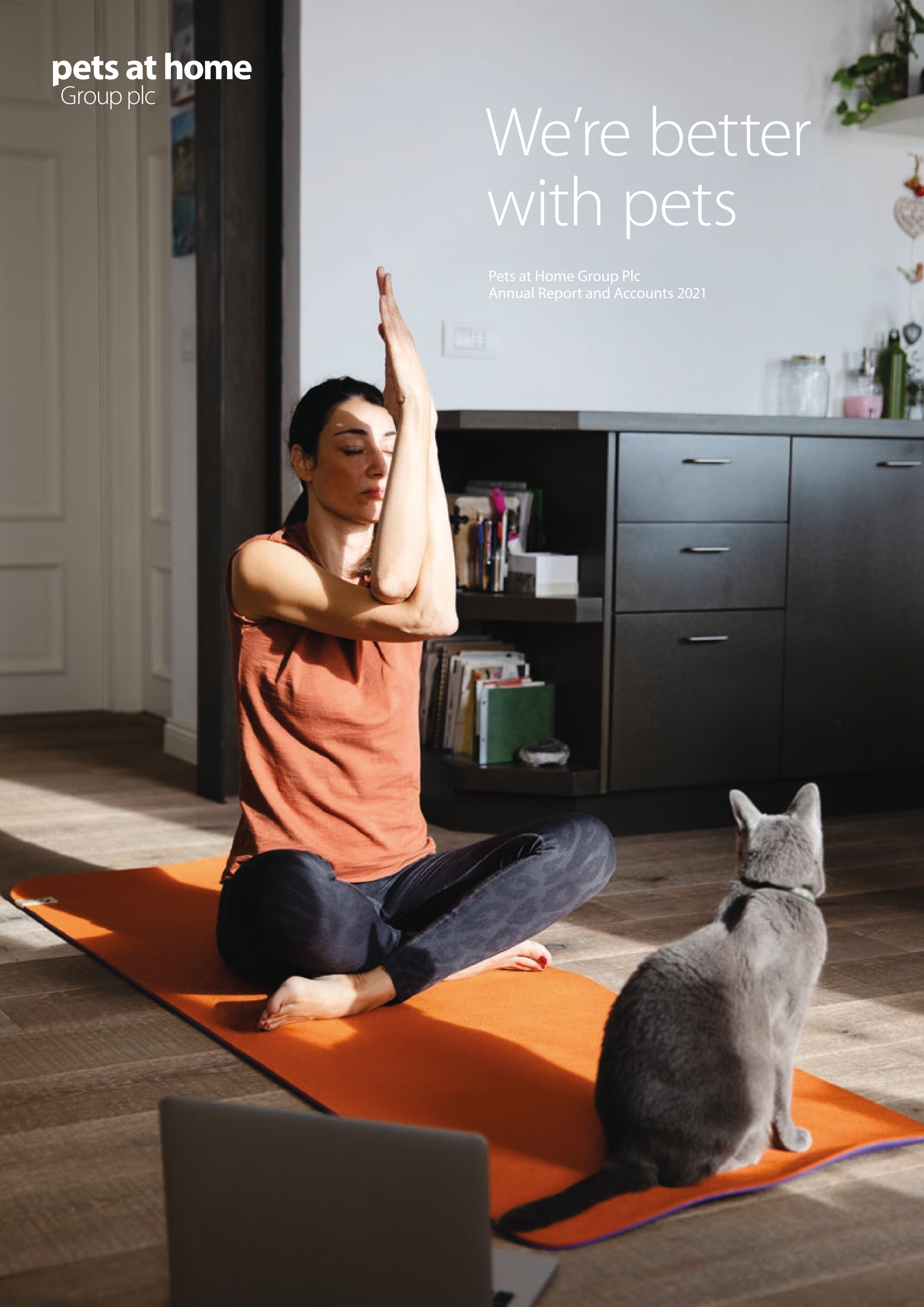
pets at home
Group plc

We're better with pets

Pets at Home Group Plc
Annual Report and Accounts 2021



pets at home
Group plc

Our vision is to become the best pet care business in the world.

We provide customers with everything they need to be the best pet owner they can be.

Find out more:
To download our Annual Report, our full social value report or to learn more about Pets at Home, please visit our investor website.
https://investors.petsathome.com

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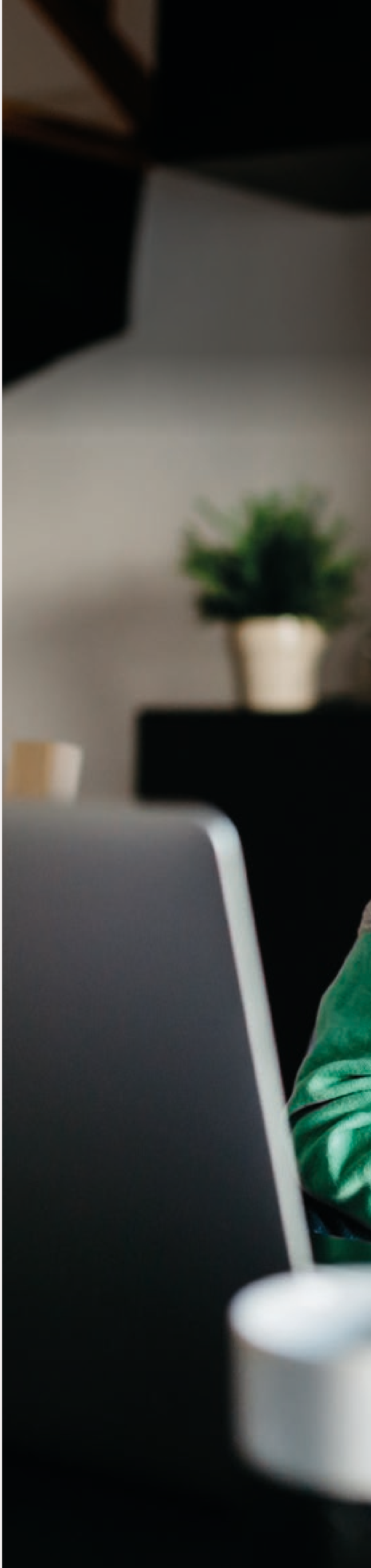


With 30 years of caring for pets and the people who love them, we know our purpose – we're better with pets.

Our goal is to make pet care convenient, affordable and rewarding for customers – allowing them to spend more time with their beloved pets.

The year in review

Operational highlights

Our performance in the year reflects the success of our pet care strategy during a period of unprecedented change. The pet care market remained in structural growth, underpinned by a rise in pet ownership, as well as the ongoing trends of premiumisation and humanisation, and we continued to take share across all channels of our pet care ecosystem.

Link to strategy:

- **Bring the pet experience to life**
- **Use data and VIP to better serve customers**
- **50% of sales from pet services**
- **Set our people free to serve**

Our strategy, page 28

Developing our pet care centres
Our next generation store format has now been rolled out across 23 locations, featuring more space allocated to services and an enhanced customer experience, and two new smaller format stores have been successfully launched this year within Greater London.

Progressing our data agenda
Our 45-strong data and analytics team is now fully recruited, and we have successfully completed the insourcing of all our data operations onto a cloud-based platform. This is enabling us to more accurately understand customer preferences and drive highly targeted communications; our first VIP reward mailer based on insights from internally held data achieved our highest level of redemptions to date.

Enhancing our omnichannel proposition
We have seen strong growth in our Retail business, particularly within omnichannel, which now represents 15.8% of Retail revenues. A nationwide rollout of a 1-hour Click & Collect service in the year offers customers an even more convenient way to shop with us.

Driving maturity in our First Opinion practices
Like-for-like[1] customer sales generated by all First Opinion vet practices grew 9.5%, supported by strong growth in new client registrations. Our acquisition of The Vet Connection in the year broadens our digital capabilities in providing trusted advice and pet care solutions.

Financial highlights

Strong performance in a challenging year

Revenue (£m)

£1,142.8m

+7.9%

Underlying PBT[1] (£m)

£87.5m

(6.4)%

Underlying free cashflow[1] (£m)

£67.4m

(24.8)%

61%

Increase in Puppy & Kitten club members

Growing our customer base

Our VIP loyalty club now has 6.2m active members, having grown 9% in the year. This has been in part driven by the continued success of our Puppy and Kitten clubs, which help introduce customers to all parts of our pet care ecosystem and foster long-term customer relationships.

£90m

Annual customer revenue from subscriptions

Expanding our subscriptions platforms

We now have over 1 million customers signed up to one of our subscription plans, offering customers a convenient way to shop with us, and increasing the quality and visibility of our sales profile.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210. Customer sales include gross customer sales made by Joint Venture vet practices, and therefore differs to the fee income recognised within Vet Group revenue.

Our Better World Pledge

Our social value strategy continues to guide everything that we do

£6.0m

Over £6.0 million raised to support pet charities

84%

84% colleague engagement

9.1%

9.1% reduction in CO_2e emissions vs. FY20

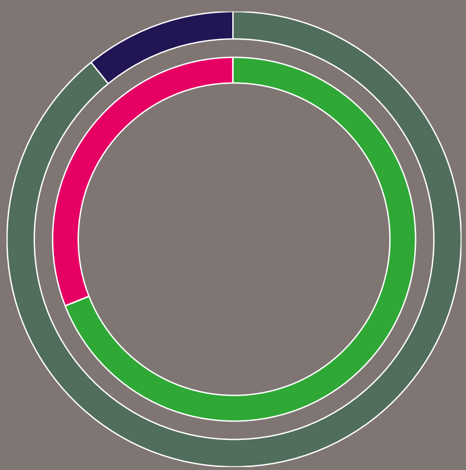
Our pet care ecosystem

A unique combination of products and services

Although we report our Retail and Vet Group businesses separately, the two sides of the Group are highly complementary and allow us to provide a complete pet care solution to customers.

Revenue and underlying EBIT[1,2] contribution by segment

	Revenue (£m)	Underlying EBIT[1,2] (£m)
Retail	1,018.9	79.5
Vet Group	123.2	36.0



1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.
2 Central costs of £(9.6)m not shown above

£6.2bn
UK pet care market, which is resilient and in growth

6.2m
Active VIP loyalty club members

c26%
Proportion of VIPs who shop across more than one channel

>1m
Number of subscription customers across the Group

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.

Operating review, page 46

Vet Group

We provide a comprehensive range of small animal veterinary services through a network of First Opinion 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.

Operating review, page 50

A pet care destination
In addition to pet products, our stores also allow customers to benefit from a range of pet care services such as dog grooming, veterinary services, subscription packages, educational workshops and events, as well as access to expert pet knowledge and advice through our experienced colleagues.

452
Stores

56%
Of stores have a vet practice and grooming salon

Omnichannel capabilities
Our extended range of food and accessories is available for customers to shop online 24/7, with convenient delivery options to choose from, including 1-hour collection in-store. Alternatively, colleagues can also place an order from our extended range whilst the customer is in-store using a dedicated PetPad app. We also offer subscriptions across monthly flea & worm treatments and regular food deliveries, making pet care even more convenient and affordable.

23%
Of omnichannel[1] revenues are collected in store

>10,500
Products in our extended online range

First Opinion practices
Our nationwide network of First Opinion small animal veterinary practices mostly operate under the Vets4Pets brand and in conjunction with our Joint Venture Partners, provide the opportunity for entrepreneurial vets to own their own business. This Joint Venture arrangement offers clinical freedom and operational independence to veterinary surgeons, supported by our business expertise. We also operate a number of company managed First Opinion practices, which are owned in full by us.

395
Joint Venture First Opinion practices

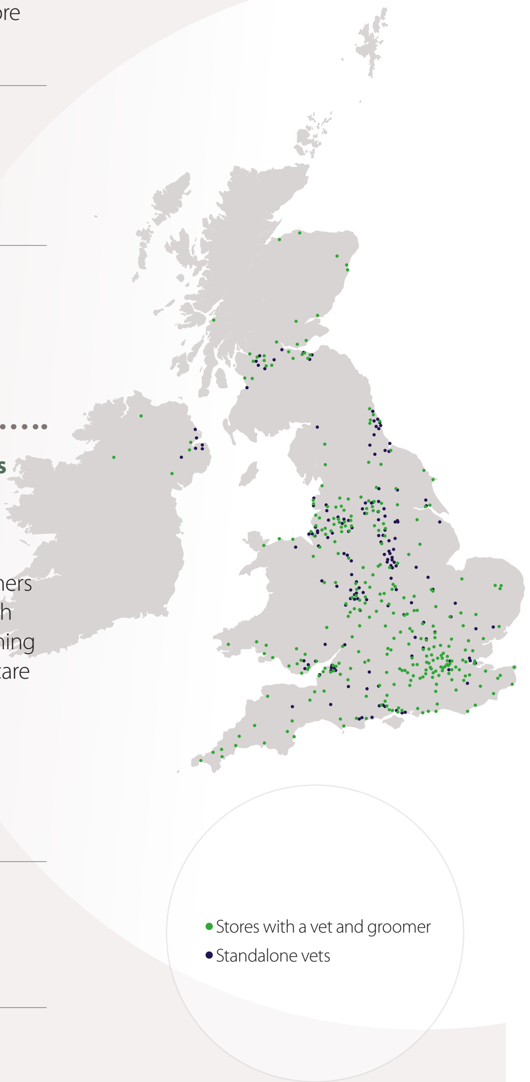
46
Company managed First Opinion practices

Digitally-led pet healthcare solutions
Our acquisition of The Vet Connection broadens our digital capabilities in providing trusted advice and pet care solutions. It enables us to provide customers with round-the-clock veterinary telehealth advice, triage and ancillary services, meaning pet owners can remotely access quality care for their pet whenever they need to.

c90,000
Remote consultations each year

Our locations

Our stores, Groom Room salons and First Opinion vet practices are located nationwide, allowing us to offer convenient pet care to customers across the UK.



The central tenets of a compelling business model

1 **Strong position** — in a large, resilient market that is in structural growth

- We have c23% share of a pet care market worth £6.2bn, providing significant opportunity to take further share
- Growing pet population of c33m pets in the UK, underpinned by increasing humanisation and premiumisation
- Taking share across all key categories and channels through our winning combination of complete pet care

2 **A unique proposition of pet care solutions** — providing competitive advantages

- Customers who transact across the full range of products and services spend up to 9x more each year compared to store-only shoppers
- Only c26% of all VIPs currently shop across more than one channel – with considerable headroom for growth
- An expanding ecosystem of pet care, with multiple revenue streams of non-discretionary and non-seasonal spend

3 **Trusted and well known brand** — making pet care convenient, affordable and rewarding

- 30 years of serving the nation's pet owners, with knowledgeable in-store colleagues offering expert advice
- Competitive pricing across branded pet food and strong penetration of private label
- Convenient retail proposition of 452 experiential stores and fast growing omnichannel business provide multiple customer acquisition opportunities

4 **Investment in data** — to deliver more personalised solutions to our 6.2m active VIP loyalty club members

- Unique VIP loyalty club, providing over eight years worth of proprietary pet and customer data
- By leveraging our data insights, we can offer more personalised, targeted solutions and drive customer loyalty, retention and lifetime value
- Full benefits of recent investment in data capabilities still to flow

5 **Unique Joint Venture Model** — in First Opinion vets

- Largest branded veterinary business in the UK, with practices located in two-thirds of stores plus a number of standalone locations
- Provides entrepreneurial vets the opportunity to run their own business and operate with clinical freedom and operational independence
- Practice maturity represents a significant future profit and free cashflow opportunity, with further potential upside from rollout of new practices

6 **Scalable omnichannel platform** — underpinned by significant investment in digital capabilities

- New state-of-the-art order management system provides real-time intelligence and enables best-in-class fulfilment for our customers
- Creating a new proprietary digital interface where customers can access their entire pet care needs in one place
- Acquisition of The Vet Connection enhances our digital capabilities, providing trusted advice and even more convenient pet care services

7 **Strong growth in customer acquisition** — through our Puppy and Kitten clubs

- Membership of our Puppy and Kitten clubs has increased 61% year on year, introducing customers to all parts of the business
- Members of the clubs typically spend c34% more than non-members, and this premium continues into adulthood
- Acquiring customers at the very start their pet journey helps create loyalty and increase the lifetime value opportunity

8 **Growing numbers on subscription platforms** — creating a high margin annuity-like income stream

- Over 1 million customers currently on some form of subscription package, up 21% year-on-year
- Existing platforms generate £90m of visible, repeatable customer revenue per year
- Significant opportunity to personalise packages and create unique bundles of products and services

9 **Strong financial position** — and returns potential

- Growth in pet population and new customer acquisition provide a strong foundation for future growth
- Robust balance sheet with good liquidity of £249m, low leverage and significant headroom on banking covenants
- Highly cash generative with free cashflow conversion of 30% and dividend per share increased to 8.0p in FY21

10 **Strong governance** — and commitment to sustainability

- Experienced Executive Management Team with a track record of taking decisive action
- Balanced Board of Directors with a broad range of skills and experience
- Strong sense of social purpose focusing on our ESG agenda and designed to balance the interests of all stakeholders

Ian Burke
Chairman

A strong performance within a challenging environment

Strong performance in a challenging environment demonstrates the resilience of our pet care strategy and how now, more than ever, pets are playing an important role in our daily lives. We have seen positive revenue growth across the Group, testament to the advantages of our omnichannel model and strategy of providing all of our customers' pet care needs in one place.

In FY21, our pet care ecosystem reached more customers than ever before as we provided convenient, affordable and rewarding pet care to pet owners. Overall, we generated revenue growth of 7.9%, to £1,142.8m, within which like-for-like sales[1] grew 8.7%. Our performance is testament to the success of our strategy in aligning our Retail and Veterinary operations more closely to provide customers everything they need to look after their pet, setting us apart from our competitors.

Strategy

We have made good progress this year in our ambition to become the best pet care business in the world. The Board has spent the past year focusing on the Group's key strategic areas, including improving the quality of our data and our ability to leverage it to provide deeper customer insight, enhancing our omnichannel proposition, and deploying capital expenditure to further digitise the business and commence early stage development of our new purpose-built storage and distribution facility.

In the coming year, we plan to increase our investment in developing further our digital capabilities, progressing our additional distribution capacity and continuing to upgrade our pet care centres.

Performance

The performance in Retail has been strong. By offering customers a compelling range of products and services and making their experience as convenient and rewarding as possible, we have been able to take market share across all key categories and channels. We have seen growth in new customer acquisition, driven by the success of our Puppy and Kitten clubs, as well as from customers signing up to our subscription plans, where there is considerable headroom to develop annuity-like revenue streams.

We have seen positive results in the Vet Group, as the underlying health of the practice estate continues to improve. This year also saw the acquisition of The Vet Connection, a long established veterinary telehealth provider, and the disposal of our Specialist Referral hospitals, as we continued to align our business with our strategic focuses.

Our underlying profit generation has been highly encouraging within the context of an estimated £30m adverse financial impact from COVID-19 in the year. We ended the year in a strong cash position with good liquidity and low leverage, with our free cashflow generation enabling us to invest in our business, reduce debt and increase our dividend.

"We have generated strong free cashflow[1], enabling us to invest in our business, reduce debt and increase our dividend."

Our Better World Pledge
Our purpose unifies us as a single entity and aligns all areas of the business around a consistent vision of pet care for our customers; put simply "we're better with pets". During the past year we have been developing our new social value strategy, which we refer to as Our Better World Pledge. This pledge ensures we will run our business sustainably and ethically whilst also applying high standards of governance.

Management
Our Executive Management Team has provided firm and effective leadership to the business throughout this past year of unprecedented challenges. They have ensured that all colleagues across the Group have remained safe, informed, engaged and supported throughout the COVID-19 crisis. Alongside these efforts, they have made good progress in implementing key aspects of our strategy.

Colleagues
Our colleagues are, and have always been, the foundation of our business. Our passionate and highly trained team of veterinarians, vet nurses, grooming stylists, and store colleagues are on the front line each and every day to share their knowledge, expertise and enthusiasm with our customers. They have been well supported by our colleagues in field operations, our Distribution Centres and our Support Offices. I would like to express my sincere thanks to all our colleagues for their ongoing commitment over the past year. I am proud of the way in which every one of them has risen to the challenges we have faced over the last 12 months and continued to serve our customers and their pets in whatever way they can.

Dividend
The Board is pleased to recommend a final dividend of 5.5 pence per share to be paid on 13 July 2021 to shareholders on the register at the close of trading on 18 June 2021. This will take the full year dividend to 8.0 pence per share, up 6.7% on the previous year.

Current trading and outlook
The start of our current financial year has seen a continuation of the strong momentum across our Retail and Veterinary operations.

While the emergence of new variants of the virus and the potential for higher transmission levels as the UK continues to unlock mean the external environment remains uncertain in the near term, our pet care model remains robust, and the changes we have made to our business enable us to continue providing pet care to our customers with minimal disruption.

Ian Burke
Chairman
27 May 2021

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Our response to COVID-19
The COVID-19 pandemic has had a devastating impact on the retail sector, and the wider economy. Our Executive Management Team responded to the challenges quickly and decisively, taking proactive measures to provide a safe shopping environment for our customers, whilst ensuring the safety and wellbeing of all our colleagues and Partners. We introduced convenient and safe ways to engage, serve and fulfil our customers, whilst continuing to meet our obligations as a responsible corporate citizen.

I am proud to say that throughout this most challenging of years, our Executive Management Team have shown the strong leadership required to enable the business to remain focused, disciplined and agile. This, along with the hard work and dedication of all our colleagues across the Group, has ensured the business is emerging from the pandemic a stronger business, well positioned for long term sustainable growth.

Read more about our response to COVID-19, page 10

Our approach to ESG
In recent times there has been increased interest in environmental, social and governance matters, and the COVID-19 pandemic has accelerated this interest in society generally, as well as within the wider business community. Whilst many focus on the scale of the challenges ahead of us, we believe the next 10-20 years present a significant opportunity to rethink business practices and win market share and, rather than considering it as a trade-off against profitability, we see sustainability as being consistent with long-term growth, profitability and value creation.

As such, we are committed to executing our pet care strategy with ESG at the forefront, including aligning our reporting and disclosure with best practice, delivering our goal of becoming net zero, leading the way in sustainable pet care products, ensuring fair and equal treatment of all our customers, colleagues and communities, and continuing our support of pet charities, whilst maintaining strong governance practices.

ESG strategy, page 64

In-store safety measures
We deployed new signage to encourage customers to shop alone and remain 2 metres apart. We also temporarily removed pets from our stores to discourage browsing, and limited the number of customers who could be in store at any one time.

Contactless collection service
In response to the pandemic, we introduced a contactless collection service, where customers can remain in their car within a designated parking space, and colleagues will deliver products directly to the boot of their vehicle.

COVID-19 response

We responded quickly to the pandemic, making significant changes to the way we operate our business, and we remain agile as we emerge from the pandemic.

We have introduced new, convenient ways to engage, serve and fulfil our customers. We have ensured the wellbeing of our colleagues and Partners and we have maintained strong corporate governance throughout the year.

For our customers…

Proactive measures taken to provide a safe shopping environment for our customers
Our priority throughout the pandemic has been to ensure the wellbeing and safety of our people; be that our colleagues, vet Partners, or customers. In line with Government advice, we rapidly implemented a number of protocols in this respect across our stores, Distribution Centres and vet practices.

Across our stores, we temporarily introduced purchase limits, restricted the number and type of products available for sale, removed pets on sale and closed our Groom Room salons to discourage non-essential customer visits. We implemented all Government advice regarding social distancing by limiting the number of customers in our stores at any one time and introducing a clear queuing protocol for customers both inside and outside of our stores. Within our vet business, we have adhered to RCVS guidance on permitted procedures throughout the year, which initially excluded all elective and routine procedures.

Enhanced omnichannel proposition
The role our stores play in the fulfilment and delivery process is evolving. In the year we launched a contactless collection service, where orders are delivered directly to the boot of a customer's car, using dedicated parking bays and QR code notifications. We also launched a new 1-hour Click & Collect service across our store estate, which significantly improves our customer proposition, and provides an even more convenient way for customers to shop with us.

Operating review, page 46

Supporting our colleagues

Since the start of the pandemic, we have paid a £2.9m incremental bonus primarily to our frontline colleagues outside of our normal bonus cycle, and continued to support shielding and isolating colleagues.

Vets remain open

Designated as an essential retailer, our stores remained open throughout the year. The vast majority of our vet practices also chose to remain open throughout the pandemic, providing much needed care for the nation's pets.

Colleague safety

We issued all colleagues with PPE, installed protective screens around all points of sale, and implemented additional training for colleagues on the safe provision of products and services.

Hardship fund

We created a £1.0m Colleague Hardship Fund for colleagues, vet Partners and their teams, meaning any colleague across the Group can access much needed financial support in these difficult times.

...our colleagues

Ensuring the safety and well-being of our colleagues

Caring for our hardworking colleagues has never been more important and we ensured that those colleagues who needed to self-isolate or shield continued to be supported throughout. We also created a Colleague Hardship Fund of £1.0m for colleagues, our vet Partners and their teams should their families experience financial difficulties, and, outside of our normal bonus cycle, paid an additional £2.9m bonus primarily to store and other frontline colleagues in recognition of their tireless work in adverse circumstances.

To ensure our colleagues felt supported in store, we introduced sneeze guards and contactless only payment across all of our points of sale. We also provided protective masks for all our store colleagues, and implemented training for specific colleagues on the safe delivery of grooming services and contactless sale of pets.

Across our First Opinion practices, we offered training for our vet Partners to help ensure the safe delivery of procedures, and introduced a home delivery service of healthcare products, such as flea & worm treatments. We trialled remote consults early on in the pandemic, and given the success of this service, we then acquired The Vet Connection, a long established veterinary telehealth provider.

ESG strategy, page 64

Remote Board meetings

The vast majority of our Support Office colleagues began working from home, adapting to new remote ways of working, and using technology to ensure all teams had the capabilities to continue to work and collaborate effectively.

...and governance

Continued effective business governance and leadership

Given the rapidly changing landscape, we ensured all colleagues across the Group were kept abreast of developments through daily briefing videos led by our CEO, and developed and communicated a 5-stage response strategy to the crisis, enabling the business to adapt quickly to the changing environment.

Meeting our obligations as a responsible corporate citizen

Throughout the pandemic, meeting our obligations as a responsible corporate citizen has remained paramount. We have continued to pay our landlords and suppliers, allocated £1.3m to nominated charities, and provided a 10% discount scheme to NHS workers.

In addition, we chose not to participate in the Government's Job Retention Scheme (JRS) or the Job Retention Bonus, and voluntarily repaid £28.9m of the business rates relief received across the business.

Governance report, page 90

A step change in our journey to become the best pet care business in the world

Peter Pritchard
Chief Executive Officer

We ended this unprecedented year a far stronger pet care business. Despite challenges to how we were able to do business, we grew our market share across all channels and our underlying growth trajectory accelerated.

Our loyalty clubs saw record periods of new customer registration, strong growth in subscription customers increased the visibility and quality of our sales profile, whilst new clients across our veterinary estate helped increase practice profitability and cash flow. We achieved all of this while remaining mindful at all times of doing the right thing for all our stakeholders. COVID-19 has structurally changed the dynamics of the pet care market. We estimate that the rising level of pet ownership, combined with structural demand drivers such as premiumisation and humanisation, has increased the outlook for growth across our addressable market, and in conjunction with our expectations of continuing to take market share, provides a tailwind to the £600m customer revenue opportunity we see across our business over the medium term.

An extraordinary year in review

The start of our financial year coincided almost exactly with implementation of the UK's first national lockdown, marking what would become the most extraordinary period across my thirty-five years in industry.

Our immediate priorities were to ensure the safety and wellbeing of all our colleagues, Partners, customers, and pets, and we rapidly adapted our retail and veterinary operations to be able to continue providing essential pet care to our customers in a safe and appropriate manner.

Recognising that COVID-19 would be a catalyst for change around customer purchasing behaviour and pet ownership, we accelerated investment into our loyalty clubs and subscription platforms, and introduced new ways to engage, serve and fulfil our customers' needs across all channels, making pet care as convenient, engaging and flexible as possible.

These measures, together with the inherent strength of our pet care platform and the underlying pet care market, underpinned the strong and sustained momentum witnessed in both our retail and veterinary operations across the last three quarters of the year, notwithstanding national or regional pandemic-related restrictions throughout much of the period.

Pet care strategy driving growth

We continue to focus on customer acquisition, retention, and increasing our share of wallet of our existing customer base.

6.2m	Number of VIPs increased 9% to 6.2m, with the number shopping across more than one channel +10% YoY
+60.9%	Members of our Puppy and Kitten clubs grew +61% YoY to its highest level on record
>1m	Number of subscription customers now over 1 million, generating c£90m in visible, recurring customer sales

"The pet care market is in growth and we are growing our share across all channels."

Key performance indicators

Financial KPIs[1]	FY21	FY20	YoY change
Customer sales[#, 2] (£m)	1,437.1	1,334.7	7.7%
Group underlying PBT[#] (£m)	87.5	93.5	(6.4)%
Group underlying free cashflow[#] (£m)	67.4	89.6	(24.8)%

Strategic KPIs	Measure	FY21	FY20	YoY change
Bring the pet experience to life	No. of customer transactions[3] (m)	60.0	63.1	(4.9)%
50% of sales from pet care services	Customer sales[#, 2] from services	32.8%	34.1%	(129)bps
Use our data to better serve customers	VIP customer sales[#, 2, 4] (£m)	887.1	817.2	8.6%
Set our people free to serve	Customer sales[#, 2] per colleague (£k)	196.7	187.0	5.2%

1. Financial KPIs shown above represent those used by the business to monitor performance. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.
2. Customer sales include gross customer sales made by Joint Venture vet practices of £358.1m (FY20: £329.7m) (unaudited figures), and therefore differs to the fee income recognised within Vet Group revenue.
3. Includes customer transactions in-store, online, in First Opinion vet practices, cases treated in Specialist Referral centres plus pets groomed in Groom Room salons.
4. VIP customer sales are shown on a rolling 12-month basis and include gross spend at First Opinion vet practices.

\# Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Strategic review of FY21

I. The outlook for growth has strengthened across the UK pet care market

We operate in a large, growing and robust market, which had an estimated value pre-COVID of approximately £6.1bn across our segments.

Prior to the onset of the pandemic, the pet population of dogs and cats in the UK had been in steady state, with pet humanisation, premiumisation and healthcare and nutritional advancement being the predominant drivers of average annual UK market growth of approximately 3.5%.

COVID-19 has structurally altered the dynamics of the UK pet care market, with changes to the way we work and spend our leisure time removing an historical barrier to pet ownership and strengthening the emotional bond with pets as they play a more significant role in our daily lives. Anecdotal evidence over the past year, across animal welfare charities, pet marketplaces and pet registration forums, points to a significant increase in pet ownership, a good proxy for elevated levels of future market growth.

Across our internal pet care indicators – growth in membership of our VIP and Puppy and Kitten Clubs, new client registrations across our First Opinion veterinary practices and growth in puppy and kitten merchandise categories – we estimate that the overall number of pets in the UK has grown by 8% over the past year, which, combined with prevailing structural tailwinds, has increased the future annual underlying growth rate of our addressable market by approximately 100bps.

II. We are growing our share of pet care and see a £600m customer revenue opportunity

Our share of the pet care market pre-pandemic had grown to approximately 20% across our segments, with our strategy to reposition the business from a pet shop to an omnichannel pet care provider underpinning a shift in revenue mix towards high growth veterinary services, online and subscriptions, and delivering consistent market share gains since 2016.

We continued to increase our share across all channels of this growing market over the past year, with LFL revenue growth across our retail, omnichannel and veterinary operations ahead of their respective segments. Market supplier data implies an estimated 200bps increase, in-store and online, in our share of trade of key branded dog and cat food categories during calendar year 2020, with sequential growth over the last three quarters and, combining our internal data with a range of third-party UK market reports, we estimate that our share of the pet care market across our segments increased to approximately 23%.

Looking ahead, we see a £600m customer revenue opportunity across our business over the medium term, as we continue to take share of a growing market, increase our revenue weighting in high growth segments, and continue to repurpose our core customer proposition from transactional and channel centric to one that is solutions-based and channel-agnostic.

In this respect, our truly omnichannel backbone is one of our key sustainable advantages.

III. The strategic advantages of our omnichannel pet care model

We are the leading omnichannel pet care provider in the UK, with a growing and scalable online platform complemented by a 452-strong estate of well-invested, conveniently located stores across the UK, many of which are playing an increasingly important role in our omnichannel strategy.

The combination of our store, online, grooming, veterinary and digital services gives us a presence across the full pet care market, allowing us to meet pet owners' needs across multiple touch points across the lifetime of their pets, and drive engagement, loyalty and retention.

Our stores bring the pet experience to life

Our stores, combining a wide range of attractively priced and predominantly UK-sourced branded and own label products with veterinary and grooming services and expert advice, have been key in acquiring new customers during the pandemic. Put simply, they allow pet owners to meet all their product and service needs under one roof in a safe, localised and experiential environment, and provide a suitable alternative for grocery-led shoppers seeking either brand continuity or a more tailored advanced nutrition approach through our market-leading own label brands.

Our online operations integrate our physical and digital channels to maximise convenience

We estimate that our share of the online pet care market increased by approximately 200bps to 16.8% over the past year. Our omnichannel participation of retail sales moved from approximately 10% pre pandemic to an average of 15.8% in FY21, as investment in distribution capacity over the past couple of years supported elevated levels of online demand with minimal disruption.

During the year, we simplified the remote sign-up process to our loyalty programmes and subscription plans, underpinning 34% growth in annualised subscription sales, and enabled home delivery of veterinary medicines, which grew 35% in the period.

We also extended choice and flexibility for customers, investing in innovative ways to integrate our physical and digital channels, including "Deliver to Car" across more than 150 stores and a one hour Click and Collect service across the full estate, which has surpassed initial expectations.

Towards the end of calendar 2020, recognising the growing importance of telehealth through the pandemic, we broadened our digital capabilities in the provision of trusted advice and pet care solutions through the acquisition of The Vet Connection, an established and successful provider of on demand, high quality, round-the-clock veterinary telehealth advice, triage and ancillary services, which is helping to differentiate our proposition and drive customer acquisition and retention.

"We continue to introduce new ways to engage, serve and fulfil our customers, making pet care as affordable, convenient, engaging and flexible as possible."

Our veterinary services are an integral part of our pet care ecosystem
We also increased our share of the veterinary market during the year, with new client registrations across our 441 practices comprising approximately 9% of all veterinary visits in our second half, reflecting an increase in pet ownership over the past year as well as a higher number of existing pet owners choosing our veterinary services for the first time.

This strong performance is a clear endorsement of our unique veterinary joint venture model, where our Partners are incentivised, economically and clinically, to drive practice maturity, with marketing and support services provided at Group level. This model has worked especially well through the pandemic where we were able to support our Partners to remain open and accessible for the provision of pet care. It is also one of the key reasons why even our mature practices typically grow at a faster rate than the underlying market.

The health of our veterinary estate continued to improve, with customer sales across our First Opinion practices of approximately £384m over the past year, an increase of 21% on a two-year basis. The number of loss-making practices more than halved year on year, the number of profit-making practices has increased again this year, and a step change in both the reduction of operating loans and cash flow generation is demonstrating that remedial action previously taken, as well as supportive measures implemented during the pandemic, is helping to accelerate practice maturity and release embedded value.

Our colleagues share an ambition to be the best pet care business in the world
Having a best-in-class suite of assets is, however, only half the solution, and many of our achievements this year would not have been possible without the energy, passion and skill of all our colleagues and Partners across the Group.

We have not been immune to the challenges that COVID-19 has created and, while we were pleased to be able to implement a number of measures to support their emotional and financial wellbeing, including offering full pay to those that were shielding and clinically vulnerable, additional support for those with caring responsibilities, a £1.0m hardship fund, and an incremental Thank You bonus totalling £2.9m to frontline colleagues, I would personally like to take this opportunity, on behalf of our Executive Management Team, to thank them all for their tireless work and dedication in serving our customers' needs during such challenging times.

IV. Accelerating investment to grow the Pets at Home ecosystem

Three things are fundamental in supporting our ambition to be the best pet care business in the world.

- Investing in our infrastructure to provide a best-in-class customer experience;
- Further digitising our business to create a seamless pet care experience;
- Leveraging our data to increase customer lifetime value and annuity-like income

Investing in our infrastructure to provide a best-in-class customer experience
It would be outdated to describe our next generation pet care centres as stores. We see them as destinations to connect and engage with local communities of pet owners and their pets, providing all their product and healthcare needs in one location which brings the pet experience to life through multi-use event space, pet care services, training and socialising classes and nutritional consultations.

While we paused our regeneration programme during the pandemic, we plan to restart the process this year, utilising the learnings from our 23 transformations to date. We have also recently launched two smaller, high street pet care centres inside the M25 London Orbital Motorway, where we are currently underrepresented, but a meaningful opportunity exists. The performance of these new centres will help to inform our decision-making on wider rollout within Greater London.

The role our stores play in accelerating our omnichannel strategy is also becoming increasingly significant, with their wide geographical footprint and proximity to our customers positioning them well as localised distribution centres as part of our ambition of delivering frictionless execution, convenience and speed. Our new Order Management System, providing real-time intelligence on optimal order management and routing across our nationwide estate, will enable us, alongside our centralised distribution model, to offer localised same day delivery from store to home, embedding best-in-class fulfilment while generating operational efficiencies across the Group.

We also have a clear ambition to transform the responsiveness of our supply chain and during the year signed a lease agreement for a new purpose-built, highly automated storage and distribution facility in Stafford, which will come on-stream during 2023. Consolidating our legacy infrastructure into a modern, well-located, and future focused platform, that serves both our store and online operations, will give us significant incremental capacity across our subscription platforms and enable us to better serve our customers through maximum flexibility in stock holding and order fulfilment capacity.

Across our veterinary operations, we will invest in infrastructure and resource to enhance practice revenues through widening our service offering and improved call handling efficiency, and our recent acquisition of The Vet Connection will enable us to differentiate our veterinary proposition to support new client acquisition and retention.

We also plan to re-start new practice rollout this year, targeting between 5 and 10 new sites per annum.

Further digitising our business to create a seamless pet care experience
At the heart of our pet care strategy lies a clear and unequivocal customer first approach, offering everything pet owners need and empowering them to search, shop for and receive their goods and services however and whenever they choose.

Achieving this requires us to facilitate customer journeys across our suite of products and services that are based on a deep understanding of their pet care needs and are supported by integrating our well-invested store estate, our fast-growing online business and an efficient and responsive supply chain into a seamless experience that really brings the customer pet care experience to life.

Over the past year, we have undertaken more joined-up TV and digital marketing campaigns across our subscription platforms and Puppy and Kitten Club and digitised the sign-up process, with approximately 80% of the record level of new puppy and kitten sign-ups coming through our app. Our stores have also become more digitally enabled through investment in IT solutions to simplify daily tasks and video functionality to link instore colleagues to online customers.

This is, however, just the start of our journey to provide an enhanced, joined-up digital experience.

We will, over the next 18 months, be investing over £20m in "Polestar", our transformational initiative to create a seamless pet care experience for our customers through a differentiated digital interface offering new features, functionality, and capability to integrate our offering across retail, grooming and veterinary services into a single, customer-managed dashboard.

This is one of our most significant investments to date and will, we believe, be the first of its kind in the UK pet care market, offering us significant competitive advantage.

8%

Increase in UK pet population over the last 12 months

21%

Growth in number of subscription customers

Customers will, for example, through a single, universal login, be able to access all touchpoints across the Group, whether joining our loyalty clubs, booking, and managing veterinary and grooming appointments or paying for goods and services across our ecosystem. Subscription customers will be able to manage their preferences across all our plans through a single platform and will be given more choice in tailoring plans to real-time needs, including a variety of flexible payment and delivery options.

For new pet owners, we will make pet care easier, more convenient, and emotionally rewarding by offering them the products, services and expert advice they need through a personal shopping appointment in-store or online, and our "first pet checklist" with pet-specific, comprehensive pet care solutions tailored by pet type and breed will, we believe, deliver a best-in-class first shop experience.

Leveraging our data to increase customer share of wallet and annuity-like income
Our base of 6.2m active VIP customers, many of whom are multiple pet owners, continues to grow strongly, increasing the breadth and depth of our unique proprietary customer and pet dataset.

We have in-housed all our VIP customer data onto a cloud-based platform and assembled a team of 45 data scientists and engineers who are providing data insights across the business to inform decision-making on pricing, range optimisation and logistical efficiencies.

We have also developed a single customer and household view of pet ownership across all parts of our business, which will enable us to more accurately predict customer preferences and responsiveness to specific campaigns, personalise customer interaction through timely, pet-specific and integrated solutions across the full lifecycle of the pet, and predict which customers are most at risk of churn at both brand and range level, allowing us to generate algorithmically-targeted and relevant interventions.

While the benefits flowing from our data insights will only increase over the coming year, early indications of the potential for higher levels of engagement and spend are extremely encouraging.

Across four VIP reward mailers (using over 300 pieces of data at an individual customer level to optimise the audience based on probability of response) customers that were specifically targeted spent at least a third more than those outside of the group, but within the same segment, and our recent Grooming campaign generated a c50% uplift in spend specific to a single mailer from customers that were targeted compared to the control group.

Our initial test churn campaign, using an "always on" AI-based predictive churn model, increased both VIP activity rate and value during the campaign, the latter by one third. In a separate, more recent churn campaign, over half of customers that initially responded to the reactivation offer transacted with us again outside of the offer.

While many of our VIPs already shop a range of our products and services, a significant opportunity remains to leverage our data to i) drive customer acquisition through our Puppy and Kitten club and ii) deepen new and existing customer relationships and improve our earnings quality through broadening our offering of Pet Care Plans, which span our full range of products and services and move the customer relationship from single product or service to one that is tailored and multi-faceted.

"While some things have changed, and will continue to do so in a post-pandemic world, we remain confident in the long term sustainability of our business."

Drive customer acquisition through our Puppy and Kitten club
Our free-to-join Puppy and Kitten Club, designed to attract pet owners at the start of their journey and introduce them to all parts of our ecosystem, has been particularly successful in acquiring new customers over the past year.

We know that members of the club respond well to our tailored CRM programme, typically spending 34% more in each year and with less churn than inferred puppy and kitten owners not in the club, and we can utilise our insights on existing members to identify prospects amongst existing VIPs, attract new customers to the Group, finesse our digital marketing campaigns and refine our in-store and online proposition.

We will also leverage the important role our veterinary services play for new pet owners, maximising the flow through of accelerated Puppy and Kitten Club customer acquisition in our retail operations to our veterinary practices through the introduction of a bespoke subscription, "Complete Care Junior", designed to offer a tailored and continuous care plan journey for new puppies and kittens based on their life stage needs, and the first to include access to our 24-hour veterinary care helpline.

Pet Care Plans deepen the customer relationship and improve our earnings quality
We know from our veterinary business that our Healthplan subscriptions, designed to make pet care easy, convenient, and affordable, increase customer loyalty and spend, and grow our mix of annuity-like income. We also know that customers who shop across our ecosystem of products and services spend on average 9x more per annum than a store only shopper, and their use of services and subscriptions increases their retention across the business.

We believe that COVID-19 is accelerating the already growing trend of subscription models in the market, as consumers seek ways to access goods and services conveniently at good value, and we are well-placed to address this growing trend. We operate in market segments that lend themselves to subscription packages and have the unique ability to consolidate a broad range of pet care products and physical and digital services into a single personalised plan to optimise value and convenience for pet owners across all life stages of pet ownership.

Utilising the data insights from our current database of over one million subscription customers, we can identify customers with a propensity to subscribe or become multi-service users across our 6.2m VIP customers, accelerate the recruitment of new customers through relevant, tailored propositions and, combining our omnichannel and fulfilment capabilities, use our Pet Care Plans to create a point of differentiation and retention that competitors cannot easily replicate.

V. Responsible, quality, profitable growth over the medium term

None of this would be possible without the ongoing support of our colleagues and Partners across the Group. Colleague wellbeing has long been an integral part of our culture, and we continually seek new ways to invest in their learning and development and foster an inclusive culture where everyone is welcome.

We are proud of the progress we have made, in an unprecedented year, to narrow our mean gender pay gap and improve diversity across our organisation, and I was pleased to note external recognition of this in the Financial Times 2020 Diversity Leaders Report, where across the Retail sector Pets at Home was ranked 7th, out of a total 85 constituents. During the past year we were also delighted to join both the Business Disability Forum and Disability Confident scheme and Stonewall, and to become a signatory to the Valuable 500, British Retail Consortium (BRC) diversity commitment and BITC Race at Work Charter.

Meeting our obligations as a responsible corporate citizen has remained paramount throughout the pandemic. We continued to pay our landlords and suppliers, allocated £1.3m to pet rescue centres, £0.1m to CaRE20 and provided a 10% discount scheme to NHS workers.

We have also recently launched a new social value strategy, "Our Better World Pledge", centred on the three pillars of Pets, People and Planet and underpinned by several specific goals, actions and targets. Amongst our many pledges are commitments to a net zero carbon value chain by 2040 and 100% packaging that is recyclable, recycled or compostable by 2025.

We are already piloting in-store collection points for flexible plastics, tackling the largest category of non-kerbside collected pet food packaging, with a nationwide rollout planned from summer 2021, and have become a signatory to the BRC climate roadmap, as part of a world-leading industry ambition to reach net zero carbon emissions by 2040.

We operate in a large, growing and robust market, with favourable demographics and structural tailwinds. We have a unique combination of assets, customer DNA and omnichannel pet care expertise which can be leveraged through growing our data and digital capabilities to drive share gains in high-growth market segments. We will continue to make the right investments, organically and inorganically, across both core and adjacent markets to responsibly deliver quality and profitable growth over the medium term.

Peter Pritchard
Group Chief Executive Officer
27 May 2021

A growing pet care market

The pet market remains resilient and in growth with changes to the way we work removing an historical barrier to pet ownership.

Our adaptable pet care strategy is designed to take share across all channels

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

The performance seen across the Group this year within such a challenging external backdrop demonstrates that our pet care strategy remains the right one.

Strategy and performance, page 28

Favourable market dynamics
We operate in a large, growing and resilient market with favourable demographics and clear, long term demand drivers. Pets remain an important part of our lives and the past year has strengthened the emotional bond we have with them. Through our adaptable strategy and unique business model we can continue to take market share with significant opportunities in core areas such as nutrition, veterinary services and subscriptions.

UK pet care market

By sector value 2020[1]

Retail total[2]	£4.1bn
Food[3]	£2.9bn
Accessories[3]	£0.9bn
Veterinary[4]	£2.1bn

1 Source: Pets at Home data and UK market reports.
2 Includes pet products and grooming spend.
3 Includes online spend from pet products.
4 Veterinary includes First Opinion market.

Market driver:

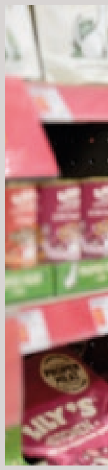
A growing UK pet population

The UK is a nation of pet lovers, with the pet population now at an estimated 33m, having grown by approximately 8% over the last year as more people than ever before have sought the companionship and support a pet can offer.

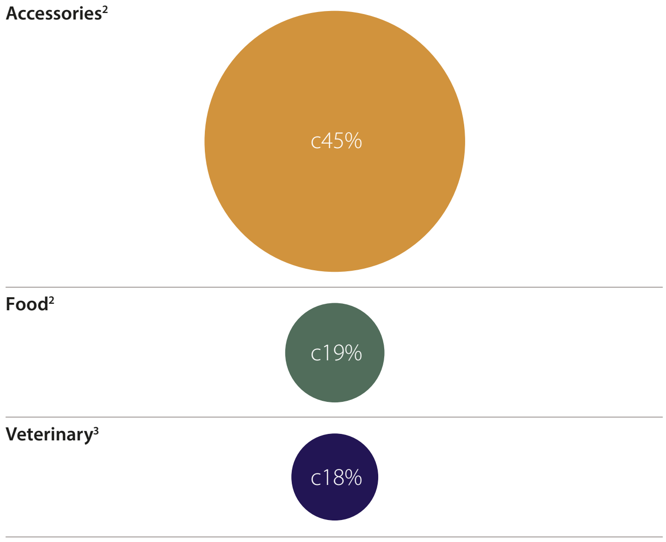
Our approach:
We cater for a variety of pet types at accessible locations nationwide and online and offer a wide range of pet products and pet care services. In particular, we are increasingly focused on welcoming new puppy and kitten customers, introducing them to all parts of our ecosystem, and nurturing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

c23%
Our share of our addressable pet care market

c3%
Our growth in market share year-on-year



Our market share in 2020[1] (%)



Market growth during 2020[1]

Retail total[4]	c2%
Food[2]	c4%
Accessories[2]	c4%
Veterinary[3]	c(2)%

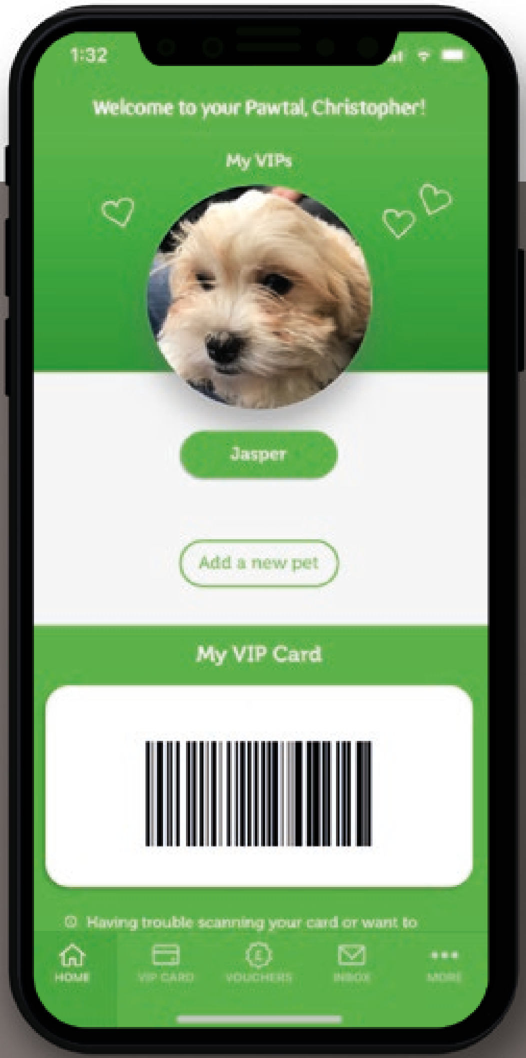
1 Source: Pets at Home data and UK market reports.
2 Includes online spend from pet products.
3 Veterinary includes First Opinion market.
4 Includes pet products and grooming spend.

Sustainable market growth

We operate in a large, growing and robust market, which had an estimated value pre-COVID of approximately £6.1bn across our segments. Prior to the onset of the pandemic, the pet population of dogs and cats in the UK had been in steady state, with pet humanisation, premiumisation and healthcare and nutritional advancement being the predominant drivers of average annual market growth of approximately 3.5%.

COVID-19 has structurally altered the dynamics of the pet care market, with changes to the way we work and spend our leisure time removing an historical barrier to pet ownership and strengthening the emotional bond with pets as they play a more significant role in our daily lives. We estimate that the overall number of pets in the UK has grown by 8% over the past year, which, combined with prevailing structural tailwinds, has increased the future annual underlying growth rate of our serviceable market by approximately 100bps.

Analysis of customer data allows us to predict preferences and responsiveness to specific campaigns and messaging. We can personalise customer interaction through informed, pet-specific thinking on integrated pet care solutions across our platform.



45

Dedicated team of 45 data scientists and engineers, creating our single customer and household view of pet ownership

Market driver:

Continued channel shift to online

Online penetration of the pet products market increased again in the year, and was c22% in 2020. 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. 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.

15.8%

Omnichannel now represents 15.8% of retail revenues

c22%

Online penetration of pet products[1] market

>1m

Number of subscription customers[2] across the Group

1 Includes food and accessories.
2 Defined as customers signed up to a Vet Group health plan, or omnichannel subscription platforms Easy Repeat and Subscribe & Save

Market driver:

The move towards subscription services

Subscription services offer convenience and flexibility for customers, allowing them to receive the products and services they use most often for a fixed regular cost, making pet care easier. Subscriptions also provide the opportunity to build loyalty, increase customer lifetime value and create a predictable annuity-like revenue stream.

Our approach:
We offer a range of subscription based services across the Group covering pet products, flea & worm treatments, and preventative healthcare. We now have over 1 million customers signed up to one of our plans, generating £90m of repeatable customer revenue per year. Our recently recruited 11-strong Propositions Team are working across the Group to introduce new and unique bundles of products and services aimed at providing complete pet care, with significant opportunity to personalise and tailor packages for customers.

Market driver:

Personalisation driving the shopping experience

Today's customers expect a personalised experience when they are shopping. Whilst price competitiveness and customer convenience remain essential, a key differentiator is rapidly becoming the ability to create unique experiences tailored to individual customers. Such experiences are not only difficult for competitors to replicate, but can also help drive customer loyalty and engagement.

Our approach:
We now have 6.2 million active VIP club members, accounting for approximately 70% of retail revenues. This provides us with over 8 years of proprietary data, and the type and quality of the data we have such as breed, age and medical history helps differentiate us from other operators in the Pet space. We are proactively segmenting our customer data, enabling us to more clearly understand customer preferences and responsiveness to pet care solutions, helping increase customer loyalty and engagement.

6.2m

6.2m active VIP loyalty club members

Our unique omnichannel backbone maximises convenience and flexibility

Market driver:

Humanisation of pets and an increasing desire for higher quality products and services

c4%

Year-on- year growth in Advanced Nutrition food in H2

Across both dog and cat owners, there is a continued trend of selecting higher quality diets driven by greater affordability and awareness of the health benefits this provides.

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 customers and their pets.

Market driver:

An omnichannel approach puts the customer in charge of their experience

Customers expect to be able to research, order and receive their products in a flexible and convenient way. By integrating and aligning all channels, omnichannel retailing provides a flexible and seamless shopping experience to customers, regardless of whether they walk into a store, browse on a website or order via a mobile phone.

Our approach:
We are actively investing in our digital agenda to support our goal of making pet care as easy and convenient for customers as possible, including a new state-of-the-art order management system, and development of a new future-focused distribution platform.

We are continuing to invest in new fulfilment options, having launched 1-hour Click & Collect as well as a contactless deliver-to-car service this year, with same day ship to home from store coming in the future. We are also creating a proprietary digital interface where customers can access all their pet care needs in one place, whenever they want.

c23%
23% of all omnichannel sales are collected in store

+17%

3-year compound growth in customer revenue from advanced veterinary care[1]

Market driver:

Advances in veterinary care, accessibility of which is supported by increasing levels of pet insurance

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 First Opinion practices across the UK, both inside Pets at Home stores and in standalone locations, we make access to this high quality care easy and convenient.

Growth in the global veterinary telehealth market ($m)

90,000[2]

The Vet Connection conducts approximately 90,000 remote consultations each year

Market driver:

The growth of telehealth services

Supported by the rise of digital communication technologies and accelerated by the pandemic, customers now want to be able to access round-the-clock healthcare for their pet, wherever they are and through a variety of mediums. Telehealth is a growing area within human medicine and, as pets are increasingly being seen as part of the family, owners naturally want to access the same quality of healthcare for their pets.

Our approach:
Veterinary clients now have the choice to receive healthcare subscription products, such as flea & worm treatments, direct to home, and in response to the pandemic we facilitated an arrangement with "Vet Help Direct" to enable remote consultations between our Joint Venture Partners and their clients. Recognising the success of this service and the important role it played for our clients, later in the year we acquired The Vet Connection, a long established veterinary telehealth provider.

Market driver:

Reconnecting with nature – wildlife on our doorsteps

With restrictions to travel and a daily walk often the only permitted form of exercise, the pandemic has led to long periods confined close to home, which meant many have for the first time properly experienced the natural world in their gardens and local areas. In a challenging year, many have found their enforced reconnection with nature at home a support to both their physical and mental health. This has led to an increased interest in pastimes such as bird watching as people find a new appreciation for their local landscape and wildlife.

Our approach:
We provide a wide range of food and accessories, including wild bird food and feeders, to ensure all of our customers' pet care needs are met. We experienced strong demand for such products, particularly during the first national lockdown, and we worked tirelessly to ensure our stock levels remained sufficient. Our passionate and knowledgeable colleagues are always on hand to provide quality and trusted advice on a wide range of products such as bird stands, pond equipment and chicken feed.

c116%
Year-on-year increase in new online memberships to RSPB

30%
Year-on-year increase in wild bird food sales during first national lockdown

1 Advanced veterinary care includes laboratory work, diagnostic imaging, and radiology.
2 The Vet Connection was acquired by the Group on 30 November 2020. Number of remote consultations quoted refer to a period prior to acquisition.

Our purpose – we're better with pets – is at the heart of everything we do and supports our strategy of delivering complete pet care to our customers.

Our adaptable pet care strategy

Bring the pet experience to life

Investing in the transformation of our store estate and digitising our business to become the best omnichannel pet care provider in the world.

Use our data to better serve customers

Offering customers personalised experiences and tailored offers, and leveraging data across the business to drive our decision making.

Set our people free to serve

Simplifying tasks in-store to give colleagues more time to share their expertise with customers and ensuring all our teams have the capacity and capabilities to deliver our ambition.

50% of sales from pet care services

Dedicating more in-store space to services, extending our subscription platforms, and focusing on driving maturity in our First Opinion vet business.

Bring the pet experience to life

Strategic priorities:

Launch new formats and ensure our store network remains fit for purpose
- Evolve our store network with new formats that bring more pet care services and experiences to customers.

Put our pets centre stage in-store
- Use dedicated areas in-store to host engaging pet events, classes and workshops.
- Excite and inspire the pet owners of today and tomorrow.

Digitise our business and become the specialist market leader for online pet care
- Stay relevant to customers' evolving shopping habits with convenient delivery and collection options.
- Grow online share of market through an improved experience across all platforms.

Keep prices competitive every day, with even greater value for our loyal customers
- Ensure a clear focus on delivering value for customers through competitive everyday pricing.
- Reward loyalty by giving our best customers the best prices.

Grow private labels to 50% of our sales
- Expand and grow our private label brands in food and accessories, which are only stocked in Pets at Home.

Principal risks:
- – Competition
- – Services and store expansion
- – Our people
- – Supply chain and sourcing
- – Liquidity and credit
- – Treasury and finance
- – Regulatory and compliance
- – Sustainability and climate change

Progress in the year:
- Rolled out a further 5 pet care centre formats throughout the year at new, existing and re-located stores
- Invested further in our online shopping experience by upgrading our website functionality and content
- Maintained price competitiveness vs online pureplays
- Rolled out 1-hour Click & Collect service nationwide
- Launched project to develop proprietary digital interface for customers to interact with all parts of the Group

Market drivers:
- – Continued channel shift to online
- – Flexibility and convenience at heart of consumer choices
- – Desire for experiential shopping
- – Increase in price transparency

Metrics

60.0m
Number of customer transactions#

23
Total number of pet care centres

15.8%
Omnichannel participation of total Retail sales

39%
Private label participation across food and accessories

Use data and VIP to better serve customers

Strategic priorities:

Connect our data across the Retail and Vet Group businesses
- Use all our Group data to develop a complete picture of our customers and their pets.
- Invest in the appropriate expertise and system capabilities to unlock the potential of this unique asset.

Personalise customer experience and offers
- Provide customers with more relevant and engaging content and incentives.
- Increase our share of VIP customers' spend.

Give colleagues information to better serve customers at the point of sale
- Enable our colleagues to make every customer feel special, driving customer satisfaction, loyalty and spend.
- Integrate systems to allow colleagues easy access to customer insight.

Utilise data across the business to drive strategic decision making and automation
- Use data and analytics to drive decision making across the Group.
- Make processes smarter, quicker and more efficient.

Principal risks:

– Competition
– Business systems and information security
– Regulatory and compliance
– Brand and reputation
– Liquidity and credit

Progress in the year:
- Finalised migration of VIP data from a third party provider to an in-house cloud based platform
- Completed recruitment of 45-strong team consisting of data scientists, cloud engineers and analysts
- Issued first customer mailer to our VIP members based on internally-held data, achieving highest ever redemption rate
- Built AI-based churn model to predict customers most at risk of leaving the Group
- Grew membership of Puppy and Kitten clubs, where incremental first year spend vs non-members is approximately 34%

Market drivers:

– Personalisation driving the shopping experience
– Flexibility and convenience at heart of consumer choices
– A growing UK pet population
– The move towards subscription services

Metrics

£887.1m
VIP customer sales[1,#]

6.2m
Number of active VIP members

c26%
VIPs who shop across more than one channel

70%
Retail revenues transacted by VIPs

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.

\# For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 34.

Set our people free to serve

Strategic priorities:

Give our highly trained colleagues more time with customers

- Simplify tasks to allow colleagues to do what they do best – provide an exceptional shopping experience to the customer.
- Maintain high levels of customer satisfaction with our highly trained colleagues to ensure we remain the trusted pet experts.

Build the systems to enable our strategy and reduce overheads across the business

- Establish the infrastructure to seamlessly support operations across the business.
- Increase automation and simplify processes to maintain an optimal cost base.

Ensure we are building the right teams with the capability and skills to deliver our plan

- Recruit high calibre colleagues across all levels and allow them to operate with freedom and ambition.
- Adapt to the changing market by introducing new talent, ideas and expertise.

Principal risks:

– Services and store expansion
– Our people
– Brand and reputation
– Business systems and information security
– Regulatory and compliance

Progress in the year:

- Signed lease agreement for a new purpose-built, highly automated distribution platform, consolidating our two existing legacy facilities
- Rapidly implemented a number of new in-store protocols in response to the pandemic to ensure colleagues could continue to serve customers safely
- Implemented a new state-of-the-art order management system, providing real-time intelligence and enabling best-in-class fulfilment for customers
- Launched use of Microsoft Teams to ensure all teams have the capabilities to continue to work and collaborate effectively, as well as the second phase of Success Factors, a cloud based people management tool
- Completed recruitment of both our data team and a newly created Propositions Team, ensuring we have the right capabilities to focus on the Group's strategic priorities

Market drivers:

– Personalisation driving the shopping experience
– Flexibility and convenience at heart of consumer choices
– Humanisation of pets and an increasing desire for higher quality products and services
– The move towards subscription services

Metrics

£196.7k

Customer sales[1] per colleague[#]

2%

Increase in store colleague time efficiencies year on year

£2.9m

Additional bonus paid to colleagues in recognition of their commitment to serving customers through the COVID-19 pandemic

84%

Colleague engagement

50% of sales from pet services

Strategic priorities:

Develop our stores of tomorrow, with more space dedicated to pet care and services
- Meet the evolving expectations of the customer with a more digital experience.
- Launch new formats that bring more pet care services and experiences to customers.

Extend our subscription expertise into pet care plans
- Grow customer numbers on existing subscription platforms.
- Work across the Group to introduce new packages aimed at providing complete pet care.

Recalibrate our First Opinion vet business and realise free cashflow growth
- Simplify the fees in our Joint Venture agreement to help practices mature more swiftly.
- Generate returns for both Partners and Pets at Home.

Principal risks:
- Competition
- Services and store expansion
- Liquidity and credit
- Treasury and finance
- Regulatory and compliance
- Sustainability and climate change

Progress in the year:
- Launched two smaller next generation stores in high-street locations within Greater London
- Continued growth in subscription customers, and recruitment of 11-strong dedicated Propositions Team
- Like-for-like First Opinion customer sales ahead of the underlying market across all cohorts, including mature practices
- Support measures provided across our First Opinion vet business have helped drive cash generation, with year-on-year FCF growth of 129% in our Vet Group
- Acquired The Vet Connection, a long established veterinary telehealth provider

Market drivers:
- Flexibility and convenience at heart of consumer choices
- The move towards subscription services
- Advances in veterinary care, supported by increasing levels of pet insurance
- The growth of telehealth services

Metrics

32.8%
Customer sales[1] from pet care services[#]

316
Grooming salons

441
First Opinion vet practices, located both in-store and in standalone locations

>1m
Subscription customers across the Group

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.
For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 34.

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 four strategic pillars to ensure we can track delivery against our key objectives.

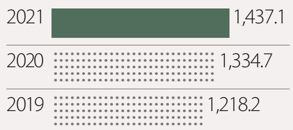
We remain confident in our pet care strategy, and the strength of our performance in what has been an extremely challenging year demonstrates that our strategy remains the right one. Whilst we set out some of our future strategic priorities, we will continue to remain agile and adaptable in how we deliver pet care to customers.

Financial performance

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

Customer sales[1] (£m)

£1,437.1m +7.7%



Representing strong like-for-like[1] growth, both in Retail and in First Opinion vet practices.

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

Why is it important?
By growing customer sales 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 First Opinion vet practices, whether they be under the Joint Venture or company managed model.

Future plans
We expect our strategic initiatives to deliver like-for-like[1] growth ahead of the market across both the Retail and Veterinary segments.

Group underlying profit before tax[1] (£m)

£87.5m (6.4)%

Reflecting strong profit growth in the Vet Group offset by COVID-19 related revenue restrictions and costs.

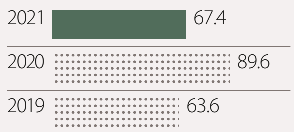
What we are measuring
The underlying profitability of the Group as a result of our strategic progress. We have shown underlying profit before tax[1] on a constant accounting basis post-IFRS16, first adopted in FY20. As such there is no 2019 comparator.

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
Having navigated the business through an extremely challenging period, we now expect to return the business to sustainable underlying profit growth.

Group underlying free cashflow[1] (£m)

£67.4m (24.8)%



Reflecting reduced profit due to COVID-19 restrictions and costs, however strong liquidity has enabled us to 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 cashflow allows us to make strategic investments in the business to fuel further growth, whilst providing an appropriate return to shareholders.

Future plans
Releasing free cashflow from the First Opinion vet business remains a significant value creation opportunity. The actions taken to recalibrate the First Opinion business alongside further profit growth in Retail, will allow Group underlying free cashflow to grow sustainably in the medium to long term.

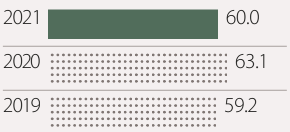
1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Strategic performance

Bring the pet experience to life

Number of customer transactions (m)

60.0m (4.9)%



Driven by decreased footfall due to COVID-19 related restrictions, however more than offset by increased Average Transaction Value.

What we are measuring
Growth in the number of customer transactions across the Group year on year. This includes transactions in-store, online, in our grooming salons, and visits to all First Opinion vet practices.

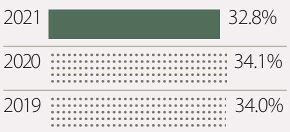
Why is it important?
By providing complete pet care, more customers will visit our locations more frequently and transact more often.

Future plans
We will continue bringing our Retail and Vet Group businesses closer together, making it convenient and affordable for customers to shop across our brands. In addition, we will look to expand our pet care ecosystem by considering attractive adjacencies.

50% of sales from pet services

Customer sales[1] from services (%)

32.8% (129)bps



Reflecting the disposal of our Specialist Referral hospitals and the strong growth seen in pet product sales.

What we are measuring
The proportion of total customer sales contributed by our various pet care services. This is defined as gross customer sales made by both Joint Venture and company managed First Opinion vet practices, grooming salons, omnichannel subscriptions, pet sales and pet insurance commissions.

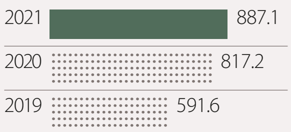
Why is it important?
The ability to offer customers pet care services in addition to pet products is a key competitive differentiator for the Group.

Future plans
Generating sales from services is an essential part of being a pet care business and not just a retailer. We will continue to focus on helping our First Opinion vet practices to mature, whilst also growing the number of customers signed up to our subscription platforms.

Use data and VIP to better serve customers

VIP customer sales[1] (£m)

£887.1m +8.6%



Driven by a c9% increase 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.

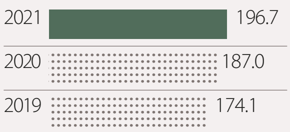
Why is it important?
Our VIP loyalty club of 6.2m active pet owners is a unique asset providing data and insight to help us increase share-of-wallet, attract and retain new customers, and encourage further spend across our ecosystem of products and services.

Future plans
Continued investment in our data capabilities is a key underpin of our future growth plans. We are developing deep actionable insights so we can better serve the needs of pet owners and deliver more personalised content and offers relevant to each individual pet.

Set our people free to serve

Customer sales[1] per colleague (£k)

£196.7k +5.2%



Achieved through strong sales growth and efficiency initiatives in-store.

What we are measuring
Customer sales 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.

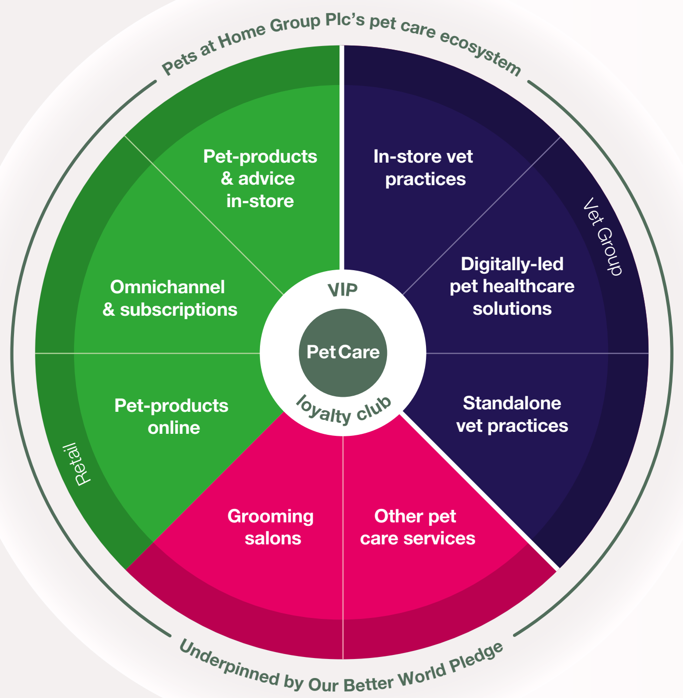
A unique combination of products, services and expertise

Providing everything a pet owner needs to look after their pet.

Differentiators

- Trusted and well known brand
- Passionate and expert colleagues, groomers and veterinarians
- Customer insights from VIP loyalty club and vet practice data
- Scalable omnichannel platform providing best-in-class fulfilment
- Range of compelling subscription plans
- Social Value – delivering our purpose

Business activities



Underpinned by our Social Value strategy
We care deeply about the role that we play in society and want to share the value we create. During the past year we have been developing the articulation of a strategy that has always been at the heart of our business, which we refer to as Our Better World Pledge, which will help ensure our long-term sustainability.

Social Value, page 64

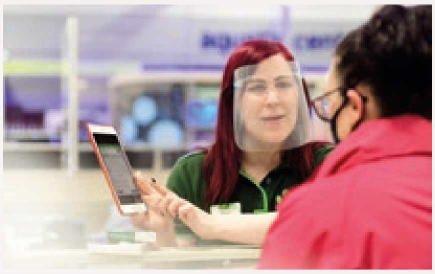
Our competitive advantage

We offer pet owners complete pet care through our winning combination of pet products and services, making pet care convenient, affordable and rewarding.

A pet care ecosystem
With 254 locations offering a retail store, Groom Room salon and First Opinion vet practice all in one place, we are the clear market leader in terms of scale and convenience. Together with a growing omnichannel business, expanding subscription platforms and expert colleagues, we are able to service the needs of pet owners in a unique, seamless way.

Proprietary VIP loyalty club data
We currently have 6.2m active VIP members, representing around one in four pets in the UK. Having over 8 years of pet and customer data, we are able to generate deep insights into customer behaviour and preferences and deliver an increasingly personalised journey.

Value created



Retail
Through the Pets at Home Retail business, we are able to offer pet owners a range of products and services both in-store and online.

Operating review, page 46

Vet Group
Our Vet Group has its core business in First Opinion veterinary services and a growing presence in the telehealth segment.

Operating review, page 50

For pets
Everything a pet needs to keep them happy and healthy

Supported by our welfare and care standards

£6.0m+

Raised in FY21

Social Value
Page 64

For customers
Everything pet owners need to take the best care of their pets

254

Stores with a vet and groomer inside

Strategy
Page 28

For colleagues
Externally accredited training schemes

84%

Colleague engagement

Social Value
Page 64

For the Group
Generate value for shareholders through free cashflow growth

£67.4m

Underlying free cashflow[1]

Key performance indicators
Page 34

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Extensive ranges and strong penetration of private label brands
Our product ranges are curated yet extensive. Within both food and accessories, we benefit from a high penetration of private labels – helping to increase customer choice whilst also providing a margin benefit to us.

Unified brand and unique operating model in First Opinion vets
Vets4Pets is the largest branded veterinary business in the UK, helping to drive customer recognition. Furthermore, our Joint Venture model is unique in the market and is proven to incentivise practice performance.

Passionate and knowledgeable people
Right across our business, our colleagues share a passion for pets and are experts in their respective fields, making them a trusted source of help and advice for pet owners throughout the lifetime of their pet.

The value we create for our stakeholders

Stakeholder group	Key metrics	Engagement method
Colleagues	over 15,000 colleagues employed by the Group (including colleagues employed either directly or indirectly via the vet practices)	Pets at Home is committed to creating a great place to work and listening to colleagues is a key part of this. The Remuneration Committee chair, Sharon Flood, was appointed as colleague representative in July 2020, taking over from Paul Moody. In this capacity she has attended store listening sessions. In addition, the Chairman has attended two listening sessions in September and October. Due to travel restrictions during COVID there have been less opportunities in the year for visits. The Chairman was able to make some visits during September when COVID restrictions allowed. A Joint Venture Council comprising a representation of our Joint Venture Partners meet regularly to discuss strategic, operational and clinical matters. This meeting is attended by members of the Vet Group Executive Management Team. The 'We C.A.R.E.' survey took place during August and was focused on two areas particularly important to our colleagues: diversity, and inclusion and wellbeing. The results of the survey were reviewed locally by teams and by the Board. There are channels for colleagues to engage directly with the Executive Management Team, for example the 'Tell David' and 'Tell Jane' email addresses. During the COVID crisis listening and communication have been increased considerably. For example, every Store Manager was been paired with a member of the Executive Management Team to enable regular calls to take place and daily video updates were given by the CEO or one of the Executive Management Team every weekday from 17 March 2020 until 5th June 2020, when they moved to weekly.
Suppliers	400 active suppliers	Pets at Home has a relatively stable supplier base. Strong relationships have been built over a number of 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 based suppliers, The sourcing office in Hong Kong manages the day to day relationships with our supplier partners in this region. During the year our usual face to face meetings and live conference events were all moved to virtual formats. We held virtual conferences in October for our UK suppliers and in December for our suppliers in Asia. These conferences provide a platform to share our key strategic messages and the suppliers have an opportunity to ask questions, raise concerns and opportunity areas.
Charities and community groups	200 animal rescues supported with grant funding during the year	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 help that they need which supports the community strategy. A series of roundtable events were held in December 2020 to understand how the pandemic was impacting small rescues and their perceptions on pet welfare issues that may present themselves in the longer term One to one meetings have also been held with five large national charities to understand their perspective on the COVID pandemic and the impact on pet welfare and pet ownership. This ongoing engagement with the charity sector helps us to focus our efforts where the impact on pet welfare will be greatest.
Industry bodies	RCVS / BVA All vets are members of the Royal College of Veterinary Surgeons (RCVS) and the British Veterinary Association (BVA)	The Vet Group maintains close working relationships with key industry bodies such as the RCVS and the BVA through membership of the Major Employers Group. All of our JVPs are members of the RCVS and BVA. We have vet and nurse colleagues in both our Support Office and our practices who are senior officers in some of the main veterinary organisations. These include the Society of Practising Veterinary Surgeons (SPVA) and the British Veterinary Nursing Association (BVNA). The Group also participates in industry activity such as the RCVS Knowledge Quality Improvement Advisory Board and Veterinary Defence Society Vetsafe initiative, which is an industry-wide significant event reporting system which enables learnings and improvements to be made across the industry. Pets at Home are active members of the British Retail Consortium (BRC) and have contributed to various initiatives and working groups.
Customers	6.2m active VIP members	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 conducted regular pulse surveys, with both existing customers and non-shoppers, throughout the earlier stages of the COVID pandemic to assess customers' evolving behaviours and preferences.
Shareholders and the investor community	197 Institutions met	The CEO, CFO and Investor Relations team are involved in ongoing interaction throughout the year via conference calls, meetings and small roundtable events. At the AGM 100% of resolutions were passed and votes in favour ranged from 86% to 100%. Investor tours were conducted at the flagship Stockport store. An animal healthcare event was attended by the Financial Director of the Vet Group. A number of ESG focused sessions have been held with the Chief People and Culture Officer and Group Head of Social Value.

At Pets at Home our culture, values and behaviours underpin everything we do and help us to strengthen the relationship of the business to key stakeholders. The views of stakeholders have continued to be considered in the normal cycle of Board and executive meetings. During FY21 engaging with our stakeholders in the context of the pandemic was one of our most important priorities. From the classification as an essential business to feed the nation's pets and provide essential veterinary services, ensuring our colleagues were safe and supported, working with our suppliers to maintain continuity of supply and supporting the rescue and charity sector were all enabled by the relationships and engagement methods that have been developed over the long term.

Key messages	Our response
Due to the COVID crisis the need to listen to and communicate with all colleagues has never been more important whether they are working in stores, DCs or vets, shielding or working from home. Across all the these groups there have been consistent messages around wellbeing and particularly mental health which were reinforced in the colleague survey The annual survey provides detailed information but is part of a broad selection of engagement channels available to colleagues. As with any large survey, below the headline themes differences can appear at a local level so follow up sessions have been held at a department level across the Group. The survey told us that our colleague experience has continued to exceed external benchmarks. We noted that compared to the prior year as a consequence of COVID and remote working the sense of belonging had dipped and workload was also an issue for some colleagues. This has provided invaluable insight that we have built into our project on modern ways of working.	Our focus is on creating a kind and caring company where colleagues feel welcomed and valued and are able to make their best contribution. New software was launched in early FY21 across the business to enable virtual meetings and sharing of documents. The COVID crisis accelerated the development of virtual communications, for example a virtual version of the weekly 'Shoal' began. An internal intranet platform called JAM was rolled out and widely used to provide a wealth of resources and information to support colleague wellbeing. Using feedback in the colleague engagement survey, our diversity and inclusion strategy has been developed and four colleague diversity groups have been established as forces for change. A modern ways of working group was established and is working on developing our new normal ways of working which combines the flexibility and work life balance benefits of home working with the team and collaboration benefits of working in the office.
In the early part of the year engagement with suppliers was focussed on ensuring continuity of supply of products in the face of increased demand and the potential for disrupted supply chains due to the pandemic. As supply and demand stabilised engagement could be re balanced to include strategic opportunities. Our suppliers have told us that understanding the long term strategy enables them to invest appropriately in their businesses, The conference in October enabled engagement on our product technical and responsible sourcing strategy and our raw material and packaging targets. There has also been a high level of focus on our differentiating own brand strategy.	We are developing a cross functional balanced scorecard for assessing capability and establishing medium term (three to five year) supplier strategies. This will enable us to segment our supplier base to work efficiently and effectively with our suppliers to deliver for our customers. A tiered plan for meeting and engagement will enable both the transactional and strategic topics to be discussed across the year. During the year the Product and Supply Chain Management Committee has been focussing on the development of the responsible sourcing strategy including our packaging and raw material approaches.
Local and national rescues faced a significant challenge to maintain sufficient income to meet the immediate veterinary and care needs of the pets in their care during FY21. Longer term capital projects were put on hold by rescues during this time. The majority of Pets at Home stores partner with a local charity to enable them to raise awareness and funds by fundraising in our stores over specific weekend events. During FY21 none of this activity was possible so these charities faced a deficit in their income projections.	We responded by changing our giving support from grants for capital projects to grants to help maintain basic operations during this difficult year. The Foundation, made 200 grants totalling over £903,000,000. VIP Lifelines have additionally donated vouchers to over 750 national and local charities. The Foundation awarded 278 store charity partners with a grant of £2,000 each in February 2021 to make up for the lost income from the lack of fundraising opportunities during the year.
Joint Venture Partners have the clinical freedom to interpret and follow RCVS guidance. Engagement with industry bodies enables the Vet Group clinical services team to provide informed support and advice to the partners. Of particular importance this year has been pro-active engagement to support our pet care stores and vet practices being designated as "essential services" and ongoing interpretation and support to ensure implementation of the Government guidance and professional guidance from the RCVS.	We have worked closely with all industry bodies during the COVID outbreak to support our colleagues, customers and pets. During the year we have reviewed all guidance issued from the Government and professional bodies. Our role has been to interpret this into clear actions for our pet care stores and to provide guidance for our partners on procedures that would align to the RCVS and Government requirements including remote consultations and prescribing.
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. During the COVID pandemic customers needed flexible ways to shop and look after their pets.	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 rolled out click and collect to all stores and enabled deliver to car in 157 of our stores. Our Groom rooms were able to provide welfare grooms during lockdown 2 and 3 and we reduced the price of this service by an average of £7 depending on dog size and breed.
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 the update of the social value strategy, capital allocation and recent M&A activity.	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.

Acceleration in our underlying growth demonstrates the strength of our omnichannel pet care model

Mike Iddon
Chief Financial Officer

The investments we made pre-COVID in both our online capacity and data capability, together with the adaptability of our operations during the pandemic, have supported a step up in our underlying growth.

	FY21	FY20	YoY change
Group like-for-like revenue growth#	8.7%	9.0%	
Retail	8.8%	9.4%	
Vet Group	7.9%	5.6%	
Group revenue (£m)	1,142.8	1,058.8	7.9%
Retail	1,018.9	937.6	8.7%
Vet Group	123.2	121.2	1.6%
Central	0.7	–	NM
Group underlying gross margin[1,#]	48.9%	48.9%	(2) bps
Retail	49.2%	49.7%	(50) bps
Vet Group[1]	46.0%	42.7%	334 bps
Group underlying EBIT[2,3,#] (£m)	105.9	111.3	(4.8)%
Retail	79.5	89.3	(11.0)%
Vet Group[2,3]	36.0	30.6	17.6%
Central	(9.6)	(8.6)	(11.6)%
Group underlying EBIT margin[2,3,#]	9.3%	10.5%	(124) bps
Retail	7.8%	9.5%	(172) bps
Vet Group[2,3]	29.2%	25.2%	398 bps
Group underlying PBT[#] (£m)	87.5	93.5	(6.4)%
Group statutory PBT (£m)	116.4	85.9	35.5%
Underlying basic EPS[1,2,3,#] (p)	14.0	15.0	(6.8)%
Statutory basic EPS (p)	19.8	13.5	47.1%
Group statutory net income (£m)	99.0	67.4	47.1%
Group non-underlying charges[1,2,3] (£m)	28.9	(7.6)	NM
Group non-underlying cash costs[4] (£m)	(5.5)	(16.4)	(66.5)%
Group underlying free cashflow# (£m)	67.4	89.6	(24.8)%
Dividend (p)	8.0	7.5	6.7%

FY21 Financial highlights

Revenue (£m)

£1,142.8m +7.9%

Underlying free cashflow[5] (£m)

£67.4m (24.8)%

Underlying PBT[5] (£m)

£87.5m (6.4)%

Statutory EPS (pence)

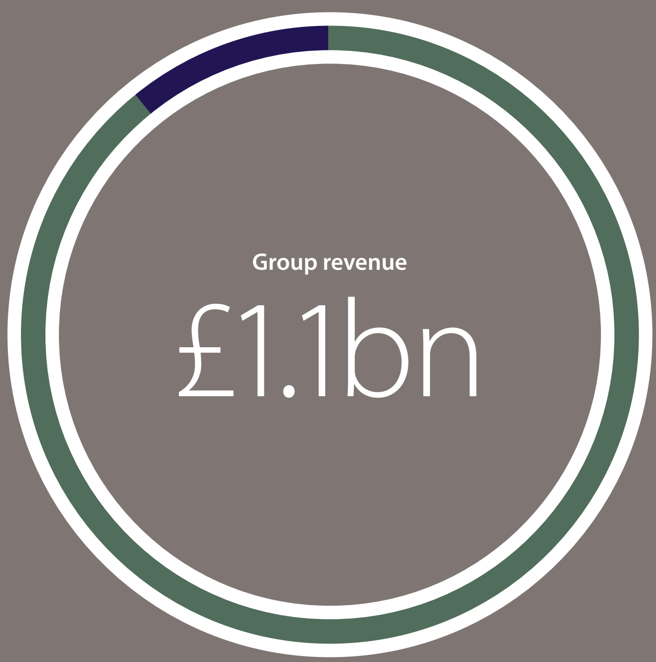
19.8p +47.1%

Statutory PBT (£m)

£116.4m +35.5%

Dividend per share (pence)

8.0p +6.7%



Retail revenue

£1,018.9m

Vet Group revenue

£123.2m

1 FY21 non-underlying credit of £0.6m relates to the release of a provision in relation to property leases. FY20 non-underlying charges of £6.6m relate to costs incurred by the Group in buying out, and in some cases closing, JV practices. Both items have been allocated against Vet Group, and Group, non-underlying gross margin.

2 FY21 non-underlying charges of £1.9m relate to an accounting charge for minority stakes owned by vet partners in the Specialist Group, prior to the disposal on 31 December 2020, which has been charged against non-underlying operating costs (FY20: £1.0m).

3 FY21 non-underlying credit of £30.2m relating to the profit on disposal of the Specialist Group (FY20: £nil) has been allocated against non-underlying operating costs.

4 FY21 non-underlying cash costs include £nil (FY20: £10.0m) relating to practices that we have bought out, plus £5.5m (FY20: £6.4m) in relation to payments made to Shared Venture Partners in our Specialist Group to acquire certain remaining minority stakes.

5 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Impacts on the FY21 financial statements

Impact of COVID-19 on the FY21 financial statements
Throughout the year and particularly in the first quarter, COVID-19 impacted the Group by placing revenue restrictions on the business and leading us to incur both one-off costs and ongoing, additional operational costs.

We temporarily closed our grooming salons and stopped the sale of pets, and our First Opinion practices and Specialist Referral centres were subject to regulatory restrictions on permitted procedures. We incurred additional costs through, inter alia, social distancing measures across our stores and distribution centres, the provision of personal protective equipment, cleaning and sanitisation, and pet welfare, as well as through the payment of an additional Thank You bonus to frontline colleagues and enhancing our Colleague Hardship Fund.

This resulted in an estimated £30m adverse financial impact in the year, all of which is included in our underlying results.

We took the decision across our Group-owned businesses not to participate in any of the government's support schemes including the Job Retention Scheme (JRS), the Job Retention Bonus, and the Coronavirus Large Business Interruption Loan Scheme (CLBILS), and we voluntarily repaid £28.9m in business rates relief.

While the impact of COVID remains, we have planned for ongoing additional operational costs across both our stores and distribution centres of approximately £9m for the year ahead and will monitor this closely as the year progresses.

Impact of IFRS16 on the FY21 financial statements
The financial information in pages 42 to 45, and associated commentary, have been presented on a constant accounting basis and reflect the impact of IFRS16, which was fully implemented in the prior year. The impact of IFRS16 on the Group financial statements is shown on page 45.

7.9%
Group revenue growth

£87.5m
Group underlying# PBT

£67.4m
Group underlying# free cashflow

Financial review of FY21

The FY21 audited period represents the 52 weeks from 27 March 2020 to 25 March 2021. The comparative period represents the 52 weeks from 29 March 2019 to 26 March 2020.

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 First Opinion practices and Specialist Referral centres) and Central (includes Group costs, finance expenses and the Group's telehealth business).

The Group completed its disposal of its five Specialist Referral centres (the "Specialist Group") on 31 December 2020 and therefore the financial information shown for FY21 includes an element of discontinued operations, however given the immateriality of these operations (revenue £33.9m, underlying EBIT £1.8m) to Group revenue and profit they have not been disclosed separately.

Revenue
Group revenue in FY21 grew 7.9% to £1,142.8m (FY20: £1,058.8m) and like-for-like (LFL) revenue grew 8.7%#. In H2 Group revenue grew by 10.9%, with Group LFL revenue growth of 12.4%.

Retail revenue grew 8.7% to £1,018.9m (FY20: £937.6m), including omnichannel revenue growth of 71.7% to £161.3m, representing 15.8% of total Retail revenue (FY20: 10.0%). The LFL revenue growth in Retail was 8.8%# for the period and 11.9% in H2. Retail LFL revenue grew by 17.3% on a 2-year basis.

Food revenue grew by 6.6% to £551.5m (FY20: £517.4m), reflecting our success in recruiting new customers throughout the year, as more people became pet owners for the first time.

Accessories revenue grew 15.0% to £431.4m (FY20: £375.3m), with significant growth in categories such as leads and bedding as humanisation continues to drive customer spend. Grooming revenues declined by 29.2% in the year to £19.6m (FY20: £27.7m), reflecting closure of all salons for the first 10 weeks of the year, with some form of COVID-related restrictions in place for much of the year.

Vet Group revenues grew 1.6% to £123.2m (FY20: £121.2m), with LFL growth of 7.9%#, despite varying degrees of restrictions on permitted procedures throughout much of the year. In H2 Vet Group revenues grew by 3.4%, with LFL growth of 17.2%, with the difference between total and LFL revenue growth being driven by the disposal of the Specialist Group on 31 December 2020. Customer sales made by all First Opinion vet practices were up 9.2% to £383.6m# (FY20: £351.3m).

Total Joint Venture fee income increased by 6.0% to £57.0m (FY20: £53.8m), with LFL fee income up 6.3%# (FY20: 2.1%). The growth in fee income is lower than that seen in customer sales due to the fee adjustments which have been in place for some JV practices throughout the year. Our program of fee adjustments completed in the year as planned and fully annualised in the second half of the year such that, in H2, growth in First Opinion customer sales and JV fee income was more closely aligned, at 19.4% and 17.9% respectively.

Consolidated customer revenues# from company managed First Opinion practices increased by 17.7% to £25.5m (FY20: £21.7m).

Revenue of £0.7m was recognised within our Central division in relation to The Vet Connection, the financial performance of which has been fully consolidated since the acquisition on 30 November 2020.

LFL Sales Growth	FY21 H1	H2	Full Year	2-year
Retail	5.8%	11.9%	8.8%	17.3%
Of which:				
Stores[1]	0.7%	4.9%	2.7%	9.0%
Omnichannel[2]	65.8%	77.6%	71.7%	119.0%
Vet Group	1.2%	17.2%	7.9%	13.2%
Group	5.3%	12.4%	8.7%	17.0%

1 Store sales includes live pet sales.
2 Defined as orders placed online at petsathome.com and in-store using our order-in-store service for both delivery to home and collection in-store, plus subscriptions to monthly flea & worm treatments via our 'Subscribe & Save' platform.

Gross margin
Underlying group gross margin remained broadly flat year-on-year, declining by 2 bps to 48.9% (FY20: 48.9%), despite strong growth in grocery food sales, which are at a lower percentage margin.

Gross margin within Retail was 49.2%, a reduction of 50 bps over the prior period (FY20: 49.7%), albeit with a 70-bps improvement in H2. This reflects four main impacts; the restrictions on grooming services which had a dilutive impact on gross margin as we continued to employ our grooming colleagues, whose costs are allocated to gross margin, a mix benefit driven by strong growth within accessories, beneficial terms with our suppliers partly driven by volume, as well as the external factors of foreign exchange and increased freight costs.

In the year, we incurred a year-on-year foreign exchange impact of 29 bps as our average dollar hedged rate weakened from 1.33 to 1.28, as well as a 26-bps impact from increased freight costs. In the current financial year, 100% of our forecast USD spend is currently hedged at a rate of 1.35 and we have planned for increased freight costs for at least the first half of the financial year.

Underlying gross margin# within the Vet Group increased by 334 bps to 46.0% (FY20: 42.7%). This increase reflects the strong sales growth across both our Joint Venture and company managed estate driving fee income growth of 6.0% with the cost base to support those practices remaining largely fixed. Gross margin also includes the impact of planned fee adjustments, which have suppressed Joint Venture fee income in the year, but which are now fully completed with no further fee adjustments planned.

Operating profit and operating costs
Underlying Group EBIT was £105.9m# (FY20: £113.3m), with an operating margin of 9.3%# (FY20: 10.5%). Group underlying operating costs of £342.1m (FY20: £297.2m) grew at 15.1% or 10.6% on a pre-COVID basis. Before investment in fulfilment, customer acquisition, and our support office capabilities underlying cost growth was 1.3%.

Retail EBIT was £79.5m# (FY20: £89.3m) with an operating margin of 7.8%# (FY20: 9.5%). Whilst we saw sustained strong trading in our second half across both stores and online this has been offset by the revenue and cost implications of COVID-19. Operating cost growth, excluding depreciation and amortisation, was 16.2% to £316.8m (FY20: £272.5m). We have continued to pay all our rents throughout the year, and our program of rent negotiations continues.

Underlying Vet Group EBIT was £36.0m# (FY20: £30.6m) with an operating margin of 29.2%# (FY20: 25.2%). Operating costs in the Vet Group, excluding depreciation and amortisation, were £15.1m

> "Our decision to increase our final dividend by 10% in the year, reflects our confidence in the long-term business performance."

(FY20: £16.1m), a decrease of 5.8% on the prior year. The year-on-year change in operating costs reflects achieved cost efficiencies across several areas, as well as the disposal of the Specialist Group part way through the year.

Within Vet Group non-underlying items, we recognised £30.2m in relation to the profit on disposal of the Specialist Group (FY20: £nil) on 31 December 2020, as well as non-underlying operating costs of £1.9m in relation to the accounting treatment of the ownership structure of the Specialist Group (FY20: £1.0m), consistent with our accounting practices since acquisition.

Central costs, including Group overheads and colleagues, increased to £9.6m (FY20: £8.6m), partly driven by investment in our Group capability and the small amount of costs associated with The Vet Connection, acquired on 30 November 2020.

Finance expense
The net finance expense for the period increased to £18.4m (FY20: £17.8m) with the increase driven by fees relating to the £100m credit facility arranged in May 2020 as part of our COVID-19 response. This facility remained unutilised for the entire term and, post year end, has been allowed to expire without seeking renewal.

Profit before tax
Underlying pre-tax profit was £87.5m# (FY20: £93.5m) and statutory pre-tax profit, including all non-underlying items was £116.4m (FY20: £85.9m). Underlying pre-tax profit declined 6.4% in the period.

Taxation, net income & EPS
Underlying total tax expense for the period was £17.3m#, a rate of 19.8% on underlying pre-tax profit.

Underlying net income for the year, after tax, decreased by 6.3% to £70.2m# (FY20: £74.9m), whilst statutory net income for the year, after tax, increased by 47.1% to £99.0m (FY20: £67.4m), driven by the £30.2m profit on disposal of the Specialist Group. Underlying basic earnings per share were 14.0 pence# (FY20: 15.0 pence) and statutory basic earnings per share were 19.8 pence (FY20: 13.5 pence).

Cash working capital
The cash movement in trading working capital for FY21 was an outflow of £16.5m#. This was predominantly driven by a £22.1m increase in inventory, reflecting the rebuild of stock levels throughout the period following the customer stockpiling seen towards the end of FY20.

The strong financial performance across our Joint Venture First Opinion vet practices, as well as the 6-month loan holiday we agreed with third party banks as part of the COVID-19 response, led to the gross value of operating loans reducing by £10.8m to £26.7m (FY20: £37.5m). This decreased the overall Group cash working capital outflow to £5.7m (FY20: £28.2m inflow), and supported the solid cash generation of the Vet Group.

The provision held against the gross value of operating loans was £6.2m (FY20: £8.0m) representing 23% of the gross value of the loans.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Capital investment

Capital investment was £44.4m (FY20: £38.3m) and was focused on three strategic growth areas; a £5.6m (FY20: £3.5m) investment to increase capacity within our distribution network, £4.8m (FY20: £11.1m) to rollout our next generation store format, and investment in data analytics and business systems totalling £22.9m (FY20: £14.9m), as we continue to progress our data and digital agenda. The balance of capital spend supported the ongoing maintenance of our asset base. Cash capital expenditure was £34.9m (FY20: £39.6m).

Group underlying free cashflow

Group underlying free cashflow after interest and tax, but before acquisitions and disposals decreased to £67.4m# (FY20: £89.6m), representing a cash conversion rate of 30.4%# (FY20: 39.8%). The decrease in free cashflow compared with the prior year is largely driven by the working capital movements described above offset by a year-on-year benefit relating to a change in timing of Corporation Tax payments in the prior year.

Group underlying free cashflow# (£m)	FY21	FY20
Operating cashflow#	**133.2**	**165.8**
Tax and interest	(21.9)	(34.0)
Debt issue costs	(0.2)	–
Net capex	(35.0)	(39.4)
Purchase of own shares to satisfy colleague options	(8.7)	(2.8)
Group underlying free cashflow#	**67.4**	**89.6**

FY21 Group underlying free cashflow#	Underlying FCF (£m)	FCF conversion[2]
Retail	44.6	23.8%
Vet Group	38.1	89.8%
Central[1]	(15.4)	NM
Group underlying free cashflow#	**67.4**	**30.4%**

1 Includes central costs of £9.5m plus interest paid of £5.3m, purchase of own shares of £8.7m, £0.2m of debt issue costs, a WCAP inflow of £4.3m a tax credit of £3.3m and a credit relating to IFRS2 of £0.8m.
2 Calculated as underlying free cashflow as a percentage of underlying EBITDA.

As a result of strong cash generation and £80m of initial proceeds from the disposal of the Specialist Group, the Group's net cash position at the end of the period was £1.4m, or net debt of £408.3m on a post-IFRS16 basis. This represents a leverage ratio of 0.0x underlying EBITDA# on a pre-IFRS16 basis or 1.9x on a post-IFRS16 basis.

Group net cash/(debt) (£m)	FY21	FY20
Opening net cash/(debt) (pre-IFRS16)	**(85.9)**	**(120.5)**
Underlying free cashflow#	67.4	89.6
Ordinary dividends paid	(37.1)	(37.1)
Acquisitions[3]	(16.8)	(1.5)
Disposals[4]	79.4	–
Non-underlying cash outflow[5]	(5.5)	(16.4)
Closing net cash/(debt)	**1.4**	**(85.9)**
Pre-IFRS16 leverage (Net cash/(debt) / underlying EBITDA#)	**0.0x**	**0.6x**
Post-IFRS16 leverage (Net cash/(debt) / underlying EBITDA#)[5]	**1.9x**	**2.5x**

3 In FY21 includes acquisition of The Vet Connection and investment in certain company managed practices. In FY20, includes an investment in Tailster and in certain company managed practices.
4 In FY21 includes the £80m cash proceeds in relation to the disposal of the Specialist Group in the year net of fees and cash held upon disposal (FY20: £nil).
5 FY21 includes £nil (FY20: £10.0m) relating to practices bought out during the year, plus £5.5m (FY20: £6.4m) in relation to payments made to certain Shared Venture Partners in our Specialist Referral centres to acquire remaining minority stakes.
6 Underlying EBITDA for FY21 is £216.7m.

The Group's cash return on invested capital in the period declined to 22.5% (FY20: 23.3%).

Capital allocation

Following the successful reset of our Retail business and restructuring of the Vet Group over the past few years, we have taken the opportunity to formally revisit our capital allocation policy. Our refreshed policy prioritises investing our cash generation in areas that will expand the Group and deliver attractive returns. This includes organic investment into our digital capability and our infrastructure, including our store regeneration program. Our next priority is to provide a progressive ordinary dividend to shareholders which approximates to 50% of earnings per share. We will consider value-accretive opportunities, including M&A, which are strategically aligned to expanding our ecosystem in core and adjacent markets and where we consider the potential opportunity to drive incremental value as attractive. Finally, post all other identified and anticipated uses for capital, including the ordinary dividend, we would expect to return surplus free cashflow to shareholders through a special dividend or share buyback.

Dividend
The Board has recommended a final dividend of 5.5 pence per share, an increase of 10% on the prior year. This takes the total dividend for the year to 8.0 pence per share (FY20: 7.5p per share), reflecting our strong cash performance and balance sheet. The final dividend will be payable on 13 July 2021 to shareholders on the register at the close of trading on 18 June 2021.

Application of IFRS16
The financial statements for FY21, and the prior period comparatives, have been prepared under the requirements of IFRS16. Implementation of IFRS16 has had no effect on how the business is run, nor on cash flows generated. It has, however, had an impact on the assets, liabilities and income statement of the Group, as well as the classification of cash flows relating to lease contracts.

In order to clearly show the impact of IFRS16, we show a reconciliation for Group underlying profit before tax and cashflow as follows.

£m	Pre IFRS16	Exclude rent	Include depreciation	Include interest	Post IFRS16
Revenue	1,142.8	–	–	–	1,142.8
Operating lease rentals	(78.1)	78.1	–	–	–
Depreciation & amortisation	(40.5)	–	(70.3)	–	(110.8)
Underlying operating profit#	**98.1**	**78.1**	**(70.3)**	–	**105.9**
Finance income	0.3	–	–	–	0.3
Finance expense	(5.9)	–	–	(12.8)	(18.7)
Underlying PBT#	**92.5**	**78.1**	**(70.3)**	**(12.8)**	**87.5**

£m	Pre IFRS16	Add back rent	Capital lease payments	Lease interest payments	Costs to acquire ROU assets	Post IFRS16
Operating cashflow#	**133.2**	**79.6**	**(66.4)**	**(12.8)**	**(0.4)**	**133.2**
Tax	(17.5)	–	–	–	–	(17.5)
Interest	(4.4)	–	–	–	–	(4.4)
Debt issue costs	(0.2)	–	–	–	–	(0.2)
Capex	(35.0)	–	–	–	–	(35.0)
Purchase of own shares	(8.7)	–	–	–	–	(8.7)
Group underlying free cashflow#	**67.4**	**79.6**	**(66.4)**	**(12.8)**	**(0.4)**	**67.4**

Impact of the UK's exit process from the European Union
Following the United Kingdom's exit from the European Union (EU) and the end of the transition period on 31 December 2020, we continue to take actions across the Group to mitigate any related impact on tariffs, logistics, vet availability and currency.

We are also evaluating the potential regulatory implications for our operations in Northern Ireland, specifically concerning Export Health Certificates. We continue to work with the relevant professional bodies to assess the protocols involved in bringing products into Northern Ireland, and our plans for the coming year include an increase in associated logistics costs.

Mike Iddon
Chief Financial Officer

27 May 2021

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Strategic differentiators

Locations nationwide and knowledgeable colleagues
- 452 stores
- 316 grooming salons
- Over 7,200 Retail colleagues with expert pet knowledge

VIP loyalty club
- 6.2m active members
- 70% of retail revenues transacted by VIPs
- 8 years of proprietary pet and customer data

Fast growing omnichannel business
- Omnichannel[1] revenue growth of 71.7%
- 15.8% participation of Retail revenue
- Increasing traffic and conversion across both mobile and desktop
- Growing numbers signed up to subscription services

Strong penetration of private label
- c30% participation of Food revenue
- Even higher within Advanced Nutrition category
- c50% participation of Accessories revenue

Market overview

The retail segment of the UK pet market grew an estimated 2% in 2020. With Retail revenue growth of 8.7% including 71.7% growth in omnichannel revenues, we made strong share gains across key categories, both online and offline.

Retail

Our Retail segment includes pet products purchased in-store and online, grooming services, pet sales and pet insurance commissions.

Retail – FY21 financial metrics

£1,018.9m
Retail revenue

8.8%
Like-for-like[1] revenue growth

£79.5m
Retail underlying EBIT[1]

£44.6m
Retail underlying free cashflow[1]

Our Retail brands

pets at home
the groom room at pets at home

Food

- Dog and cat food
- Dog and cat treats
- Other pet food for fish, small animals and birds

Accessories

- Pet homes and habitats
- Toys, collars, leads, clothing and other accessories
- Health & hygiene products
- Cat litter

Pet care services

- Grooming salons
- Pet sales
- Pet insurance

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Food

We provide a wide range of pet foods for dogs, cats, small animals, fish, reptiles and birds. With revenues of £551.5m, pet food is the largest part of our business and represents approximately 55% of all Retail revenue, having grown strongly in the year at 6.6%. This reflects our success in acquiring new customers, particularly puppy and kitten owners, and growing our active VIP loyalty club members by 9% in the year.

We aim to provide customers with the full spectrum of dietary choices; from grocery brands through to our comprehensive range of Advanced Nutrition diets, which are a more considered purchase offering significant health benefits to dogs and cats. Our 'bridging' ranges, which sit between grocery brands and Advanced Nutrition, can help customers make a step up to a more advanced diet for their pets in an affordable way, and these ranges continue to grow in popularity.

We always look to offer competitive prices, particularly on those products we know matter most to our customers. Across both branded products and our range of private labels, which represent close to a third of all food sales but an even higher proportion of the Advanced Nutrition category, we help pet owners feed their pet the best possible diet for their budget. Our online Easy Repeat food subscription service, where customers can customise regular delivery of pet food across a selection of brands, maximises convenience and rewards our most loyal customers with even better prices.

Accessories

Accessories revenues increased to £431.4m in FY21 and accounted for over 40% of Retail revenues in the year. Our accessory ranges are signposted by pet type both in-store and online, and include cat litter, collars, leads and harnesses, bedding, housing, feeding, health & hygiene, travel, training and enrichment – all of which are important for pets to lead a happy and healthy life.

Due to the more discretionary nature of accessory purchases, innovation remains critical to growth in this category. Customer trends are constantly changing and our dedicated team responsible for product innovation take inspiration from pet markets in other countries to ensure our ranges are always new and exciting – particularly across our private label brands, which represent around half of all accessory sales. Since customers often prefer to compare and contrast accessories before purchasing, this category contributes more to store sales than to those made online.

Omnichannel[1] now represents 15.8% of all Retail revenues.

Omnichannel

We aim to maximise convenience for customers so they can shop with us however and whenever they want. The flexibility of our omnichannel approach means that customers are always able to get the products they need in a way that suits them, and each component of our omnichannel proposition has grown strongly in the year.

Our in-store ranges are carefully curated and kept relevant to the buying habits of the local customer. Online however, customers have access to our extended range of over 10,500 products. Customers can choose to have their online order delivered to home, or take advantage of being able to collect it for free from over 450 locations nationwide in as little as 1 hour, demonstrating the convenience we offer. We see many of our online orders collected in this way, particularly when they include a large bag of pet food.

If a particular flavour or size is not stocked in-store, then our Order-in-Store facility allows colleagues to place orders from our extended online range quickly and easily while the customer is still present – meaning our stores can satisfy all of our customers' needs.

Finally, our flea & worm subscription service, which allows customers to receive monthly delivery of preventative flea and worm treatments for their dogs and cats, is now well established and has grown strongly in the year as customers value the affordability and convenience it offers.

In total, omnichannel revenues represent 15.8% of all Retail revenues. Around 23% of all omnichannel revenues are now collected in-store; highlighting the importance of our store network within Group operations. Supported by recent capital investment at our Northampton Distribution Centre to automate the picking and packing process, as well as the development of our new future-focused distribution facility in Stafford, we are well positioned to meet the continued growth we expect to see in our omnichannel business.

Other Retail revenue

Within our Retail segment, we also generate revenue from other pet care services.

The Groom Room is the largest branded chain of pet grooming salons in the UK. With fully glazed partition walls creating a focal point in-store, our highly trained stylists perform the full range of pet grooming services including a full groom, bath and brush, microchipping and nail clipping.

The welfare of our pets in-store will always be of the utmost importance to us, and we invest considerably in a dedicated team of pet experts to fully provide for their needs. Our in-store colleagues are empowered to politely decline a sale if they are not satisfied that the pet's welfare needs will be met in its new home.

We also recognise the importance of pet insurance as a key element of responsible pet ownership, and continue to work with Petplan, the UK's number one provider of pet insurance products, across our Group to introduce customers to their products, from which we earn certain commissions.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Our Vet Group brands

Vets4Pets

The Vet Connection

Strategic differentiators

Partnership model which incentivises growth
- 395 practices operated by entrepreneurial Joint Venture Partners
- Joint Venture model unique in the market

Unified brand driving customer recognition
- Largest branded veterinary business in the UK
- Centrally co-ordinated national and local marketing

Providing clients with a wide spectrum of veterinary care
- Convenient access to First Opinion care and advice
- 303 practices inside Pets at Home stores and 138 in standalone locations
- 24/7 access to trusted pet healthcare advice through telehealth service

Unique benefits from being part of Pets at Home Group
- Cross-sell opportunities with Pets at Home VIP loyalty club
- Introductions made by store colleagues

Market overview

In 2020, the veterinary segment of the UK pet care market reduced by c2% whilst in FY21 total customer sales across all of our First Opinion vet practices grew 9.2%.

Vet Group

Our Vet Group segment includes First Opinion veterinary practices and provision of 24/7 pet healthcare advice through our veterinary telehealth service.

Vet Group – FY21 financial metrics

£123.2m
Vet Group revenue

7.9%
Like-for-like[1] revenue growth

£36.0m
Vet Group underlying EBIT[1]

£38.1m
Vet Group underlying free cashflow[1]

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 210.

Our Vet Group

We operate the largest branded network of First Opinion veterinary practices in the UK, with a total of 441 practices operating mainly under the Vets4Pets brand name. Approximately two thirds of those practices are situated in one of our Retail stores with the remainder operating from standalone locations. Following our acquisition of The Vet Connection in the year, a long established veterinary telehealth provider, we can now offer customers round-the-clock access to veterinary telehealth advice, triage and ancillary services, meaning pet owners can remotely access quality care for their pet whenever they need to.

Our performance in the year reflects the advantages of our unique joint venture model, strength in new client registrations, as well as the hard work and commitment of all our colleagues and Partners.

First Opinion vet business

Our preferred model has always been to build value through shared ownership. We operate a total of 395 Joint Venture practices which are all established as individual small businesses, funded by a small investment from a vet Partner and Pets at Home to create the Joint Venture. We then help to arrange a larger third party bank loan to provide for the fit-out and initial working capital requirements of the practice, with further funding provided by Pets at Home over time if needed. Pets at Home receives a percentage of the practice customer sales as fee income from day one, in return for the business support services we provide. Rent and other occupancy costs are also charged to practices located inside a Pets at Home store based on the space that they occupy.

By being business owners, Joint Venture Partners are strongly incentivised to drive the performance of their practice. They are entitled to withdraw all the business profits once loans are repaid, given sufficient cash reserves, with these dividends being in addition to any market rate salary taken. The Partner also receives 100% of the capital value of the business should it be sold in the future once debt free, providing a clear route to exit.

In addition to our Joint Venture practices, we also operate 46 practices under a company managed model. In these practices, the vet and all other practice colleagues are employed directly by the Vet Group and rather than receive fee for services provided as under the Joint Venture arrangement, the financial results of these practices are consolidated in the Group financial statements. By operating company managed practices, it gives prospective Joint Venture Partners the opportunity to work with us before committing to a Joint Venture agreement, acting as a valuable stepping stone for entrepreneurial vets who hold an ambition to own their own business.

The Vet Connection

In the year, we acquired The Vet Connection ('TVC'), a long established veterinary telehealth provider, marking an important step in the development of our digital capabilities, providing trusted advice and even more convenient pet care services. TVC provides on demand, high quality, round-the-clock veterinary telehealth advice, triage and ancillary services to a wide range of customers and their pets utilising an experienced in-house veterinary team, extensive proprietary clinical protocols and a robust and scalable infrastructure. By leveraging these assets, we will look to incorporate their capabilities into our existing customer offer – across product, services and subscriptions – to enhance the overall customer experience, and help drive customer acquisition, retention and lifetime value.

395
Joint Venture practices

303
First Opinion practices inside Pets at Home stores

Principal risks and uncertainties

Our risk management framework

We face risks and uncertainties that could impact the delivery of the Group's long term strategy. These range from strategic risks due to execution of our strategy; operational risks in our day-to-day operations; and external risks emerging from our sector, the competitive market, the environment, and any change in political or regulatory frameworks. The Board is responsible for the nature and level of the principal risks that we are willing to take and has carried out a robust assessment of those risks, including emerging risks and those that would threaten our reputation, business model, future performance, solvency, or liquidity.

We have a risk management framework that helps us identify, assess, and manage risks to within appetite, whilst taking advantage of opportunities as they are presented. This allows us to deliver our strategy effectively and protect value for our stakeholders.

Risk management framework

The responsibility for risk management operates at all levels throughout the Group, the foundation being our culture, values, and behaviours

Identify

- Each business and function identify their most significant risks considering their strategic plan, objectives, and external environments.
- Horizon scanning exercises are conducted with senior management teams and independent experts as part of both the strategic planning and risk management processes. Key emerging trends, developments and opportunities are identified.

Assess

- The risk appetite is set by the Board for all principal risks.
- A standardised scoring methodology is used across the Group to aid escalation and consolidation of risks into a Group wide view.
- Senior management teams add their view on strategic, financial, operational, legal, and emerging risks.
- In addition to the risk register we hold a watch list of emerging or developing threats, where the timeline, impact or potential mitigation is not clear.

Manage

- Each principal risk is owned by a member of the Executive Management Team.
- Controls and mitigation plans are in place to manage risk to within appetite.

Monitor

- Each risk register is reviewed by the senior management team in each business and function at least four times a year.
- Threats on the watch list are reviewed alongside the risk registers to monitor any changes to the impact and proximity.
- Assurance is gathered from across the three lines of defence to assess the effectiveness of risk management and system of internal control.
- Internal Audit informs the Board, the Executive Management Team and the Audit and Risk Committee on how effectively risks are being managed.

Report

- The Audit and Risk Committee, the Board and the Executive Management Team review risks and the watch list four times a year. Risks are considered both independently and collectively to fully understand their dependencies and potential impact on the business.
- Risks, together with emerging or developing threats are reviewed as part of the annual strategy planning cycle.
- The Group's principal and strategic risks are reviewed and agreed by the Board.

COVID-19 pandemic and Brexit

The Board has reviewed the risks and opportunities presented by COVID-19 and the UK's exit from the European Union.

In response to these challenges, we have clearly set out our priorities and have appropriate, balanced, and calibrated mitigation plans in place for our people, our customers and their pets, supply chain, operating model, and liquidity.

Our priorities are first and foremost to safeguard the wellbeing and safety of our colleagues, partners, customers and their pets, and suppliers as well as ensuring the continuity of customer service in our stores and practices.

Whilst the longer term effects remain unclear, we continue to monitor the risks and the ongoing impacts closely. Based on our scenario planning and latest view from Government. We have assessed our risk profiles of which eight remain stable. Liquidity and credit risk has reduced (high to low), sustainability and climate change has increased (low to medium).

We will remain vigilant, continue to plan, stay agile, and communicate with our colleagues and stakeholders accordingly to put our business in the strongest position possible for the future.

Both have the potential to affect the following principal risks:

- Competition
- Our people and culture
- Supply chain and sourcing
- Services and stores expansion
- Liquidity and credit
- Treasury and finance
- Regulatory and compliance

Please see the risk management section on pages 56 to 63 and our response to COVID-19 on pages 10 and 11 for further detail.

Principal risk rating matrix

Top down

Board of Directors

- Overall responsibility for the Group's risk and internal control frameworks.
- Determines the nature and level of principal risks and sets risk appetite.
- Undertakes a robust assessment of the Group's principal risks.

Audit and Risk Committee

- Assists the Board in fulfilling its corporate governance responsibilities and oversees responsibilities in relation to financial reporting, and related internal controls, ethics, and the risk management framework.
- Provides oversight and challenge to the assessment of principal risks.
- Reviews internal financial controls and the risk management framework and assesses their effectiveness in mitigating Group level risks and advises the Executive Management Team on risk appetite.
- Reviews and oversees the Group risk register and watch list – reviews detailed risk reports at each sitting with supplementary reporting from the management team on specific key risks.
- Conducts regular deep dives into key risk areas with relevant Directors to understand the nature of the risks and adequacy of the mitigations and controls that are in place.

Executive Management Team

- Collectively responsible for managing risk.
- Key risks are allocated to an Executive Management Team member for oversight and ultimate ownership.
- Receives regular risk updates and reports from Board committees, internal audit, assurance teams and external advisors.

Internal Audit

- Gives objective assurance to the Board and Audit and Risk Committee on the effectiveness of the risk management framework.
- Holds meetings with risk owners across the business four times per year.
- Updates the individual risk registers with risk owners, including actions and progress made, and assesses the risk ratings and the controls in place that help mitigate each risk.
- Recommends improvements and corrective actions.

Operational Management

- Own and manage operational and project risks.
- Ensure Group policies and procedures are implemented and complied with and implement mitigating actions.
- Communicate significant risks via the reporting process to the senior management team.

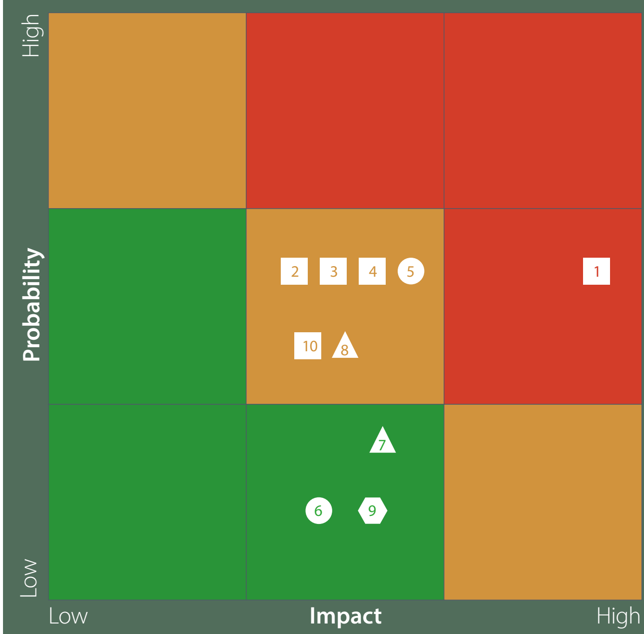
Bottom up

For further details about key roles and responsibilities within our governance structure, please see the Governance report on page 90.

Principal risk status

The heat map shows our principal risks which have a higher probability and significant impact on our strategy, reputation, operations, or finance.

The principal risks also relate to the material issues considered in the Sustainability section on page 64.



Risks are categorised into four main areas

- Strategic (square)
- Operational (circle)
- Financial (triangle)
- Legal & Compliance (hexagon)

Risk	Profile	Change	Executive responsibility
1. Brand and reputation	High	⟷	Chief Executive Officer
2. Competition	Medium	⟷	Retail Chief Operating Officer and Vet Group Chief Operating Officer
3. Services and store expansion	Medium	⟷	Chief Executive Officer
4. Our people	Medium	⟷	Chief People & Culture Officer
5. Information security and business systems	Medium	⟷	Chief Information Officer
6. Supply chain and sourcing	Low	⟷	Retail Chief Operating Officer and Vet Group Chief Operating Officer
7. Liquidity and credit	Low	↓	Chief Financial Officer
8. Treasury and finance	Medium	⟷	Chief Financial Officer
9. Regulatory and compliance	Low	⟷	Group Legal Director
10. Sustainability and climate change	Medium	↑	Chief People & Culture Officer

⟷ Stable ↑ Up ↓ Down

The principal risks do not include all the risks associated with our business. Further risks deemed to be less material or yet unidentified may also have an impact on the achievement of our strategic objectives. Less material risks may appear on a business or functional risk register and are managed at that level.

Risks and uncertainties

The assessment of our principal risks, their link to our strategic initiatives, movement in the year and how we mitigate them are described in the table below.

Brand and reputation

Description and impact

Our vision is to be 'The Best Pet Care Business in the World'. We believe that 'Pets come first' and pet welfare remains our highest priority.

Protecting our strong brand, reputation and customer loyalty is essential to our business. Failure to do so could result in not attracting new customers and a loss of trust and confidence in the Group and its brands by customers, colleagues, shareholders, and other stakeholders.

Mitigation

Advancing pet welfare will always be a priority in line with our number one value 'Pets come first.' As a retailer of small pets and Veterinary group the highest possible welfare and clinical standards must always be maintained.

The Group's pet welfare and clinical standards are overseen by the ESG Committee (environment, social and governance), whose remit includes maintaining and improving our high standards.

Reporting into this committee is the newly established Pet Welfare Committee, which oversees the assurance and governance of pet welfare (including breeders and our supply chain), quality and welfare considerations of products, services and events, and the Group's position on pet welfare and pets in society. Regular meetings with stakeholders from across the Group allow us to be quicker and more agile with communications and improving procedures where needed.

We have rigorous processes in place to ensure welfare standards across our stores, in-store adoption centres, grooming salons and our breeders. All are regularly assessed against a comprehensive set of welfare standards both by internal and external independent assessors. We also have a highly visible field operations team that are focused on maintaining the highest pet welfare standards. Despite the ongoing challenges due to COVID-19 we have maintained our pet welfare audit programme with a mixture of virtual and on-site assessments carried out by our independent assessors.

Every store colleague is also empowered to refuse to sell a pet if they have any doubts about the suitability of its forever home.

We also operate a confidential 'Pet Promise Line' where colleagues can raise concerns about pet care directly with our Head of Pets, who is a qualified veterinary surgeon. Any call to this line results in appropriate action to address the concerns raised.

We have started to change how we talk about and sell rabbits which is part of a wider project to further improve rabbit welfare. We know that, despite our best efforts, customers often do not understand the complexity or commitment of pet ownership. Rabbits are now only sold in half our stores which all have an in-store veterinary practice. We have also increased the price of rabbits to make them more of a considered purchase.

The Group also interacts with customers' pets daily through its First Opinion veterinary practices. All veterinary surgeons and nurses are subject to the Royal College of Veterinary Surgeons' (RCVS) Code of Conduct.

293 practices are accredited under the RCVS Practice Standards Scheme (PSS), with a further 57 currently enrolled to become accredited. This is a voluntary scheme, which through setting standards and carrying out regular assessments, aims to promote and maintain the highest standards of veterinary care. To become accredited, practices volunteer for rigorous assessment every four years and will have met a range of standards. Practices are also subject to independent spot-checks between assessments. The accreditation process has been suspended for much of the financial year due to the pandemic, but we will continue to drive and support PSS accreditation when it has fully resumed. To support our colleagues further our clinical development team, who are all veterinary surgeons, audit to our internally developed 'Aspiring to Clinical Excellence' (ACE) audit programme which has helped improve clinical standards and processes across the Group. The support has been further enhanced by our quality improvement programme which has provided granular detail, as well as clear direction and prioritisation for our future support activities.

The Group has, in conjunction with the VetCompass research team at the Royal Veterinary College, secured a research grant from PetPlan UK. This will facilitate research into antibiotic prescribing behaviours which will advance the profession's knowledge of this critical subject that has implications for both human and animal health.

We have strong relationships with the large animal and pet rescue charities in the UK and engage with them regularly on pet ownership and welfare issues. We are the biggest grant giver to the rescue sector in the UK through the Pets at Home Foundation and our VIP Lifelines scheme. This year we have supported the rescue sector with an emergency grant scheme to help them to cover essential costs during the pandemic. We have held sessions specifically focussing on the impact of the pandemic on pet ownership and pet welfare with the large rescue charities. We also held two roundtable events for over 20 small and medium sized local pet rescues in December 2020. The rescue sector has not seen an increase in relinquishment of pets as of April 2021. We will be monitoring the situation closely with the sector and ensuring that our help is placed where it will have most impact. We are also aware that as restrictions ease more support may be needed to help pets and owners adapt to changing lifestyles and we will work to ensure our pet care ecosystem is here to support our customers during their pet ownership journey.

Outlook

As we continue to increase the size and scale of our pet care service offering, we must ensure that pet welfare and clinical standards continue to be maintained at the mandated high level across the Group.

We continually monitor and improve our standards to ensure they remain robust and best in class.

Following Government requirements for COVID-19 and RCVS guidance, our First Opinion practices remain open to deliver essential care. We trust our veterinary surgeons as professionals to take each case on its own merit and continue to undertake what is essential for the pet's health and welfare needs.

Risk profile

High

Change on prior year ⟷

Stable

Links to strategy

- Bring the pet experience to life
- Use data and VIP to better serve customers
- Set our people free to serve
- 50% of sales from pet services

Competition

Description and impact

The Group competes with a wide variety of retailers, including other pet specialists, pure play online competitors, supermarkets, discounters, online pet healthcare platforms, veterinary groups, and independent practices.

There is increased online competition as large well-known internet businesses expand into pet products and established pet product sites improve and expand their offer. There is also a high level of new start-ups into the subscription market.

Not offering an attractive model to our future Joint Venture Partners whilst keeping abreast of, and responding to, developments by all our competition in the areas of price, range, quality, clinical care, and customer service could have an adverse impact on the Group's financial performance and impact opportunities for growth.

Mitigation

We offer pet owners a complete pet care experience, something our competitors cannot. Through our combination of pet products and related services, which we make affordable, convenient, and rewarding, we can differentiate ourselves and take share across all channels and key categories of our pet care ecosystem.

As a specialist retailer, the delivery of friendly expertise through our highly engaged and trained colleagues and partners is a key element of our proposition and we continue to invest to ensure our service standards are continually improved.

Market research is carried out to review the pet market to understand what our competitors are doing worldwide. This helps identify changes or initiatives that can be implemented to help keep Pets at Home a leader in the UK market. In addition, we are constantly reviewing expansion opportunities into new adjacencies that would contribute to our pet care ecosystem.

We maintain competitive prices across Advanced Nutrition own label foods as well as branded food lines and pet essentials. While we know that our customers are typically loyal, we are conscious of price investment activity seen across the grocers, who are continuing to respond with price cuts and price matching. Rather than responding in turn with deep price cuts and an everyday low-price approach, we are further honing our price and promotions strategy, to ensure that we will be targeting price investment across product areas that customers will really notice and care about, supported by compelling promotional activity to ensure that our value message really resonates with our customers.

We continue to evolve our proposition through the addition of vets and groomers into our existing store estate whilst continuing to innovate our pet care centre format – with the intention of making our stores more experiential destinations for our current and prospective customers with the regular introduction of new and exclusive products into our food and accessory ranges. We are also undertaking some 'test and learn' pilots to innovate the format of our veterinary practices, enhancing and modernising the customer's experience in receiving pet healthcare.

Our veterinary business is the largest branded veterinary business in the UK and continues to have a differentiated strategy versus its scale UK competitors, which all employ variations of a 'buy and build' model. The relationship with our Retail stores and VIP club, Joint Venture model, and ability to advertise at national scale under a single brand are key aspects of a strategy that remain difficult for any competitor to replicate – in part or in whole. We continued to use these competitive advantages during the past year to drive above market customer sales growth. We are also delivering on the important work of improving the profitability in each of our First Opinion veterinary businesses for the benefit of our Joint Venture Partners and the Group.

Our omnichannel participation of retail sales is increasing. More customers are using online as part of their shopping repertoire as it has been the lifeline for many pet owners over the past year. Customer buying behaviour was already rapidly changing in an increasingly challenging and competitive retail landscape, with greater demands around price, convenience, service, and experience. Investments in our omnichannel and distribution capability have enabled us to meet increased customer expectations this year. To help our customers shop even more safely we have extended our delivery choice and flexibility through the launch of two new services, a one-hour Click & Collect service across all our stores and the contactless Deliver to Car service across more than 150 stores.

We have also introduced a deliver to home service for our veterinary customers for the supply of preventive and therapeutic veterinary medicines. This has been well received by customers as a convenient solution where travel restrictions have been in place.

As part of our continued investment in our digital experience we have launched a transformational programme to join up our online experience for our customers. To achieve this, we are embarking on a ground-up greenfield, re-imagining of our entire digital eco-system to create our pet care platform of the future.

There has been continued growth in our membership across our VIP, and Puppy and Kitten clubs with increasing spend across our pet care platform. The clubs help introduce customers to all parts of the business and members typically spend more than non-members. Acquiring customers at the very start of their pet journey helps create loyalty and lock in lifetime value. We are also uniquely positioned with our VIP data. Having over eight years of pet and customer data, means we can generate deep insights and deliver an increasingly personalised customer journey.

Our strategy is to embed an analytic culture throughout the Group which underpins our capability framework, to use our insights to drive strategic decision making, and to optimise the working life of our colleagues and partners. To maximise this opportunity, we have recruited a 45-strong team consisting of data scientists, cloud engineers and analysts.

The analytical platform, including the single customer/pet view, was delivered in January 2021. This will optimise our strategy to provide an increasingly personalised customer experience. We have also launched our campaign management through Salesforce and since the half year we have delivered over 80 new campaigns and have been able to use insight and data science algorithms to optimise audience selection. In particular, the reward mailer and churn tests have proven successful in driving incremental revenue and retention.

We are now focusing on how we deliver benefit from our analytics investment, especially in driving prioritisation and value enablement, and in the growth of our subscription offers, improving customer retention and implementing segmental customer lifetime value to monitor long term value of propositions and VIP.

Outlook

We are in a strong position in a large, resilient market that has seen structural growth over the past 12 months due to an unprecedented increase in pet ownership.

We rapidly adapted our operations to be able to continue as an 'essential' retailer and to keep our veterinary practices open. Working strictly within the guidelines from the Government and the RCVS, the professional body governing veterinary practitioners, our priority has always been the safety and wellbeing of all our stakeholders, whilst meeting the needs of the nation's pets in exceptional circumstances.

Due to COVID-19 we have seen a significant shift to online, as well as economic uncertainty driving an increased customer focus on value and convenience.

We expect to see continued strong growth in our Puppy and Kitten clubs by driving awareness through enhanced marketing campaigns and underpinned by a growing pet population.

Circa 67% of the small animal veterinary market in the UK is corporately owned. We can benefit from our strong strategic footing as the only corporate vet Joint Venture business in the UK that provides an owner-operator model that gives entrepreneurial First Opinion vets the ability to own their own business and operate with complete clinical freedom.

Risk profile

Medium

Change on prior year ⟷

Stable

Links to strategy

- Bring the pet experience to life
- Use data and VIP to better serve customers
- 50% of sales from pet services

Supply chain and sourcing

Description and impact

As we source our products and raw materials globally, we are exposed to the risks associated with international trade, such as inflation, changing regulatory frameworks and currency exposure.

We must ensure that our suppliers share and uphold our approach to business ethics, human rights (including safety, modern slavery) and the environment.

We are also exposed to the risks associated with the quality and safety of products produced locally and globally on behalf of the Group, many of which are own brand or exclusive private labels.

We have two national Distribution Centres covering the north and south of the UK, respectively. A disaster at one of these may result in a significant interruption to the supply of stock for many stores and in the fulfilment of internet orders.

A failure to manage this risk could lead to significant reputational damage.

Mitigation

During such a challenging year, the strength of our long-standing relationships with key suppliers was crucial to preserving our supply chain. Across third party brands, private label food manufacturers in the UK and accessory suppliers in Asia, we were able to minimise disruption to customers and continue meeting their pet care needs. Our earlier investments in omnichannel capacity, new customer acquisition channels and subscription services had equipped us to meet above-trend levels of demand and, with disruption in Asia supply stabilising relatively quickly, our product availability held up well.

The Product and Supply Chain Committee is responsible for developing the Responsible Sourcing strategy. Its scope covers the full value chain impact of products including packaging, raw materials, and the environmental impacts of manufacture, Human Rights, and product sustainability innovation. During this year, the committee has developed a roadmap to deliver the relevant targets for our Better World Pledge. More details can be found on page 64. An independent human rights risk assessment has been conducted during Q4 FY21. The recommendations will be implemented from FY22, under the direction of an ethical manager joining the business during Q1 FY22.

Having Pets at Home colleagues on the ground in Asia working collaboratively with suppliers enables us to closely monitor compliance with the Group's Code of Ethics and Business Conduct policy, and our Supplier Quality Manual. In addition, an independent third party undertakes visits to further monitor compliance with Group policies.

We continue to invest in our quality assurance and control processes and to ensure the effectiveness of our Far East sourcing office in mitigating our sourcing risks in the region.

For our own label and private label food products we have identified alternative suppliers where appropriate and have developed contingency plans.

This year we have substantially mitigated the quality and safety risks in our range development. All testing protocols have been interrogated and strengthened where necessary. We continue to mitigate the risks associated with existing products through ongoing monitoring and surveillance.

In the Vet Group we have worked closely with all suppliers to understand and mitigate any potential risks to manufacture and supply of critical pharmaceutical and consumable clinical products. We have continued with our intended programme of contract renewals during the year despite the interruption due to COVID-19. Provisions made for ring-fenced stock holdings with both wholesaler and manufacturers have proved successful in maintaining security of supply.

Business continuity plans are in place for the Distribution Centres. They help us mitigate the impact of a disaster by enabling us to 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 also opened a second site in Stoke which supports our Business Continuity plans as well as increasing our storage capacity to support business growth.

Exposure to foreign currency movements and freight rate increases is a risk that is mitigated through our hedging strategy; see the Treasury and finance risk.

Outlook

We will continue to actively monitor developments due to COVID-19 and the UK's exit from the European Union.

Our preparations to mitigate the impact from tariffs, logistics and foreign currency movements were in place well ahead of the transition deadline. We continue to monitor the situation in Northern Ireland to ensure continuity of supply and the smooth running of our operations locally.

However, we do recognise that exposure to foreign currency movements and freight market fluctuations will be a heightened risk.

During 2022, we aim to up weight our product quality and safety compliance monitoring with the recruitment of added in-house auditing personnel.

We are aligning our 2030 strategy to the UN Sustainable Goals, recognising that our actions can impact issues globally and locally and both are important. There is a real consciousness and accelerating trend for ecologically sustainable products. We have ambitions across our key brand strategies to bring sustainability into our innovation plans and range architecture going forward.

Risk profile
Low

Change on prior year ⟷
Stable

Links to strategy

- Bring the pet experience to life

Services and stores expansion

Description and impact

A key part of the Group's growth strategy is to deliver 50% of sales from pet care services, by having a complete pet care strategy aligned across the Group. If we are unable to deliver the initiatives laid out in our strategy our expected financial performance could be adversely impacted.

Mitigation

Our business model has pet care at its heart and our core focus is providing our customers with affordable, convenient, and flexible pet care solutions through our growing online platform and estate of 440 First Opinion veterinary practices and 452 stores.

We continue to invest across all channels to make pet care as engaging as possible.

The acquisition of The Vet Connection ('TVC') a long established veterinary telehealth provider in November 2020, marks an important development in our digital capabilities providing trusted advice and even more convenient pet care services. The opportunities arising from the scalability of the clinical protocols and proprietary telehealth platform and incorporating their capabilities into our existing customer offer, across product, services and subscriptions, will enhance the overall customer experience, help drive customer acquisition, retention and lifetime value as well as increasing the flexibility around our veterinary partners work-life balance.

On 31st December 2020, the Group also completed the sale of the five Specialist referral practices (the 'Specialist Group') to Linnaeus Group. The sale was part of the continuing focus on customer-facing activities across our omnichannel retailing and First Opinion veterinary operations.

There has been continued growth in our pet care subscription customers. We have over 1 million customers across the Group on our subscription platform, from which we build loyalty, increase customer lifetime value, and generate a predictable annuity revenue stream. In addition, new client registrations across our First Opinion veterinary practices have increased. We welcomed over 465,000 new clients this year.

To take advantage of this opportunity we have recruited an 11-strong dedicated Propositions Team, who are working across the Group to introduce new and unique bundles of products and services aimed at providing complete pet care, with significant potential to personalise and tailor packages to customers.

Due to COVID-19 restrictions our expansion and refurbishment programme has been largely put on hold this year, which has given us time to re-evaluate our offer, store proposition and our physical retail strategy as we respond to continued change in customer buying behaviours, the channel shift to online and our customers' need for even greater value and convenience.

We will remain agile so that we can quickly respond, adapt, and innovate our formats to maximise the potential from our estate and ensure that we have the right number of stores and practices in the appropriate format and location. Delivering the best of our pet care centre proposition across all formats will help drive experience, acquisition and fulfilment capability and will reflect the evolving requirements of our customer's pet care journeys, both in the short and long term.

This year we have launched one new pet care centre taking us to 19 stores in this format, with two smaller next generation stores in Camden and Putney, the performance of which will inform our decision-making on a wider rollout inside the M25. We have also opened a new in-store practice in Bracknell and re-opened our Perth store and practice which was destroyed by fire in August 2019, whist completing five conversions of company owned First Opinion practices to Joint Venture partnerships.

Further capacity will be added when our new Distribution Hub comes online from 2023. This facility has been scoped to support the business growth both in-store and on-line until the early 2030's.

Our store estate is also entirely leased which gives us great flexibility. As leases come up for expiry or contain a break, we will assess our portfolio on a case-by-case basis before deciding whether to renew the lease, to close or relocate a unit. We continue to monitor and plan to mitigate the risk of landlords redeveloping sites for alternative uses at lease expiry. In response to COVID-19 all our stores benefited from Government support regarding business rates applicable to the retail sector, which we also applied to the in-store vet practices. In December 2020, the Group repaid £28.9m of business rates relief received across the business. This decision reflects the Company's guiding principle of treating all stakeholders fairly and is supported by the continuing strong performance of the business.

Outlook

Despite the near term uncertainties posed by COVID-19 and the UK's exit from the European Union, we remain confident in our long term strategic plan to deliver 50% of sales from pet care services. The Group is in a strong competitive position which allows us to capture this opportunity through our differentiated pet care offering.

We expect to see participation in subscriptions and services continue to grow led by our ability to extend, and increasingly personalise our offering whilst taking advantage of the significant increase in pet ownership.

While positive progress around vaccinations for COVID-19 reduces the level of uncertainty ahead, our priority remains safeguarding the health, safety, and wellbeing of all our colleagues, partners, and customers. We have ceased any operation where the health and safety of our colleagues and customers may be compromised.

We continue to monitor all developments and to re-evaluate our strategic plans we progress through the year.

Risk profile
Medium

Change on prior year ⟷
Stable

Links to strategy
- Bring the pet experience to life
- Set our people free to serve
- 50% of sales from pet services

Our people and culture

Description and impact

Our People strategy recognises that our colleagues and partners are fundamental to the success of our business and key to us achieving our aim of becoming 'The Best Pet Care Business in the World'.

We must keep our unique culture alive through our shared values and behaviours to safeguard the long term sustainability of our business.

We must also attract, develop, and retain talented, engaged colleagues and partners that will deliver quality service and clinical care to our customers and their pets and achieve our strategic ambitions.

Mitigation

This has been a year like no other and our priority has been keeping our people safe and well to be able to continue to provide essential veterinary care and feed the nations pets through the pandemic. Various sections of this report cover this response in more detail. Please refer to pages 10 and 11 for an overview of how we enabled our colleagues to continue to work safely.

The strength of our culture and values has never been more important and they supplied the anchor from which every decision was made during this time of crisis. Our focus has been both on the physical safety and the emotional wellbeing of colleagues whether they have been working in stores, vet practices or at home, shielding or on Company paid furlough. We have recognised everyone's individual circumstances and challenges and have looked to provide support and guidance to cover these different circumstances.

This year we took the opportunity of our annual colleague survey to focus on two specific areas that our colleagues told us were particularly important to them: wellbeing, and diversity and inclusion. We also know that these topics are closely connected with attracting, engaging, and retaining great talent. Using insight from the survey and other listening mechanisms we have developed our diversity and inclusion strategy which has included the launch of four colleague networks since January 2021 and celebrating key diversity events. From a wellbeing perspective we have been focussing on maintaining the sense of belonging that could have been challenged by remote working. Weekly communications from the CEO have continued throughout the year (communication was more frequent during the first lockdown). We have also provided more support to colleagues and partners who have been dealing with challenging situations with customers. We have taken opportunities across the year to thank our colleagues such as the thank you payments made in April 2020, issuing free shares to all colleagues in July, and the Christmas lunch Thank You.

We have set up a working group called 'modern ways of working'. This is exploring how we support our colleagues, and attract new talent, as we transition out of the restrictions that we have been living and working under over the last 12 months and establish a new normal which supports our colleagues to work in a way that enables them to be productive, collaborate with others, and balance their home, and work lives.

Despite the pandemic we have been able to progress our talent strategy. We launched our capability framework which articulates what great looks like for all colleagues. This framework has been used to create the development programmes that have started during the year such as the 'Fearless' store manager's training programme. Our training and development programmes support the development of pet care expertise in our ecosystem which in turn creates a competitive differentiator and enables us to attract and retain great talent. Our grooming training provides industry leading skills in our salons with colleagues undergoing over 1400 hours of training to be able to pass our nine stage assessment process. Many of our groomers also go on to complete our City and Guilds accredited level 1 and 2 stage training. During the year we have continued to complete grooming training investing in 3,500 hours of virtual training with a particular focus on first aid and animal behaviour training.

Regarding our veterinary graduates, we are pleased that during FY21, we delivered our CPD programme by successfully transitioning programmes to virtual formats so that graduates continued with their development.

Availability of vet talent remains a key risk across the sector. The change to UK immigration policy, the COVID-19 pandemic and changes to the vet locum market because of IR35 have added to the workforce challenges the sector faces within the context of a constrained global supply of vet talent.

We continue to evolve our vet workforce strategy to address these concerns and to mitigate the risks. Our leading vet graduate programme recruits 80 newly qualified vets per annum and was recognised by the Institute of Student Employers in December 2020 for its innovation in preparing new graduates for working life. We have launched new flexible contracts in March 2021 to provide vets with greater choice and flexibility and are partnering with Timewise to review our flexible working practises. We have a targeted international recruitment strategy which focuses on key markets where clinical education meets UK standards. We have delivered impressive results through targeted social media recruitment campaigns and have increased our presence on social media channels. We restructured our recruitment team during 2021 and now have an in-house headhunting team who focus on building a talent pipeline for current and future vacancies.

We have invested in training and support for colleague wellbeing. We have developed an online training programme – Thriving at Work – with the Veterinary Defence Society and will be introducing Mental Health First Aiders in practices over the course of the next 12 months.

As we enter a new normal with the roll out of the vaccination programme and the relaxation of restrictions, we will continue to monitor all Government guidelines to keep our colleagues and customers safe. We will also continue to listen and support our colleagues, invest in their training and development, and focus on how we can support their overall wellbeing.

Outlook

We continue to make great progress with our People strategy across the Group and remain in a strong position to attract, retain and develop our colleagues.

We continue to seek new opportunities to further enhance our colleague experience; however, uncertainties associated with COVID-19 will need a careful and considered approach.

Risk profile

Medium

Change on prior year ⟷

Stable

Links to strategy

- Bring the pet experience to life
- Set our people free to serve
- 50% of sales from pet services

Information security and business systems

Description and impact

Mitigating information security related risks whilst implementing new ways of working due to COVID-19 was paramount throughout the year. Protecting customer and colleague data against increasingly sophisticated attacks comes with added cost linked to the remediation of associated risk (people, process, technology, and data). Our ability to adapt to these challenging demands is vital to delivering our strategy, maintaining target growth levels and be secure from data security breaches and legal challenges.

Mitigation

In response to the challenges raised by COVID-19 our information security policies covering people, process, technology, and data have been continuously reviewed, adapted, followed, and monitored. Risks have been assessed and managed as business processes evolved. Home working and social isolating ensured we had sufficient resources to maintain our core information security functions and management system, whilst continuing to identify opportunities for improvement.

Our risk-based information security management system, designed to protect confidentiality, integrity, and availability of business-critical information is a strategic project. The management system ensures that information security controls are reviewed and improved on a continual basis. A risk-based methodology allows us to identify, assess and react to the ever-changing threat landscape, including vulnerabilities exploited at other organisations.

To better protect our business from outages caused by changes, we have implemented a revised change management process which is risk based to accurately impact assess changes and ensure that greater focus is placed on high-risk changes. We use our weekly Change Approval Board meetings to discuss these changes in more detail and minimise any impact on service.

We have embarked on a significant risk reduction programme this year, replacing many of our legacy back-up and disaster recovery (DR) solutions by investing in a new managed third party Data Centre which acts as our DR site for most of our internally hosted key tier 1 and 2 systems.

In response to COVID-19 we have implemented remote working across all our key teams, including the expansion of our telephony system for use at home and the implementation of Microsoft Teams meaning our colleagues can work from any location.

Our established information security training, awareness and testing programme ensures colleagues understand the risks and threats associated with protecting data.

We remain committed to delivering secure high-performance systems that underpin our strategic plan. Scalable, secure, cloud-based solutions are adopted where they support our strategy.

Outlook

To deliver our vision to become 'The Best Pet Care Business in the World.' we will continue to monitor the threat landscape, utilise a risk management methodology that will allow us to balance risks versus investment and ensure appropriate controls are implemented. In-house expertise will be supplemented with external support to review and validate existing controls, recommend opportunities for improvement, and provide executive level assurance of the current control level.

Awareness, training, and testing campaigns will continue, educating colleagues about the risks associated with data and physical security.

Cloud-based solutions will continue to be our go-to platform where the technology aligns to our security, strategic and operational goals.

We will continue to invest in our risk reduction programme and adopt a continuous service improvement cycle around this.

Risk profile
Medium

Change on prior year ⟷
Stable

Links to strategy

- Use data and VIP to better serve customers
- Set our people free to serve

Liquidity and credit

Description and impact

The business 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.

Mitigation

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 September 2023. 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. As a result, the Group is confident that it has adequate facilities in place, with a broad syndicate of banks.

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 First Opinion 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. 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 settles 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 established a 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. 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.

Outlook

The evolving position in relation to COVID-19 and the ongoing economic impact of the pandemic has created increased uncertainty in relation to forecast cash flows, liquidity, and credit requirements. We 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.

Mindful of these prevailing circumstances, 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, taking into account resilience evidenced within the sector throughout the last financial year.

We do not expect any other significant macro-economic changes in the short to medium term that may affect this risk area although the continued development of the UK's relationship with the EU may have some bearing.

The increase in the Group's liquidity headroom in the financial year, supported by the strength of trading throughout the period, has led to the liquidity risk profile reducing.

Risk profile
Low

Change on prior year
Down ↓

Links to strategy
- Bring the pet experience to life
- 50% of sales from pet services

Treasury and finance

Description and impact

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 political and macro-economic environment has increased currency pressures and we may see this continue for some time. The Group also faces risks from changes to interest rates and compliance with taxation legislation. If we do not manage this exposure there could be an impact on the Group's financial performance with a consequential impact on operational and growth plans.

Mitigation

This exposure to exchange rate fluctuation is managed via forward foreign currency contracts that are designated as cash flow hedges. The Group has borrowings with floating interest rates linked to LIBOR, thereby exposing the Group to fluctuations in LIBOR and the replacement of LIBOR by the FCA as the interest rate benchmark by the end of 2021, and the consequential impact on interest cost. To manage this risk the Group has interest rate swaps in place that fix the interest rate on a considerable proportion of the Group borrowings and continues to monitor and engage in preparing for the transition to the alternative benchmark to LIBOR. Further details can be found on page 183. 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.

Outlook

On-going currency movements between the US dollar and GBP may result in further exchange risk, particularly considering the evolving position in relation to COVID-19, and the UK's developing relationship with the EU. We will continue to monitor this and adjust our approach to hedging where necessary.

Risk profile
Medium

Change on prior year
Stable ⟷

Links to strategy
- Bring the pet experience to life
- 50% of sales from pet services

Regulatory and compliance

Description and impact

Many of the Group's activities are regulated by national and international legislation, applicable industry regulations and standards including, but not limited to, trading, advertising, packaging, product quality, health and safety, pet shop licensing, National Minimum Wage and National Living Wage, Equality Act, modern slavery, bribery, data protection, environment, the RCVS Code of Professional Conduct for Veterinary Surgeons, and the implementation of 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.

Mitigation

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. We also provide training for colleagues where needed and operate a confidential whistleblowing hotline for colleagues, partners, customers, and clients to raise concerns regarding any potential breach of legal or regulatory obligations in confidence

Our suppliers commit to and are audited against adhering to relevant regulations, such as the Modern Slavery Act 2015, the Bribery Act 2010, and the General Data Protection Regulation (implemented in the UK by means of the Data Protection Act 2018) (GDPR). 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 have also refreshed all relevant agreements in readiness for the changes to HMRC's off-payroll regulations (IR35) which came into force in April 2021. The Group will continue to monitor any impact on the regulatory and compliance landscape that this and other issues bring.

Outlook

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

Risk profile
Low

Change on prior year ⟷
Stable

Links to strategy

- Bring the pet experience to life
- Use data and VIP to better serve customers
- Set our people free to serve
- 50% of sales from pet services

Sustainability and climate change

Description and impact

The success of our business over the long term will depend on the social and environmental sustainability of our operations, the resilience of our supply chain and our ability to manage the impact of any potential climate change on our business model and performance. The key risk to the Group relates to assessing and reducing the environmental impact of the direct operations and across the value chain. This could result in an impact to the Group's reputation and strategic plan. Examples of risk include extreme weather events affecting demand, sales, our operations and supply chains and more stringent environmental regulation could affect the cost of production and operational flexibility.

Mitigation

The ESG Committee meets at least three times a year to approve and review the implementation of the approved social value strategy, Our Better World Pledge. The Group executive board reports to the ESG committee and is supported by management committees that oversee different areas of the agenda. The Climate Change and Waste committee and the Product and Supply Chain Committee, both established in 2019, continue to implement our strategy and actions regarding the sustainability of our operations and our supply chains. During the year we conducted a climate change risk assessment as part of our commitment to align our reporting and disclosures to the TCFD (Task Force on Climate-related Financial Disclosures) framework and this can be found on page 69 of this report. We have also concluded an assessment of our scope 3 carbon and developed a reduction target aligned to the Paris agreement which we have committed to submit to the Science-based Target Initiative (SBTi) for approval.

For extreme weather we actively monitor and forecast demand and, should this risk occur, we would review planned and tactical promotional activity to decide whether strengthening this would drive sales.

Outlook

The social value strategy, Our Better World Pledge, can be found on page 64, and in our separate social value report. This includes a summary of our targets relating to sustainability and climate change and our performance over the last year. Further improvements to our subscription and omnichannel services offering will continue to improve our resilience to reduced store footfall during periods of extreme weather.

Risk profile
Medium

Change on prior year ↑
Increasing

Links to strategy

- Bring the pet experience to life
- 50% of sales from pet services

Our Better World Pledge

— creating a better world for pets and the people who love them

£6m+
Over £6m raised for pet charities

84%
Colleague engagement

-9.1%
Reduction in CO_2e carbon emissions vs FY20

"Our strategy has been named Our Better World Pledge, quite simply as we believe that through the decisions we make and the action we take now, we can make a real difference to further improve the lives of pets across the UK; enhance the experience of our talented colleagues, the customers that we serve and the communities we operate in; and protect the world for our shared benefit in the years to come."

Over the past twelve months we have drawn together our experts from across the business, together with input from our external partners, to develop our new social value strategy which was formally approved and adopted by the business in October 2020. We are proud of the achievements we have made, but our new strategy will accelerate and focus our efforts in the three areas that mean the most to us: our pets, our people and our planet.

Each of the three pillars – pets, people and planet – has an ambitious, long term goal. These goals are supported by 10 discrete targets that will drive our performance forward over the next few years, along with 20 clearly defined and agreed actions. We will add to these over time as we develop more initiatives and work towards our ultimate aims. We are proud of the progress we have already made, which is summarised on page 72 and 73.

3 goals

By 2030 positively impact the life of every pet in the UK
Page 74

By 2030 enhance the lives of one million people through our shared love of pets
Page 78

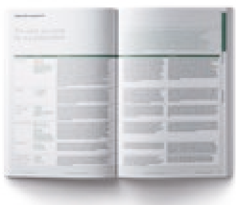
By 2040 become net zero
Page 82

20 actions

10 initial targets

Details on where to find more information about our Social Value strategy and performance

Social value report
Our latest Social Value report is available on our corporate website with more information about our Social Value strategy and performance



S172
See page 38 and 39 for a summary of how we have engaged with our stakeholders during the year

ESG committee report
See page 117 and 118 for our ESG Committee report

Policies
Our corporate website contains our policies

Creating our Better World Pledge

Our strategy has been developed for the long term, the process that we followed was thorough and inclusive. It took a year to complete and included how we would ensure its ongoing success by embedding it into our business and enabling regular reviews and updates.

Developing our strategy, guided by our purpose

The strategy has been built on strong foundations of putting pets first, giving back to the communities in which we operate, investing in our colleagues and respecting our environment. While the strategy was developed we continued to identify quick wins and launch new initiatives that would form part of our new strategic framework.

Sep 2019

Strategic ambition agreed at board level

Specialist appointed to run the strategy development project

Nov 2019

Established project teams sponsored by Group management team members to scope different strategic areas of focus

Listened to our colleagues through groups, surveys and emails

Jan 2020

New board position created "Chief People and Culture Officer"

Conducted a detailed materiality assessment and tested it with external stakeholders including shareholders, environmental experts, charities and NGOs through roundtable events

Mar 2020

May 2020

The strategic framework was finalised to include 3 high level ambitious goals, a detailed list of 20 actions and 10 initial targets

September 2020

Project teams became management committees with refreshed terms of reference and ongoing Group executive sponsorship

The ambition agreed by the Executive Management Team in September 2019 has provided a point of reference during the strategy creation and enabled disruptive and long term thinking.

"We care deeply about the role that we play in society and we want to share the value that we create as a business. Therefore, the Executive Management Team, in consultation with key stakeholders, will write and embed into the way we operate a 10 year promise that makes at least 10 quantifiable commitments across the three pillars of pet, people and planet."

Oct 2020

- **Board level approval of strategy and governance**
- **Launch of strategy to colleagues at virtual conferences**
- **Upweighting of internal expert resource**

Dec 2020

Feb 2021

- **ESG committee meets** under updated terms of reference and name

See page 68 for details of our Governance and Materiality Assessment

We have continued to be recognised externally during the year

Retail Week 2020 winner: store of the year and speciality retailer of the year

Marie curie fundraising excellence awards: cause related marketing partner of the year

Institute of student employers (ISE) 2020 awards winner best graduate onboarding and induction activities programme

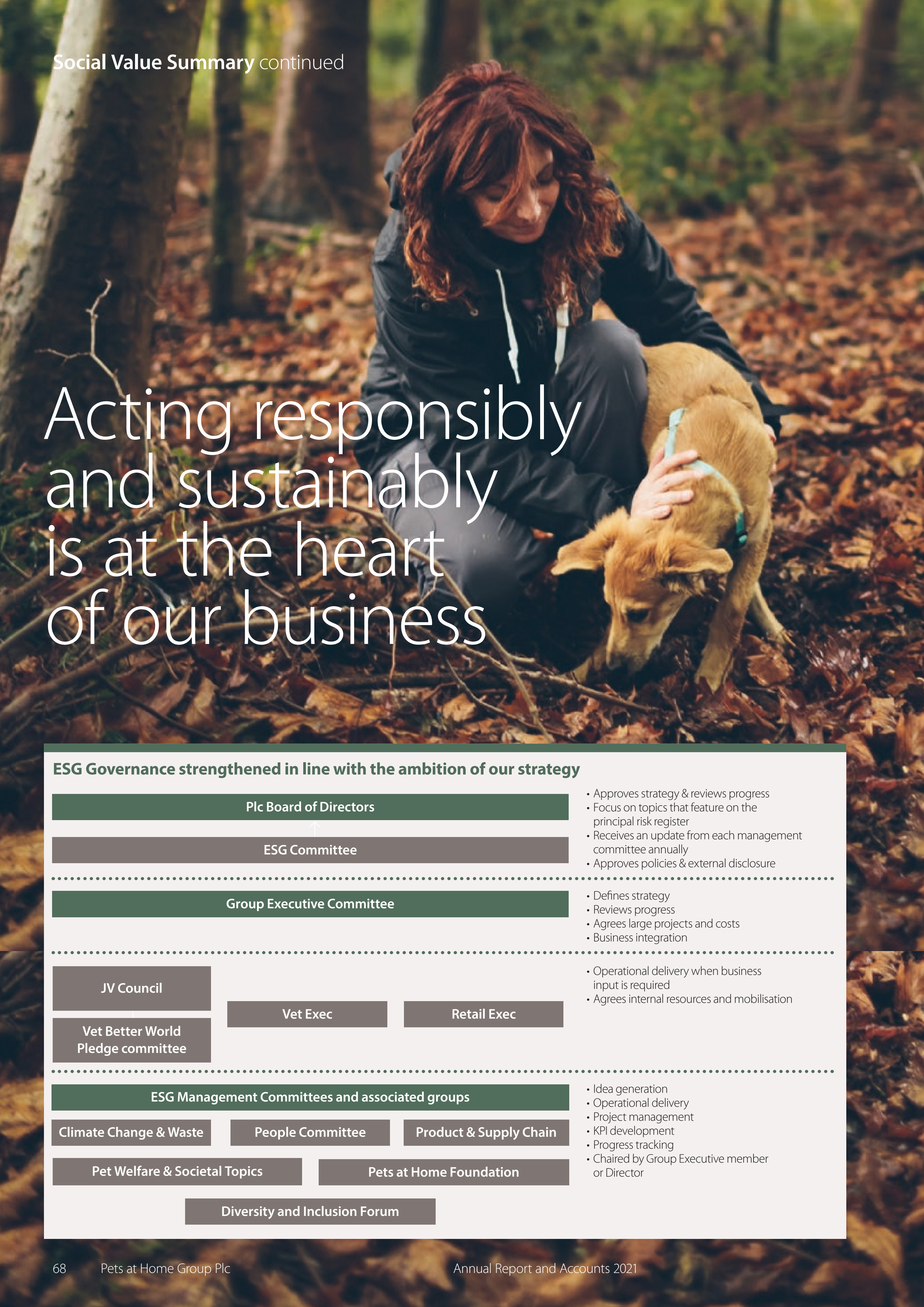
Financial Times 2020 diversity leaders special report ranked 51 out of 850 European companies (from 101 in 2019)

Data IQ awards, Vlad Jiman from Pets at Home winner of the new talent award

Transformation of the year award at the plc awards

World Retail Awards winner 2020 retail employer initiative of the year for our mental health focus

Retail Week 2021 finalist for 7 categories



Acting responsibly and sustainably is at the heart of our business

ESG Governance strengthened in line with the ambition of our strategy

Plc Board of Directors ESG Committee	• Approves strategy & reviews progress • Focus on topics that feature on the principal risk register • Receives an update from each management committee annually • Approves policies & external disclosure
Group Executive Committee	• Defines strategy • Reviews progress • Agrees large projects and costs • Business integration
JV Council Vet Better World Pledge committee Vet Exec Retail Exec	• Operational delivery when business input is required • Agrees internal resources and mobilisation
ESG Management Committees and associated groups Climate Change & Waste People Committee Product & Supply Chain Pet Welfare & Societal Topics Pets at Home Foundation Diversity and Inclusion Forum	• Idea generation • Operational delivery • Project management • KPI development • Progress tracking • Chaired by Group Executive member or Director

Materiality

Initial assessment

A detailed materiality assessment was conducted as part of the development of Our Better World Pledge strategy. This was an inclusive process involving engagement with our colleagues and with external stakeholders, including our shareholders. Through this consultation 20 high level topics were identified that the strategy went on to address.

These have been mapped against the ten principal risks and reviewed using the company wide risk and assurance approach to ensure clarity on governance and consistent scoring assessment

April 2021 update

As part of the governance review of Our Better World Pledge strategy a high level plan has been developed for the four ESG committee meetings that are diarised to take place across the year. In the meeting that takes place in spring a review of the materiality assessment is planned on an annual basis, this then enables the results of this review to be fed into the annual strategy review cycle in the autumn.

As a result of the review in April 2021, the ranking of a number of the topics was increased as a consequence of an overall increase in ESG focus during the pandemic and due to other external events. In particular climate action, diversity and inclusion and data privacy, security and ethics have been increased in terms of their overall ranking. The topic of "biodiversity" has been expanded to "nature based impacts" to ensure that it captures the full extent of environmental issues that we need to consider such as clean air, soil health and ocean pollution.

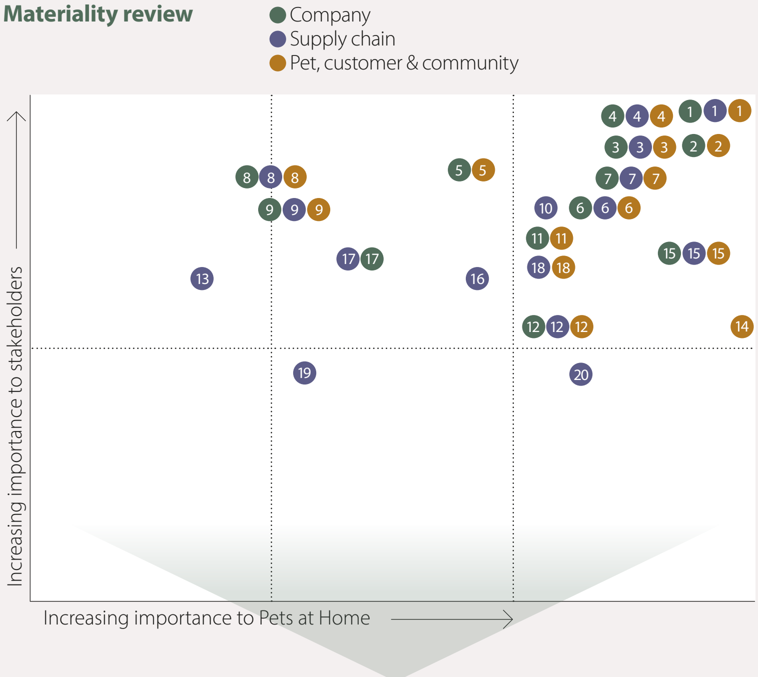
Governance

Part of the strategy development involved an in depth review of ESG governance. The project groups that were established as interim governance, to input into the development of the strategy, were renamed as management committees and have been meeting on a regular basis since September 2020 with refreshed terms of reference. Each of these is chaired by a Group executive team member or Director. The mobilisation of the strategy into the Vet Group is being managed by the Vet Group Better World Pledge committee. This has been meeting on a monthly basis since November 2020 and is chaired by one of the Regional Directors. A Diversity and Inclusion Forum has been established during the year. It is chaired by Peter Pritchard, CEO and membership includes four other Group executive members. From May 2021 it has also been attended by Sharon Flood, non executive Director, in her capacity as colleague representative on the board.

The Group executive committee and ESG committee receive a progress update from each committee at every meeting and there is an in depth "deep dive" scheduled from each committee across the year to enable more detailed review.

See page 117 for ESG committee report

Materiality review



Alignment of sustainability material topics to principal risks

	Sustainability Material Topic	Principal Risk	Main Governance Forum	Change yr / yr
1	Pets' physical and emotional health	1	ESG Committee	
2	Pets' role in society	ESG	Pet welfare Committee	
3	Health and wellbeing	4	People Committee	
4	Climate action	10	Climate change & waste Committee	↑
5	Social mobility and inequality	4	Diversity and Inclusion Forum	
6	Diversity and inclusion	4	Diversity and inclusion Forum	↑
7	Nature based impacts	ESG	Climate change & waste Committee	
8	Waste	ESG	Climate change & waste Committee	
9	Resource consumption & circularity	ESG	Product & supply chain Committee	
10	Sustainability of product packaging	6	Product & supply chain Committee	
11	Data privacy, security and ethics	5	Data Committee	↑
12	Purpose led business & careers	4	People Committee	↑
13	Supply chain transparency	6	Product & supply chain Committee	↑
14	Community contribution	ESG	Pets at Home Foundation	
15	Ethical business practices	6,8,9	Group Executive Committee	
16	Sustainable product raw materials	ESG	Product & supply chain Committee	↑
17	Labour practices and Human Rights	6,9	Product & supply chain Committee	↑
18	Sustainability of pet ownership	ESG	Product & supply chain Committee	↑
19	Environmental impacts of product production	10	Product & supply chain Committee	↑
20	Animal welfare impacts of product production	6	Product & supply chain Committee	

Read more in our Governance report, page 90 in our Annual Report and Accounts

Our Better World Pledge strategy in summary

Our purpose:

For a better life together: Creating a better world for pets and the people who love them

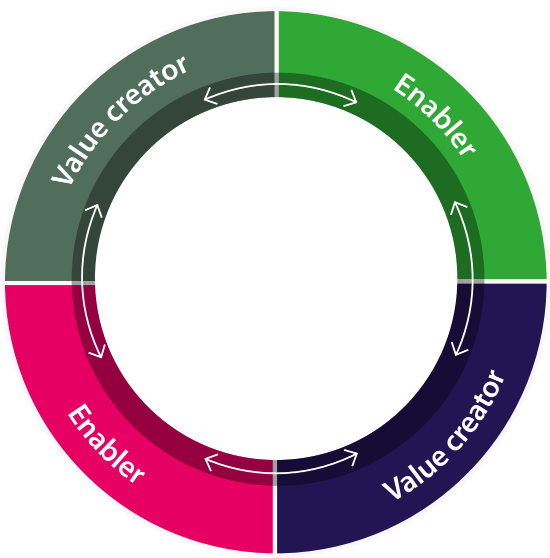
Our vision:

To become the most responsible pet care business in the world

Our business strategy:

Bring the pet experience to life

Use our data to better serve customers



Set our people free to serve

50% of sales from pet care services

Our 3 Social Value pillars and goals:

Pets

By 2030 positively impact the life of every pet in the UK

People

By 2030 enhance the lives of one million people through our shared love of pets

Planet

By 2040 become net zero

Our 10 initial targets:	UN SDGs	Links to business strategy	
– By 2025 set the standards for the safety and quality of pet care products – By 2030 increase the impact of grants, donations and skill sharing to the rescue sector – By 2030 educate 2m children in responsible pet ownership – By 2030 improve the health of the nation's pets by focussing on nutrition and health plans	15 LIFE ON LAND	● Bring the pet experience to life ● Use our data to better serve customers ● 50% of sales from pet care services	Read more Page 74
– By 2025 be the leading employer of pet care experts – By 2025 create opportunities for 5000 people who face barriers to employment to experience work with us – By 2030 increase the number and diversity of people who can benefit from time with pets	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	● Set our people free to serve ● Bring the pet experience to life ● Use our data to better serve customers	Read more Page 78
– By 2025 be leading the way in sustainable pet care products – By 2030 maximise the value of our waste by adopting circular economy principles – By 2030 become net zero carbon operationally (scope 1 & 2) and by 2040 aim to have a net zero carbon value chain (scope 3) using a science based initiative approved methodology	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 15 LIFE ON LAND	● Bring the pet experience to life ● Use our data to better serve customers	Read more Page 82

Our performance highlights

Our performance in the first year of Our Better World Pledge strategy demonstrates the success of our sustainable pet care ecosystem that creates value for pets, people and planet.

We are particularly proud to be able to continue to grow our business while reducing our operational carbon, to raise money for pets when they need us most and to invest in our people.

Link to ESG strategic pillars:

Pets

People

Planet

Our Better World Pledge strategy, page 70

-39%

Reduction in absolute CO_2e emissions (scope 1 &2) vs FY16

Decoupling growth from carbon impact

FY21 24,953 tonnes CO_2e vs 41,178 in FY16, while increasing sales turnover by 47%

And delivering a -9.1% reduction in CO_2e FY21 vs FY20 while growing sales by 7.9%

-58.6%

In market based scope 1 and scope 2 CO2e emissions vs FY16

Reducing our net operational CO_2e emissions

FY21 17,064 tonnes CO_2e market-based vs FY16 41,178.

Additionally FY21 2,600 tonnes of carbon mitigation purchased to enable buildings to be carbon neutral in relation to energy use

100%

Renewable electricity sourced for the main Group electricity contract

Committing to renewables

96% of our Group electricity use is from renewable sources

79%

Of own brand packaging is recyclable, recycled or compostable

Helping our customers be sustainable

And we are rolling out the pet pouch recycling scheme launched in November 2020 to more stores in FY22

98.3%

Of waste diverted from landfill

Minimise operational waste

And all of our animal bedding is backhauled for recycling

84%
Colleague engagement score in FY21 We C.A.R.E. colleague engagement survey

Colleague engagement
85% retail, 82% Vet Group

£15.8
Colleague bonus in recognition of their tireless efforts throughout the year

Reward strategy engaging colleagues in the long term success of our business
Colleagues were recognised for their efforts throughout the year with a record £15.8m bonus, which includes a one-off £1.9m "Thank you" bonus for frontline colleagues

178
Promoted to grooming stylist in FY21

Building pet care expertise
1400 hours of training required to become a fully trained stylist, covering 9 modules of learning and skills

5,000+
Colleagues became new shareholders or had their shareholding enhanced in July 2020

Reward strategy engaging colleagues in the long term success of our business
Restricted stock plan granted since 2017. In June 2020 we granted an additional 2.1m shares to 9,300 colleagues

over £6m
Raised by VIP Lifelines and the Pets at Home Foundation

Being there for pets when they need our help
And over £50m raised since 2006

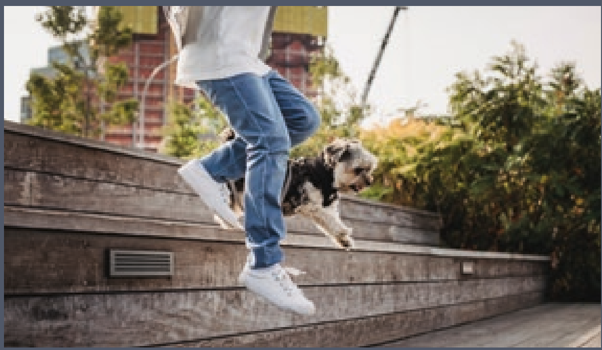
over 1m
Subscription customer across the Group

Making pet care accessible and convenient
An increase of over 20% yr / yr

over 57k
Downloads of our Virtual Pet Pals Easter 2021 resources

Educating the pet owners of the future about responsible pet ownership
Over 400k children have attended our educational Pet Pals sessions since 2015

Goal: By 2030 positively impact the life of every pet in the UK



Performance highlights

140+
vet graduates, 83 joining this year, continued their training modules many utilising virtual webinars

over 1,450
physical pet welfare audits conducted in our stores in FY21

57k
downlaods of virtual Easter Pet Pals, educating children about responsible pet ownership

160k+
welfare grooms given, with the price reduced by an average of £7, depending on size and breed of dog

£6m+
raised for pet charities through the Pets at Home Foundation and VIP Lifelines bringing the total to over £50m since 2006

750+
local and national pet rescues supported in FY21 through VIP lifelines

200
animal rescues supported with emergency grants totalling over £900k

278
rescues received a "share the love" award of £2k on Valentine's day 2021

1000+
pallets of pet food and bedding donated

449
rehoming and adoption centres. The majority of Pets at Home stores have a small animal rehoming and adoption centre funded by the Pets at Home Foundation

Our goals and approach

Our stores and vet practices remained open throughout the three lockdowns to feed the nation's pets and provide essential veterinary care. We have created new ways to serve our customers while keeping everyone safe such as click and collect nationwide, deliver to car, remote consulting and socially distanced welfare grooms. We have also supported the rescue sector who have been dramatically impacted with plummeting income with an emergency grant programme. Pets come first is our number one value at Pets at Home. Every colleague in the Group has a part to play to ensure that we deliver on this value every day. Our love and understanding of pets has lead us to develop our long term goal to positively impact the life of every pet in the UK by 2030 which covers not only the pets in our care, the pets of owners that use our products and services but also the pets that we can help through our charity work and through leading change in society and the wider pet care and veterinary industry.

Our focus areas

Pets in our care ensuring the health and welfare of pets in our care on their journey to a new home	Read more Page 76
Pet care expertise the level of pet care expertise and experience we leverage across the Group	Read more Social Value Report, page 20
A unique proposition of products and services we provide in our pet care ecosystem	Read more Social Value Report, page 22
Pet Charity the charity work that we support for pets when they need our help	Read more Social Value Report, page 24

Pets

The value that pets bring to our lives has never been more apparent. Many people have become new pet owners during the pandemic and have spent more time at home and with their pets. During the last year we have remained as focused as ever on looking after the pets in our care to the very highest standards.

Looking ahead

Pets in our care
We have reviewed our store and Groom Room pet welfare audits this year and made updates to reflect the latest welfare knowledge. The audit reporting has also changed to better reflect improvement opportunities for stores, highlighting where support is needed while at the same time raising the bar and rewarding good performance.

Expertise
During FY22 all of our colleague pet training will be updated including dog and cat nutrition. The training content has been written and approved by a panel of vets and vet nutritionists to ensure pet welfare is at the heart. This training continues to strengthen our store colleagues knowledge to offer the best and most up-to-date dog and cat nutritional advice. Our nutrition consults are designed to suit each pet and owner's individual circumstances.

Charities
The SAFP foundation will be re branding to the Pets at Home foundation and extending it's grant giving criteria to include charities that help people through the relationship with pets. This builds on the support that we have been giving to charities like Dogs 4 Good and Pets as Therapy over the last few years.

Our actions

We have a series of actions that we have committed to as part of Our Better World Pledge to deliver this goal:

1. Empowering all of our people to be advocates and ambassadors for pets everyday.
2. Adopting and contributing to the development of the latest clinical guidance on veterinary matters within our framework of clinical freedom.
3. Promote the quality and safety of pet care products.
4. Supporting people to be the best pet owners that they can be through our products, services and advice and educate children and young people.
5. Help provide a network of support for pets through our adoption centres and the wider rescue sector.
6. Work to ensure access to veterinary care for every pet.

→ Our key performance metrics, see the Social Value Report, page 44

Pets in our care

We have an experienced veterinary surgeon as our "Head of Pets" in the retail business. She leads our Pet Team who are responsible for setting the standards and auditing against them quarterly at our stores and breeders. Additionally our breeders receive annual audits by two independent vets and "mystery shops" are conducted by an ex-RSPCA officer across our stores.

We only work with breeders who fulfil the five freedoms laid down in the Animal Welfare Act of 2006 and our code of practice. We continually challenge and revise the codes of practice that we have in place for all of our pet breeders to ensure that they reflect the very highest standards. This year we have updated the code of practice for our fish suppliers and reptile breeder.

Pets come first – a safe and healthy journey to a happy home

Breeders
We work with carefully selected breeders. All of our small animal and reptile breeders are based in the UK which minimises travel time. They are audited on a quarterly basis by our "pet team" to ensure compliance to our strict code of conduct. They also receive an annual independent 3rd party audit. They also receive at least one annual audit by an independent vet.

Health check
Every single pet is checked by our own team of Pet Health Checkers before they are transported from the breeders to our stores.

Transport
We have our own dedicated fleet of climate controlled vehicles which are fitted out specifically for the transport of pets. Drivers of these vehicles receive specific training.

Quiet room
There is a purpose built quiet room in every store where pets settle in to their new surroundings for a specified time. Quiet rooms are linked to our Building Energy Management Systems to maintain a suitable temperature range.

Health check
A health check is carried out on every pet on arrival to store and throughout their time with us. If we ever have any concerns, we always seek veterinary advice.

Sales floor
Our pets are provided with the fresh water, food and enrichment they need to keep them fit and healthy. Colleagues follow carefully specified cleaning and care routines every day, including Christmas Day. We provide a full range of RSPCA developed care leaflets for every pet type free of charge in our stores in England and Wales. All of our stores are licensed to sell pets and are audited on pet welfare on a quarterly basis.

Health check
Minimum twice daily welfare checks are carried out on reptiles and small animals. Fish are checked every two hours in the day.

Pet sale
We aim to find the right pet for every customer and the right home for every pet. PetPads provide reference welfare guidance for our colleagues and record the details of every sale. Colleagues are all empowered to refuse a sale if they cannot be certain a pet's welfare needs will be met fully. Our stores are "mystery shopped" across the year by an independent ex-RSPCA officer who ensures our pet purchase process is being followed.

Aftercare
Every pet sale is followed up with a telephone call within 5 days of purchase and care videos for small animals

Here to help
We are here for our customers for every step of the pet ownership journey. We have the advice, products and services for a happy and healthy life together.

Keeping pets healthy and safe

Our pet experts

We have a dedicated team of experts, led by an experienced veterinary surgeon, who ensure that we adopt the highest possible welfare standards and that these are implemented consistently at our breeders and in every store.

Products & services

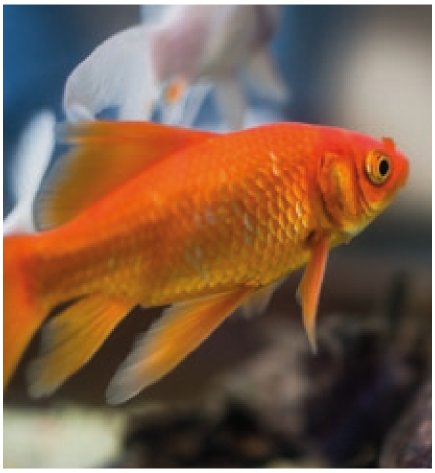
We provide everything our customers are likely to need to ensure their pets remain happy, healthy and safe through their life.

Pet charity

For pets that cannot stay with their owner for whatever reason, we aim to provide a second chance of happiness. 449 of our stores have an adoption centre, accepting small animals. Our charities have raised over £50m since 2006 for pet charities.

Case study: Rabbits

This year, recognising the complexities of rabbit ownership, we have reduced the number of stores that sell rabbits to the 267 that have a veterinary practice in the same location. This builds on earlier decisions that we made to not sell rabbits over Easter and to only sell rabbit food in nuggets rather than muesli to prevent nutritionally damaging self selection.



Case study: Fish

During transport to our stores we choose to have less fish per volume of water than allowed to improve the environment and reduce stress levels for the fish despite the extra cost involved. In store, the health of our fish is checked every 2 hours during trading times. Our customers must have a tank ready and set up for at least 24 hours before introducing fish to it. We provide free unlimited water testing to any fish owner which isn't tied to a sale.

Case study: Reptiles

All of our reptiles are UK captive bred by one expert breeder we have been working with for over 10 years. We focus our expertise in 66 stores to provide the best possible advice and service to customers considering owning a reptile. The temperature and feeding records are maintained to monitor the environment and welfare in store and also help to ensure consistent welfare routines can be maintained in a new home. Our customers must have a vivarium set up which has been stabilised at least overnight before introducing a new reptile.

Goal: By 2030 enhance the lives of 1 million people through our shared love of pets

8 DECENT WORK AND ECONOMIC GROWTH

3 GOOD HEALTH AND WELL-BEING

Performance highlights

In this unprecedented year the safety and wellbeing or our colleagues and customers came first while we continued to invest in the development and reward of our colleagues.

Read more, our COVID response, page 10

Daily COVID Briefings
Daily briefings were led by the CEO or member of the Executive Management team were held from 17th March to 5th June 2020

£1m
top up payment for our Colleague Hardship fund

2,500
members of the Pets at Home well being social media group

4
colleague networks launched as part of the new diversity and inclusion strategy

84%
overall engagement in the annual colleague "We C.A.R.E." survey which focused on diversity and inclusion and wellbeing

Prince's Trust partnership launched to support "Kick Start" work placement programme

KICKSTART SCHEME · YOUTH CAN DO IT

9,300
colleagues received a free stock award in June 2020 when 2.1m shares were granted

8
action areas contained in our new colleague and leadership capability framework

£15.8m
Bonus for colleagues, including a £1.9m "Thank you" payment for frontline colleagues

£50 voucher
For every retail, distribution and support office colleague at Christmas and Easter to pay for the family meal, totaling £800k

Our goals and approach

People sit at the heart of our better world pledge strategy, whether that is people that work for the Group; our customers or the communities that we operate in across the UK. It is the relationship of people with pets that creates the unique bond that unites us all. Our ambitious goal is to positively impact the lives of 1 million people by 2030 through our shared love of pets. We believe that pets bring such joy to our lives that this is possible. We are committed to bring the joy of pets to more people and to use the opportunities that we have to reach more people through being part of our pet ecosystem.

Our focus areas

Our values and culture Our unique culture differentiates our colleague and customer experience	Read more Social Value Report, page 28
Wellbeing Advocating and supporting emotional and physical wellbeing	Read more Page 80
Diversity and inclusion Everyone to be welcome and feel part of the group	Read more Page 81
Learning & development Building pet expertise to empower our people to be ambassadors for pets everyday	Read more Social Value Report, page 34

People

After 30 years of caring for pets and the people who love them we know that our people are the foundation of our business. Our passionate and highly trained colleagues in our vet practices, groom rooms and stores are at the front line every day sharing their knowledge, experience and kindness with our customers.

Looking ahead

Wellbeing

We have committed to fund the training of 500 vet colleagues to become mental health first aiders in FY22. This means that every practice will have someone with the skills to support and signpost colleagues who are dealing with mental health issues. Mental health is a significant issue in the veterinary profession so we want to support our group owned and joint venture practices. The mental health first aider training programme will run from March 2021 to November 2021.

Diversity and inclusion

We are looking forward to rolling out our diversity and inclusion e learning and the implementation of Success Factors which will enable us to collect diversity data and build our understanding of diversity amongst our colleagues.

Volunteering

We will be relaunching our volunteering programme as "Our Better World Pledge Days". These days will enable our colleagues to support pets, people or environmental activity in their local communities.

Our actions

We have a series of actions that we have committed to as part of Our Better World Pledge to deliver this goal:

7 Create sustainable and fulfilling careers throughout our pet care ecosystem.

8 Promote diversity and inclusion, including social mobility.

9 Advocating and supporting emotional and physical wellbeing.

10 Understand the diversity of pet ownership and barriers and opportunities this presents.

11 Promote the health and wellbeing benefits of spending time with pets.

12 Help people to enjoy their pets in their local communities, leveraging our volunteering programmes.

For our key performance metrics, refer to the Social Value Report, page 46

Colleague wellbeing

During the year we have developed our colleague wellbeing strategy. The strategy builds on the strong foundations from the last few years, when the Group began its wellbeing journey with an initial focus on mental health. The new strategy covers all the components of our wellbeing: emotional wellbeing, physical wellbeing, financial wellbeing and nutritional wellbeing. It also recognises that wellbeing is one element of the overall colleague experience and there is a high level of interdependency between wellbeing, our culture, listening to our colleagues and engagement.

Pets at Home became signatories to the "Time to Change" pledge in 2019 and committed to deliver the six standards of mental health at work, building on our successful partnership with the charity Mind. The resources and support that Mind have given us have been invaluable in supporting our colleagues and building our strategy. In FY20, the Vet Group has selected Vet Life as their charity of the year. Vet Life is a charity that provides emotional, financial and mental health support to those that work in the veterinary profession.

In April 2020 we established a wellbeing social media group that now has over 2,500 members. Our internal platforms include specific wellbeing pages where we are providing colleagues with resources to support their wellbeing, focusing on different topics across the year. Our new social media and collaborative working tool, SAP Jam, contains a wealth of information and resources across all of our wellbeing focus areas and has been updated throughout the year.

over 2,500
members of our Pets at Home wellbeing social media group

£30k
donated to Vetlife as part of our 30th Birthday celebrations May 2021

Our Wellbeing Commitments

Wellbeing matters – and we all have a role to play in taking care of our own wellbeing – and the wellbeing of others

Wellbeing has always been at the core of our business.

That's why we're introducing our Wellbeing Commitments. Rather than something new, they simply describe us at our best! They are a reminder of what we're all about and the part we all play in creating a culture with wellbeing at its heart.

Our wellbeing commitments celebrate:
- Our focus as an employer on embedding a culture where wellbeing matters
- Our expectations of our managers in leading their teams
- Our challenge to each and every colleague to own their own wellbeing and support the wellbeing of others

As an employer, we commit to:
- Providing access to confidential expert wellbeing support and advice if you need it
- Offering training and development to encourage you to develop positive wellbeing habits
- Developing policies which enable you to balance your own wellbeing with the needs of the business
- Nurturing a culture where wellbeing can thrive and discrimination, bullying and harassment in all its forms is never tolerated
- Celebrating a culture where you can bring your true self to work

As a manager, I commit to:
- Agreeing ways of working and ground rules which balance wellbeing with performance
- Prioritising time for regular catch ups with you which extend beyond work priorities and include supporting your wellbeing, career and personal development
- Creating a sense of purpose, belonging and fun through my everyday actions
- Treating you as an individual and never one of the crowd
- Fostering a positive inclusive team culture, and creating a safe space where colleagues are encouraged to speak up about how they are feeling

As a colleague, I commit to:
- Having the courage to speak up about how I'm feeling
- Owning my wellbeing, and showing up with a positive mind-set
- Owning my development: actively participating in the training and development opportunities available to me that can support my wellbeing
- Keeping up to date with wellbeing communications and initiatives and what's happening across the group

Diversity and inclusion

This year we have built upon our commitment to developing an inclusive culture with the creation of a new strategy and vision supported by our new CEO-led Diversity and Inclusion leadership forum. Diversity and inclusion was the focus of our We C.A.R.E survey strategy in 2020 and alongside a number of listening groups held with colleagues we identified that overwhelmingly our colleagues care deeply about it, and are keen to take an active role as we progress further. Through the questions asked we created an inclusion index, scoring 83% which will be our benchmark for our activities as we move forwards.

The views of our colleagues have and will continue to inform our objectives and approach. Our vision is that everyone is welcome and feels part of our group and our strategy is deliberately broad encompassing all our colleagues, our JVPs and our customers. We aim to be thought leaders who use our insight to bring the pet experience to life for everyone. We focus on breaking down barriers to attract and develop diverse talent and creating a culture that enables our people to be the best that they can be. Our approach is made up of three actions; increasing awareness and education, inspiring engagement and enhancing our policies and data.

This year we have launched four new colleague network groups, each with an executive sponsor. These networks cover gender, disability, LGBTQ+ and multi-cultural (covering race and ethnicity). Our colleague groups play an active part in informing and contributing to our activities, strengthening the voice of our colleagues, and collaborating together to inspire engagement from people across our business.

We have developed a new e-learning diversity and inclusion training which we began rolling out to all our colleagues in summer 2021. Diversity and inclusion has already been embedded into our capability framework and we will be looking to build on this over the coming year with a more detailed education programme.

Diversity and inclusion now features more frequently in both our internal and public communications, helping to increase our colleagues' awareness of what we are doing and why. We also aim to demonstrate that diversity and inclusion is an everyday part of what we do and encourage all our colleagues to contribute.

We are delighted to have formed a partnership with the Prince's Trust during the year. The charity will be supporting us to welcome colleagues into the Group on work placements as part of the Government's Kickstart scheme. Our first Kickstart colleagues joined our support office in March 2021. We have plans in place to offer placements in our stores and our grooming salons starting in the summer.

We have made a number of external commitments, including to the Race at Work Charter, the Valuable 500 and the British Retail Consortium's Diversity and Inclusion Charter. These frameworks help to focus what we do and provide access to a network of other signatories. Sharing experience and knowledge around diversity and inclusion within the retail sector and beyond is a key part of our approach. We are developing networks through our membership of the Business Disability Forum, and Stonewall and we also regularly participate in Retail Week's diversity and inclusion steering group, sharing experience and knowledge with other retailers.

We have once again partnered with Retail Week's Be Inspired campaign and 6 colleagues have joined their Senior Leadership Academy this year.

For our key performance metrics, refer to the Social Value report, page 33

Business Disability Forum

Business in the Community – The Prince's Responsible Business Network – Race at Work Charter signatory

KICKSTART SCHEME

Prince's Trust – YOUTH CAN DO IT

A Valuable 500 Company

disability confident

Stonewall

Goal: By 2040 become net zero

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

Performance highlights

Signatories and active members

Science Based Targets initiative committed

BEMs

Building energy management systems installed at Support Offices in FY21

added to the United Nations Framework Convention on Climate Change Race to Zero campaign

-9.1%

reduction in CO_2e yr / yr, while growing sales by 7.9%

Recycling

Pet pouch recycling piloted in 20 stores, rolling out from June 2021

79%

of our own brand packaging is recyclable

100%

animal bedding backhauled to our distribution centres for recycling

98.3%

Operational Waste diverted from landfill

100%

Main group renewable contract since 2017 96% renewable use in FY21

Our goals and approach

Our approach is to set the bar high. We have environmental goals that we know are challenging and that will require us to change the way we work, as well as the way we think about the impacts of products and services that we offer to our customers. We will use less energy and resources, generate less waste and packaging, while offering more sustainable ways to care for our pets.

This year has marked a key step in our journey, as we have made some substantial and ambitious commitments to improve our environmental sustainability. This brings together and builds on the good work we have been doing for years, taking our approach to the next level. This is a commitment to which we expect and encourage our stakeholders to hold us to account.

Most significantly, we are taking steps to transition our business to embrace a low carbon future and decouple our future growth from climate impacts. Our main Group electricity contract is 100% renewable. By 2030, we will be net-zero emissions across our own operations and will have made significant efforts to reduce the emissions across our value chain, in those areas that we believe we can make the most difference. By 2040 we have committed to be net zero across our value chain too.

To achieve this, we must recognise the importance of partnership and collaboration. We will achieve progress faster if we can learn from each other, and together influence change where we need it to happen. We have committed to the Science Based Target Initiative's 'Race to Zero' and the British Retail Consortium's net-zero roadmap.

In other areas, we are working with the Woodland Trust to promote biodiversity through the protection, creation and restoration of 20,000 acres of British woodland, and we are working with our veterinary partners to develop a framework that will enable them to be more sustainable. We will also partner with our suppliers to create better, more sustainable products, using raw materials from sustainable sources, and all our customer packaging will be 100% recyclable, recycled or compostable by 2025.

Our focus areas

Our business impacts The operational environmental impact of our stores, groom rooms, vet practices and logistics operations Read more Page 84

Our value chain impacts The environmental impacts of our full value chain products being made, used and disposed of Read more Page 88

Planet

Our world faces an environmental crisis. The climate emergency, rising biodiversity loss, and the ongoing degradation of our natural environment are negatively impacting the sustainability of our planet's ecosystem. Growing our business at their expense is unacceptable, so we are working hard to increase our efforts to prevent this.

Looking ahead

Our business impacts

- We will continue to look for ways to reduce our environmental impact and will be conducting a sustainability review to identify our next opportunities across our buildings estate. This will include the installation of electric vehicle chargers at our support offices as we decarbonise our fleet and more of our colleagues choose lower carbon cars.

Our value chain impacts

- We will develop a long term climate action plan that creates short term milestones to achieve our net zero targets. Part of this will involve how we work with our suppliers to reduce their scope 1 and 2 emissions and how we reduce the embedded carbon within our products that we have identified in our scope 3 assessment.

Our actions

We have a series of actions that we have committed to as part of Our Better World Pledge to deliver this goal:

13 Innovate to provide sustainable product choices encompassing raw materials and packaging.

14 Identify opportunities to enhance biodiversity, for example by supporting woodland programmes.

15 Further reduce our direct environmental impact, continuing to purchase renewables, adopting low carbon and clean air transportation and reducing our waste and water use.

16 Uphold Human Rights.

17 Develop a science based carbon target and work across our supply chain to achieve it.

18 Innovate to support circular economy principles and minimise waste in our value chain.

19 Understanding and pioneering lower carbon pet diets, including consideration of alternative proteins.

20 Develop a framework for a sustainable vet practice (environmentally and societally).

→ For our key performance metrics, refer to the Social Value Report, page 48

Our business impacts

Our day to day operations use energy and generate waste. We are introducing new programmes and ways of working that improve our efficiency and reduce our use of precious resources.

Using less energy

We use energy across our business to heat, light and power our stores, distribution centres and offices, as well as fuel our distribution and car fleets. For many years, we have had programmes in place to improve our electricity and fuel efficiency, and we have continued to invest during this year.

During FY21 we have removed 11 gas metres from our estate and installed a Building Energy Management System in our 3 support offices in Handforth. As a result of this and our previous BEMs and LED installation programmes we have reduced electricity use by -1.4% and our use of natural gas by -10.0% compared to the previous year.

Driving fewer kilometres, more efficiently

Our distribution network has become more efficient too, as we invest in more newer vehicles and use better planning tools to schedule and map our routes. In 2021, we have travelled 113.7km per 1,000 cases, compared to 123.4km in the previous years. This is an improvement of 4%.

The improvement in efficiency has meant that we have travelled 2.96km per litre compared to 2.83km in the previous year. This performance also includes our backhauling operations where we collect goods from our suppliers on the way back from store deliveries, to save suppliers then making the delivery journeys themselves. While we know this adds to the distance that we drive, we also know that by doing this we will be reducing the overall distance that one of our products travels before it reaches our stores.

Reducing our greenhouse gas emissions

During 2021, we have continued to reduce our carbon footprint while increasing our sales.

Our absolute operational greenhouse gas emissions have reduced by -9.1% to 29,651 thousand tonnes, compared to 32,612 in 2019/20. This is a particularly good result given that we have grown our Group revenue by 7.9%.

Since 2017 we have purchased renewable electricity through our main Group contracts to power the majority of our stores, veterinary practices, distribution centres and support offices. As electricity accounts for 45.9% of our overall energy use, this continued investment enables us to operate in a very low carbon way already and means that our net scope 2 carbon emissions are small at 1,030 thousand tonnes. We are firmly committed to maintaining this approach, while also driving down energy use to ensure we manage any risk of not being able to fulfil our demand. We also make checks to ensure that the electricity we buy is from a certified and verifiable source.

Decoupling carbon emissions from business growth

We have been reducing our carbon emissions while continuing to grow our business. In the last 6 years since 2015/16 we have grown our sales by 47% while reducing our scope 1 and 2 emissions by 39%. This means that our scope 1 and 2 carbon intensity has more than halved. The investment in an LED lighting installation programme, BEMS, fuel and driver efficiency programmes have driven this reduction.

This year we have included anaesthetic gas and fugitive emissions in our scope 1 reporting and we have re stated FY20. Since 2017 our main Group electricity contracts have been renewable and we have mitigated residual buildings carbon to ensure that our buildings have been carbon neutral in relation to energy use.

Scope 1 and 2 carbon emissions 6 year performance

		Tonnes CO_2e emissions						
		FY16	FY17	FY18	FY19	FY20	FY21	FY21 vs FY16
Emissions	Scope 1	9,498	9,619	9,649	8,431	12,085	11,337	19%
	Scope 2 (location based)	31,680	28,840	21,584	17,066	15,133	13,616	-57%
	Total	41,178	38,459	31,233	25,497	27,218	24,953	-39%
	% change		-7%	-19%	-18%	7%	-8%	
Group revenue	£'000,000	779	834	899	961	1,059	1143	47%
	% change		7.1%	7.8%	6.9%	10.2%	7.9%	
	Normalisation/Intensity	52.9	46.1	34.7	26.5	25.7	21.8	-59%
	% change		-13%	-25%	-24%	-3%	-15%	

Normalisation: Intensity has been calculated using Group revenue and location based scope 1 and 2 emissions. It will differ to the intensity calculation in the carbon emissions by Scope 2020/21 table which includes our reported scope 3 emissions.

Exclusions: Anaesthetics and Fugitive emissions are included in years FY20 and FY21 only.

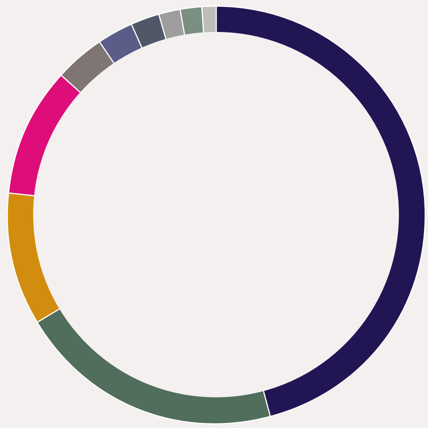
Our scope 1 emissions were 11,337 and have reduced by 6.2% compared to the previous year. These emissions include a small amount of natural gas used to heat our business, but is dominated by the fuel used to run our distribution fleet and company cars. Diesel used by our haulage fleet which represents 54% of Scope 1 emissions and 20.6% of total emissions.

Eliminating these scope 1 emissions remains the most significant challenge we face in terms of achieving our aim of becoming a net zero emissions business by 2030. For that reason, we are closely monitoring the development of new technologies that will reduce the emissions associated with distributing our products. During the year we have moved our company car fleet list to hybrid and electric options.

Due to more robust data collection, this year we have included anaesthetic gas and fugitive emissions in our scope 1 reporting for the first time. To enable a year on year comparison, we have also included anaesthetic gas and fugitive gas emissions in Scope 1 for FY20. We are unable to source accurate data earlier than this point, hence the increase in emissions between FY19 and FY20 in the 6 year performance table. Anaesthetic gas will be a significant emission source at 26% of scope 1 emissions.

As part of our carbon footprint, we also report on emissions from our use of third party logistics, personal travel and electricity distribution and transmission losses. In total our reported scope 3 emissions have reduced by 697 tonnes or 12.9% compared to last year.

Carbon emissions breakdown by source 2020/21



	Tonnes CO_2e	%	Scope
Electricity	13,616	45.9%	2
Diesel (core fleet)	6,096	20.6%	1
Diesel (3rd party)	3,022	10.2%	3
Anaesthetic gas	2,985	10.1%	1
Electricity T&D losses	1,170	3.9%	3
Fugitive gas	831	2.8%	1
Gas	665	2.2%	1
Business Travel (3rd party)	505	1.7%	3
Business Travel (company fleet)	456	1.5%	1
Red Diesel	304	1.0%	1

Carbon emissions summary by Scope 2020/21

	Tonnes CO_2e emissions		
	2019/20(scope 2 location-based)	2020/21 (scope 2 location-based)	2020/21 (scope 2 market-based)
Scope 1	12,085	11,337	11,337
Scope 2	15,133	13,616	1,030
Scope 3	5,394	4,697	4,697
Total	32,612	29,651	17,064
Inclusion of 2,600 tonnes of carbon mitigation		27,051	14,464
Scope 1 and Scope 2 kWh	94,638,109	90,422,984	
Normalisation of CO_2e to £m revenue	30.82	25.96	

- **Methodology:** We have applied UK SECR and WBCSD/WRI Greenhouse Gas Protocol Corporate Standard as our methodology. We have used emission factors from UK Government Conversion Factors and IEA for international sites.
- **Methodology:** An operational control approach has been used for the organisational boundary. This is the same as last year 2019/20.
- **Additional inclusions:** We have included the emissions from our stand-alone vet practices and referral centres. The impact of these is de minimis.
- **Exclusions:** Only anaesthetics sourced from preferred Pets at Home suppliers has been included in the calculation.
- **Exclusions:** A small number of train and air journeys were not reported, as no carbon intensity data was available, this is de minimis.
- **Estimation:** Where this year's data was not available 1.8% of sites used last year's consumption data.
- **Independent verification:** Our 2020/21 Scope 1,2 and 3 emissions are verified to a limited level of assurance by Ernst and Young LLP using the ISAE3000(revised) and ISAE3410 standards, Please refer to page 52 of the social value report for their assurance statement.
- **Normalisation:** We have chosen to report gross Scope 1, 2 and 3 emissions tonnes of CO_2e per £m revenue as this is a common metric used in corporate greenhouse gas reporting.
- **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. A small amount of electricity has been purchased outside of the Group renewable energy contract and this is included in the market based calculation.
- **Carbon mitigation:** Pets at Home Ltd is donating £65,000 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 2,600 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 11,093 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.

Our business impacts continued

Managing our climate risks

Over the past twelve months, we have been working with our functional teams to strengthen the process of risk identification and evaluation relating to climate change. These have involved detailed discussions and workshops with our risk management teams, as well as those within finance, legal, HR and commercial functions.

We have committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and continue to integrate them into our reporting. This is summarised in the table below:

Thematic area	Key metrics	Disclosure
Governance Page 68	Net Zero Carbon value chain by 2040 target agreed	• The Board has full responsibility for climate-related issues, which it manages through universal attendance at our ESG committee. • The ESG Committee meets at least three times a year and is supported by management committees that oversee different areas of the agenda, such as energy, climate, waste, products and supply chain. • This year the Board reviewed our Scope 3 carbon emissions footprint and following that, as part of Our Better World Pledge, approved a target which commits Pets at Home to be Net-Zero across our value chain by 2040. • For the year ahead, the Group executive management team will participate in one of our regular 'Teach Ins' on the topic of 'climate and the environment' which will focus on the inter-related impacts of climate, biodiversity and pollution.
Strategy Page 70	Climate action, as part of Our Better World Pledge, is one of eight priority strategic initiatives	• The Board assesses climate-related risks and opportunities on our strategy and business model over short, medium and long-term time horizons. • The business has prioritised eight key strategic initiatives and climate action, as part of Our Better World Pledge, is one of these. • Our key climate risk relates to assessing and reducing the environmental impact across our direct operations and value chain. Failure to do so could negatively impact the Group's reputation and strategic plan. • Physical risks include extreme weather events affecting demand, sales, our operations and supply chains. Beyond these, our exposure to transition risks relate to potential market shifts and more stringent environmental regulation affecting the cost of production and operational flexibility. These same market shifts also bring potential opportunities for new products and services. • For the year ahead, we will conduct and report on potential future climate scenarios and their likely impact on our business.
Risk management Page 69	Sustainability and climate change are classified as a principal risk	• The identification and management of climate-related risks and opportunities are included within our established risk management process, as described on page 54 of our Annual Report. • Sustainability and Climate Change forms one of our principal risks. Each principal risk is owned by a member of the Executive Management Team. • In addition, principal and strategic risks are reviewed by the Board. Internal Audit informs the Board, the Executive Management Team and the Audit and Risk Committee on how effectively risks are being managed. • During the year we updated our climate change risk assessment as part of our commitment to align our reporting and disclosures to both TCFD and CDP.
Metrics and targets See our Social Value report	Letter of commitment sent to Science based target initiative (sbti)	• We are taking steps to transition our business to embrace a low carbon future and decouple our future growth from climate impacts. • Our main Group electricity contract is 100% renewable and our electricity use was 96% renewable in FY21. • This year we have committed that by 2030 we will achieve net-zero emissions operationally (scope 1 & 2) and by 2040 achieve net-zero emissions across our value chain (scope 3), using a science based initiative approved methodology. • We are signatories to the BRC Climate Action Roadmap committing to working with other retailers, their suppliers, government, and other stakeholders, and to support customers to collectively deliver the industry's net-zero ambition. • Our climate change metrics and targets are disclosed in page 48 of our Social Value report and are available on our website.

Generating less waste, and recycling more

This year we have mapped all our waste streams across the Group to enable us to optimise the reduction and treatment of our waste materials. This has enabled us to disclose our total waste tonnage for the first time and to provide a baseline from which we can target future reductions.

We have recorded 11,758 tonnes of waste. 98.3% of this is diverted from landfill and 73% is recycled or recovered.

While some waste from stores is recycled through local waste management contractors, there are three key waste streams that we consider either to be significant in terms of volumes generated or particularly unique for the business. These are animal bedding, plastic shrink wraps and cardboard packaging used to protect and transport our products.

For plastic and cardboard, we have implemented processes that collect this waste from our stores and then backhaul it to our distribution centres for central processing. This enables us to have a more controlled and coordinated approach. This centralisation also means that we can focus our investment on equipment to sort and bulk together waste sent for recycling, giving it the best chance to come back as something new.

Waste tonnage reporting FY21

Waste Type	Tonnage	Proportion of total waste
Cardboard & paper	4,346	37.0%
General waste	3,509	29.8%
Animal bedding & wood	1,299	11.0%
Clinical & related wastes	1,257	10.7%
Mixed recycling	569	4.8%
Plastics	552	4.7%
Construction & projects	182	1.5%
Other	44	0.4%
Total	11,758	

Exclusions: Some small waste areas have been excludes due to data availability. These include the small number of practices utilising waste providers outside of group waste contracts and 2 landlord-managed sites.

98.3%
of waste diverted from landfill

100%
animal bedding from our stores is recycled

Case study: Woodland Trust partnership

The Woodland Trust are the UKs largest woodland conservation charity.

We began working with the Woodland Trust in FY20 when we joined the Forest Carbon scheme to mitigate our residual buildings energy carbon.

During the year we have extended our partnership with two exciting new initiatives.

To celebrate our 30th birthday we will be dedicating a tree for every colleague working in the Group today. That will be over 15,000 trees planted in woodlands across the UK in all four countries. Each of the 21 groves will have a beautiful bench installed for colleagues and walkers to enjoy the woodlands for many years to come.

Secondly, we have developed and launched our Pet Memory Scheme. The scheme enables our vet practices to make a donation to celebrate the life of the loved pets that they have the pleasure to look after. The vets are able to extend their sympathy at the time of bereavement with a beautiful in sympathy card in partnership with the Woodland Trust.

"The Woodland Trust is delighted to have developed this scheme, which is the first one of its kind for the Trust. It will be really important as it will have a positive impact supporting our work to create, protect and restore woodland right across the UK. We are looking forward to working together with the Vet Group to make a difference to our woodland and the wildlife that they support."

David Moorcroft CEO Woodland Trust

Our value chain impacts

We realise that the reach of our business extends far beyond our store fronts and receptions of our vet practices. The products we sell and the services we provide have an impact that we must consider and manage. This year we have started to extend our approach to move beyond our business boundaries to consider the environmental impact across the full value chain.

Food and accessory products	700
Goods not for resale	51
Veterinary products	38
Other	16

Prioritising emissions reduction in our value chain

This year we have undertaken some significant work to fully map and quantify our scope 3 emissions, well beyond the extent of our previously reported emissions. We did this so that we could fully understand how the manufacture, use and disposal of our products contributes to climate change, and more importantly to help us pinpoint where our intervention can make the most difference. Like other leading retail business, these emissions accounts for over 90% of our footprint, so understating these hotspots and taking action is very important if we are serious in our commitment to tackle climate change.

Our scope 3 assessment has given us the insight to prepare a target aligned to our operational focused net zero target for the business. To that end we have committed to the science based target initiative to achieve net zero carbon emissions across our value chain by 2040, in order to limit global warming to 1.5c above pre-industrial times by 2050.

Collaborating on climate action

We are currently developing plans to work in partnership with key own brand suppliers to reduce emissions. One particular area of focus will be on developing more sustainable pet food products, looking at for example, how these products are formulated, manufactured and packaged. We look forward to reporting in more detail on these projects next year.

We will also be exploring targeted opportunities to work with other suppliers to increase their awareness of climate change and to encourage them to be more energy efficient.

Aligned to our new target, and the broader approach we have introduced this year, we have also become signatories to the BRC Climate roadmap. This commits Pets at Home to work with other retailers, their suppliers, government, and other stakeholders, and to support customers to collectively deliver the industry's net zero ambition. This is something we are proud to be part of and we are looking forward to taking an active role in this initiative.

Generating less customer packaging
Packaging on our products provides a vital function in terms of protection and providing information to our customers, but we acknowledge that in most instances when packaging is removed it simply becomes waste. For many years, we have encouraged customers to recycle packaging where they can, for example through kerbside collection, and to make sure the materials we use are recyclable.

Last year the proportion of recycled materials used was just under 80%. This is good, but we want to go further and so have set ourselves a new target to ensure that 100% of our packaging will be recyclable, contain recycled content, re-useable or compostable by 2025.

To help us do this we have appointed a dedicated Packaging Technologist and partnered with a specialist packaging technology company who is helping us to implement a dynamic database to accurately report on our packaging materials and performance against our targets and pledges. We have made a start and it's already beginning to highlight opportunities, meaning that some previously un-recyclable packaging items have been changed to be fully recyclable at the kerbside.

79%
of own brand product packaging is recyclable

Recycling
Pet pouch recycling piloted in 20 stores rolling out from June 2021

Case study: Tackling troublesome packaging
We think innovation is key and we are creating strong strategic links both with our existing supply base and external market leaders to collaborate and drive new packaging solutions into the business.

This year we have piloted a project in over 20 of our stores and vet practices to offer our customers the opportunity to recycle flexible plastics – including our popular pet food pouches, which are not normally part of kerbside recycling collections. To date, the pilot scheme has proved a success with our customers, as a result we will be starting the national roll out in the summer of 2021.

Ensuring sustainable raw materials
We know that it is becoming increasingly important for our customers to know where the products they buy come from and how they are sourced. This year we have strengthened our existing approach to introduce a range or new policies to broaden our already high standards in this area. This includes materials like timber, palm oil and soya.

As a result, we have made a commitment that all priority raw materials will be from sustainable sources by 2025. From this we will also develop and publish a Responsible Sourcing handbook for our suppliers, detailing our policies and guidelines relating to environmental and social impacts. This will include all of our existing policies in addition to our new polices on human rights, raw materials and packaging.

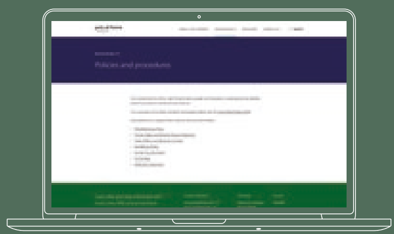
We have developed detailed raw material guidance which we will launch to our buying and technical teams and our suppliers during FY21.

Further information

→ You can find our Assurance Statement and SASB table in the Social Value report, page 52

Policies and procedures

→ Read more in the policies and procedures section of our website



Find out more:
https://investors.petsathome.com

High standards of corporate governance

"Setting the overall strategic direction of the business to ensure the long term success of the Group."

Ian Burke
Chairman

Chairman's introduction

On behalf of the Board, I am delighted to present our Corporate Governance Report for the financial year ended 25 March 2021 and my first as Chairman for the Group. The Governance Report sets out Pets at Home's governance framework and the approach the Board has taken during FY21 to promoting high standards of corporate governance that are rightly expected by our stakeholders and to ensure continued compliance with the 2018 Code.

As a Board we are responsible for leading and setting the overall strategic direction of the business to ensure the long term success of the Group, in addition to playing a fundamental role in shaping our corporate culture defined by our values and purpose. We understand the importance of stakeholder trust and engagement and aim to ensure that the Group's strategy, purpose, culture and engagement with key stakeholders are at the heart of the governance framework. Further details on our key stakeholders and how we have engaged with them is set out on pages 38 and 39.

As Chairman, my role is to lead the Board, ensuring it operates effectively and contains the right balance of skills, diversity and experience to execute the Group's long term strategy successfully.

Statement of Compliance with UK Corporate Governance Code

The following 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 ('2018 Code'), the Disclosure Guidance and Transparency Rules ('DTRs') and the Listing Rules ('LRs'). The Board is committed to the highest standards of corporate governance and the Board has complied with and intends to continue to comply with the requirements of the UK Corporate Governance Code.

As a Board we believe that in order to have a sustainable business over the long term and safeguard stakeholders' interests, it is vital to operate in an open and transparent manner, supported by a strong and accountable Executive Management Team with a clear approach to governance throughout the business. This has been reflected in the activities that the Board has undertaken throughout the year.

With the increased interest on environmental, social and governance matters in business and society generally at present, the Board is committed to supporting and developing the Group's social value strategy. This year has seen a number of key changes in this respect, including the change in focus of one of the Group's key committees. The Corporate Social Responsibility and Pets Come First Committee was renamed the ESG Committee during the year, with a widened remit to cover ESG more broadly and the development of the Group's social value strategy, Our Better World Pledge. Our social value strategy ensures the sustainability of our business through encouraging innovation, mitigating risk, creating lifetime loyalty and creating value for stakeholders. We were delighted to present Our Better World Pledge to investors during the year and will continue to develop our ESG reporting and disclosures during the new financial year.

Principal governance activities during the financial year

Board and Executive Management Team changes

Last year, I joined the Group as Chairman Designate on 27 March 2020, succeeding Tony DeNunzio as Chairman who stepped down on 21 May 2020.

Paul Moody, Independent Non-Executive Director, stepped down from the Board at the conclusion of the AGM on 9 July 2020. Sharon Flood, Independent Non-Executive Director, succeeded Paul as Chair of the Remuneration Committee. Sharon was Chair of the Audit and Risk Committee and a member of the Nomination and Corporate Governance, Remuneration, Corporate Social Responsibility and Pets Come First Committees. Karen Whitworth was appointed as Independent Non-Executive Director with effect from 9 July 2020 and also as Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance Committee.

Karen notified the Board of her intention to accept a non-executive director role with Tesco Plc and would therefore be stepping down from the Board on 20 May 2021.

We commenced our search for a new Chair of the Audit and Risk Committee and were delighted to announce on 22 December 2020 that Zarin Patel would be appointed as Independent Non-Executive Director with effect from 14 April 2021. Zarin succeeds Karen as Chair of the Audit and Risk Committee on 20 May 2021 and will also be a member of the Nomination and Corporate Governance Committee and the Remuneration Committee.

Governance framework

During the financial year, the Group's governance framework was reviewed to ensure it remained fit for purpose and aligned with our strategy. The Committees detailed on pages 92 and 97 were considered effective however the Corporate Social Responsibility and Pets Come First Committee was renamed as the ESG Committee during the year to ensure greater focus on and development of the Group's social value strategy, Our Better World Pledge.

The terms of reference for the ESG Committee were updated accordingly during the year to improve alignment with Our Better World Pledge and ensure appropriate monitoring and reporting on key areas such as Pet Welfare, People and Culture, Climate Change and Waste Management and Product and Supply Chain Management. References to best practice reporting on ESG related matters were also included in the ESG Committee terms of reference amendments this year – for example the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board (SASB) Framework (and all other applicable rules and regulations), to ensure appropriate consideration is given to the requirements.

The terms of reference for the Nomination and Corporate Governance Committee, Remuneration Committee and Matters Reserved for the Board were also reviewed and updated during the course of the year. The amendments included minor changes to bring the terms of reference in line with industry best practice and to improve overall operational efficiency, for example, an increase in the value of contracts requiring Board approval.

Board evaluation

We progressed the actions that were highlighted from the 2020 internal Board evaluation which emphasised the need to: focus on Board composition, particularly diversity and the mix between Non-Executive and Executive Directors, increase focus on the Group's strategy rather than operational matters, refine KPIs and improve the Board's understanding of competitors, customers and the wider community. The last external Board evaluation was undertaken by Lintstock in 2019. The Non-Executive Directors continued to spend time with the leadership teams outside of formal meetings to gain a deeper insight into key rising talent throughout the organisation. This year an internal Board evaluation was again carried out to identify areas where the performance and procedures of the Board might be further improved by building on the actions identified last year and a number of other key themes. A summary of the outcomes of the Board's discussion and consideration of the results of the evaluation are set out in more detail on page 99 of this report.

Group culture

The Group's culture continues to be a unique identifier and one of our most cherished assets. It defines how we do business, how we interact with one another and how our teams interact with the outside world, specifically our customers, colleagues, Partners, suppliers and shareholders. During the financial year, the Board reflected on the importance of the Group's culture, the degree to which it is aligned with the Group's purpose, values and strategy and the role of the Board and the Executive Management Team in promoting the desired culture across the Group. A specific Board session took place in November 2020 where the Board assessed the Group's culture and reviewed the results and trends arising out of the Group colleague 'We C.A.R.E.' listening surveys.

The We C.A.R.E. survey results indicated that colleague engagement remained high. The Group continues to refine and enhance its colleague engagement processes. The strength of the Group's culture drove the Group's response to the pandemic. As a result of the actions and responses taken, colleagues indicated that they felt more connected to the business. A buddy scheme was established during the year between members of the Retail and Group Executive Management Teams and each store manager, to highlight issues and ensure a more proactive approach was taken to listening to all frontline colleagues during the crisis. The Joint Venture Council was also relaunched during the year to ensure that our Joint Venture Partners had a voice around the table.

New Group, Retail and Vet Executive Management Team development programmes have been introduced to drive a focus on performance, results and activity within the Group's culture. The 'Great Conversations' performance management activity was also relaunched to focus on openness and two way conversations with colleagues.

The Executive Management Team listening forums 'Tuned In' have provided useful insight this year and external vehicles (such as Glass Door and Indeed) will form part of future plans to enhance our understanding of Group culture. The 'Tell David' and 'Tell Jane' email addresses have proven a useful channel for colleagues to provide feedback direct to David Robinson and Jane Balmain.

The colleague engagement and listening tools allow the Board to ensure our leaders are managing the business in line with our values and behaviours, preserving our culture in the long term. Group Executive listening sessions have been attended by Sharon Flood and I during the year to ensure the Board is actively listening to, and aligning with, the wider colleague population and business culture as we consider decisions impacting the Group.

The evolving methods of listening to our colleagues more widely and deeply is providing the Board with even greater reassurance that our policies, practices and behaviours throughout the Group are aligned with our purpose, values and strategy.

Group culture will continue to be a focus of the Board and, consequently, we will allocate Board time to the assessment and monitoring of the Group's culture to ensure that it remains aligned with the Group's purpose, values and strategy. Further details are contained on pages 119 and 120 of the Directors' Remuneration Report.

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. Increased focus and time has been given to Group strategy during meetings of the Board this year, as recommended in the previous year's Board evaluation.

AGM

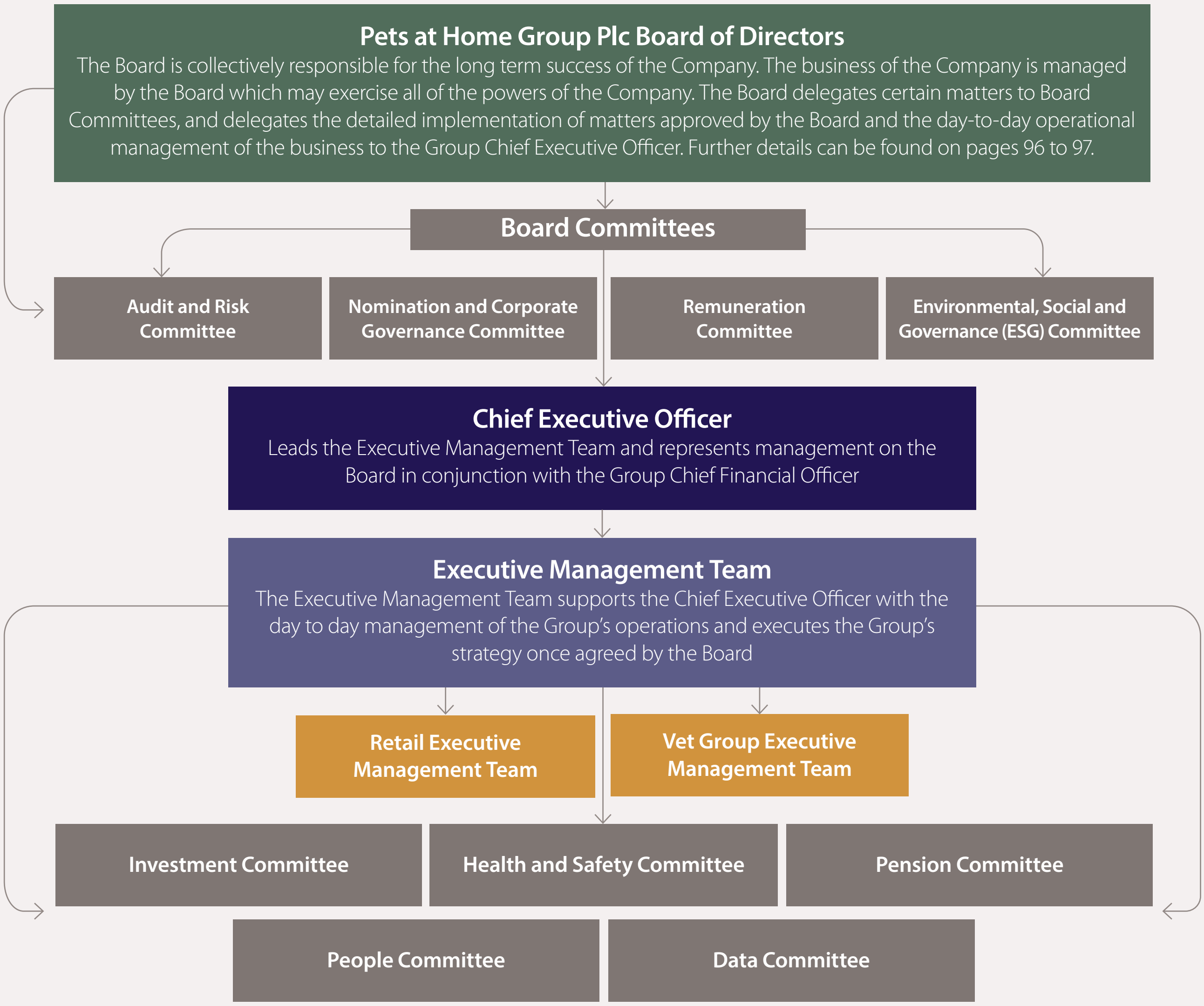
Our next Annual General Meeting will be held on 8 July 2021 at 11.00 a.m. at the Pets at Home Group Plc Support Office at Stanley Green Trading Estate, Epsom Avenue, Handforth, Cheshire, SK9 3RN.

The following Governance Report provides an additional overview of the work of the Board during the year, our governance framework and the key controls we have in place together with details of how we have complied with the 2018 Code.

Ian Burke
Chairman, Pets at Home Group Plc

27 May 2021

Governance structure



Matters reserved for Board approval

A formal schedule of matters is reserved for the Board for its approval, which includes the matters listed below. The separation of responsibilities between the Chairman and the Group Chief Executive Officer, coupled with the reserved matters described below, ensures that no individual has unfettered powers of decision-making.

Group strategy and risk management
- Agreement of the Group's strategy;
- Approval of extension of activities into new businesses or geographical areas;
- Approval of any decisions to cease to operate all or any material part of the Group's business.

Financial and internal controls
- Changes to the structure and capital of the Group;
- Reviewing the effectiveness of internal controls;
- Approval of financial statements and results announcements;
- Approving significant expenditure, material transactions and contracts;
- Reviewing and agreeing Group tax and treasury policy.

Board membership, Committees, notices
- Delegation of authority to the Group Chief Executive Officer;
- Board, Executive Management Team and senior management appointments, arrangements and succession planning;
- Setting of Board Committees' terms of reference;
- Approval of shareholder communications, circulars and Notices of Meetings.

Corporate governance
- Review of the Group's corporate governance matters.

Culture and people
- Assessing and monitoring Group culture and the alignment of values and behaviours across the Group.

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 Chairman and Group 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/our-committees.

The 2018 Code recommends that, on appointment, the chairman 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.

Board composition

Board balance and independence

The 2018 Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, 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 and one Non-Executive Chairman. The Directors' biographies are contained on pages 100 to 101. The Board considers that all of its Non-Executive Directors 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. More than half of the Directors are considered to be independent in accordance with the 2018 Code.

Board responsibilities

Role	Main responsibilities
Chairman of the Board	• Provides leadership to, and manages, the Board of Directors; • Acts as a direct liaison between the Board and the management of the Company, through the Group Chief Executive Officer; • Ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements; • In conjunction with the Group Chief Executive Officer and Company Secretary, develops and sets the agendas for meetings of the Board; • Recommends an annual schedule of the date, time and location of Board and Committee meetings; and • Ensures effective communications with shareholders and other stakeholders.
Group Chief Executive Officer	• Responsible for the day-to-day management of the Company; • Together with the Executive Management Team, is responsible for executing the strategy, once it has been agreed by the Board; • Creates a framework that optimises resource allocation to deliver the Group's agreed strategic objectives over varying timeframes; • Ensures the successful delivery against the financial business plan and other key business objectives, allocating decision making and responsibilities accordingly; • Together with the Executive Management Team, identifies and executes new business opportunities and potential acquisitions or disposals; and • Manages the Group with reference to its risk profile in the context of the Board's risk appetite.
Senior Independent Director	• An Independent Non-Executive Director; • Provides a sounding board for the Chairman; • Serves as an intermediary for the other Directors when necessary; and • Is available to shareholders if they have concerns, which contact through the normal channels of the Chief Executive Officer has failed to resolve, or for which such contact is inappropriate.
Non-Executive Directors	• Provide constructive challenge to the Executive Management Team; • Help develop proposals on strategy; • Scrutinise management's performance in meeting agreed goals and objectives; • Monitor performance reports; • Satisfy themselves on the integrity of financial information and that controls and risk management systems are robust and defensible; and • Determine appropriate levels of remuneration for Executive Directors, appointing and removing Executive Directors, and succession planning.
Group Chief Financial Officer	• Management of the financial risks of the Group; • Responsible for financial planning and record-keeping, as well as financial reporting to the Board of Directors and shareholders; and • Ensures effective compliance and control and responding to ever increasing regulatory developments, including financial reporting, capital requirements, and corporate responsibility.
Company Secretary	• Provides administrative support to the Board; • Ensures that Board procedures are followed; • Oversees governance matters; and • Ensures that information flows between the Board and its Committees and with the Executive Management Team.

Effectiveness of the Board

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 advisers. 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. Unfortunately, due to the pandemic, Karen Whitworth's induction did not include visits to the business. 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.

Appointments

Having been appointed as Chairman Designate with effect from the start of the financial year, Ian Burke took over as Chairman on 21 May 2020 when Tony DeNunzio stepped down.

Paul Moody, Independent Non-Executive Director, stepped down from the Board on 9 July 2020 and Sharon Flood, Independent Non-Executive Director, replaced him as Chair of the Audit and Risk Committee.

Karen Whitworth was appointed as Independent Non-Executive Director on 9 July 2020 and as Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance Committee. Karen steps down from the Board on 20 May 2021.

Zarin Patel was appointed as Independent Non-Executive Director with effect from 14 April 2021 and succeeds Karen as Chair of the Audit and Risk Committee on 20 May 2021. Zarin is also a member of the Nomination and Corporate Governance Committee and the Remuneration Committee.

Appointment terms and elections 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 page 128. 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 Chairman will liaise with Non-Executive Directors to assess and review individual contribution to the Board and performance over the financial period, which will continue during the year. The skills and experience which each Non-Executive Director brings to the Board are detailed on pages 100 to 101 and why their contribution is, and continues to be, important to the Company's long term sustainable success.

Considering diversity

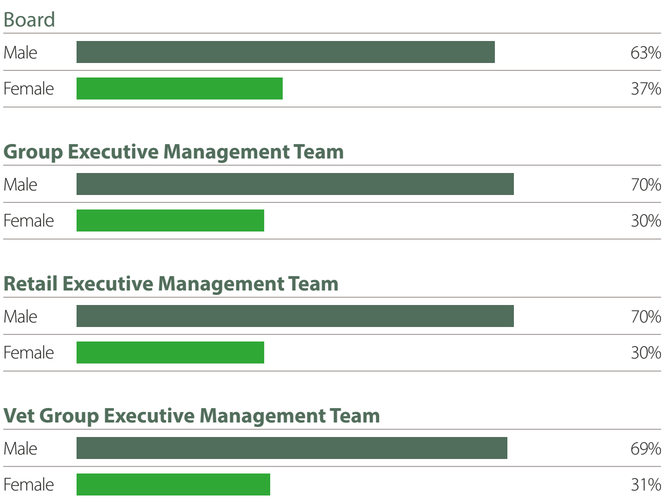
The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background, ethnicity and experience. Board composition was reviewed by the Board this year to ensure that the requirements of the Code are met. No changes were recommended, however, the Nomination and Corporate Governance Committee will continue to regularly review the diversity of the Board and the Group Executive Committee 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. We continue to ensure that the Board maintains an appropriate balance through a diverse mix of experience, backgrounds, skills, knowledge and insight, to further strengthen the diversity and experience already on the Board. Notably, three of the five Independent Non-Executive Directors, Sharon Flood, Susan Dawson and Zarin Patel (succeeding Karen Whitworth), are female together with the Chief Operating Officer of the Vet Group, Jane Balmain, Chief People and Culture Officer, Louise Stonier, and Group Legal Director and Company Secretary, Lucy Williams. The Board also meets the Parker Review targets on ethnic diversity. Appointments are made entirely on merit, and not on the basis of gender or ethnicity, the appointees being by far the strongest candidates for the positions with their skill sets and overall experience fitting the objective role description approved by the Board at the outset of the recruitment process. This policy applies equally to all appointments in the Group.

Board meetings and attendance

In this financial year, the Board met formally nine times, plus attended an annual strategy 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.

Gender diversity



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 Group 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 Retail Executive Management Team and Vet Group Executive Management Team 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.

2021 Board considerations

During the year the Board spent its time considering a wide range of matters. These included:

- Development of the Group's strategic plan;
- Performance overall of individual businesses and functions in the Group;
- COVID crisis management and related matters;
- Brexit;
- Budgets and long term plans for the Group;
- Risk management and controls in the Group including reputational risks and corporate governance;
- Financial statements, announcements and financial reporting matters;
- Competitor and customer updates;
- Talent, capability and succession planning matters;
- Reviewing reports from the Committees;
- Approving significant items of capital expenditure and contracts, investments, treasury and dividend policy;
- Group culture, behaviours and results from colleague listening surveys;
- Considering key strategic projects and priorities across the Group;
- Shareholder feedback and reports from brokers and analysts;
- Regulatory updates; and
- Delegated authorities and Plc contract approval levels.

How the Board is spending its time through the year

During the year the Board spent its time considering a wide range of matters. These included:

Financial performance / reporting
20%

Governance inc. shareholder engagement
20%

Risk management and internal controls
10%

Project approvals
5%

Leadership, culture and people development inc. succession
15%

Strategic matters
30%

Number of meetings attended

Attendance for all scheduled Board and Board Committee meetings in the financial period is given in the table below.

	Board	Remuneration Committee	Audit and Risk Committee	Nomination and Corporate Governance Committee	ESG Committee
Number of meetings[1]	9	4	4	1	3
Director					
Ian Burke (Chairman)	9 / 9			1 / 1	3 / 3
Tony DeNunzio (Chairman)	2 / 2	–	–	–	1 / 1
Dennis Millard (Deputy Chairman)	9 / 9	4 / 4	4 / 4	1 / 1	3 / 3
Peter Pritchard[2]	9 / 9	–	–	–	3 / 3
Mike Iddon[2]	9 / 9	–	–	–	–
Paul Moody	2 / 2	2 / 2	2 / 2	–	1 / 1
Sharon Flood	9 / 9	4 / 4	4 / 4	1 / 1	3 / 3
Stanislas Laurent	9 / 9	–	4 / 4	1 / 1	3 / 3
Susan Dawson	9 / 9	4 / 4		1 / 1	3 / 3
Karen Whitworth	7 / 7		3 / 3	1 / 1	–

1 Excludes the strategy day which all Directors attended.

2 Although not formally appointed as a member of the Audit and Risk and Remuneration Committees, Peter Pritchard attended meetings of those Committee as an observer at the invitation of the Chairman. 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.

Board Committees

The Board has established three Board Committees: an Audit and Risk Committee, a Nomination and Corporate Governance Committee, and a Remuneration Committee. In addition, the Board also established the Corporate Social Responsibility and Pets Come First Committee (renamed the ESG Committee during the year) which comprised both Non-Executive Directors, Executive Directors and colleagues.

Each Committee has written terms of reference which are approved by the Board and subject to review each year. These are available on request from the Company Secretary and are published on the Group's website https://investors.petsathome.com/investors/governance/our-committees.

Key objectives and responsibilities of the Board Committees

	Key objectives	Main responsibilities / duties
Audit and Risk Committee	To assist the Board in fulfilling its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, risk management system and internal and external audit functions.	• Monitor the integrity of Group financial statements; • Review and challenge accounting policies and unusual transactions; • Assumptions / qualifications on viability; • Compliance with accounting standards; • Review clarity and completeness of financial statements; • Oversee material information presented with financial statements; • Review content of Annual Report and Accounts to advise if fair, balanced and appropriate for shareholders; • Assessment and advice on risk management system; • Review and advise on adequacy and effectiveness of the Company's internal financial and regulatory controls; • Give due consideration to all rules and regulations on corporate governance as required; • Monitoring and review of internal and external audit; and • Review of whistleblowing, fraud and compliance.
Remuneration Committee	To assist the Board in determining its responsibilities in relation to Directors' remuneration.	• Responsibility for setting, monitoring and reviewing the Remuneration Policy; • Consultation on major changes to employee benefit structure; • Approval and determination of performance related pay schemes (with regard to the UK Corporate Governance Code and Listing Rules); • Responsible for selection and appointment of remuneration consultants; • Review, design and assessment of share incentive plans; • Review of Director pension arrangements; • Approval of Director service contracts and severance; and • Appointment of the Chair of the Remuneration Committee, Sharon Flood, as Board representative for wider colleague engagement.
Nomination and Corporate Governance Committee	To assist the Board in considering the structure, size and composition of the Board whilst advising on succession planning.	• Reviewing structure, size and composition of the Board; • Board succession planning; • Evaluation of Board appointments – with consideration to matters such as skill, experience, knowledge, diversity; • Review of Non-Executive Directors' time required; • Review matters relating to continuation of Directors' office; • Assisting the Board in the consideration and development of appropriate corporate governance principles; • Conducting Board performance evaluation process; and • Reviewing all conflicts of interest.
ESG Committee	To oversee and monitor the Group's social value strategy, Our Better World Pledge	• Ensuring that the Group has an appropriate ESG/social value strategy, consistent with the Group's purpose, culture and values whilst supporting the Group's long term sustainable success; • Monitoring and reviewing Our Better World Pledge, within the specific areas of Pet Welfare, People and Culture, Climate Change and Waste Management and Product and Supply Chain Management; • Approval of projects developed in response to implementation of Our Better World Pledge; • Receives regular reports from the chair of each management team tasked with implementing Our Better World Pledge within the areas outlined in bullet two above; • Ensures that all related codes of practice and policies are regularly reviewed and updated and remain in compliance with any relevant national and international laws and regulations; • Monitors, reviews and considers all recommendations in response to ESG issues raised and reviews the execution and implementation of plans previously approved by the Committee; • Monitors, reviews and considers stakeholder engagement in ESG activities and reviews key external disclosures; and • Approves all ESG reporting.

Management committees

Details of our management committees are set out below:

Executive Management Team, Retail and Vet Group Executive Management Teams
In addition to the Board, the Group has the Executive Management Team which includes: the Group Chief Executive Officer, Chief Financial Officer, Retail Chief Operating Officer (David Robinson), Vet Group Chief Operating Officer (Jane Balmain), Chief Data Officer (Robert Kent), Chief People and Culture Officer (Louise Stonier), Chief Information Officer (William Hewish), Group Legal Director and Company Secretary (Lucy Williams), Head of Group Strategy & Transformation (Matthew Diffey) and Group Productivity Director (Nigel Fletcher).

Supporting the Executive Management Team is an appointed divisional executive management team for both the Retail and the Vet Group for which roles are clearly defined.

The Retail Executive Management Team and the Vet Group Executive Management Team support the Executive Management Team in the implementation of strategy and risk and governance oversight across their respective divisions.

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 Mike Iddon and is also attended by Peter Pritchard, Group Chief Executive Officer. A number of the Group's colleagues are entitled to attend meetings of the Investment Committee as observers including the Group Director of Property and the Group 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, stand-alone First Opinion veterinary surgeries, 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 stand-alone 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 the further approval of 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
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 Group Legal Director 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. 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 business 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 Social Value Report.

Other management committees
Established last financial year, the People Committee, Pension Committee and Data Committee continue to provide governance and oversight of projects and strategic initiatives relevant to their areas of remit. These Committees are chaired by members of the Group Executive Management Team or senior managers within our business.

Data Committee:
Led by the Chief Data Officer, the Data Committee oversees the Group's data initiatives and supports and drives and information security governance.

People Committee:
Led by the Chief People and Culture Officer, the People Committee oversees the Group's people practices and policies (including in respect of colleague welfare) and promotes the alignment of the Group's culture with the Group's purpose, values and commercial strategy.

Pension Committee:
Led by the Chief People and Culture Officer, the Pension Committee oversees the management and operation of the Retail and Vet Group pension plans (not in the capacity as a trustee) which have been established for the benefit of colleagues.

Internal control and risk management
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness and has carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity as detailed on pages 56 to 57. The Board delegates to the Group 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 risks and include the risk management processes set out on page 113 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 2020 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 25 March 2021.
- 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 management accounts team and reviewed by the Group Chief Financial Officer.
- All capital investments during the year have been approved by the Group 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 Group 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 113.
- 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 page 111.

Shareholder relations

The Board's primary role is to promote the success of the Company and the interests of all stakeholders. The Board is accountable to shareholders for the performance and activities of the Group. The Board is responsible for ensuring the Company maintains a satisfactory dialogue with shareholders. The Board believes it is important to explain business developments and financial results to the Company's shareholders and to understand any shareholder concerns. We communicate with shareholders on a regular basis.

The Board communicates with its shareholders in respect of the Group's business activities through its Annual Report, yearly and half yearly announcements and other regular trading statements. This information is also made publicly available via the Company's website.

During the year, the Company met regularly with analysts and institutional investors and such meetings will continue. The Group Chief Executive Officer and Group Chief Financial Officer have lead responsibility for investor relations. They are supported by a dedicated Director of Investor Relations and Corporate Affairs who, amongst other matters, organises presentations for analysts and institutional investors and ensures that procedures are in place to keep the Board regularly informed of such investors' views. All of the Non-Executive Directors are available to meet with major shareholders, if they wish to raise issues separately from the arrangements as described above.

As noted on page 38, we were delighted to hold a number of ESG focused sessions for investors during the year, relating to Our Better World Pledge.

In accordance with s172 of the Companies Act 2006 we can factor into Boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns, as discussed further on pages 38 and 39.

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.

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**. This policy and the procedures in place to deal with concerns raised under the policy were reviewed by the Audit and Risk Committee during the year.

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.

Board evaluation and effectiveness
The effectiveness of the Board is important to the success of the Group, and the Board's annual evaluation provides a useful opportunity for the Directors to reflect on their collective and individual effectiveness and consider changes.

Process and focus
The Board carried out an internal evaluation of Board and Board Committee performance which also sought to identify areas where the performance and procedures of the Board might be further improved. The assessment included the completion of an online survey that considered topics covered in the 2020 evaluation and other areas which the Board wanted to assess including the following areas:

- Board size, composition and performance;
- Stakeholder oversight;
- Board dynamics;
- Management of meetings;
- The Chairman;
- Board support;
- Board Committees;
- Strategic and operational oversight;
- Risk management and internal controls;
- Succession planning and people management (including oversight of the Group's people strategy);
- Priorities for change;
- Effectiveness of monitoring culture and behaviours;
- Effectiveness of the Board in ensuring market leading welfare to customers and pets;
- Understanding of improvements in pet welfare;
- Board understanding of performance against competitors and the pet care market; and
- Board understanding of stakeholder views.

The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views.

Outputs of the evaluation
The findings from the internal evaluation were considered by the Board, recommendations discussed and specific areas of focus were agreed for this financial year. The overall performance of the Board was rated highly, as were relationships between individual Board members. Areas highlighted as requiring additional focus during the new financial year included:

- building Board relationships and business networking with the return of face-to-face meetings and visits when permitted; and
- an increased focus on certain strategic initiatives to ensure flexibility, innovation and understanding of competitors.

Beyond the annual evaluation, the performance of the Group Chief Executive Officer is continuously monitored throughout the year by the Chairman and the Senior Independent Director. The Chairman assessed the individual contribution to the Board of the Non-Executive Directors and their performance over the financial period. The Senior Independent Director and the Non-Executive Directors also liaised on the performance of the Chairman without the Executive Directors or Chairman being present.

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.

A Board balanced with skills and expertise

Chairman

Ian Burke
Chairman

Appointment to the Board
2020

Committees
N E

Current roles
- Non-Executive Chairman of Studio Retail Group plc
- Member of the Board of Governors of Birmingham City University

Past roles
- Non-Executive Senior Independent Director of intu properties plc
- Chairman and Chief Executive Officer of Rank Group plc
- Chief Executive Officer of Holmes Place Health Clubs
- Chief Executive Officer of Thistle Hotels plc
- Chairman of Vet Partners Holdings Ltd

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.

Non-Executive Directors

Dennis Millard
Deputy Non-Executive Chairman and Senior Independent Non-Executive Director

Appointment to the Board
2014

Committees
N A R E

Past roles
- Non-Executive Chairman of Watches of Switzerland Group plc
- Chairman of Halfords Plc
- Senior Independent Director of Debenhams Plc
- Chairman of Connect Group Plc
- Senior Independent Director of Premier Farnell Plc
- Senior Independent Director of Xchanging Plc
- Non-Executive Director of Exel plc
- Senior Independent Director of Superdry Plc

Contribution to the Board
Wide ranging public company experience with retail, strategic and financial expertise. Dennis is also a Chartered Accountant and holds an MBA.

Sharon Flood
Independent Non-Executive Director

Appointment to the Board
2017

Committees
N A R E

Current roles
- Chair of Seraphine Limited
- Chair of Audit at Cityfibre
- Board member at Getlink SE
- Chair of Audit Committee at Crest Nicholson Plc
- Chair of Finance at Science Museum Group
- External member of the University of Cambridge council

Past roles
- 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

Contribution to the Board
Retail, finance and public company experience. Sharon is also a Chartered Management Accountant.

Stanislas Laurent
Independent Non-Executive Director

Appointment to the Board
2017

Committees
N A E

Current roles
- Partner at Highland Europe (Growth equity) and Non-Executive Director at various portfolio companies

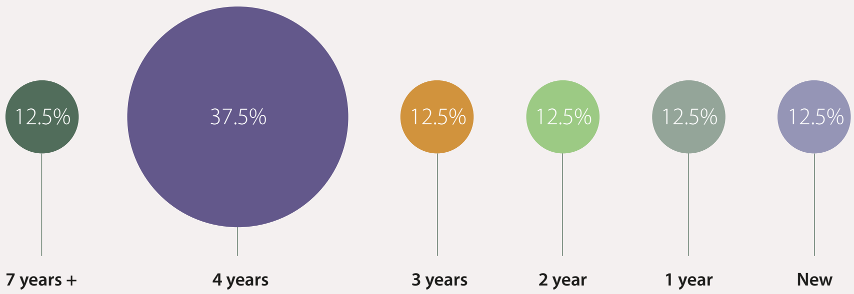
Past roles
- President and CEO of Photobox Group
- COO of AOL Europe

Contribution to the Board
Entrepreneurial background with digital and technology experience.

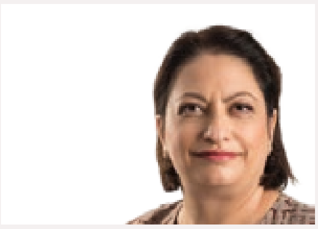
Committees

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

Board tenure



Executive Directors



Zarin Patel
Independent Non-Executive Director

Appointment to the Board
2021 – New appointment

Committees
A N R

Current roles
- Non-Executive director and Chair of the Audit and Risk Committee of Anglian Water Services Limited
- Non-Executive director of Post Office Limited and member of the Audit and Risk Committee
- Independent member of the Audit and Risk Committee of HM Treasury
- Trustee of National Trust and Chair of its Audit Committee

Past roles
- 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

Contribution to the Board
Wide ranging financial and commercial expertise. Zarin is also a Chartered Accountant.

Susan Dawson
Independent Non-Executive Director

Appointment to the Board
2018

Committees
N R E

Current roles
- Dean of the Institute of Veterinary Science at the University of Liverpool
- Council member of the Royal College of Veterinary Surgeons (RCVS)

Past roles
- Member of the Veterinary Products Committee
- Adviser to 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.

Peter Pritchard
Group Chief Executive Officer

Appointment to the Board
2018

Committees
E

Current role
- Group Chief Executive Officer

Past roles
- Joined Pets at Home as Commercial Director in 2011 and became Chief Executive Officer of the Retail business in 2016
- Senior commercial and management roles at Asda, J Sainsbury plc, Iceland Food, Marks and Spencer Plc and Wilkinson Hardware Stores

Contribution to the Board
Significant retail background and long term operational experience across Pets at Home.

Mike Iddon
Chief Financial Officer

Appointment to the Board
2016

Current role
- Chief Financial Officer
- Non Executive Director 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.

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.

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

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.

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Disclosures required under Listing Rule 9.8.4R

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

Disclosure	Page number
Long term incentive schemes	125
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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 sets out on pages 46-53 the innovation carried out by the Group in relation to product and service development. In addition, the Group has continued to contribute to research through established partnerships with Mars Fishcare and the University of West Scotland as well as projects with Cardiff University. Previous research has concentrated on reducing stress during transport which identified that our current processes already result in high fish welfare. New research will be looking at fish stress in-store, improving treatment efficacy and disease prevention. Due to the pandemic, researchers were not able to access our stores or university premises consistently over the last year and the work will restart throughout FY22. These partnerships continue to provide us with a deeper insight and understanding of what impacts fish health and provide us with ways to improve our fish health and welfare even further.

Vets4Pets has for many years been contributing to the VetCompass research function at The Royal Veterinary College. This relationship has been taken to another level following the successful joint acquisition of a research grant from PetPlan UK, to support a two-year epidemiological study of interventions to improve antibiotic stewardship in veterinary practice. The research is due to begin in mid-late 2021.

Colleague engagement

We know that our high levels of colleague engagement and unique culture continue to be recognised externally as a key differentiator and we have continued deepening this by running our second Group wide listening survey. This survey focused on wellbeing and diversity as these were the topics that colleagues told us were particularly important to them. When Sharon Flood took over as our Chair of the Remuneration Committee, she was also appointed as Board representative for wider colleague engagement to ensure our colleagues are heard by the Board. 'Tuned in' listening sessions were held in September, October and March and these were attended either by our Chairman, Ian Burke or Sharon Flood.

Colleague listening and engagement has never been more important as it has been this year during the pandemic and communications to colleagues received unprecedented attention from the Board and Group Executive Management Team. Daily CEO lead video communication took place during the first lockdown and since then weekly video updates have continued. This is in addition to written updates to our colleagues on our COVID protocols and procedures to keep them safe and engaged.

Further information on colleague engagement is included in the Corporate Social Value section of this report on pages 78-81 and in our separate social value report held on our website.

Colleague share ownership and plans

This pillar of our engagement strategy started to come to fruition last year with the maturity of the first RSP which is offered to all eligible salaried and hourly colleagues at all levels.

- Our first RSP vested in July 2020, which resulted in enhancing or creating new shareholders in over 5,000 of our colleagues.
- The next RSP awards will vest at the end of May 2021 which will further enhance or create new shareholdings for over 4,700 colleagues.
- We also granted a further 2.1m shares to 9,361 colleagues via the RSP in June 2020.
- All eligible colleagues will receive an award again in May/June 2021.
- We had a further offering of the sharesave scheme in September 2020, with our highest take up (excluding the year of IPO) of 17.2%, as a result of our strong business performance combined with the first maturity of the RSP earlier in that year which encouraged further share save interest in FY21.

Further details of the Group's colleague share plans are contained in the Directors' Remuneration Report on pages 120-122.

Colleague diversity and disabled persons

Our diversity and inclusion vision is that 'Everyone is welcome and feels part of our Group'. 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.

The Group makes every effort 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. This year we have become members of the Business Disability Forum and made commitments on disability progress as part of our membership of the Valuable 500. Further information can be found in the Corporate Social Value report on page 81.

We have once again published a combined Group figure for gender pay, excluding the Joint Venture Partners. This year we have reported two sets of data because the actions we took to support our colleagues at the start of the COVID pandemic impacted our pay data and reporting using normalised pay data rather than actual pay data more accurately reflects our Group position.

Even when adjusted to take account of normalised pay data our mean pay gap overall has narrowed this year to 16.99%. This is despite the Group having over 50% female representation in management and senior management levels. Further information on our Gender Pay Gap Report is contained in the Directors' Remuneration Report on page 136. Our Gender Pay Gap Report can be found at https://investors.petsathome.com/responsibility/policies-and-procedures/

This year we have built upon our commitment to developing an inclusive culture with the creation of a new strategy and vision supported by our new CEO-led Diversity and Inclusion leadership forum. The views of our colleagues have and will continue to inform our objectives and approach and we have launched four new colleague network groups, each sponsored by a member of our Executive Management Team.

We have developed a new e-learning diversity and inclusion training which will be rolled out to colleagues in June 2021. Diversity and inclusion has already been embedded into our capability framework and we will be looking to build on this over the coming year with a more detailed education programme.

We have made a number of external commitments, including to the Race at Work Charter, the Valuable 500 and the British Retail Consortium's Diversity and Inclusion Charter. These frameworks help to focus what we do and provide access to a network of other signatories. Sharing experience and knowledge around diversity and inclusion within the retail sector and beyond is a key part of our approach. We are developing networks through our membership of the Business Disability Forum, and Stonewall and we also regularly participate in Retail Week's diversity and inclusion steering group, sharing experience and knowledge with other retailers.

We have once again partnered with Retail Week's Be Inspired campaign and six colleagues have joined their Senior Leadership Academy this year.

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
Tony DeNunzio	18 February 2014	21 May 2020
Dennis Millard	18 February 2014(re-appointed)	n/a
Paul Moody	25 March 2014	9 July 2020
Mike Iddon	17 October 2016 (re-appointed)	n/a
Sharon Flood	25 May 2017 (re-appointed)	n/a
Stanislas Laurent	25 May 2017 (re-appointed)	n/a
Peter Pritchard	27 April 2018 (re-appointed)	n/a
Susan Dawson	12 July 2018 (re-appointed)	n/a
Ian Burke	27 March 2020	n / a
Karen Whitworth	9 July 2020	20 May 2021

On 26 November 2019, we announced that after nine years as Chairman and in accordance with the 2018 Code, Tony DeNunzio advised the Board that he considered it an appropriate time to commence a succession plan for a new Chair of the Board and the Board made a formal recommendation to appoint Ian Burke as Chairman with effect from the start of FY21. Given the unprecedented environment due to COVID-19, the Board agreed to extend the transition period between Tony and Ian by eight weeks, to ensure an orderly handover at a challenging time. Ian joined the Board on 27 March 2020 as Chairman Designate and succeeded Tony as Chairman on 21 May 2020.

Paul Moody, Independent Non-Executive Director, advised that he would be stepping down at the conclusion of the AGM on 9 July 2020. Sharon Flood, Independent Non-Executive Director, succeeded Paul as Chair of the Remuneration Committee. Karen Whitworth, Independent Non-Executive Director, was appointed to the Board on 9 July 2020 and succeeded Sharon as Chair of the Audit and Risk Committee.

Karen Whitworth advised in December 2020 that she would be stepping down from the Board with effect from 20 May 2021. Zarin Patel, Independent Non-Executive Director, was appointed to the Board on 14 April 2021 and will succeed Karen as Chair of the Audit and Risk Committee.

Appointment and removal of Directors

The appointment and replacement 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 re-appointment.

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 is prohibited by law from being a Director; (ii) he resigns; (iii) his resignation is requested by all of the other Directors; (iv) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; (v) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; (vi) he becomes bankrupt; (vii) he ceases to be a Director by virtue of the Companies Act; or (viii) he 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 133.

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 27 May 2021 (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 128.

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.

Share capital

The issued share capital of the Company as at 25 March 2021 was 500,000,000 Ordinary Shares of 1 pence each. As at 26 May 2021, being the latest practicable date prior to the date of this Annual Report, the issued share capital of the Company remained 500,000,000 Ordinary Shares of 1 pence each. Further information regarding the Company's issued share capital can be found on page 182 of the Group's financial statements.

There have been no movements in the Company's issued share capital in the 2021 financial period.

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 or buy back its shares

Powers for the Company to issue shares: The Directors were granted authority at the previous Annual General Meeting on 9 July 2020 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 8 July 2021 (or, if earlier, until the close of business on 8 October 2021). 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 9 July 2020 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 2020 Annual General Meeting, seek to renew these powers at the 2021 Annual General Meeting.

Powers for the Company to buy back its shares: The Company was authorised by its shareholders on 9 July 2020, at the 2020 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 2021 Annual General Meeting to be held on 8 July 2021. The Directors did not exercise their authority to buy back any shares during the financial period.

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 25 March 2021, 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 25 March 2021	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	53,090,352	10.618%	Indirect
Jupiter Fund Management Plc	49,270,707	9.85%	Indirect
Blackrock Inc	25,473,509	5.09%	Indirect
JPMorgan Asset Management Holdings Inc	24,964,429	4.99%	Indirect
Norges Bank	–	Below 3%	–
Meridian Global Investors (UK) Limited	–	Below 3%	–

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 26 March 2021 and 21 May 2021 (being not more than one month prior to the date of the Notice of Annual General Meeting), except as set out in the table below:

Name of shareholder	Number of Ordinary Shares as at 21 May 2021	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	52,801,317	10.56%	Indirect
JP Morgan Asset Management Holdings Inc.	24,737,799	4.95%	Indirect

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 £99.0m (FY20: £67.4m). The results are discussed in greater detail in the Chief Financial Officer's review on pages 40-45.

A final dividend of 5.5 pence per ordinary share (FY20: 5 pence per ordinary share) will be recommended to the Company's shareholders in respect of the 2021 financial year. The final dividend will be proposed by the Directors at the 2021 Annual General Meeting on 8 July 2021 in respect of the financial year ended 25 March 2021 to add to an interim dividend of 2.5 pence per ordinary share paid on 8 January 2021 (FY20: 2.5 pence per ordinary share).

The Directors' proposed final dividend of 5.5 pence per ordinary share takes the total dividend payable in respect of the 2021 financial year to 8 pence per ordinary share. The ex-dividend date will be 17 June 2021 and, subject to shareholder approval being obtained at the 2021 Annual General Meeting, the final dividend of 5.5 pence per ordinary share will be payable on 13 July 2021 to shareholders on the register at the close of business on 18 June 2021.

Political donations

The Group made no political donations and incurred no political expenditure during the year (FY20: 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 FY21 were 50 days (FY20: 50 days).

Post balance sheet events

There are no post balance sheet events.

Going concern

The unprecedented uncertainty created by COVID-19 and its effects, both in terms of extent and duration, make it impossible 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 considered business response to COVID-19 is discussed in detail in the Chief Executive Officer's statement on pages 12-17 and 10-11. 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 COVID-19 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 54-63 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.

Human rights and modern slavery statement

Pets at Home is the UK's leading pet care business; our commitment is to make sure pets and their owners get the very best advice, products and care. Pet products are available online or from our 452 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK-leading small animal veterinary business, supporting 441 First Opinion practices located both in our stores and in standalone locations.

Our vision is to be the best pet care business in the world and the vision of our social value strategy, 'Our Better World Pledge' is to become the most responsible pet care business in the world. We therefore take great care in operating our business and in selecting our business partners and suppliers. The products we sell are sourced from a broad range of suppliers – both national and international.

Our policies and contractual controls

We are committed to ensuring there is transparency in our business and in our approach to tackling modern slavery 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. This year we will again review and update this policy to further promote increased awareness of modern slavery and compliance with the Modern Slavery Act 2015 ('Act').

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 require compliance with the Act and include a right for Pets at Home to conduct audits on supplier compliance.

In June 2020 we updated our Group Whistleblowing policy to promote increased vigilance amongst colleagues as to any instances of modern slavery, and encourage central reporting of concerns about any issue or suspicion of modern slavery in any parts of our business or supply chain.

We annually review and, where appropriate, update our procurement processes in respect of modern slavery. We include specific questions in our tender documentation on the Act to ensure that our suppliers are compliant with the Act and our Ethical Trading policy.

Due diligence and supplier adherence

At our Hong Kong sourcing office, we require independent ethical audits of suppliers which cover: hours of work, labour practices, working conditions, onsite accommodation, health & safety, environment, supply chain management and wages. Should any instances of non-compliance with the Act or our policies arise in relation to any of our suppliers then this will be reviewed and appropriate action taken. Our standard general terms and conditions with suppliers also include the right for Pets at Home to terminate the agreement in the event of supplier non-compliance with the Act. Our priority is to support factories to resolve issues, but we will not continue to work with them if there is no willingness to improve.

The Group's internal audit team undertook an audit of the sourcing operation of the Hong Kong office which reported in May 2020. This reviewed the Group's policies and controls around the supplier on boarding process and routine quality assessments. The report was issued and reviewed by the Group's Audit and Risk Committee and recommendations are being acted on accordingly.

During the year an independent assessment of our salient human rights risks was conducted. A human rights expert has been appointed and will be joining the business during FY22 to enable dedicated skilled resource to be in place to review and implement as required the recommendations from this review.

Training

Training continues to be a key focus of the business and we continue to train colleagues and suppliers.

All colleagues are required to complete our bespoke online training course on modern slavery and from April 2020, completion of mandatory training, which includes this module, formed part of all colleagues' personal objectives.

Audit and assurance

This year the Group's internal audit team have undertaken a remote desktop review with the objective of assessing the adequacy of the controls and processes at the Hong Kong office surrounding Far East suppliers. The review considered the processes and checks are designed and operated to ensure that regulatory and ethical requirements are met in line with the Company's terms and conditions (including anti-bribery and corruption and modern slavery). Work undertaken to update Group policies which inform the Far East supplier management processes and appropriate training has taken place.

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:

- On 6 September 2018, the Group entered into a senior facilities agreement with a total facility amount of £248m. This senior facilities agreement expires on 24 September 2023 (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.
- On 13 May 2020, the Group entered into a 364 day senior facilities agreement with a total facility amount of £100m. This senior facilities agreement contained 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. The facility expired on 12 May 2021 and the Group chose not to seek extension or renewal.
- In November 2020 the Company's subsidiary, Companion Care (Services) Ltd (CCSL), signed a facility agreement 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 has also entered into an agreement with Lloyds for a £25.5m facility on the signing date and, along with Vet4Pets Limited (V4P), a further £10m facility with HSBC, on the signing date. Both HSBC and Lloyds facilities are capable of being re-borrowed. The HSBC facility agreement was completed on 14 April 2021 and the Lloyds facility agreement was completed on 5 May 2021, both have a two year availability period with a possible one year extension. Taken together these facilities will provide funding for the Group's Joint Venture First Opinion practices over the next two to three years.
- 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 100-101 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 re-appointed as auditor of the Company at the 2018 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 re-appointment of KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration will be proposed at the 2021 Annual General Meeting as set out in the Notice of Annual General Meeting. For further information on the re-appointment of the auditors, refer to pages 113-114 of the Audit and Risk Committee Report.

Approval of Annual Report

The Strategic Report, Corporate Governance Statement and the Governance Report were approved by the Board on 20 May 2021.

This Directors' Report was approved by the Board on 20 May 2021 and signed on its behalf by:

Lucy Williams
Group Legal Director and Company Secretary

27 May 2021

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.

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:

Peter Pritchard
Group Chief Executive Officer

27 May 2021

Audit and Risk Committee Report

Karen Whitworth
Chair of the Audit and Risk Committee

Who is on the Audit and Risk Committee?

Member	No. of meetings
Karen Whitworth (Chair)	3/3
Sharon Flood	4/4
Dennis Millard	4/4
Stanislas Laurent	4/4
Susan Dawson	3/3
Paul Moody	2/2

What we did in 2021

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 reasonable.

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 impact of the COVID-19 outbreak. As part of this work, the carrying value of the goodwill balance has been reviewed.

Monitored the control environment of the Group including our general risk management processes, and including emerging risks in light of the COVID-19 situation, pet welfare protocols, and the controls and processes relating to the release of key IT projects.

Reviewed and challenged the effectiveness of the Group's whistleblowing procedures, and Internal Audit function to meet the requirements of the Internal Audit Plan.

Reviewed the ongoing appropriateness of the judgements made in applying existing accounting standards.

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

Reviewed the accounting treatment for Joint Venture veterinary practices where the 'A' shares have been bought out by the Group.

Reviewed the goodwill disposed of as a consequence of the disposal of the Specialist Division.

What we will do in 2022

Continue to carry 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 reasonable.

Identify and monitor emerging risks, as well as re-assess the landscape of risks identified presently.

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 IT projects.

Continue to monitor the effectiveness of the Group's Internal Audit function and whistleblowing procedures. We will agree an Internal Audit strategy for 2022 and beyond, defining ways of working as well as specific projects.

Review the approach and judgements made in applying forthcoming financial reporting standards, and the ongoing appropriateness of the judgements made in applying existing accounting standards.

Continue to monitor the level of financial support provided to our Joint Venture veterinary practices and keep under review any activity that might change existing accounting practices.

Continue to monitor the accounting treatment for Joint Venture veterinary practices which have been bought out by the Group, and those which are indebted to the Group.

Introduction

This is my first report as Chair of the Audit and Risk Committee (the Committee), having joined the Board in July 2020. 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 with regard to 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.

During the year the Committee met four times, with our agenda covering financial reporting, progress against the Internal Audit Plan and the external audit process. We have reviewed and updated the Group risk register regularly throughout the year, for both present and emerging risks.

Zarin Patel succeeds me as Chair of the Audit and Risk Committee on 20 May 2021.

Committee membership

The Committee members have been selected to provide a wide range of financial 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, significant experience in financial matters. Further details of the Committee members and their experience can be found on pages 100 to 101.

The Chairman 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 issues of concern with the internal and external auditors. Committee members also meet in private prior to each Committee meeting and also hold separate private sessions with the Head of Audit and Risk Officer and the external auditor, in order 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;
- Ongoing viability;
- Risk management systems;
- Internal controls;
- Internal audit; and
- External audit.

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	• Review of the Annual Report and Accounts for year ended 26 March 2020 • Review of goodwill impairment • Review of supplier income recognition policy • Review of operating loan provisioning policy • Review of consolidation consideration for JVCos • Review of considerations of the Group's longer term viability and going concern	• Review of development of the Corporate Risk Register • Review of Code of Ethics and Whistleblowing policy • Review of Health and Safety reports • Review of Tax policy • Review of Treasury policy • Update on information security and GDPR	• Review reports on progress of Internal Audit Plan	• Report on Annual Financial Statements and external audit • Review of policy on non-audit fees
September	• Review of progress of subsidiary financial statements for the year ended 26 March 2020	• Review development of the Corporate Risk Register • Review of Treasury policy • Review update on UK corporate governance • Review of Code of Ethics and Whistleblowing policy	• Review reports on progress of Internal Audit Plan	• Process to assess external auditor
November	• Review of the Interim Financial Statements • 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 JVCos	• Review development of the Corporate Risk Register	• Review reports on progress of Internal Audit Plan	• Report on Review of Interim Financial Statements • Review of external audit strategy for the year ended 25 March 2021
January		• Review of development of the Corporate Risk Register • Review of Health and Safety reports • Review of progress on the finance transformation plan (Vet Group)	• Review reports on progress of Internal Audit Plan	• Process to assess external auditor • Approval of external audit fees

Financial statement reporting issues

The Committee considered a number of significant issues in the year, taking into account in all instances the views of the Company's external auditor. The Committee has made an assessment of 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 level of First Opinion Joint Venture indebtedness and its impact on the assessment of the practical ability to exert control, and accounting for consolidation of Joint Venture veterinary practices.

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 a number of factors that could impact on the future profitability and cash flows of the business (e.g. the near and long term impact of COVID-19, threat of competition, changes in market behaviour, and changes in the broader macro-economic environment) 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.	The Committee reviewed and challenged management's process for testing goodwill for potential impairment, allocation of goodwill across cash-generating units, allocation of goodwill upon disposal of part of a CGU, and ensuring appropriate sensitivity analysis and disclosure. This included challenging the key assumptions: 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 potential on-going impact of COVID-19 on the Group's financial performance and future cash flows and therefore the carrying value of the Group and Company's intangible assets. The Committee also reviewed KPMG's work and conclusions on this risk and the key assumptions they tested in reaching their conclusions. 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.
Level of First Opinion Joint Venture indebtedness and its impact on the assessment of the practical ability to exert control	The business provides financial support to First Opinion Joint Venture veterinary practices depending on the circumstance of each practice. This includes more recent openings to underpin their growth and support their working capital requirements and growth in clinical capacity. This investment is a particular feature of the JV operating model in comparison to an 'owned' network where over-performance from stronger units compensates any under-performance. In making this investment the Group does so after consideration of its total returns across all practices on a portfolio basis. The return of these loans can be over an extended period. The business has undertaken a strategy whereby the Group has bought out certain practices, as part of which the Group wrote off operating loans due from the practice on consolidation. These loans were fully provided against from the point at which the decision was made to offer to buy out the practices. Management have established a policy in order to ensure that the initial fair value and subsequent carrying value of operating loans is in accordance with all relevant accounting standards, including IFRS 9, IFRS 15 and IFRS 13.	The Committee reviewed management's judgement, as informed by independent analysis and review, in assessing the initial recognition and subsequent measurement of operating loans in accordance with relevant accounting standards. The Committee is satisfied that the initial recognition and carrying values of operating loan balances are appropriate. The Committee reviewed management's assessment of whether the level of an individual 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. The Committee reviewed management's judgement over the terms of the Joint Venture Agreement and management's practical ability to control the activities of the practice, including barriers to the Group's ability to exercise this practical control and potential barriers to the Joint Venture Partner exercising their own control over the activities of the practice. This review was conducted with cognisance of the actual and potential impact of the COVID-19 outbreak on Joint Venture veterinary practice performance and indebtedness. The Committee is satisfied that on the balance of evidence from the Group's experience as shareholder and lender to the practices, it does not currently have the ability to exercise control over those practices to which operating loans are advanced either contractually or practically.
Accounting for consolidation of First Opinion Joint Venture veterinary practices	The business has from time to time bought out the 'A' shares in certain First Opinion Joint Venture veterinary practice companies from the Joint Venture Partners. There is a risk that the accounting for these acquisitions is inappropriate with regard to consideration of control and consolidation of Joint Venture entities, and recognition of items within the income statement deemed to be 'non-underlying items'.	The Committee reviewed management's policy and process for determining the appropriateness of not consolidating Joint Venture entities until the point at which the 'A' shares were acquired, and subsequent consolidation thereafter. The Committee reviewed the items deemed to be 'non-underlying' within the income statement. The Committee is satisfied that the Joint Venture veterinary practices should not currently be consolidated, and that the accounting disclosure for such buy outs is appropriate.

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 our 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 54 to 63. The review includes the consideration of the potential on-going impact of COVID-19 and further operational disruption on future cash flows.

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 106 is appropriate.

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 Committee provides oversight and challenge to the assessment of principal risks as set out on page 54. The Group's key risks and uncertainties are set out on pages 54 to 63.

The Committee explores specific key risks of the Group in detail, inviting the management team to discuss the issues and mitigations and further proposed actions. During the year, the Committee considered risks specific to the Retail and Vet Group operations and any emerging risks.

Internal Audit

The Internal Audit function has a direct line of report into the Committee and is an important part of the 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	Project Spice, capital project assurance (Group)
	Success Factors, capital project review (Group)
Operational	Management of operating loans (Vet Group)
	Large capital projects review (Vet Group)
	Far East sourcing (Retail)
	Clinical governance follow up (Vet Group – Specialist Division)
	Food quality processes (Retail)
	Success Factors pre-implementation review of 'Employee Central' processes and controls (Group)
	IT general controls, principal systems (Group)
	Management and governance of personal data by contracted third parties (Group)
	Cloud strategy and management review (Group)
	Analytics and data strategy review (Group)
	Transport and logistics review (Retail)
	COVID-19 defence: Key controls – ongoing compliance with Company procedures: friends and family recruitment, Colleague Hardship Fund grants, information security, and pet welfare (Retail and Vet Group)
Financial	COVID-19 defence: Key financial controls – ongoing compliance with Company procedures: accounts payable, accounts receivable, cash and banking, period end, reporting. (Retail and Vet Group)
Legal and regulatory compliance	Compliance with Right to Work legislation – follow up (Group)

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 considered to be the carrying value of goodwill and parent Company's investment in subsidiaries, recoverability of operating loans to Joint Venture veterinary practices, Brexit uncertainty, and judgements upon adopting the going concern basis of preparation. In their reports presented to the Committee at both the half year 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 issues in detail.

We are in compliance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and performed a tender process which concluded in January 2015. We will undertake and conclude our next tender process by no later than January 2025 (for the March 2026 year end), and will undertake and conclude this process earlier if it is deemed in the best interest of shareholders to do so, by reference to our annual programme of reviewing the effectiveness of the external audit process. KPMG, who have audited the Group since 2000, were reappointed at the AGM on 9 July 2020. Stuart Burdass has been the audit partner since January 2019.

External auditor's effectiveness

The Committee considered the 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. We conducted an audit effectiveness review through a questionnaire to Committee members, management and members of the finance team. This questionnaire continued from the process in the previous year, delivering focused insight into KPMG's effectiveness through questions for both the Committee members, management and members of the Finance team.

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 26 March 2020.

Audit and non-audit fees paid to KPMG in the year were £984,000 and an analysis is presented in note 3 to the consolidated financial statements. Non-audit fees represent 7% of the audit fee. Non-audit services provided by the external auditors during the 2021 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 re-appoint 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 8 July 2021.

Financial Reporting Council

During the year, the Financial Reporting Council's ('FRC's') Audit Quality Review ('AQR') team completed a review of the external audit of the financial statements of Pets at Home Group Plc for the period ended 26 March 2020, as undertaken by KPMG. The review assessed the audit only, and was not an assessment of the adequacy of the entity's financial controls or financial reporting.

The review scope included 'Key Audit Matters' (going concern including the impact of COVID-19, IFRS 16 – lease arrangements (transition), carrying value of the Group goodwill, carrying value of inventory, and operating loans to Joint Venture veterinary practices), and 'Other Audit Areas' (revenue recognition (including supplier income), and fraud risk assessment including journal entry testing). The review scope also covered the quality of communication with the Audit and Risk Committee, and certain matters relating to planning, completion, ethics and quality control. We have discussed the review and findings with KPMG and are satisfied with the improvements proposed and noted the 'Good Practice' in relation to the audit procedures over going concern.

Karen Whitworth
Chair Audit and Risk Committee

27 May 2021

Nomination and Corporate Governance Committee Report

Ian Burke
Chair of the Nomination and Corporate Governance Committee

Who is on the Nomination and Corporate Governance Committee?

Member	No. of meetings
Ian Burke (Chair)	1/1
Dennis Millard	1/1
Karen Whitworth	1/1
Sharon Flood	1/1
Stanislas Laurent	1/1
Susan Dawson	1/1

What we did in 2021

- Assessed Board composition and how it may be enhanced.
- Conducted and reviewed the Board evaluation and effectiveness survey.
- Reviewed the independence of the Non-Executive Directors.
- Reviewed and considered Directors' conflicts of interest, including issues relating to new Non-Executive director roles which current Directors wished to pursue.
- Reviewed the time commitment and length of service of the Non-Executive Directors.
- Recommended the appointment of Karen Whitworth as Independent Non-Executive Director and Chair of the Audit and Risk Committee.
- Commenced the search for a new Chair of the Audit and Risk Committee and recommended that Zarin Patel be appointed as Independent Non-Executive Director.
- Reviewed and considered executive succession plans.

What we will do in 2022

- Continue to assess Board composition and how it may be enhanced.
- Implement further reviews and assessment of succession planning, talent mapping and development plans.
- Review the Board's diversity policy and recommend any changes in that policy to the Board.

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 regards 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 Retail and Vet Group Executive Management 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 and Karen Whitworth (who will be succeeded by Zarin Patel when Karen steps down on 20 May 2021) (each of whom is an Independent Non-Executive Director). 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:
Ian Burke (Chair)	21 May 2020	To date
Tony DeNunzio (Chair)	18 February 2014	21 May 2020
Dennis Millard	18 February 2014	To date
Paul Moody	25 March 2014	9 July 2020
Sharon Flood	25 May 2017	To date
Stanislas Laurent	25 May 2017	To date
Susan Dawson	12 July 2018	To date
Karen Whitworth	9 July 2020	20 May 2021

There was one formal Committee meeting held in the financial year and members' attendance was as shown in the table above.

How the Nomination and Corporate Governance Committee discharged its responsibilities in FY21

Board appointments and resignations

On 21 May 2020, I succeeded Tony DeNunzio as Chairman, after Tony agreed a slightly extended transition period to that originally planned, due to COVID-19 and the unprecedented environment.

At the conclusion of the AGM on 9 July 2020, Paul Moody, Independent Non-Executive Director, stepped down from the Board. Sharon Flood, Independent Non-Executive Director, succeeded Paul as Chair of the Remuneration Committee. Sharon was Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance, Remuneration, Corporate Social Responsibility and Pets Come First Committees (now the ESG Committee). We commenced our search for a new Chair of the Audit and Risk Committee and Karen Whitworth was appointed as Independent Non-Executive Director with effect from 9 July 2020. Karen was also appointed as Chair of the Audit and Risk Committee and was a member of the Nomination and Corporate Governance Committee.

Karen qualified as a Chartered Accountant at Coopers & Lybrand (now PwC) and has 18 years' experience operating at board level in a variety of commercial, operational and governance roles across several private and publicly listed organisations. More recently, Karen spent 10 years at J Sainsbury plc, the last three of which as a Member of the Commercial Board and Director of Non-Food Grocery and New Business, and prior to that as Supply Chain Director and Director of Group Internal Audit. Until 2018, she was a Supervisory Board member and member of the Audit Committee at GS1 UK Limited. Karen is currently a Non-Executive Director of Tritax Big Box REIT plc and a Non-Executive Director and Chair of the Audit Committee at The Rank Group plc.

Karen notified the Board of her intention to accept a non-executive director role with Tesco Plc and would therefore be stepping down from the Board on 20 May 2021. We thank Karen for her valuable contribution to Board and Audit and Risk Committee discussions this year.

We commenced our search for a new Chair of the Audit and Risk Committee and were delighted to announce on 22 December 2020 that Zarin Patel would be appointed as Independent Non-Executive Director with effect from 14 April 2021 and would succeed Karen as Chair of the Audit and Risk Committee on 20 May 2021. Zarin will also be a member of the Nomination and Corporate Governance Committee and the Remuneration Committee. Zarin is a chartered accountant who spent 16 years at KPMG followed by a nine year period as Chief Financial Officer of the BBC and latterly was the Chief Operating Officer of The Grass Roots Group plc, a customer and employee engagement specialist. Zarin was also previously an independent member of the Audit and Risk Committee of John Lewis Partnership Plc. Zarin is currently a Non-Executive Director and Chair of the Audit and Risk Committee of Anglian Water Services Limited, a Non-Executive Director of Post Office Limited and member of the Audit and Risk Committee and an independent member of the Audit and Risk Committee of HM Treasury. Zarin is a Trustee of National Trust and Chair of its Audit Committee. Zarin brings a wealth of experience and will add value to the Board's commercial discussions as a result. We are delighted to welcome Zarin to the Board and look forward to working with her this year.

Succession planning and Group talent development

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. The Group's talent strategy is continuing to evolve and the Group's Talent Director is working with the Committee on leadership capability.

This year the Board has also focused on succession and development plans at Board level.

The Board recognises that more work is required in order to ensure that a clear development framework is in place for identified successors and this will continue to be a focus of the Committee for the next financial year.

During the year, the Group has been pleased to appoint, at Executive Management Team level, its first Director of Propositions, which will add increased focus to the Group's subscription propositions and also a Trading Director, to further complement the commercial team.

Board evaluation and effectiveness

Last year, we carried out an internal Board evaluation that included the completion of an online questionnaire that considered topics covered by the 2019 independent external evaluation carried out by Lintstock Limited and other areas which the Board wanted to assess. This year, we have again undertaken an internal Board evaluation by way of completion of an online questionnaire which covered topics such as: effectiveness of monitoring culture and behaviours, understanding of pet and customer welfare, understanding of performance against competitors and the pet care market and understanding of key stakeholder views. As part of the evaluation, I also held discussions with each Board member and provided performance feedback. The Board considered the output from the review in March 2021 and concluded that the performance of the Board, its Committees and individual Directors was effective. The overall performance of the Board was rated highly, as were the relationships between the individual Board members. Any areas for improvement have been agreed by the Board and are detailed on page 99 of the Governance Report.

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 94-95 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 93 of the Governance Report.

For further information on Board composition, diversity and independence, see the Governance Report on pages 93 to 95.

Ian Burke
Chair Nomination and Corporate Governance Committee

27 May 2021

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
Tony DeNunzio	1/1 (resigned 21 May 2020)
Dennis Millard	3/3
Paul Moody	1/1 (resigned 9 July 2020)
Sharon Flood	3/3
Stan Laurent	3/3
Peter Pritchard	3/3

What we did in FY21

- Continued to focus on the monitoring and delivery of our high standards of pet welfare across the Group in the context of the pandemic
- Developed and approved the social value strategy "Our Better World Pledge", the actions and long term targets including our Net Zero 2040 commitment
- Reviewed our Human Rights approach

What we will do in FY22

- Across the year four "deep dives" are scheduled to enable more detailed discussion around our material impacts. These will cover people, pet welfare, climate action and our products and supply chains
- Review and approve a milestone plan to deliver our Net Zero commitments
- Review and approve an updated version of our Human Rights strategy

Introduction and strategic approach

The Committee oversees the governance of becoming the most responsible pet care business in the world. In my third year as Chair I am delighted to see the progress that we have made in creating a new social value strategy, Our Better World Pledge, which builds on the strong foundations that have been built over many years of hard work across the business.

Our strategic approach to ESG is organised around three pillars of Pets, People and Planet 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 vision, to become the best pet care business in the world and the social value vision to become the most responsible pet care business in the world.

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 has included an update on our human rights approach and the initiation of an independent review into our salient human rights risk across the Group. This important piece of work will enable an updated strategy to be developed in FY22.

This year has seen the Committee increase its focus on our environmental impact. The Group has always had strong governance over our direct operational impacts, introducing a 100% renewable electricity purchasing commitment for our main Group contracts from 2017, achieving very low levels of waste to landfill and reducing our location based scope 1 and 2 carbon emissions by 39% since 2015/16 while growing our sales by 47%. During the year the Committee's focus has moved to our long term targets and the development of our net zero scope 1 and 2 by 2030 commitment and our net zero 2040 commitment for all scopes.

During the year 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 sponsored by a Group Executive Team member and are developing programmes to deliver the long term targets.

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, four additional Board members have selected to attend the meetings. Peter Pritchard is the Executive member of the Committee and Louise Stonier, Chief People and Culture Officer, Amy Whidburn, Group Head of Social Value and Karlien Heryrman, Head of Pets, attend each Committee meeting.

Highlights

When the Committee met in April 2020 the focus of the meeting was the health and welfare of pets in our care and at our breeders during the first lockdown. We had stopped selling pets on 22 March, the day before the first national lockdown started and our breeders stopped breeding pets during this period. The welfare of pets was put first at all stages and a colleague adoption scheme was successful in rehoming pets into forever homes and preventing the number of pets in our care rising above the levels that met our strict requirements. As the lockdown progressed and our social distancing measures were put in place we were able to gradually reintroduce pet sales safely.

The Committee meeting in October 2020 reviewed and approved the new Social Value strategy called "Our Better World Pledge". In the October 2019 and February 2020 meetings, the Committee had already discussed and approved the materiality assessment and the areas of focus for the strategy. The October update included the full strategic framework with the vision and purpose of the strategy, the long term actions that the Group would commit to and 10 initial ambitious targets including a commitment to achieve net zero carbon emissions in the operations and value chain by 2040.

Key discussions at strategy approval included the sustainability impact of pet ownership particularly through pet food and its ingredients and manufacturing processes. This will need to be further understood in light of the benefits that the pet food market brings in terms of full animal utilisation. This discussion was in the context of the assessment of scope 3 emissions that had been conducted.

Human rights was a focus on the October Committee meeting when the annual update to the modern slavery act statement was reviewed and approved. The Committee approved recommendations to increase internal human rights capability and to proceed with an independent assessment of the Group's salient human rights issues. This was completed during FY21 and the results presented to the Committee in April 2021.

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 managing pet welfare during the pandemic, the Committee received an update regarding the "rabbit pledge" that the Group has developed to ensure the continued focus on improving the welfare of rabbits. This has included reducing the number of stores that sell rabbits to those that also have a veterinary practice on site and increasing the price.

The dashboard used to report on pet welfare has been updated and was presented to the Committee for the first time in the February Committee meeting.

A review of clinical governance in the Vet Group was presented in the February 2021 Committee meeting. The Royal College suspended the auditing aspect of the RCVS Practice Standards because of the pandemic and the difficulty in conducting physical visits. The excellent progress made until this point will not have been lost and the First Opinion veterinary business will be able to continue to make progress with over three quarters of practices now enrolled in the scheme. The internally developed 'Aspiring to Clinical Excellence' audit programme was suspended in terms of inspections with only a third of the forecasted number being completed during the year as the priority for practices in the year was to engage with the new ways of working required under the pandemic and the new guidelines issued by the Royal college on remote consultations and prescribing. The results of antibiotic usage auditing were shared and demonstrate a continued positive reduction in antibiotic use across the Group over time.

The Committee received an update on the sustainability approach to the new Distribution centre including consultancy support to review the options for energy generation, water harvesting, biodiversity and low carbon heating and cooling.

An annual plan of topics to be discussed at the four ESG Committee meetings scheduled during the year has been agreed at the February Committee meeting.

The Terms of Reference (ToR) for the ESG Committee were reviewed in the February 2021 meeting and the changes approved at the March 2021 Board meeting to reflect the new strategy and new focus areas described above. The ToR can be found on the Pets at Home Group plc Investor Website.

Susan Dawson

Susan Dawson
Chair of the ESG Committee

27 May 2021

Directors' Remuneration Report

Sharon Flood
Chair of the Remuneration Committee

Who is on the Remuneration Committee?

Member	No. of meetings
Sharon Flood (Chair)	4/4
Dennis Millard	4/4
Susan Dawson	4/4
Paul Moody	3/3 (resigned 9th July)

Introduction

On behalf of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for FY21 and my first Report as Committee Chair.

FY21 was a challenging year for the Group, however, I am extremely proud of our leadership team, in particular, for how they naturally responded to, and prioritised the care of our colleagues, our Partners, our customers and their pets and the value that they have created for all of our stakeholders resulting in a step change in our journey to becoming the best pet care business in the world. Our hardworking passionate and skilled colleagues and Partners across the Group, have demonstrated remarkable resilience by working tirelessly in adverse circumstances over the past year. I am incredibly grateful for their tireless efforts and proud of their collective achievements.

At various points throughout FY21 the Group was impacted by the trading restrictions placed on our Vets and grooming business due to national or local lockdowns. We also incurred substantial costs in keeping our colleagues, pets and customers safe during the global pandemic. Despite these challenges, the business has reported strong results for FY21. These results reflect the execution of our four-pillar, pet care ecosystem strategy combined with growth in the pet care market. Our strategy and strong execution allowed us to take full advantage of this growth. These results were achieved without taking any Government job retention support and without making any colleague redundancies or pay cuts other than the voluntary pay cuts taken by the Executive Management Team and the Non-Executive Directors as detailed below. The Committee is keenly aware of the impact of the pandemic on our colleagues and on broader society and has carefully considered the fairness of Director pay decisions and overall pay levels in this context. The Committee is comfortable that the outcomes documented below are fair given wider stakeholder experience and reflect the strong performance of the business during the year.

Remuneration in context

As noted above, the Committee took care to reflect on the experiences of key stakeholders during the year, as well as overall Group performance when making Director remuneration decisions in respect of FY21 and for implementation of policy for FY22. We have outlined the key factors that were considered in our decision-making process below:

Business Performance

As outlined in the Chairman and CEO statements, the business performance has been strong in a continually challenging market. The Group has seen the results of investments made in our online distribution capability, with LFL multichannel revenue growth of 71.7%, and the successful launch of our Click & Collect service. Our investments in data and digitisation have provided the platform to deliver the strong customer proposition which has underpinned our sales and profit performance. In the Vet Group the underlying performance of the Joint Venture First Opinion practices demonstrated strength and resilience across a range of metrics including customer sales, profitability and indebtedness.

1. Across our Vet Group, our Joint Venture Partners operate independent businesses and are solely responsible for the decisions made in respect of their colleagues. A number of Joint Venture Partners elected to participate in the JRS.

Financial highlights include:

- Group total revenue growth of 7.9% to £1,142.8m; with Retail LFL revenue up 8.8% reaching £1.0bn for the first time despite COVID-19 related restrictions during the year.
- Vet Group revenue and LFL revenue growth of 1.6%[1] and 7.9% respectively, with LFL customer sales growth across all First Opinion practices of 9.5% and LFL Joint Venture fee income up 6.3%.
- Omnichannel revenue growth of 71.7%, or 119.0% on a two-year basis, with previous investment in distribution capacity and fulfilment capacity supporting participation of Retail revenue of 15.8% in the year, up from 10.0% in the prior year.
- Group underlying PBT of £87.5m, ahead of guidance, represents a decline of just 6.4% YoY and is post an adverse COVID-19 related impact on profit of approximately £30m and the repayment of £28.9m of business rates relief.

Strategic highlights include:

- The number of VIPs increased 9% YoY to 6.2m, +41% on a two-year basis, with those shopping across more than one channel up 10% YoY, and representing 26% of VIPs.
- The number of Puppy and Kitten club members grew 60.9% YoY with sign-ups in H2 double that of the prior year. Puppy and Kitten club members typically spend 34% per annum more than non-members across the Group.
- The number of subscription customers across the Group grew 21% YoY to over 1.0m, generating over £90m in annualised recurring customer sales.
- Our share of the pet care market pre-pandemic had grown to approximately 20% across our segments. We continued to increase our share across all channels of this growing market over the past year and saw growth over the last three quarters and, combining our internal data with a range of third-party UK market reports, we estimate that our share of the pet care market across our segments increased to approximately 23%

Impact of COVID-19 on the FY21 results

Despite strong results, the financial performance of the Group was impacted by the following:

- We temporarily closed our grooming salons and stopped the sale of pets, and our First Opinion practices and Specialist Referral centres were subject to regulatory restrictions on permitted procedures.
- We incurred additional costs through, inter alia, social distancing measures across our stores and Distribution Centres, the provision of personal protective equipment, cleaning and sanitisation, pet welfare as well as the payment of an additional Thank You bonus to frontline colleagues and the creation of a Colleague Hardship Fund.
- This resulted in an estimated £30m adverse financial impact in the year, all of which is included in our underlying results.

No Government support:

As noted above, the Group did not benefit from any support from the Government.

- The Group funded furlough for its directly employed colleagues who wanted to take part in the scheme and topped up the payments for those colleagues who were shielding (as detailed below under Supporting our colleagues).
- Business rates were repaid totalling £28.9m.
- No other Government loans or support were received.

Across our Vet Group, our Joint Venture Partners operate independent businesses and are solely responsible for the decisions made in respect of their colleagues. A number of Joint Venture Partners elected to participate in the JRS.

Shareholder experience

Overall, the shareholder experience in FY21 was positive:

- We have continued to pay our usual dividend throughout the year. The final dividend per share of 5.5p is an increase of 10% YoY, reflecting the strong performance in our second half, strong liquidity with a FCF position of £67.4m and a robust balance sheet, giving a total dividend of 8.0p for the year, up 7% YoY. It will be recommended by the Board at the AGM on 8th July 2021.
- We have not raised any equity during the year.
- Share price and TSR performance have been strong with an increase of 65% and 109% respectively to the end of the financial year.

Colleague, customer and community experience

Throughout the pandemic our colleagues have been on the frontline supporting the health and wellbeing of the nation's pets. Our colleague contributions have been pivotal in helping to deliver consistently strong results throughout the year. We have also sought to play a key role in supporting our customers and their local communities. You can read the full details of the Group's actions on pages 10 and 11, however, some of the highlights include:

Supporting our colleagues

- **Shielding colleagues:** We funded full pay for the first 12 weeks of shielding and 80% thereafter and extended the Government category guidelines to include our clinically vulnerable colleagues, our pregnant colleagues and those colleagues over 70 years of age.
- **Those with caring responsibilities:** We funded voluntary 'caring support furlough'. We also provided all colleagues with an additional bank of five family support days that they could use throughout the year.
- **Frontline colleague bonus:** All colleagues will receive their usual annual bonus in respect of FY21 in line with the usual timeline. The frontline colleague bonus pot for FY21 will exceed the amount awarded in FY20 (£4.2m FY20 vs £5.8m FY21). The bonus pot of £6.3m includes an enhancement of £1m for our frontline colleagues to recognise the extra lengths that they have gone to this year. It also includes Xmas and Easter vouchers given to all frontline colleagues of £0.8m and the additional £1.9m Thank You bonus given to our frontline colleagues in April 2020.

- **National Living Wage (NLW):** In March 2021, we increased our entry level rates by nearly 4% to a minimum of £9.06, 15p ahead of the current NLW (£8.91). Our hourly paid retail store and grooming colleagues now have the opportunity to reach the Real Living Wage on completion of the first stage of our training programme, which is reached within the first 6 months of employment, representing our highest increase of 8.3% at some of our skilled hourly paid levels.
- **Colleague share ownership:** Our first RSP vested in July 2020, which resulted in enhancing or creating new shareholders in over 5,000 of our colleagues. We also granted a further 2.1m shares to over 9,300 colleagues via the RSP in June 2020.
- **Caring4colleagues:** We donated £1m to our Colleague Hardship Fund to support any colleagues or Partners across the Group who find themselves in hardship as a result of the pandemic. We also developed comprehensive award-winning wellbeing resources and support tools for our colleagues. We shut our stores on Boxing Day to give all our retail store and grooming colleagues an invaluable two-day break.

Supporting our Customers
Our immediate priorities were to ensure the safety and wellbeing of all our colleagues, customers, and pets, and we rapidly adapted our retail and veterinary operations to be able to continue providing essential pet care to our customers in a safe and appropriate manner.

- We launched Click & collect.
- Safe distance markers, masks, sanitisers, control of numbers and Perspex screens were installed across our Group.
- Deliver to car zero contact service was launched.
- Home delivery was extended.

Supporting our communities

- We have raised over £6m for pet rescue charities through our charity, The Pets at Home Foundation, (which was previously called Support Adoption For Pets), and through VIP lifelines that are donated when customers swipe their VIP cards.
- We made a £100k donation to CaRE20 (The British Retail Consortium, Retail Week and the Retail Trust campaign to support retail colleagues in hardship).
- 10% discount was implemented for NHS workers.

Directors' Remuneration in respect of FY21

FY21 was the first year of our new Remuneration Policy, approved by shareholders in 2020.

Salary and Non-Executive fee forfeiture (more information on page 131-132):
There was unanimous agreement that the entire Executive Management Team, Executive Directors, Senior Leadership Team and the Non-Executive Directors would take a voluntary 20% pay cut effective from 20 April 2021 to the end of May 2021. This was in line with the timing of our Company funded voluntary furlough option we offered to some of our colleagues.

Salary increases in respect of FY21 were disclosed in last year's report. Implementation of the increases was delayed to coincide with all salaried colleagues' increase in October. They will continue to be awarded in October going forward.

Annual bonus (more information on page 131):
As in prior years, the Executive Directors were assessed against Group Profit Before Tax (PBT) (75%) and Group Free Cash Flow (FCF) (25%).

Targets were set in July against a budget that was agreed to be ambitious and stretching. At the time the targets were set, the maximum PBT target was well ahead of the range of analyst forecasts and FCF targets were within the wide range of analyst forecasts. Targets were set assuming that the business would benefit from business rates relief during the period (whereas in fact business rates of £28.9m were repaid) and did not factor in an extended lockdown period. In the light of the business and stakeholder context set out above, 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 disclosed in last year's report, the bonus for FY21 will be delivered in cash.

The underlying PBT target range was set between £74.8m and £83.8m. Actual PBT of £87.5m was in excess of the maximum target. The Group Free Cash Flow target range was set between £35.6m and £41.6m. Actual Free Cash Flow of £67.4m was also in excess of the maximum target.

Given the uncertain economic environment and ongoing impact of the pandemic on the business, it was decided that the bonus opportunity for the Executive Directors for FY21 would not be increased in line with the new policy. Therefore, the formulaic outcome was equal to £526,285/100% of salary for the CEO and £365,235/100% of salary for the CFO (rather than 170% and 150%, respectively, as permitted in the policy).

In the light of the business and stakeholder context set out above, 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 disclosed in last year's report, the bonus for FY21 will be delivered in cash.

Restricted Stock Plan (more information on page 132):
The 2018 awards were subject to an absolute TSR underpin which was met, therefore awards will vest according to the relevant timetable. For Executive Directors this means 50% in 2021, 25% in 2022 and the remaining 25% in 2023 provided they remain in the employment of the Group at each of these dates. The annual RSP awards were granted in May 2020. The Committee agreed that no windfall gain could be made. The Executive Directors awards granted in May 2020 remain subject to the absolute TSR financial underpin and will vest 100% in 2023 subject to a 2 year post vest holding period.

Directors' remuneration in respect of FY22

Base salary

The pay review date for the Executive Management Team will now align to the wider management and salaried colleague population and will take place in October rather than March resulting in an 18-month gap since the previous pay review in March 2019.

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 the impact of COVID-19 on the business. The Committee may over time approve salary increases that are broader than the wider colleague population.

The Committee will also carry out an annual benchmarking review of the Non-Executive Directors' fees in October to ensure they remain in line with the market since these have not changed since 2014.

Pension

Pension contributions for new Executive Directors are now set in line with the rate provided to the majority of our salaried colleagues, which is currently 6.5% of salary (a reduction from the current policy maximum of 15%).

For incumbent Executive Directors, pensions will be reduced to 6.5% of salary by the end of FY22.

Annual bonus

FY22 will be the first year in which the bonus opportunity increases and bonus deferral introduction approved in 2020 are implemented. As disclosed in last year's report, the maximum bonus opportunity increases from 100% to 170% of salary for the CEO and from 100% to 150% of salary for the CFO. In addition, one-third of any bonus paid will be deferred for two years.

Bonus measures for FY22 have been updated to reflect our evolving strategy. Alongside the existing PBT and FCF measures we are introducing a third Pet Care Plans subscriptions metric. Pet Care Plans are a key driver of future growth, they create predictability through repeat orders and provide high margin revenue. In addition they promote the health and wellbeing of pets through the provision of healthcare insurance and monthly flea, tick and worm treatments and are convenient for our customers. Targets will be based on growth in the number of plans sold in line with our strategy. This metric will also be filtered down to colleague bonuses. The Committee has carefully considered the implications of a metric aligned to product sales and has taken measures to ensure that customers are provided with all of the necessary information needed to pause or discontinue subscriptions and that colleagues are guided by the best interests of pets and their owners. The Committee will review the application of these measures on a regular basis throughout the year. The weightings for FY22 will be PBT (60%), FCF (20%) and Pet Care Plans (20%). We are also introducing a requirement for all colleagues, including the Executive Directors, to complete one Better World Pledge day during the year which will provide significant non-financial support to a range of different organisations, in addition to the financial support we already provide. Colleagues can support a range of people, pet or climate focussed organisations and charities. For Executive Directors, personal and overall colleague attendance of Better World Pledge days will be considered when the Committee reviews the bonus outturn for the other metrics, and low attendance may result in a reduced pay-out (note no upwards adjustment would be considered in relation to this metric).

Restricted stock awards

No changes are being proposed to the operation of the plan for FY22. Awards granted during FY22 will continue to be set at a face value of 75% of salary and vest subject to an absolute TSR underpin with a three-year vesting schedule and two-year post vesting holding period as set out in the Remuneration Policy. The Committee is still mindful of the current COVID-19 potential impact on share prices and has indicated that if necessary, it will use its discretion to prevent any windfall benefit arising in the future as previously agreed when awarding the 2020 grant in FY20.

Closing remarks

We hope that you find this report helpful and look forward to your support of the resolution for approval of the Annual Report on Remuneration by advisory vote at the Company's AGM on 8 July 2021. As the current Directors' Remuneration Policy was approved by shareholders at the 2020 AGM, no further changes to the policy are being proposed this year.

As ever, we would welcome any feedback or comments from shareholders on this report.

Sharon Flood

Sharon Flood
Chair of the Remuneration Committee

27 May 2021

Our Directors' Remuneration Policy

The Committee considered a range of materials when they undertook the policy review in FY20 including:

- Feedback following interviews with 12 key internal stakeholders (including Executive and Non-Executive Directors, HR and 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 130 and 135;
- Consultations with investors received prior to the 2019 AGM;
- Proxy agency reports on our FY19 DRR;
- The feedback received from Director engagement with our largest shareholders and their proxy advisors undertaken between December and January on the potential changes in our policy;
- Company performance over the policy review period;
- Recent governance updates, including the 2018 UK Corporate Governance Code;
- The total pay opportunity in comparison to highly relevant external market benchmarks;
- The experience of our colleagues, shareholders and wider stakeholders;
- We have continued to engage with our shareholders on executive remuneration following the policy review throughout FY21 during our consultations regarding our environment, social and governance (ESG) strategy.

(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 was approved by shareholders at the Annual General Meeting on 9 July 2020 and became effective on the date it was 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.

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 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 for their reward spend by: • 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	• 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	• The absolute TSR underpin guarantees baseline performances below which awards will not vest. • Serves as a security mechanism to prevent pay-outs for poor performance.
Share price	• 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

Pay element – Fixed pay

Base Salary		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
The Company provides competitive salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	• 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): – 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	• 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.

Benefits		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
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.	• The Company provides a range of benefits, which may include: – 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.	The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits. The Committee keeps the level of benefit provision under regular review.

Pension		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
To provide colleagues with an allowance for retirement planning.	• Pension contributions are made to either the Group Pension Plan, or to personal pension schemes, or cash allowances in lieu of contributions are paid.	• The employer contribution level for any new executive appointments to the Board post 26 March 2020 is capped at the rate provided to the majority of salaried colleagues from time to time (currently 6.5%). • The maximum for incumbent Executive Directors was reduced from 15% to their current level of 9%, and will be aligned to the same maximum rate as for new hires by the end of FY22. It should be noted that Executive Directors have never received the maximum of 15%.

Pay element – Variable pay

Annual bonus			
Purpose and link to strategy	**Operation**	**Maximum opportunity**	**Performance measures**
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.	• 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 128 of the Policy. • Change of control provisions apply as set out on page 128 of the Policy. • Leaver provisions apply as set out on page 128 of the Policy.	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.	• Each year, the Committee determines the measures and weightings within the following parameters: • 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. • 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.

Long Term Incentive Plan[1]			
Purpose and link to strategy • 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.	**Operation** • 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 TSR underpin has been achieved. • 100% of the award will vest on the third anniversary of grant, subject to the achievement 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 awards, the holding period. • Malus and clawback provisions apply to these awards in circumstances as set out on page 128 of the policy. • Change of control provisions apply as set out on page 128 of the policy. • Leaver provisions apply as set out on page 128 of the policy.	**Maximum opportunity** 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.	**Performance measures** • 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.
SAYE[1]			
Purpose and link to strategy • An all-colleague plan, which encourages long term shareholding and aligns the interests of UK colleagues with shareholders. • Executive Directors are eligible to participate.	**Operation** • SAYE is a 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%).	**Maximum opportunity** • 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.	**Performance measures** • There are no performance measures attached to awards under the SAYE.
Chair and Non-Executive Directors' Remuneration Policy			
Purpose and link to strategy To attract and retain high calibre individuals by offering market competitive fee arrangements.	**Operation** • 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.	**Maximum opportunity** • Current fee levels can be found on page 137. • 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.	**Performance measures** n/a.

1 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.

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 2017.

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 extend 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 126.
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 123-124.	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 effective 27 March 2020 onwards).
Buy-out awards	• 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.	• 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 126. • 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.

(c) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is on page 128. 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	• The service contract for Peter Pritchard 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.	• 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	• 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.	• 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	• 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.	• 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	• 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.	• 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.
Change in control	• 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.	• 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	• 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 in the event of: – A material misstatement of audited results; – Serious financial irregularity; – Any circumstances justifying summary dismissal of a participant from his office or employment with any Group company including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust;	• 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	• 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 re-appointment by shareholders at the AGM.
Appointment terms	• 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	• As set out on page 137.
Expiry of current term	• See page 104 for details of the expiry of the current term of Non-Executive Directors' letters of appointment.

Availability of documentation

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.

(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 remuneration package for Executive Directors in FY21, 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%.

2021	Minimum		Meeting expectations		Maximum		Maximum + 50% RSP(3)	
	Peter Pritchard	Mike Iddon	Peter Pritchard	Mike Iddon	Peter Pritchard	Mike Iddon	Peter Pritchard	Mike Iddon
50% RSP[3]							£206,250	£138,650
RSP[2]			£412,500	£277,500	£412,500	£277,500	£412,500	£277,500
Bonus			£467,500	£277,500	£935,000	£555,000	£935,000	£555,000
Fixed Pay[1]	£608,132	£413,853	£608,132	£413,853	£608,132	£413,853	£608,132	£413,853
Total	£608,132	£413,853	£1,488,132	£968,853	£1,955,632	£1,246,353	£2,161,882	£1,385,103

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

1 Fixed pay includes car allowance, pension earned, current salary and private health insurance. This does not reflect the 20% pay cut the Executives actually took during FY21.
2 RSP is 75% of salary and is illustrated above as 75% of current salaries (excluding the 20% pay cut).
3 50% RSP has been calculated using the closing share price of £3.862 on 25 March 2021 plus 50%, resulting in a share price of £5.79.

Scenario	Assumptions
Fixed pay	
All performance scenarios	• 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 FY21 • Pension – based on existing 9% contribution levels
Variable pay	
Minimum performance	• No pay out under the annual bonus • No vesting under the RSP
On-target performance	• 50% of the maximum pay-out under the annual bonus (i.e. 85% of salary for the CEO and 75% for the CFO) • 100% vesting under the RSP (i.e. 75% of salary)[1]
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 170% of salary for the CEO and 150% for the CFO) • 100% vesting under the RSP (i.e. 75% of salary)
Impact of 50% share price increase over the period	• Based on the share price on 25 March 2021 (£3.862), the last day of the financial year FY21 plus 50%

1 Under the RSP, the normal maximum limit of 75% of salary has been shown.
2 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 together with the additional thank you payments that have been made throughout the year to our front line colleagues. The Committee is also consulted concerning any major changes in colleague benefit and pay structures throughout the Group.

The remuneration package for all colleagues (including the Executive Directors) is 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) and the financial and economic environment of the Group, 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. In FY21, this included the decision to increase our entry level rates by nearly 4% to a minimum of £9.06 per hour, 15p ahead of the current NLW (£8.91). Our hourly paid retail store and grooming colleagues also now have the opportunity to reach the Real Living Wage on completion of the first stage of our training programme, which is reached within the first 6 months of employment representing our highest increase of 8.3% at some of our skilled hourly paid levels. 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. The appointment of Sharon Flood, replacing Paul Moody, as the Non-Executive 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. In addition, during the COVID-19 crisis the buddy programme has given colleagues across the Group the chance to directly engage with both the CEO, CFO and CPCO in raising concerns and feeding into solutions to address issues including remuneration matters. Further details on this are outlined in the Chairman's statement in this report on page 91.

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. Our first RSP vested in June 2020, which resulted in enhancing or creating new shareholders in over 5,000 of our colleagues. The next RSP awards will vest at the end of May 2021 which will further enhance or create new shareholdings for over 4,700 colleagues. We also granted a further 2.1m shares to 9,300 colleagues via the RSP in June 2020.

(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 and 2020 Policy, and we have continued to do so during the year when consulting on our ESG strategy.

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.

Our new Remuneration Policy was presented and approved at the July 2020 AGM receiving 85.98% votes for (Votes 'for' include discretionary votes.).

(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.

2. Annual Report on Remuneration

a) Directors' remuneration – report on implementation for the year ended 25 March 2021

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 133 represents the audited section of this report.

(b) Single total figure of remuneration for Executive Directors for the year ended 25 March 2021

The following table sets out the total remuneration for Executive Directors for the year ended 25 March 2021. All payments are in line with the Policy and base pay includes the voluntary 20% pay cut effective from 20 April 2020 to the end of May 2020 which was in line with the timing of our company funded voluntary furlough option we offered to some of our colleagues.

Director	Base salary (£)	Benefits (£)	Pension (£)	Total fixed pay	Annual bonus (£)	Long term incentives (£)	Total variable pay	Total (£)
FY21								
Peter Pritchard	514,703[1]	11,921	46,197	572,821	526,285	1,041,809[2]	1,568,094	2,140,916
Mike Iddon	356,920[1]	11,921	31,918	400,756	365,235	745,625[2]	1,110,860	1,511,619
FY20								
Peter Pritchard	504,084	11,846	45,368	561,298	504,084	534,328[3]	1,038,412	1,599,710
Mike Iddon	360,774	11,846	32,470	405,090	360,774	445,275[3]	806,019	1,211,109

1. Base salaries include the voluntary 20% pay cut effective from 20 April 2020 to the end of May 2020 which was in line with the timing of our company funded voluntary furlough option we offered to some of our colleagues.
2. The 2018 RSP will vest in full on 23 May 2021 since the absolute TSR underpin which is calculated as at the end of FY21 had been achieved. The value has been calculated using 386.2p being the closing share price on 25 March 2021, the financial year end which corresponds to the end of the performance period. The figure reflects 100% of the 2018 RSP award, however the true value will vary due to the phased release over the three years: 50% in FY21, 25% in FY22 and 25% in FY23, and will be subject to the share price at the time.
3. The 2017 RSP vested in full on 25 July 2020 since the absolute TSR underpin which is calculated as at the end of FY20 had been achieved. The value has been calculated using 271p being the closing share price on 26 March 2020, the financial year end which corresponds to the end of the performance period. The figure reflects 100% of the 2017 RSP award, however the true value will vary due to the phased release over the three years: 50% in FY20, 25% in FY21 and 25% in FY22, and will be subject to the share price at the time.

Base salary – corresponds to the amount received during the relevant financial year and includes the voluntary 20% pay cut.

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 receive a Company pension contribution worth 9% 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 in the footnotes above.

Annual bonus

The Executive Directors were assessed against stretching PBT and FCF targets. Underlying PBT, on a like for like basis was £87.5m, which was ahead of guidance. This represents a decline of just 6.4% YoY and is post adverse COVID-19 related impact on profit of approximately £30m and the repayment of £28.9m of business rates relief. FCF after interest, tax and before acquisitions was £76.1m before purchase of own shares, and £67.4m after purchase of own shares which also exceeded the maximum target.

- Given the uncertain economic environment and ongoing impact of the pandemic on the business, it was decided that the bonus opportunity for the Executive Directors for FY21 would not be increased in line with the new Policy. Therefore, the maximum annual bonus opportunity for Executive Directors in respect of FY21 was 100% of base salary.
- As in prior years, for FY21, Executive Directors have an annual bonus based on Group PBT (75%) and Group FCF (25%).
- FCF was set at Group level and is defined as net cash from operating activities, less net cash used in investing activities, interest paid and finance lease commitments and is stated before loans issued, non-underlying costs and acquisitions of subsidiaries.

The table below shows the targets set on a post IFRS basis, and the achieved pay out levels for Executive Directors:

		Target			Achieved	Total
Performance measures	% Base salary	Minimum	Maximum	£m	%	%
Group PBT (post IFRS 16)	75%	£74.8m	£83.8m	£87.5m	100%	75%
Group free cash flow	25%	£35.6m	£41.6m	£67.4m	100%	25%
Total	100%				100%	100%

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. Targets were set assuming that the business would benefit from business rates relief during the period (whereas in fact business rates of £28.9m were repaid) and did not factor in an extended lockdown period. The targets were not subsequently adjusted to reflect the payment of business rates and none of the COVID-19 related costs were added back.

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 page 121, 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 disclosed in last year's report, the bonus for FY21 will be delivered in cash.

Long term incentives

Awards granted under the RSP for 2017 vested in July 2020, including awards for the Executive 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 2021 and the remaining 25% in 2022. 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 2017 award.

Awards granted to the Executive under the RSP in 2018 will vest in May 2021 as a result of the absolute TSR underpin having been met. For the Executive Directors, awards will vest 50% in 2021, 25% in 2022 and 25% in 2023.

The Committee has reviewed the outcomes of the variable incentive plans, as well as the overall levels of remuneration to ensure that, notwithstanding the impact of COVID-19, 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	Targets	Performance achieved
TSR	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.	**2017 RSP** TSR performance positive 58.7% Underpin met and award vesting will be 50% in 2020, 25% in 2021, 25% in 2022.
		2018 RSP TSR performance positive 166.7% Underpin met and award vesting will be 50% in 2021, 25% in 2022, 25% in 2023.

(c) Single total figure of remuneration for Non-Executive Directors for the year ended 25 March 2021

The following table sets out the total remuneration for Non-Executive Directors and the Chair of the Board for the year ended 25 March 2021. The below table reflects the unanimous agreement that the entire Executive Management Team and the Non-Executive Directors would take a voluntary 20% pay cut effective from 20 April 2020 to the end of May 2020.

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 2021 (£)	Total single figure 2020 (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	27,253[1]	200,000
Dennis Millard	50,000	20,000[2]	n/a	n/a	n/a	n/a	68,385	70,000
Paul Moody	50,000	n/a	10,000	n/a	n/a	n/a	15,758[3]	60,000
Stanislas Laurent	50,000	n/a	n/a	n/a	n/a	n/a	48,846	50,000
Sharon Flood	50,000	n/a	10,000	10,000	n/a	n/a	58,615[4]	60,000
Prof Susan Dawson	50,000	n/a	n/a	n/a	n/a	10,000	58,615	60,000
Ian Burke	200,000	n/a	n/a	n/a	n/a	n/a	195,385[5]	0
Karen Whitworth	50,000	n/a	n/a	10,000	n/a	n/a	42,857[6]	0

1 Tony stepped down from his position on 21 May 2020 after an extended handover period due to the impact of COVID-19. Tony's fees have been pro-rated to reflect this.
2 The additional fee paid to Dennis Millard is in respect of his position as Deputy Chair of the Board and Senior Independent Director.
3 Paul Moody stepped down as a Non-Executive Director on 9 July 2020. Paul Moody's fees have been pro-rated to reflect this.
4 On 9 July 2020 Sharon stepped down as the Audit and Risk Committee Chair and was appointed as the Remuneration Committee Chair. Sharon's fees have been pro-rated to reflect this.
5 Ian Burke joined as a Non-Executive Director, and Chair Designate on 26 March 2020 and was appoint as Chairman on 21 May 2020. Ian's fees have been pro-rated to reflect this.
6 Karen Whitworth joined part way through the year on 9 July 2020 as a Non-Executive Director and Chair of the Audit and Risk Committee. Karen's fees have been pro-rated to reflect this.

(d) Scheme interests awarded during the financial year

In FY21 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
Peter Pritchard	29 May 2020	156,872	Nil cost awards	75%	29 May 2023
Mike Iddon	29 May 2020	112,274	Nil cost awards	75%	29 May 2023

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 241.0p.

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 (FY21-FY23). A positive absolute TSR using a standard methodology that calculates returns to shareholders based on 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 2020 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 onwards it is proposed that Executive Directors will also be subject to a post cessation shareholding requirement of 200% of salary for 1 year and 100% of salary for two years.

The Committee reviews share ownership levels annually.

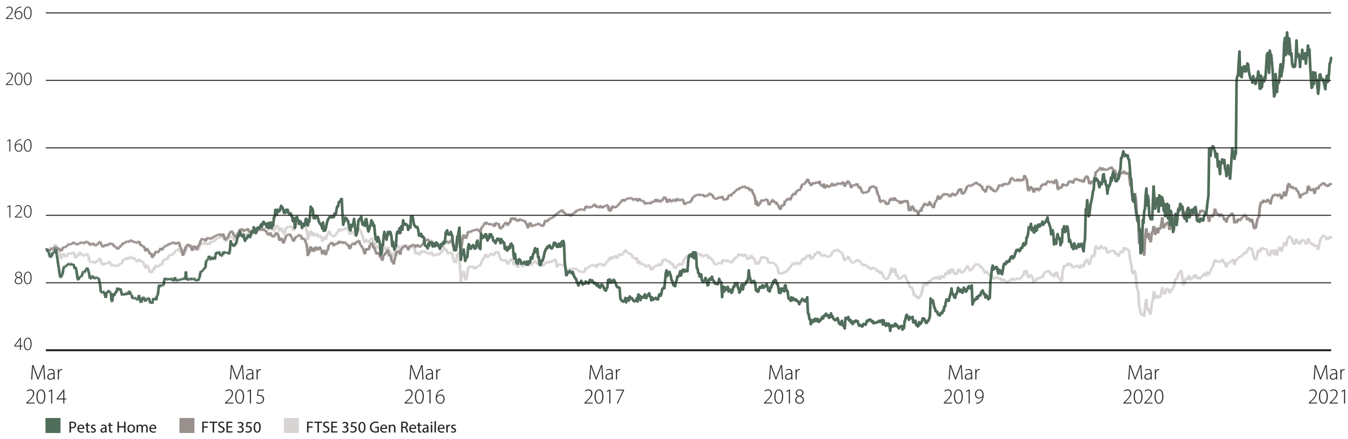
Current shareholding levels for Directors are set out in the table below:

		Number of shares			
Director	Shareholding as a % of salary	Shares owned outright at 25 March 2021	Interests in share incentive schemes, awarded without performance conditions at 26 March 2020	Interests in share incentive schemes, awarded subject to performance conditions at 26 March 2020	Shares owned outright at 26 March 2020
Peter Pritchard	1,031%	1,467,917	19,116	674,085	2,664,214
Mike Iddon	180%	172,485	19,116	505,638	129,855
Tony DeNunzio	–	3,713,026	–	–	3,713,026
Dennis Millard	–	30,000	–	–	30,000
Paul Moody	–	27,470	–	–	27,470
Stanislas Laurent	–	30,000	–	–	30,000
Sharon Flood	–	60,088	–	–	60,088
Prof Susan Dawson	–	4,195	–	–	0
Ian Burke	–	47,900	–	–	n/a
Karen Whitworth	–	–	–	–	n/a

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

(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 FY21. This disclosure will be expanded in subsequent years in line with the regulations.



CEO		FY14[1]	FY15	FY16	FY17	FY18	FY19	FY20	FY21
CEO single figure of remuneration	Peter Pritchard[7]	–	–	–	–	–	930,298	1,599,710[8]	2,140,916
	Ian Kellett[2]	–	–	–	662,087	575,953	122,037	n/a	n/a
	Nick Wood[3]	19,460	790,461	962,224[4]	129,696	n/a	n/a	n/a	n/a
Annual bonus pay-out (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	75.8%	100%	
	Ian Kellett	–	–	–	20.4%	n/a[5]	n/a	n/a	n/a
	Nick Wood	73%	75%	60%	–	n/a	n/a	n/a	n/a
Long term incentive vesting (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	16.8%	100%	
	Ian Kellett	–	–	–	16.8%[6]	n/a	n/a	n/a	n/a
	Nick Wood	n/a	n/a	96%[4]	–	n/a	n/a	n/a	n/a

1. In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.
2. 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.
3. 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.
4. 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 and the value of £198,168 of the Matching Awards.
5. Ian Kellett waived his bonus for FY18.
6. 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 becomes 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 17th March and were made available on the first working day being the 18th 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.
7. 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 will vest 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 will be 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.
8. 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.

(i) Percentage change in remuneration of the Group CEO

The table below sets out the increase in total remuneration of the CEO and that of all colleagues for FY21:

	% Change in base salary FY20 to FY21	% Change in bonus earned FY20 to FY21	% Change in benefits FY20 to FY21
Chief Executive	9.1%	4.4%	no change
All colleagues[1]	4.83%	4.7%	no change

1. All colleague information is presented by comparing the average colleague information used in FY20 to the equivalent average colleague population in FY21 and includes colleagues who started on or at the beginning of FY21 who had the potential to each a full year's bonus.

The table below sets out the historical changes in CEO annual increase compared to those granted to all colleagues as previously reported:

	% Change in base salary FY16	% Change in base salary FY17	% Change in base salary FY18	% Change in base salary FY19	% Change in base salary FY20	% Change in base salary FY21
Chief Executive	3%	6.4%	2%	2%	0%	9.1%
All colleagues	3%	2%	2%	2.51%	2.78%	4.83%

The 2017 CEO change reflects the appointment and promotion of Ian Kellett into the role of CEO replacing Nick Wood.

(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.

	FY21 £m	FY20 £m	FY19 £m	FY18 £m	FY17 £m
Underlying PBT[1]	87.5	93.5	89.7	84.5	96.5
Returned to shareholders:					
Dividend	37.1	37.1	37.2	37.3	39.9
Payments to colleagues:					
Wages and salaries	227.6	203.1	187.8	181.0	162.9

1. FY21 and FY20 results are presented post-IFRS16. All results up to and including FY19 are presented on a pre-IFRS16 basis.

(k) Our CEO pay ratio FY21

This is our second year reporting our CEO 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
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: Ratio's rounded to the nearest whole number.

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. The single figure remuneration numbers above for FY20 and FY21 include 100% of the RSP awards which have vested based on the financial year which the performance measurement period was measured over, whereas these awards vest over 3 years, 50% in year one and 25% in year two and three. It should also be noted that the share price has increased between FY21 and FY22. The LTIPs in FY20 were calculated based on the closing share price on 26 March 2020 (financial year end) of £2.710 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 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 regular colleague listening groups in all our divisions combined with our annual engagement survey and regular pulse surveys ensure that our colleagues have a voice. Sharon Flood, in her role as Committee Executive for wider colleague engagement, has attended colleague and Joint Venture Partner listening sessions this year called our 'Tuned In' sessions, where she was able to gauge the wider colleague and veterinary Joint Venture Partner population in their views on the senior leadership and management of the business, wellbeing and diversity and inclusion as well as seeing first-hand how our pet care strategy is coming to fruition. These were also attended by our Chairman of the Board, Ian Burke. Our chair of our ESG Committee, Professor Susan Dawson, who is a qualified veterinary surgeon, has also attended specific listening sessions with our Veterinary Joint Venture Partners.

The Committee also receives feedback on the results from the engagement and pulse surveys to ensure the colleague voice and opinions from across the Group as well as our Joint Venture Partners are heard and considered as part of our decision making. Further steps on the measures we have taken throughout the pandemic are contained on page 91 of the Chairman's letter.

During the current COVID-19 crisis the value we place on listening within our culture has been reflected in our response and the new buddy programme involving the CEO, CFO and CPCO has ensured that our colleagues have been engaged in developing our response to the key issues and challenges we have faced.

Colleague share ownership

It is pleasing that this pillar of our engagement strategy started to come to fruition in July last year, with the maturity of the first RSP plan which was offered to both salaried and hourly colleagues at all levels which resulted in enhancing or creating new shareholders in over 5,000 of our colleagues. We also granted a further 2.1m shares to 9,300 colleagues via the RSP in June 2020. The next RSP awards will vest at the end of May 2021 which will further enhance or create new shareholdings for over 4,700 colleagues.

The Executive Management Team and Board will continue to actively encourage this process and we see it as a key differentiator in both attracting talent and aiding colleague retention. We had a further offering of the Sharesave scheme in September 2020 with a take up of 17.2%, 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 maturity of the RSP which encouraged further Sharesave interest last year.

Gender Pay Gap report

We published our Gender Pay Gap report on 5 March of this year. To aid transparency, we have reported our gender pay gap both in line with the Government standard requirements and separately shown our underlying position without the impact of COVID-19. It is pleasing to see that, even after adjusting for pandemic-related factors, our median gender pay gap has reduced. This does not include figures for our Joint Venture, veterinary partnerships since these are all individual businesses owned by the veterinary partner(s).

We were pleased to note the external recognition of our progress made on diversity and inclusion and, in addition, are pleased to confirm that we have met the Hampton Alexander target of 33% female board membership by the end of 2020 and, that across our organisation 55% of our management population are female. Our gender pay gap is caused by the factors we outlined last year; we have more men than women in the higher paying STEM careers across both support offices and more women than men in our hourly paid roles.

At Group level, our quartile position is really positive with the three bottom quartiles having gaps of around 1% or less, continuing to give us certainty on the fairness of our pay systems. Overall we have a mean gap of 16.9% on an underlying basis with the gap being driven by the lower percentage of female colleagues in the upper quartile roles.

We continued to publish reports for our Retail division (Pets at Home Limited), and our Vet division (Companion Care Services Limited, of which is our Vet Group Support Office). However, with the sale of our Specialist Hospitals we are no longer including their information within our numbers.

In our Retail Division, we continue to see progress in our mean position with a drop on an underlying basis from 17.2% to 16.3%. We can also see that within the bottom three quartiles the gender pay gap is either around 1% or less or in some cases favours female colleagues. Our improvement is again driven by our lowest earning colleagues receiving on average the highest percentage increases.

Within our Vet division our mean position on an underlying basis remained stable at 29%. Over the course of the year the Vet division did see an increase in the pay levels of female colleagues in the quartile 3 population, due to a number of internal promotions and some restructuring. However, the same changes delivered a shift in the population in quartile 4, which resulted in a higher proportion of male colleagues in that category. We were pleased to report that we have more female colleagues developing in the talent pipeline, which is clearly shown when comparing our year-on-year progress in quartiles 2 and 3. We do however recognise that we need to make further progress here.

Our actions in supporting internal development through our leadership programmes and our commitment to the 'Be Inspired' programme, as outlined on page 104 of the Corporate Social Responsibility report, combined with our wider work within our diversity and inclusion strategy as outlined within our Gender Pay Report will all help address the current imbalance over the forthcoming years. 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 26 March 2021, the Company's dilution position was 2.8% for all plans and 1.6% 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 Director 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 104 of the report.

3. Statement of implementation for FY22

This section provides an overview of how the Committee is proposing to implemented our Policy in FY22

Base salary

The date for the pay review for the Executive Team will now align to the wider management and salaried colleague population and will take place in October rather than March 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 the impact of COVID-19 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 124 of the report. There are no proposed changes in the benefits policy for FY22 other than anticipated standard inflationary increases on premiums.

Pensions

Pension for incumbent Directors will remain at the current level of 9% of salary until the end of FY22, when it will be reduced to 6.5%.

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY22 will increase to 170% for the CEO and to 150% for the CFO. The Board has also agreed to introduce a 1/3 bonus deferral policy where 1/3 of bonus will be awarded in shares and not released until a two-year holding period is complete. 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 124. As detailed on page 122 the target metrics include FCF, PBT and strategic measures linked to subscriptions with an ESG moderator.

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 FY22 following the preliminary results announcement at 75% of salary for Executive Directors in line with the Policy and subject to the absolute TSR underpin. The three-year vesting schedule and two-year post-vest holding period will apply to these awards. However, the Committee remains mindful of the current COVID-19 potential impact on share prices and has indicated that if necessary, it will use its discretion to prevent any windfall benefit arising in the future.

Sharesave

The Company intends to operate the Sharesave scheme again for FY22. 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 in October and benchmarked against relative market comparisons to see whether there has been any changes in the market since the fees were set in 2014. The table below shows the Non-Executive Director fee structure for FY22 that will be reviewed in October:

	FY22
Chair of the Board (all-inclusive fee)	£200,000
Basic Non-Executive Director fee	£50,000
Board Committee Chair fee	£10,000
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 FY21 amounted to £57,030 (FY20: £79,149) based on the required time commitment.

During FY21 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all-colleague share plans.

Our Directors' Remuneration Policy continued

Committee membership and meetings

The Directors listed below in the table served on the Committee during the year. The Committee met four times during FY21 and the Committee members' attendance is also shown in the table below:

Member	Period from	To	Meetings attended
Paul Moody	27 March 2020	9 July 2021	3/3
Dennis Millard	27 March 2020	25 March 2021	4/4
Sharon Flood (Chair)	27 March 2020	25 March 2021	4/4
Prof Susan Dawson	27 March 2020	25 March 2021	4/4

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
Tony DeNunzio	Former Chair of the Board
Louise Stonier	Chief People and Culture Officer
Peter Pritchard	CEO
Mike Iddon	CFO
Stanislas Laurent	Non-Executive Director
Karen Whitworth	Non-Executive Director
Ian Burke	Current Chairman of the Board
Nick Rumble	Group Head of Reward
Amy Smith	Group Reward Partner
Lucy Williams	Group Legal Director and Company Secretary

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

Governance

The Board and the Committee consider that, throughout FY21 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.

Shareholder voting

At the Annual General Meeting on 9 July 2020, the total number of shares in issue with voting rights was 500,000,000. Our new Remuneration Policy was presented and approved at the July 2020 AGM, receiving 85.98% votes for[1]. The resolution to approve the Directors' Remuneration Report received the following votes from shareholders:

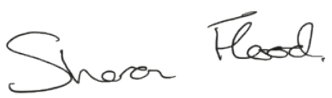
Ordinary resolutions To approve the Directors' Remuneration Report for the year ended 26 March 2020	
Votes for[1]	394,663,577
%[2]	98.31
Votes against	6,781,731
%	1.69
Votes total	401,445,308
% of isc[3]	80.29
Votes withheld[4]	82,667

1 Votes 'for' include discretionary votes.
2 Percentages above are rounded to two decimal places.
3 Issued share capital at meeting date: 500,000,000.
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 122, our Directors' Remuneration Report will be subject to an advisory vote at our AGM to be held on 8 July 2021.

On behalf of the Board



Sharon Flood
Chair of the Remuneration Committee

27 May 2021

Financial statements

Independent Auditor's Report to the Members of Pets at Home Group Plc only

1. Our opinion is unmodified

We have audited the financial statements of Pets at Home Group Plc ("the Company") for the 52 weeks ended 25 March 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company balance sheet, the Consolidated and Company statement of changes in equity, the Consolidated and Company statement of cashflows, 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 25 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of, 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

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 8 financial years ended 25 March 2021. 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	£3.75m (2020:£3.75m) 4.3% (2020: 4.0%) of Normalised Group profit before tax
Coverage	93% (2020:95%) of Normalised Group profit before tax

Key audit matters		**vs 2020**
Recurring risks	Carrying value of Vets Goodwill	< >
	Operating loans to joint venture practices	< >
Company key audit matter	Carrying value of Parent Company's investment in subsidiaries	< >

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
Carrying value of Vet Group CGU Goodwill (£360.9m; 2020: £395.1m) Refer to page 110 (Audit and Risk Committee Report), page 161 (accounting policy) and page 172 (financial disclosures).	**Forecast based valuation:** Goodwill in the Vet Group CGU is significant. The estimated recoverable amount of this balance is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows, which form the basis of the value in use. In addition, in the current year the Group has disposed of the Specialist Referral Group which formed part of the Vet Group CGU. The relative amount of goodwill allocated to the disposal is highly judgemental and impacts both the remaining carrying value of the Vet Group CGU goodwill and the profit recognised on the sale of the specialist Referral group. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the carrying value of the Vet Group CGU goodwill 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 reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 13) disclose the sensitivities estimated by the Group.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: • **Historical comparison:** Assessing the reasonableness of the Vet Group's budgets by considering the historical accuracy of previous forecasts; • **Benchmarking assumptions:** Using our own valuation specialist to assess the reasonableness of Vet Group's discount rate by comparing the Group's assumptions to externally derived data; • **Our sector experience:** Assessing whether key assumptions, such as projected economic growth, reflect our knowledge of the business and industry, including known or probable changes in the business environment; • **Accounting analysis:** We assessed whether the methodology used for the allocation of the goodwill between the disposed Specialist division and the remaining Vet CGU, based on the relative estimated recoverable amounts, was in line with the applicable accounting standards; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions and ensuring management have identified plausible • worst case scenarios in their own sensitivity analysis; and • **Assessing transparency:** Assessing whether the disclosures about the impairment test appropriately reflect the risks inherent in the valuation of Vet Group goodwill. **Our results:** • We found the Group's assessment of the carrying value of the Vet Group CGU goodwill to be acceptable. (2020: acceptable).

	The risk	Our response
Operating loans to joint venture practices £20.5m; 2020: £29.5m Refer to page 110 (Audit and Risk Committee Report), page 161 (accounting policy) and page 178 (financial disclosures).	**Subjective estimate:** A proportion of Group's joint venture veterinary practices have not performed in line with expectations, which results in a risk of recoverability of the associated operating loan. Assessing the recoverability of operating loans involves judgement over a number of assumptions in the triggers used to identify default and the percentage of loss given default, both of which are used in calculating the expected credit loss. There is a risk that the assumptions used in calculating the expected loss provision are not appropriate, and as a result there is a risk that this provision is materially under or over stated. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the operating loans to joint venture practices have 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 reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 17) disclose the sensitivity estimated by the Group. **Accounting treatment** At some practices the increased financial reliance on, for example, indebtedness to the Group might, in practice, alter the otherwise balance of power of the Group and the joint venture partner vets. A practical shift of balance in favour of the Group would make the practice in question a subsidiary and hence require consolidation.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. **Our procedures included:** • **Benchmarking assumptions:** Challenging key assumptions used, in particular the triggers used to identify default and those to calculate the loss given default for those in default; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions above; • **Assessing transparency:** Assessing whether the Group's disclosures about the estimate appropriately reflect the risks inherent in the expected loss provision. • **Accounting analysis:** Assessing, with reference to accounting standards, evidence of the exercise of the powers of the Group and the Vets at certain indebted practices to consider whether, on balance, the level of indebtedness was a barrier to the vets exercising their formal powers; and • **Assessing transparency:** Assessing whether the Group's disclosures appropriately reflect the judgements relating to non consolidation of indebted practices. **Our results:** • We found the Group's assessment of the level of loss provision and the carrying value of the operating loans to be acceptable (2020: acceptable). • We found the non- consolidation of the joint venture veterinary practices to be acceptable (2020: acceptable).
Carrying value of the parent Company's investments in Subsidiaries £936.2m; 2020: £936.2m Refer to page 110 (Audit and Risk Committee Report), page 161 (accounting policy) and page 199 (financial disclosures).	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 61.3% (2020: 61.8%) of the parent company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their 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.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. **Our procedures included:** • **Tests of detail:** comparing the value of investments to the market capitalisation as at the period end date and post year end. Obtain management's view on impairment of investments and ensure this is consistent with our audit testing. • **Comparing valuations:** for the investments where the carrying amount exceeded the net asset value, comparing to the VIU calculation prepared by management in relation to the goodwill impairment; and assessing the accuracy of the key inputs into the VIU calculations; • **Sensitivity analysis;** Performing sensitivity analysis on the key assumptions and ensuring management have identified plausible worst case scenarios in their own sensitivity analysis. **Our results** • We found the carrying value of the parent Company's investments in subsidiaries to be acceptable (2020 result: acceptable).

We continue to perform procedures over the uncertainties due to the exiting of UK from the European Union, Going Concern, Accounting for Vets restructuring and IFRS16 (2020: transition to IFRS16). However, these risks were considered to be event driven in 2020 and therefore we have not assessed them as one of the most significant risks in our current year audit.

We also continue to perform procedures over the valuation of inventory. We have downgraded our risk assessment of the valuation of inventory on the basis of no historical audit misstatements; historical experience of low levels of loss making, obsolete or expired stock; and based on the size of inventory provisions relative to Group materiality. Therefore, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year. We continue to perform procedures over the carrying value of the Retail CGU goodwill but have downgraded our risk assessment on the basis that the headroom between the estimated recoverable amount and the carrying value is significant and management assumptions are not subject to significant estimate uncertainty. Therefore, we have not assessed this as one of the most significant risks in the current year.

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 £3.75m (2020: £3.75m), determined with reference to a benchmark of normalised Group profit before tax (PBT) of £87.5m (2020: £93.5m) of which it represents 4.3% (2020: 4.0%).

We normalised PBT by excluding non-underlying items disclosed in note 3.

Materiality for the parent Company financial statements as a whole was set at £1.9m (2020: £3.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.12% (2020: 0.2%). This is lower than the materiality we would otherwise have determined by reference to total assets, and represents 18% of the Company’s loss before tax (2020:37%).

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% (2020:75%) of materiality for the financial statements as a whole, which equates to £2.8m (2020: £2.8m) for the group and £1.4m (2020: £2.25m) 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 £0.18m (2020: £0.18m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 8 (2020: 9) reporting components, we subjected 4 (2020: 3) to full scope audits for Group purposes. For the residual 4 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.

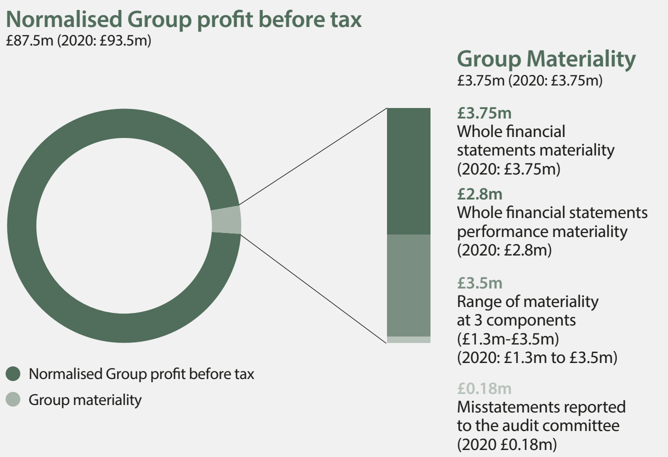
The Group team performed procedures on the items excluded from normalised group profit before tax.

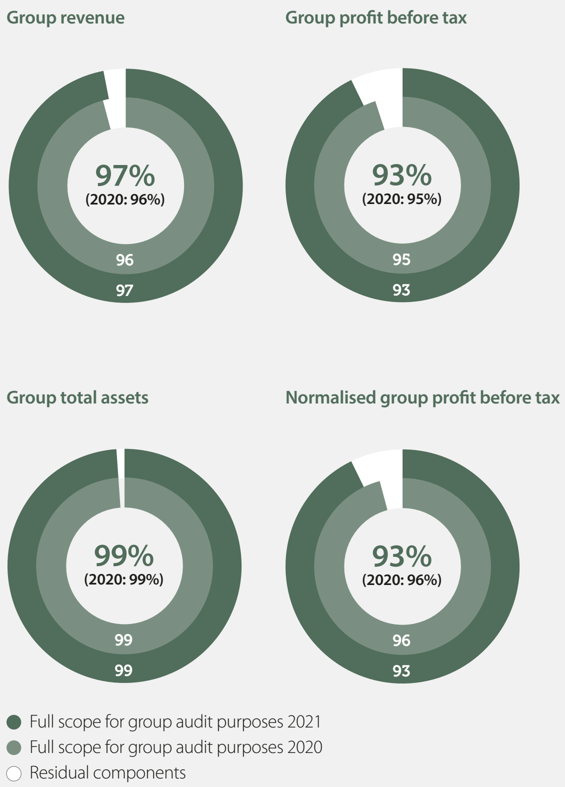
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The work on 1 of the 8 components (2020: 1 of the 9 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

The Group team approved the component materialities, which ranged from £1.3m to £3.5 (2020: £1.3m to £3.5m), having regard to the mix of size and risk profile of the Group across the components.

The Group team held video and telephone conference meetings with the component auditors. At these 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 components within the scope of our work accounted for the percentages illustrated opposite.





4. 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").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's 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 over this period were:

- The impact of Covid-19 on the Group's cost base and growth;
- Increased pressure from competitors

We considered whether these risks could plausibly affect liquidity or covenant compliance in the going concern period by assessing the degree of downside assumptions that, individually and collectively, could result in a liquidity issue, taking into account the Group's current and projected cash and facilities (a reverse stress test). We assessed the completeness and adequacy 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; and
- 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 106 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.

5 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 policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Review of 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.

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 and the risk of fraudulent revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unexpected journal entries to cash, revenue and supplier income.
- Substantive sample testing of revenue, specifically online, recognised in the period, agreeing items back to supporting documentation.

Identifying and responding to risks of material misstatement due to non-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 other management (as required by the 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 understating 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. 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, 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 these 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.

6. 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 year 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 106 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 Principal 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 106 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.

7. 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.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 109, 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 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.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

27 May 2021

Consolidated income statement

	Note	52 week period ended 25 March 2021 Underlying trading £m	Non-underlying items (note 3) £m	Total £m	52 week period ended 26 March 2020 Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	1,142.8	–	1,142.8	1,058.8	–	1,058.8
Cost of sales		(583.2)	0.6	(582.6)	(540.0)	(6.9)	(546.9)
Impairment gains/(losses) on receivables	3,16,17	(0.8)	–	(0.8)	(0.9)	0.3	(0.6)
Gross profit		558.8	0.6	559.4	517.9	(6.6)	511.3
Selling and distribution expenses		(321.0)	–	(321.0)	(313.8)	–	(313.8)
Administrative expenses	3	(131.9)	(1.9)	(133.8)	(92.8)	(1.0)	(93.8)
Profit on disposal of subsidiary	3	–	30.2	30.2	–	–	–
Operating profit	2,3	105.9	28.9	134.8	111.3	(7.6)	103.7
Financial income	6	0.3	–	0.3	0.5	–	0.5
Financial expense	7	(18.7)	–	(18.7)	(18.3)	–	(18.3)
Net financing expense		(18.4)	–	(18.4)	(17.8)	–	(17.8)
Profit before tax		87.5	28.9	116.4	93.5	(7.6)	85.9
Taxation	8	(17.3)	(0.1)	(17.4)	(18.6)	0.1	(18.5)
Profit for the period		70.2	28.8	99.0	74.9	(7.5)	67.4

Basic and diluted earnings per share attributable to equity shareholders of the Company:

	Note	52 week period ended 25 March 2021	52 week period ended 26 March 2020
Equity holders of the parent – basic	5	19.8p	13.5p
Equity holders of the parent– diluted	5	19.4p	13.2p

Dividends paid and proposed are disclosed in note 9.

The notes on pages 153 to 209 form an integral part of these financial statements.

Consolidated statement of comprehensive income

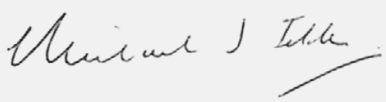
	Note	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Profit for the period		99.0	67.4
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	22	0.1	(0.1)
Effective portion of changes in fair value of cash flow hedges	22	5.0	(5.5)
Other comprehensive income for the period, before income tax		5.1	(5.6)
Income tax on other comprehensive income	15,22	(0.3)	0.9
Other comprehensive income for the period, net of income tax		4.8	(4.7)
Total comprehensive income for the period		103.8	62.7

The notes on pages 153 to 209 form an integral part of these financial statements.

Consolidated balance sheet

	Note	At 25 March 2021 £m	At 26 March 2020 £m
Non-current assets			
Property, plant and equipment	11	99.6	117.1
Right-of-use assets	12	368.7	425.2
Intangible assets	13	1,000.2	1,006.4
Other non-current assets	16	16.7	20.9
		1,485.2	1,569.6
Current assets			
Inventories	14	83.7	62.8
Deferred tax asset	15	2.9	–
Other financial assets	16	1.5	1.5
Trade and other receivables	17	49.3	55.9
Cash and cash equivalents	18	101.4	79.1
		238.8	199.3
Total assets		1,724.0	1,768.9
Current liabilities			
Trade and other payables	20	(211.1)	(196.6)
Lease liabilities	12	(78.4)	(83.7)
Corporation tax		(1.5)	(0.5)
Provisions	21	(4.3)	(3.9)
Other financial liabilities	16	(1.3)	(2.2)
		(296.6)	(286.9)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(98.7)	(163.3)
Lease liabilities	12	(331.3)	(380.2)
Provisions	21	(2.1)	(1.3)
Other financial liabilities	16	(1.6)	(5.8)
Deferred tax liabilities	15	–	(0.4)
		(433.7)	(551.0)
Total liabilities		(730.3)	(837.9)
Net assets		993.7	931.0
Equity attributable to equity holders of the parent			
Ordinary share capital	22	5.0	5.0
Consolidation reserve		(372.0)	(372.0)
Merger reserve		113.3	113.3
Translation reserve		(0.0)	(0.1)
Cash flow hedging reserve		(1.5)	(2.8)
Retained earnings		1,248.9	1,187.6
Total equity		993.7	931.0

On behalf of the Board:



Mike Iddon
Group Chief Financial Officer
27 May 2021

Company number: 08885072

The notes on pages 153 to 209 form an integral part of these financial statements.

Consolidated statement of changes in equity
as at 25 March 2021

	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 26 March 2020	5.0	(372.0)	113.3	(2.8)	(0.1)	1,187.6	931.0
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	99.0	99.0
Other comprehensive income (note 22)	–	–	–	4.7	0.1	–	4.8
Total comprehensive income for the period	–	–	–	4.7	0.1	99.0	103.8
Hedging gains & losses reclassified to inventory	–	–	–	(3.4)	–	–	(3.4)
Total hedging gains & losses reclassified to inventory	–	–	–	(3.4)	–	–	(3.4)
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37.1)	(37.1)
Share based payment charge	–	–	–	–	–	4.7	4.7
Deferred tax movement on IFRS 2 reserve	–	–	–	–	–	3.4	3.4
Purchase of own shares	–	–	–	–	–	(8.7)	(8.7)
Total contributions by and distributions to owners	–	–	–	–	–	(37.7)	(37.7)
Balance at 25 March 2021	5.0	(372.0)	113.3	(1.5)	(0.0)	1,248.9	993.7

Consolidated statement of changes in equity
as at 26 March 2020

	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 28 March 2019	5.0	(372.0)	113.3	0.8	(0.0)	1,155.9	903.0
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	67.4	67.4
Other comprehensive income (note 22)	–	–	–	(4.6)	(0.1)	–	(4.7)
Total comprehensive income for the period	–	–	–	(4.6)	(0.1)	67.4	62.7
Hedging gains & losses reclassified to inventory	–	–	–	1.0	–	–	1.0
Total hedging gains & losses reclassified to inventory	–	–	–	1.0	–	–	1.0
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37.1)	(37.1)
Share based payment charge	–	–	–	–	–	4.2	4.2
Purchase of own shares	–	–	–	–	–	(2.8)	(2.8)
Total contributions by and distributions to owners	–	–	–	–	–	(35.7)	(35.7)
Balance at 26 March 2020	5.0	(372.0)	113.3	(2.8)	(0.1)	1,187.6	931.0

Consolidated statement of cash flows

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Cash flows from operating activities		
Profit for the period	99.0	67.4
Adjustments for:		
Depreciation and amortisation	110.8	109.4
Non-underlying impairment	–	3.4
Profit on disposal	(30.2)	–
Financial income	(0.3)	(0.5)
Financial expense	18.7	18.3
Settlement of 'put & call' liabilities (growth element)	–	(0.8)
Share based payment charges	4.7	4.2
Taxation	17.4	18.5
	220.1	219.9
Decrease in trade and other receivables	3.1	5.4
(Increase)/decrease in inventories	(22.1)	5.7
Increase in trade and other payables	10.2	16.9
Increase/(decrease) in provisions	1.3	(0.7)
Increase/(decrease) in working capital relating to non-underlying items	–	(1.2)
	212.6	246.0
Tax paid	(17.5)	(30.8)
Net cash flow from operating activities	195.1	215.2
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	0.3	0.4
Interest received	0.4	0.5
Investment in other financial assets	–	(1.0)
Costs to acquire right-of-use assets	(0.4)	–
Acquisition of subsidiaries, net of cash acquired (underlying)	(16.9)	(0.5)
Acquisition of subsidiaries, net of cash acquired (non-underlying)	–	(0.5)
Other costs associated with acquisition of subsidiaries (non-underlying)	–	(3.7)
Disposal of subsidiaries, net of cash disposed (non-underlying)	79.4	–
Repayment of borrowings owed by JV practices in advance of acquisition of subsidiaries (non-underlying)	–	(5.9)
Acquisition of property, plant and equipment and other intangible assets	(34.9)	(39.6)
Net cash used in investing activities	27.9	(50.3)
Cash flows from financing activities		
Equity dividends paid	(37.1)	(37.1)
Proceeds from new loan	60.0	61.0
Repayment of borrowings	(125.0)	(77.0)
Debt issue costs	(0.2)	–
Capital lease payments	(66.6)	(67.0)
Settlement of 'put and call' liabilities (minimum amount)	(5.5)	(5.6)
Purchase of own shares	(8.7)	(2.8)
Finance lease obligations	(0.0)	(0.1)
Interest paid	(4.8)	(3.7)
Interest paid on lease obligations	(12.8)	(14.0)
Net cash used in financing activities	(200.7)	(146.3)
Net increase in cash and cash equivalents	22.3	18.6
Cash and cash equivalents at beginning of period	79.1	60.5
Cash and cash equivalents at end of period	101.4	79.1

The notes on pages 153 to 209 form an integral part of these financial statements.

Company balance sheet

	Note	At 25 March 2021 £m	At 26 March 2020 £m
Non-current assets			
Investments in subsidiaries	28	936.2	936.2
		936.2	936.2
Current assets			
Other financial assets	16	0.2	0.3
Trade and other receivables (due in greater than 1 year)	17	587.9	579.2
Cash and cash equivalents	18	–	–
Deferred tax assets	15	3.7	0.4
		591.8	579.9
Total assets		1,528.0	1,516.1
Current liabilities			
Trade and other payables	20	(509.7)	(387.8)
Other financial liabilities	16	(0.1)	(0.0)
		(509.8)	(387.8)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(98.7)	(163.3)
Other financial liabilities	16	(1.6)	(2.3)
		(100.3)	(165.6)
Total liabilities		(610.1)	(553.4)
Net assets		917.9	962.7
Equity attributable to equity holders of the parent			
Ordinary share capital	22	5.0	5.0
Merger reserve		113.3	113.3
Cash flow hedging reserve		(1.2)	(1.6)
Retained earnings		800.8	846.0
Total equity		917.9	962.7

On behalf of the Board:

Mike Iddon
Group Chief Financial Officer

27 May 2021

Company number: 08885072

The notes on pages 153 to 209 form an integral part of these financial statements.

Company statement of changes in equity
as at 25 March 2021

	Share capital £m	Merger reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 26 March 2020	5.0	113.3	(1.6)	846.0	962.7
Total comprehensive income for the period					
Loss for the period	–	–	–	(7.5)	(7.5)
Other comprehensive income	–	–	0.4	–	0.4
Total comprehensive income for the period	–	–	0.4	(7.5)	(7.1)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37.1)	(37.1)
Share based payment charge	–	–	–	4.7	4.7
Deferred tax movement on IFRS 2 reserve	–	–	–	3.4	3.4
Purchase of own shares	–	–	–	(8.7)	(8.7)
Total contributions by and distributions to owners	–	–	–	(37.7)	(37.7)
Balance at 25 March 2021	5.0	113.3	(1.2)	800.8	917.9

Company statement of changes in equity
as at 26 March 2020

	Share capital £m	Merger reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 28 March 2019	5.0	113.3	(0.1)	887.3	1,005.5
Total comprehensive income for the period					
Loss for the period	–	–	–	(5.6)	(5.6)
Other comprehensive income	–	–	(1.5)	–	(1.5)
Total comprehensive income for the period	–	–	(1.5)	(5.6)	(7.1)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37.1)	(37.1)
Share based payments charge	–	–	–	4.2	4.2
Purchase of own shares	–	–	–	(2.8)	(2.8)
Total contributions by and distributions to owners	–	–	–	(35.7)	(35.7)
Balance at 26 March 2020	5.0	113.3	(1.6)	846.0	962.7

Company income statement

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 loss for the 52 week period ended 25 March 2021 was £7.5m (loss for the 52 week period ended 26 March 2020 was £5.6m).

Company statement of cash flows

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Cash flows from operating activities		
Loss for the period	(7.5)	(5.6)
Financial expense	5.9	4.2
Share based payment charges	4.7	4.2
Tax	(3.1)	(2.6)
	0.0	0.2
Increase in trade and other receivables	(8.7)	(1.3)
Increase in trade and other payables	121.5	57.7
Tax paid	3.5	3.0
Net cash flow from operating activities	116.3	59.6
Cash flows from financing activities		
Equity dividends paid	(37.1)	(37.1)
Proceeds from new loan	60.0	61.0
Repayment of borrowings	(125.0)	(77.0)
Debt issue costs	(0.2)	–
Interest paid	(5.3)	(3.7)
Purchase of own shares	(8.7)	(2.8)
Net cash used in financing activities	(116.3)	(59.6)
Net (decrease)/increase in cash and cash equivalents	–	–
Cash and cash equivalents at beginning of period	–	–
Cash and cash equivalents at end of period	–	–

Notes (forming part of the financial statements)

Pets at Home Group Plc (the Company) is a company incorporated in the United Kingdom and its registered office is Epsom Avenue, Stanley Green, Handforth, Cheshire, SK9 3RN.

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 international accounting standards in conformity with the requirements of the Companies Act 2006. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. 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 IFRS as adopted by the European Union. 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 25 March 2021 have not had a material impact on the Group's financial statements.

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 Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report, including a detailed COVID-19 assessment within the Chief Executive's statement. The financial position of the 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 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, 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 COVID-19 on the Group's financial position, liquidity and future performance. The Group is deemed an 'essential retailer' by the Government and as such stores and veterinary practices have continued to trade throughout and higher levels of online orders have continued to be fulfilled from Distribution Centres.

The Group has access to a revolving credit facility of £248m, which expires in September 2023, with £100.0m drawn down at 25 March 2021 and cash balances of £101.4m. The lowest level of headroom forecast over the next 12 months from the date of signing of the financial statements is in excess of £254.7m in the base case scenario. On a sensitised basis, the headroom forecast over the next 12 months from the date of approving of the financial statements is £215.0m. 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. A number of 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. These scenarios included:

Scenario 1: Reduction on Group like-for-like assumption of 1% in each year throughout the forecast period, with ordinary dividends continuing

Scenario 2: Using scenario 1 outcomes and further impacted by a conflated risk impact of £22.5m on sales and £11.25m on PBT, with dividends held at 7.5p per share

Scenario 3: Group like-for-like sales declines to 0% over the next year and a conflated risk impact of £74.5m on sales and £37.25m on PBT is used, with dividends cut to nil to conserve cash

Against these negative scenarios, adjusted projections showed no breach of covenants with the lowest level of headroom in the strategic planning horizon being £183.6m. Further mitigating actions could also be taken in such scenarios should it be required, including reducing capital expenditure.

The Directors of Pets at Home Group Plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence 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 consolidated financial statements as at and for the period ended 25 March 2021.

1 Significant accounting policies (continued)

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 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, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. 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 million.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, 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, loans and 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 purpose only of the cash flow statement.

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 1.12).

1.8 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement 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.

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	– 3-10 years
Leasehold improvements	– the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1 Significant accounting policies (continued)

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.

1.12 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 re-measured 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.

A combined put and call option over non-controlling interests is recognised at fair value at the acquisition date and included within the valuation of goodwill. Subsequent changes to fair value are recognised in profit or loss.

Where a combined written put and call option exists over a non-controlling interest, and the conditions of the agreement provide the Group with present access to the benefits of the ownership of the non-controlling interest, then the acquisition is deemed to reflect 100% ownership and no non-controlling interest is recognised. A liability is recorded for the expected future acquisition of the non-controlling interest, and is recognised as part of the fair value of the consideration. Where the written put and call option has an embedded valuation mechanism to reward and retain key individuals employed by the acquired business, who are also non-controlling shareholders, then the expected increase in the financial liability is charged to the income statement as employment costs evenly over the option period within non-underlying items. See note 1.21 for further details.

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)

IFRS 1 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.

1.13 Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

1.14 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 SKU (Stock Keeping Unit). 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 1.21.

1.15 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 defines default based on both qualitative and quantitative risk criteria. The Group considers Joint Venture loans and receivables to be in default when the underlying veterinary practice is significantly under-performing against its business plan, assessed based on its performance against a scorecard of qualitative and quantitative metrics. Each practice is reviewed against this set of criteria and their appropriate risk weightings on an ongoing basis by management. Those within the low credit risk category are not deemed to be in default. Practices categorised within the high and medium credit risk categories are those considered to be in default based on their scorecard performance. Loss given default is determined based on forecast future cash flows. 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 1.21 and 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 IAS 36 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 Significant accounting policies (continued)

1.16 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company 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.

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.

1.17 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.

1.18 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 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 IFRS 15 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 Specialist Referral Centres up until 31 December 2020 and managed First Opinion veterinary 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.

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 un-utilised 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 a credit within selling and distribution expenses.

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 to Joint Venture veterinary practices, revenues generated through Specialist Referral Centres up until 31 December 2020, and overrider 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.

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 that changes to the fair value of the put and call liabilities warrant separate disclosure due to the nature of these arrangements as they do not relate to the underlying trade of the business.

Alternative Performance Measures

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by EU-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 210.

1 Significant accounting policies (continued)

1.18 Revenue and cost of sales (continued)

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 overrider income and promotional income, which is explained below. The supplier income arrangements are typically not co-terminus 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 year 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:

Overrider income

Overrider 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 re-assessed and re-measured 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 year end are included within trade and other receivables.

1.19 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 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.

1.20 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.

1.21 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 (significant 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.

Operating and other loans (significant estimate)

The Group provides longer term operating loans and other loans to a number of Joint Venture veterinary practices as detailed in notes 16, 17 and 27 to support their working capital requirements. The operating loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. As detailed in these notes, provisions for expected credit losses are held in respect of operating and other loans to Joint Venture veterinary practices. In line with IFRS 9, judgement is applied in determining expected credit losses on these loans, the qualitative and quantitative risk-related criteria used to assess default and therefore also the probability of default (as defined in note 1.15), and in estimating an appropriate 'loss given default' to apply to each loan based on forecast future cash flows. In assessing the qualitative and quantitative information, the Group takes into account factors including current performance against business plan, availability of suitable personnel to operate effectively, and level of indebtedness. The revenue, profit, and cash flow expectations of the practices are taken into account in determining the length of time that the practice is expected to take in order to repay the loans. This is also the period over which losses are estimated should default occur within the contractual period. The provision for expected credit loss is based on forward-looking information, taking into account expected credit losses giving due consideration to the Joint Venture's business plan, as well as macro-economic factors such as growth in the size of the veterinary market, availability of veterinary practitioners and cost inflation within the industry. The quantum of operating loans and other loans and expected credit loss made against these loans is disclosed in notes 16, 17 and 27.

Assessment of control with regard to Joint Ventures (significant judgement)

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.

Put and call options (significant estimate)

The Group recognises put and call options over non-controlling interests (NCI) in its subsidiary undertakings as a liability in the consolidated balance sheet. The nature of the Group's option agreements are such that there is an element that is a minimum amount and a growth element to reward and retain key individuals employed by the acquired business who are also non-controlling shareholders which is linked to improvements in the results of the acquired business. The growth element would be forfeited under certain conditions by the NCI, including if they ceased to be employed by the Group.

Upon initial recognition, the minimum amount is recognised as a liability at fair value, which is estimated as the present value of the future exercise price based upon the fair value of the business at acquisition. For the growth element, the expected amount is charged to the income statement as employment costs over the option period within non-underlying items. The financial liability is valued based on management's best estimate of the future pay out, which is based on the estimated future earnings. The charge is spread over the financial years before the put and call can be exercised for the first time.

The Group considers that no reasonably possible change in assumptions underlying the carrying value of the put and call options would result in a material range of estimation uncertainty in the next 12 months. Therefore, the carrying value of the options is not considered a significant estimate as at 25 March 2021.

Carrying value of inventory (significant estimate)

A provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty. At 25 March 2021 the inventory provision amounted to £3.9m (26 March 2020: £3.2m). Of this, £2.5m of the provision relates to a provision against ageing inventory. The value of inventory against which an ageing provision is held is £8.9m (26 March 2020: £7.1m). The remaining £1.4m of the provision relates to specific inventory provisioning relating to factors other than ageing. Management consider the range of reasonably possible estimation uncertainty to be immaterial given the value of the provision, the value of inventory against which the provision is held, and the degree of historical accuracy in the provisioning policy.

1 Significant accounting policies (continued)

1.22 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.

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 First Opinion practices and specialist referral centres up until 31 December 2020. Central includes veterinary telehealth business, group costs and finance expenses. Revenue and costs are allocated to a segment where reasonably possible.

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.

	52 week period ended 25 March 2021			
Income statement	**Retail £m**	**Vet Group £m**	**Central £m**	**Total £m**
Revenue	1,018.9	123.2	0.7	1,142.8
Gross profit	501.6	56.7	0.5	558.8
Underlying operating profit/(loss)	79.5	36.0	(9.6)	105.9
Non-underlying items	–	28.9	–	28.9
Segment operating profit	79.5	64.9	(9.6)	134.8
Net financing expense	(12.0)	(0.5)	(5.9)	(18.4)
Profit before tax	67.5	64.4	(15.5)	116.4

Non-underlying operating expenses in the periods ended 25 March 2021 and 26 March 2020 are explained in note 3.

	52 week period ended 26 March 2020			
Income statement	**Retail £m**	**Vet Group £m**	**Central £m**	**Total £m**
Revenue	937.6	121.2	–	1,058.8
Gross profit	466.2	51.7	–	517.9
Underlying operating profit/(loss)	89.3	30.6	(8.6)	111.3
Non-underlying items	–	(7.6)	–	(7.6)
Segment operating profit/(loss)	89.3	23.0	(8.6)	103.7
Net financing expense	(13.3)	(0.3)	(4.2)	(17.8)
Profit/(loss) before tax	76.0	22.7	(12.8)	85.9

Reconciliation of EBITDA before non-underlying items	Retail £m	Vet Group £m	Central £m	Total £m
	52 week period ended 25 March 2021			
Underlying operating profit/(loss)	79.5	36.0	(9.6)	105.9
Depreciation of property, plant and equipment	24.8	2.1	–	26.9
Depreciation of right-of-use assets	68.2	2.1	–	70.3
Amortisation of intangible assets	12.2	1.4	–	13.6
Underlying EBITDA	184.7	41.6	(9.6)	216.7

Reconciliation of EBITDA before non-underlying items	Retail £m	Vet Group £m	Central £m	Total £m
	52 week period ended 26 March 2020			
Underlying operating profit/(loss)	89.3	30.6	(8.6)	111.3
Depreciation of property, plant and equipment	25.8	2.5	–	28.3
Depreciation of right-of-use assets	69.0	2.1	–	71.1
Amortisation of intangible assets	9.5	0.5	–	10.0
Underlying EBITDA	193.6	35.7	(8.6)	220.7

EBITDA before non-underlying items is defined on page 210.

Segmental revenue analysis by revenue stream	Retail £m	Vet Group £m	Central £m	Total £m
	52 week period ended 25 March 2021			
Retail – Food	551.5	–	–	551.5
Retail – Accessories	431.4	–	–	431.4
Retail – Services	36.0	–	–	36.0
Vet Group – First Opinion fee income	–	57.0	–	57.0
Vet Group – Company managed practices	–	25.5	–	25.5
Vet Group – Other income	–	6.8	–	6.8
Vet Group – Specialist	–	33.9	–	33.9
Central – Veterinary telehealth services	–	–	0.7	0.7
Total	1,018.9	123.2	0.7	1,142.8

Segmental revenue analysis by revenue stream	Retail £m	Vet Group £m	Central £m	Total £m
	52 week period ended 26 March 2020			
Retail – Food	517.4	–	–	517.4
Retail – Accessories	375.3	–	–	375.3
Retail – Services	44.9	–	–	44.9
Vet Group – First Opinion fee income	–	53.8	–	53.8
Vet Group – Company managed practices	–	21.6	–	21.6
Vet Group – Other income	–	6.2	–	6.2
Vet Group – Specialist	–	39.6	–	39.6
Total	937.6	121.2	–	1,058.8

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Non-underlying items		
Write off and provisions for operating loans, initial set-up loans, and trading balances with Joint Venture veterinary practices	–	(0.3)
Other costs associated with the purchase of Joint Venture veterinary practices	(0.6)	3.5
Impairment of right-of-use assets following acquisition of Joint Venture veterinary practices	–	1.6
Impairment of property, plant & equipment and intangible assets following acquisition of Joint Venture veterinary practices	–	1.8
Increase in fair value of put and call liability	1.9	1.0
Profit on disposal of subsidiary	(30.2)	–
Total non-underlying items	(28.9)	7.6
Underlying items		
Impairment losses on receivables	0.8	0.9
Depreciation of property, plant and equipment	26.9	28.3
Amortisation of intangible assets	13.6	10.0
Depreciation of right-of-use assets	70.3	71.1
Rentals under operating leases:		
Expenses relating to short term leases	0.1	0.1
Other income		
Rental income from sub-leasing right-of-use assets to third parties[1]	(0.3)	(0.3)
Rental income from related parties[1]	(7.3)	(7.4)
Share based payment charges	4.7	4.2

1 This other income is presented within selling and distribution expenses.

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. The profit on disposal reported in the non-underlying items above represents consideration received and costs incurred by the Group in relation to the disposal, as follows:

	£m
Cash consideration received	80.0
Net assets disposed of	(48.5)
Profit on disposal of net assets	31.5
Costs borne by the Group	(1.3)
Profit on disposal	30.2

Further deferred contingent consideration of £20.0m may become payable at a future date, subject to the Specialist Referral Centres achieving certain financial KPIs. The fair value of the deferred consideration is immaterial due to the substantial uncertainty regarding the timing and achievement of the financial KPIs, which are not within the control of the Group.

The remaining non-underlying operating expenses in the period ended 25 March 2021 of £1.3m relate to:

- £1.9m of non-underlying operating expenses relate to an increase in the financial liability for put and call options over shares held by clinicians in Dick White Referrals Limited and Veterinary Specialists (Scotland) Limited, prior to the disposal of the Specialist Referral Centres. The charge represents an increase in the equity 'option' value held by those clinicians based on the Directors' best estimate of the future settlement on exercise of the put and call. As a result of the disposal of the Specialist Referral Centres, the put and call options were settled in the period and as at 25 March 2021, the financial liability held on the consolidated balance sheet was £nil.
- (£0.6m) of non-underlying operating expenses relate to the release of provisions for exit and closure costs provided for under IAS 37 in relation to Joint Venture veterinary practices provided for in the 52 week period ended 26 March 2020.

The non-underlying operating expenses in the period ended 26 March 2020 of £7.6m related to:

- (£0.3m) related to the release of allowances for expected credit losses for operating loans, initial set-up loans, and trading balances to Joint Venture veterinary practices which were provided for under IFRS 9 by the Group in the period ended 28 March 2019.
- £3.5m related to exit and closure costs (provided for under IAS 37) payable in relation to Joint Venture veterinary practices which the Group has acquired.
- £1.6m related to the write down of right-of-use assets to their expected recoverable amount, relating to First Opinion veterinary practices acquired with the intention of being closed.
- £1.8m related to the impairment of property, plant and equipment and intangible assets relating to the review and recalibration exercise of the First Opinion veterinary practices.
- £1.0m of non-underlying operating expenses related to an increase in the financial liability for put and call options over shares held by clinicians in Dick White Referrals Limited and Veterinary Specialists (Scotland) Limited.

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. The Directors consider that changes to the fair value of the put and call liabilities warrant separate disclosure due to the nature of these arrangements as they do not relate to the underlying trade of the business.

Underlying items

The rentals under short term leases disclosed in relation to the 52 week period ended 25 March 2021 and the 52 week period ended 26 March 2020 relate to leases under short term agreements. These fall under the short term exemption so are excluded from the requirements of IFRS 16 on the basis that the lease terms are 12 months or less.

Auditor's remuneration

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Audit of the parent company financial statements	0.0	0.0
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation[1]	0.9	0.7
Review of interim financial statements	0.1	0.1
All other services	0.0	0.0
	1.0	0.8

1 The comparative auditor's remuneration has been restated to enhance comparability.

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 25 March 2021 Number	52 week period ended 26 March 2020 Number
Sales and distribution – FTE	6,538	6,432
Administration – FTE	732	707
	7,270	7,139
Sales and distribution – total	8,904	8,506
Administration – total	1,100	1,055
	10,004	9,561

The aggregate payroll costs of these persons were as follows:

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Wages and salaries	227.6	203.1
Social security costs	19.2	17.5
Contributions to defined pension contribution plans	7.6	6.9
	254.4	227.5

Remuneration of Executive Directors and Executive Management Team

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Executive Directors' emoluments including social security costs	2.1	1.8
Non-Executive Directors' emoluments including social security costs	0.5	0.5
Executive Directors' amounts receivable under share options[1]	1.8	1.0
Executive Directors' pension contributions	0.1	0.1
Total Directors' remuneration	4.5	3.4
Executive Management Team emoluments including social security costs[1]	5.5	3.9
Executive Management Team amounts receivable under share options[1]	2.2	1.4
Executive Management Team pension contributions[1]	0.2	0.2
Total Executive Management Team remuneration	7.9	5.5

In the opinion of the Board, the key management as defined under revised IAS 24 Related Party Disclosures are the Executive Directors and the Executive Management Team. Executive Directors' emoluments are also included within the Executive Management Team emoluments disclosed above.

1 The comparative numbers in the 52 week period ended 26 March 2020 have been restated to be comparable with the numbers presented in the 52 week period ended 25 March 2021.

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 25 March 2021		52 week period ended 26 March 2020	
	Underlying trading	After non-underlying items	Underlying trading	After non-underlying items
Profit attributable to equity shareholders of the parent (£m)	70.2	99.0	74.9	67.4
Basic weighted average number of shares	500.0	500.0	500.0	500.0
Dilutive potential ordinary shares	11.6	11.6	9.6	9.6
Diluted weighted average number of shares	511.6	511.6	509.6	509.6
Basic earnings per share	14.0p	19.8p	15.0p	13.5p
Diluted earnings per share	13.7p	19.4p	14.7p	13.2p

6 Finance income

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Interest receivable on loans to Joint Venture veterinary practices	0.3	0.4
Other interest receivable	0.0	0.1
Total finance income	0.3	0.5

7 Finance expense

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Bank loans at effective interest rate	6.0	4.4
Interest expense on lease liability	12.8	14.0
Other interest expense	(0.1)	(0.1)
Total finance expense	18.7	18.3

8 Taxation

Recognised in the income statement

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Current tax expense		
Current period	20.2	22.0
Adjustments in respect of prior periods	(1.8)	(0.8)
Current tax expense	18.4	21.2
Deferred tax expense		
Origination and reversal of temporary differences	(2.2)	(3.4)
Impact of difference between deferred and current tax rates	–	0.2
Adjustments in respect of prior periods	1.2	0.5
Deferred tax expense	(1.0)	(2.7)
Total tax expense	17.4	18.5

The UK corporation tax standard rate for the period is 19% (2020: 19%). The deferred tax liability at 25 March 2021 has been calculated at 19% (2020: 19%). In the 3 March 2021 budget it was announced that the UK tax rate would increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future tax charge. If this rate change had been substantively enacted at the current balance sheet date, the impact on the deferred tax position would not have been material as a significant proportion of the deferred tax assets and liabilities unwind at 19%.

Deferred tax recognised in comprehensive income

	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Effective portion of changes in fair value of cash flow hedges (note 22)	0.3	(0.9)

Reconciliation of effective tax rate

	52 week period ended 25 March 2021			52 week period ended 26 March 2020		
	Underlying trading £m	Non-underlying items £m	Total £m	Underlying trading £m	Non-underlying items £m	Total £m
Profit for the period	70.2	28.8	99.0	74.9	(7.5)	67.4
Total tax expense	17.3	0.1	17.4	18.6	(0.1)	18.5
Profit excluding taxation	87.5	28.9	116.4	93.5	(7.6)	85.9
Tax using the UK corporation tax rate for the period of 19% *(52 week period ended 26 March 2020: 19%)*	16.6	5.5	22.1	17.8	(1.5)	16.3
Impact of difference between deferred and current tax rates	–	–	–	0.2	–	0.2
Depreciation on expenditure not eligible for tax relief	0.6	–	0.6	0.9	–	0.9
Expenditure not eligible for tax relief	0.6	(5.4)	(4.8)	0.1	1.4	1.5
Adjustments in respect of prior periods	(0.5)	–	(0.5)	(0.4)	–	(0.4)
Total tax expense	17.3	0.1	17.4	18.6	(0.1)	18.5

The UK corporation tax standard rate for the 52 week period ended 25 March 2021 was 19% (52 week period ended 26 March 2020: 19%). The effective tax rate before non-underlying items for the 52 week period ended 25 March 2021 was 19.7%.

9 Dividends paid and proposed

	Group and Company	
	52 week period ended 25 March 2021 £m	52 week period ended 26 March 2020 £m
Declared and paid during the period		
Final dividend of 5.0p per share (2020: 5.0p per share)	24.7	24.8
Interim dividend of 2.5p per share (2020: 2.5p per share)	12.4	12.3
Proposed for approval by shareholders at the AGM		
Final dividend of 5.5p per share (2020: 5.0p per share)	27.2	24.7

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 25 March 2021 and 26 March 2020 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 25 March 2021: 5,958,116 shares; holding at 26 March 2020: 5,749,377 shares).

10 Business combinations

Subsidiaries acquired

On 27 November 2020, the Group acquired 100% of the total share capital of Pet Advisory Services Limited and its subsidiary VetsDirect Limited in exchange for cash consideration. Pet Advisory Services Limited and Vets Direct Limited are a veterinary telehealth service. The Group expects to realise both revenue and cost synergies from the acquisition, which will allow the Group to better support its customers by providing out of hours veterinary services.

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Cash consideration transferred £m
Pet Advisory Services Limited	Veterinary telehealth services	27 November 2020	100%	16.5
VetsDirect Limited	Veterinary telehealth services	27 November 2020	100%	–

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	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	1.0	–	1.0
Non-current assets			
Intangible assets	0.2	4.5	4.7
Tangible fixed assets	0.0	–	0.0
Current liabilities			
Trade and other payables	(0.5)	–	(0.5)
Non-current liabilities			
Deferred tax liability	–	(0.8)	(0.8)
Net assets	1.4	3.7	5.1

Goodwill arising on acquisition

	£m
Consideration	16.5
Less: Fair value of assets acquired	(5.1)
Goodwill arising on acquisition	11.4

Consideration has been given to other intangibles that are recognisable under IFRS 3 Business Combinations. No favourable leases were owned by the company at the time of acquisition. A customer list intangible asset of £1.9m and an intangible asset of £2.6m relating to call script know how have been identified and recognised separately from goodwill at fair value. None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

The intangible asset recognised on acquisition relates to:

- Customer contracts of £1.9m have been recognised and valued using the excess earnings method, and will be amortised over 10 years
- Call scripts know how of £2.6m have been recognised and valued using the replacement cost method, and will be amortised over 10 years

All other assets and liabilities have been valued at fair value on acquisition.

Acquisition of Joint Venture veterinary practices

In the 52 week period ended 25 March 2021, the Group has acquired 100% of the 'A' shares of 6 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 25 March 2021, £1.4m of operating loans relating to these practices were written off in advances of the acquisitions.

Up to the date of acquisition and in the comparative period being the 52 week period ending 26 March 2020, 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

	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
Sidcup Vets4Pets Limited	Veterinary practice	1 July 2020	50%	100%	0.9
Sydenham Vets4Pets Limited	Veterinary practice	1 July 2020	50%	100%	0.7
Grantham Vets4Pets Limited	Veterinary practice	20 October 2020	50%	100%	0.0
Rawtenstall Vets4Pets Limited	Veterinary practice	28 October 2020	50%	100%	0.0
Wallasey Bidston Moss Vets4Pets Limited	Veterinary practice	18 December 2020	50%	100%	0.0
Companion Care (Farnborough) Limited	Veterinary practice	18 March 2021	50%	100%	0.0

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	0.2	–	0.2
Inventories	0.1	–	0.1
Non-current assets			
Tangible fixed assets	0.4	–	0.4
Right-of-use assets	0.4	–	0.4
Intangible assets	–	0.7	0.7
Non-current liabilities			
Lease liabilities	(0.4)	–	(0.4)
Current liabilities			
Bank loans and overdrafts	(0.7)	–	(0.7)
Trade and other payables	(0.7)	–	(0.7)
Net assets	0.0	0.7	0.7

Goodwill arising on acquisition

	£m
Consideration	1.7
Less: Fair value of assets acquired	(0.7)
Goodwill arising on acquisition	1.0
Impairment of goodwill	(0.6)
Carrying value of goodwill	0.4

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 IFRS 3, 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.

11 Property, plant and equipment

	Freehold property £m	Leasehold improvements £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost				
Balance at 26 March 2020	2.4	63.9	239.9	306.2
Additions	–	6.4	12.5	18.9
On acquisition (note 10)	–	–	0.4	0.4
Disposals	–	(7.9)	(7.5)	(15.4)
Balance at 25 March 2021	2.4	62.4	245.3	310.1
Depreciation				
Balance at 26 March 2020	0.3	26.8	162.0	189.1
Depreciation charge for the period	–	4.0	22.9	26.9
Disposals	–	(1.4)	(4.1)	(5.5)
Balance at 25 March 2021	0.3	29.4	180.8	210.5
Net book value				
At 26 March 2020	2.1	37.1	77.9	117.1
At 25 March 2021	2.1	33.0	64.5	99.6

	Freehold property £m	Leasehold improvements £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost				
Balance at 28 March 2019	2.5	59.4	222.9	284.8
Additions	–	5.4	17.6	23.0
On acquisition (note 10)	–	0.5	0.3	0.8
Disposals	(0.1)	(1.4)	(0.9)	(2.4)
Balance at 26 March 2020	2.4	63.9	239.9	306.2
Depreciation				
Balance at 28 March 2019	0.3	22.5	138.3	161.1
Depreciation charge for the period	0.0	4.3	24.0	28.3
Impairment of assets (non-underlying)	–	1.3	0.4	1.7
Disposals	(0.0)	(1.3)	(0.7)	(2.0)
Balance at 26 March 2020	0.3	26.8	162.0	189.1
Net book value				
At 28 March 2019	2.2	36.9	84.6	123.7
At 26 March 2020	2.1	37.1	77.9	117.1

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 26 March 2020	486.3	11.6	497.9
Additions	34.8	3.3	38.1
On acquisition (note 10)	0.4	–	0.4
Disposals	(28.0)	(0.2)	(28.2)
Balance at 25 March 2021	493.5	14.7	508.2
Depreciation			
Balance at 26 March 2020	69.1	3.6	72.7
Depreciation charge for the period	67.0	3.3	70.3
Disposals	(3.3)	(0.2)	(3.5)
Balance at 25 March 2021	132.8	6.7	139.5
Net book value			
At 26 March 2020	417.2	8.0	425.2
At 25 March 2021	360.7	8.0	368.7

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of IFRS 16 (leases with a contract term of less than 12 months) amounted to £0.1m in the 52 week period ended 25 March 2021.

	Property £m	Equipment £m	Total £m
Cost			
Balance at 29 March 2019	463.0	10.1	473.1
Additions	20.6	1.5	22.1
On acquisition (note 10)	2.7	–	2.7
Balance at 26 March 2020	486.3	11.6	497.9
Depreciation			
Balance at 29 March 2019	–	–	–
Depreciation charge for the period	67.5	3.6	71.1
Impairment (non-underlying)	1.6	–	1.6
Balance at 26 March 2020	69.1	3.6	72.7
Net book value			
At 29 March 2019	463.0	10.1	473.1
At 26 March 2020	417.2	8.0	425.2

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

Maturity analysis – contractual undiscounted cash flows

	At 25 March 2021 £m	At 26 March 2020 £m
Less than one year	78.4	82.2
Between one and five years	241.9	258.0
More than 5 years	131.9	182.6
Total undiscounted lease liabilities	452.2	522.8
Carrying value of lease liabilities included in the statement of financial position	409.7	463.9
Current	78.4	83.7
Non-current	331.3	380.2

For the lease liabilities at 25 March 2021 a 0.1% change in the discount rate used would have increased the carrying value of lease liabilities by £1.5m.

Notes (forming part of the financial statements) continued

12 Leases (continued)

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.

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 IAS 36, 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. Under IAS 17, 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	Total £m
Cost				
Balance at 26 March 2020	981.3	1.9	63.1	1,046.3
Additions	–	–	25.5	25.5
On acquisition	11.8	5.1	0.2	17.1
Disposals	(34.6)	(0.8)	(0.1)	(35.5)
Balance at 25 March 2021	958.5	6.2	88.7	1,053.4
Amortisation				
Balance at 26 March 2020	0.1	0.5	39.3	39.9
Amortisation charge for the period	–	0.2	13.4	13.6
Disposals	–	(0.3)	–	(0.3)
Balance at 25 March 2021	0.1	0.4	52.7	53.2
Net book value				
At 26 March 2020	981.2	1.4	23.8	1,006.4
At 25 March 2021	958.4	5.8	36.0	1,000.2

	Goodwill £m	Customer list £m	Software £m	Total £m
Cost				
Balance at 28 March 2019	981.3	1.7	47.5	1,030.5
Additions	–	0.2	15.6	15.8
Balance at 26 March 2020	981.3	1.9	63.1	1,046.3
Amortisation				
Balance at 28 March 2019	–	0.3	29.5	29.8
Amortisation charge for the period	–	0.1	9.8	9.9
Impairment of assets (non-underlying)	0.0	0.1	–	0.1
Impairment of goodwill (underlying)	0.1	–	–	0.1
Balance at 26 March 2020	0.1	0.5	39.3	39.9
Net book value				
At 28 March 2019	981.3	1.4	18.0	1,000.7
At 26 March 2020	981.2	1.4	23.8	1,006.4

The goodwill impairment in the 52 week period ended 26 March 2020 relates to goodwill acquired as part of the buyout of Bicester Vets4Pets Limited in the 52 week period ended 28 March 2019.

Impairment testing
Cash generating units ('CGUs'), as defined by IAS 36, 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 First Opinion veterinary practices and included Specialist Referral Centres up until 31 December 2020. Central includes veterinary telehealth business, group costs and finance expenses. Revenue and costs are allocated to a segment and CGU where reasonably possible.

As at 25 March 2021 and 26 March 2020, the Group is deemed to have CGUs as follows:

	Goodwill	
	At 25 March 2021 £m	At 26 March 2020 £m
Retail	586.1	586.1
Central	11.4	–
Vet Group	360.9	395.1
Total	958.4	981.2

The recoverable amount of the CGU group has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	52 week period ended 25 March 2021		52 week period ended 26 March 2020	
	Retail	Vet Group	Retail	Vet Group
Period on which management approved forecasts are based (years)	5	5	5	5
Growth rate applied beyond approved forecast period	2.0%	3.5%	2.0%	3.5%
Discount rate (pre-tax)	10%	10%	10%	10%
Like-for-like sales growth	8%	10%	4%	11%
Gross profit margin	48%	58%	48%	49%

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 IAS 36 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 2020 financial statements.

The key assumptions in the business plans for both the Retail and Vet Group 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 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. No impairment review has been carried out on the Central CGU due to the acquisition being completed on 27 November 2020 and subsequent trading being in line with financial forecasts.

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. The pre-tax discount rate is disclosed above in line with IAS 36 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 Vets CGU exceeds the long term average for the UK but is an appropriate rate for the industry.

The Group disposed of £34.6m of goodwill in the 52 week period ended 25 March 2021 in relation to the disposal of the Specialist Referral Centres. The goodwill was previously held in the Vet Group CGU. In line with IAS 36 and in the absence of a market valuation, the Group applied the value in use method to value the total Vet Group CGU using the value of discounted future cash flows. Given the sale of the Specialist Referral Centres, the value in use method cannot be used to value the element of the Vet Group CGU relating to the Specialist Referral Centres, and instead the value of the disposal proceeds has been used for this element. On the basis of the £80.0m of sales proceeds, the Group disposed of 9.0% of the Vet Group CGU which equated to £34.6m of goodwill disposed of.

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, with the exception of the goodwill impaired immediately following the acquisition of certain First Opinion veterinary practices as part of the review and recalibration exercise (see note 10).

13 Intangible assets (continued)

Within the Retail CGU, 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.

Within the Vet Group CGU, 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 same sensitivities were applied to both the Retail CGU and Vet Group CGU in the 52 week period ended 26 March 2020. In addition, further sensitivities were applied in the 52 week period ended 26 March 2020 to reflect the risk of COVID-19. These were:

- Reduction in FY21 H1 Retail sales by 30% as a COVID-19 sensitivity

- Reduction in FY21 H1 Vet Group sales by 50% as a COVID-19 sensitivity

Neither of the above, considered reasonably possible changes in assumptions when applied, resulted 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 25 March 2021 £m	At 26 March 2020 £m
Finished goods	83.7	62.8

The cost of inventories recognised as an expense and included in 'cost of sales' is £487.6m (period ended 26 March 2020: £438.3m).

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 25 March 2021 the inventory provision amounted to £3.9m (26 March 2020: £3.2m). 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 £8.9m (2020: £7.1m).

In the 52 week period ended 25 March 2021, the value of inventory written off to the income statement amounted to £9.3m (52 week period ended 26 March 2020: £8.7m).

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 25 March 2021			At 26 March 2020		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Property, plant and equipment	2.6	–	2.6	2.4	–	2.4
Financial assets	0.6	–	0.6	0.9	–	0.9
Financial liabilities	–	(0.2)	(0.2)	–	(0.2)	(0.2)
Other short term timing differences	2.4	(5.0)	(2.6)	2.2	(5.7)	(3.5)
Arising on acquisition of intangible assets	–	(0.9)	(0.9)	–	–	–
SBP reserve	3.4	–	3.4	–	–	–
Net deferred tax assets/(liabilities)	9.0	(6.1)	2.9	5.5	(5.9)	(0.4)

Movement in deferred tax during the period

	26 March 2020 £m	Recognised in income £m	Recognised in equity £m	Recognised on acquisition £m	25 March 2021 £m
Property, plant and equipment	2.4	0.2	–	–	2.6
Net financial assets/(liabilities)	0.7	–	(0.3)	–	0.4
Other short term timing differences	(3.5)	0.9	–	–	(2.6)
Arising on acquisition of intangible assets	–	–	–	(0.9)	(0.9)
SBP reserve	–	–	3.4	–	3.4
	(0.4)	1.1	3.1	(0.9)	2.9

Other short term timing differences primarily relate to share based payment schemes and inventory provisions.

Movement in deferred tax during the prior period

	28 March 2019 £m	Recognised in income £m	Recognised in equity £m	26 March 2020 £m
Property, plant and equipment	0.2	2.2	–	2.4
Net financial assets/ (liabilities)	(0.2)	–	0.9	0.7
Other short term timing differences	(4.0)	0.5	–	(3.5)
	(4.0)	2.7	0.9	(0.4)

Company

Movement in deferred tax during the period

	26 March 2020 £m	Recognised in income £m	Recognised in equity £m	25 March 2021 £m
Net financial assets	0.4	0.0	(0.1)	0.3
SBP reserve	–	–	3.4	3.4
	0.4	0.0	3.3	3.7

The rate used to calculate deferred tax assets and liabilities is 19% in line with the corporation tax rate.

16 Other financial assets and liabilities

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Non-current assets				
Investments in Joint Venture veterinary practices	0.2	0.4	–	–
Loans to Joint Venture veterinary practices – initial set up loans	11.3	13.3	–	–
Loans to Joint Venture veterinary practices – other loans	3.3	4.0	–	–
Other investments	1.1	1.1	–	–
Other receivables	0.6	1.8	–	–
Interest rate swaps	0.2	0.3	0.2	0.3
	16.7	20.9	0.2	0.3

Investments in Joint Venture veterinary practices

Investments represent £0.2m (2020: £0.4m) 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 £11.3m (2020: £13.3m) 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 IFRS 9. 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 £1.2m (2020: £nil). An ECL has been recognised during the period in relation to loans with Joint Venture veterinary practices where the Group considers the loan to be in default and credit impaired based on the criteria set out in note 1.15.

	Gross loan value £m	Expected credit loss £m	Carrying value of loan £m
As at 26 March 2020	13.3	–	13.3
Net repayment and further advances	(0.8)	–	(0.8)
Provisions made during the period	–	(1.2)	(1.2)
As at 25 March 2021	12.5	(1.2)	11.3
Closing position	12.5	(1.2)	11.3

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. Based on their score card performance, loans are categorised as high, medium or low credit risk. The loss allowance is calculated in accordance with the policy set out in note 1.15, depending on the credit risk of each loan and the Group's expectations of future cash flow recoverability.

Credit risk	At 25 March 2021 £m	At 26 March 2020 £m
Low	10.5	13.3
Medium	1.2	–
High	0.8	–
Gross carrying amount	12.5	13.3
Loss allowance	(1.2)	–
Net carrying amount	11.3	13.3

Loans to Joint Venture veterinary practices – other loans

Loans to Joint Venture veterinary practices – other loans of £3.3m (2020: £4.0m) represent loan balances to Joint Venture veterinary practices. These loans are unsecured, typically for five to seven years and attract an interest rate of LIBOR plus 2.8%. The loans are accounted for at amortised cost under IFRS 9. 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 set out in note 1.15 as fully performing, and any expected credit losses are immaterial (2020: £nil).

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	
Other financial assets	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Current assets				
Fuel forward contracts	0.1	–	–	–
Forward exchange contracts	0.8	0.8	–	–
Other receivables	0.6	0.7	–	–
	1.5	1.5	–	–

	Group		Company	
Other financial liabilities	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Current liabilities				
Fuel forward contracts	(0.0)	(0.4)	–	–
Forward exchange contracts	(1.2)	(1.7)	–	–
Interest rate swaps	(0.1)	–	(0.1)	(0.0)
Finance lease liabilities	–	(0.1)	–	–
	(1.3)	(2.2)	(0.1)	(0.0)

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Non-current liabilities				
Interest rate swaps	(1.6)	(2.3)	(1.6)	(2.3)
Put and call liability	–	(3.4)	–	–
Finance lease liabilities	–	(0.1)	–	–
	(1.6)	(5.8)	(1.6)	(2.3)

17 Trade and other receivables

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Trade receivables	11.4	17.4	–	–
Amounts owed by Joint Venture veterinary practices – funding for new practices	0.3	1.6	–	–
Amounts owed by Joint Venture veterinary practices – operating loans	20.5	29.5	–	–
Other receivables	9.0	2.2	–	–
Amounts owed by Group undertakings	–	–	587.9	579.2
Prepayments	0.5	1.5	–	–
Accrued income	7.6	3.7	–	–
	49.3	55.9	587.9	579.2

Trade and other receivables
The impairment of trade and other receivables is assessed in line with IFRS 9. As at 25 March 2021 and 26 March 2020 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

The Group apply the simplified approach under IFRS 9 and default to lifetime expected credit loss. The ECL is immaterial on the trade receivables balance for the 52 week period ended 25 March 2021.

Amounts owed by Joint Venture veterinary practices
Amounts owed by Joint Venture veterinary practices represent funding for new practices, trading balances and operating loans owed by Joint Venture veterinary practices to the Group. 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 IFRS 9 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 1.15.

For those practices in default, a credit impairment charge is recognised under IFRS 9 taking into account the Group's expectations of future cash flow recoverability. For other practices, a credit impairment charge is recognised under IFRS 9, 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 £6.2m (2020: £8.0m). The basis for this allowance and the movement in the period is set out below and further detail is provided in note 1.21.

Group

	Gross loan value £m	Expected credit loss £m	Carrying value of loan £m
As at 26 March 2020	37.5	(8.0)	29.5
Loans written off	(1.4)	1.4	–
Net repayment and further advances	(9.4)	–	(9.4)
Release of impairment recognised during the period	–	0.4	0.4
As at 25 March 2021			
Closing position	26.7	(6.2)	20.5

During the period ended 25 March 2021, £1.4m of operating loans which were deemed to be in default were written off in advance of the acquisition of the 'A' shares which led to the control and consolidation of these practices. Further details of these acquisitions are provided in note 10.

The Group holds expected credit losses of £6.2m against operating loans of £26.7m (26 March 2020: ECLs of £8.0m against operating loans of £37.5m). 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 1.15.

The following table presents an analysis of the credit risk and credit impairment of operating loans held at amortised cost. Based on their score card performance, loans are categorised as high, medium or low credit risk. The loss allowance is calculated in accordance with the policy set out in note 1.15, depending on the credit risk of each loan.

Credit risk	At 25 March 2021 £m	At 26 March 2020 £m
Low	15.9	26.6
Medium	5.4	6.7
High	5.4	4.2
Gross carrying amount	26.7	37.5
Loss allowance	(6.2)	(8.0)
Net carrying amount	20.5	29.5

Should each operating loan risk, as defined by the risk criteria in note 1.15, increase by 10%, this would lead to an increase in the required provision for operating loans of £0.4m (26 March 2020: £1.9m). 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, revenues generated through Specialist Referral Centres up until 31 December 2020, and overrider 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 1.18, supplier income is recognised as a credit within gross margin to cost of sales and is outside of the scope of IFRS 15 and therefore a contract asset has not been separately recognised. Further detail of the Group's revenue recognition policy is provided in note 1.18.

Company

Amounts owed by Group undertakings

Amounts owed by Group undertakings have been assessed in line with IFRS 9 and an assessment is made of the expected credit loss. As at 25 March 2021 and 26 March 2020 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

18 Cash and cash equivalents

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Cash and cash equivalents	101.4	79.1	–	–

19 Other interest-bearing loans and borrowings

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Non-current liabilities				
Unsecured bank loans	98.7	163.3	98.7	163.3

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 25 March 2021 £m	Carrying amount at 25 March 2021 £m	Face value at 26 March 2020 £m	Carrying amount at 26 March 2020 £m
Revolving credit facility	GBP	LIBOR +1.15%	2023	100.0	98.7	165.0	163.3

The Group has a revolving credit facility of £248.0m which expires on 25 September 2023 and a further facility of £100.0m which expired on 12 May 2021.

The drawn amount on the £248.0m facility was £100.0m at 25 March 2021 (£165.0m at 26 March 2020) and this amount is reviewed each month. Interest is charged at LIBOR plus a margin based on leverage on a pre-IFRS 16 basis (net debt: EBITDA). Face value represents the principal value of the revolving credit facility. The facility is unsecured. In addition to this, the Group held a further £100.0m 364 day liquidity facility which commenced on 13 May 2020 and expired on 12 May 2021. The drawn amount on the £100.0m facility at 25 March 2021 was £nil (26 March 2020: £nil).

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 25 March 2021 £m	At 26 March 2020 £m
Within one year or repayable on demand	–	–
Between one and two years	–	–
Between two and five years	100.0	165.0
	100.0	165.0

The loans at 25 March 2021 and 26 March 2020 are held by the 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 entered into one fixed rate interest rate swap agreement over a total of £100.0m of the senior facility borrowings at the balance sheet date at a fixed rate of 0.918% which expires on 31 March 2021. The Group has further 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 commence on 31 March 2021 and expire on 25 September 2023.

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 26 March 2020 £m	Cash flow £m	Non-cash movement £m	At 25 March 2021 £m
Cash and cash equivalents	79.1	22.3	–	101.4
Debt due within one year at face value	–	–	–	–
Debt due after one year at face value	(165.0)	65.0	–	(100.0)
Net debt	(85.9)	87.3	–	1.4

20 Trade and other payables

	Group		Company	
	At 25 March 2021 £m	At 26 March 2020 £m	At 25 March 2021 £m	At 26 March 2020 £m
Current				
Trade payables	107.1	110.8	–	–
Accruals	57.9	45.1	0.4	0.1
Amounts owed to Joint Venture veterinary practices	17.6	6.7	–	–
Other payables including tax and social security	28.5	34.0	–	–
Amounts owed to Group undertakings	–	–	509.3	387.7
	211.1	196.6	509.7	387.8

Amounts owed to Joint Venture veterinary practices that relate to trading balances are interest free and repayable on demand.

Within accruals above, contract liabilities under IFRS 15 of £0.8m (2020: £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 IFRS 15 of £0.4m (2020: £3.2m) 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	Total £m
Balance at 26 March 2020	1.9	1.1	2.2	5.2
Provisions made during the period	2.1	0.4	2.7	5.2
Provisions utilised during the period	(0.4)	(0.8)	(2.3)	(3.5)
Provisions released during the period	(0.2)	–	(0.3)	(0.5)
Balance at 25 March 2021	3.4	0.7	2.3	6.4

	At 25 March 2021 £m	At 26 March 2020 £m
Current	4.3	3.9
Non-current	2.1	1.3
	6.4	5.2

The closed stores provision relates to the rates, service charge and utilities payable on sublet or 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 1 and 4 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 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 IAS 37. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 1 and 17 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 28 March 2019	500,000,000	5.0
At 26 March 2020	500,000,000	5.0
At 25 March 2021	500,000,000	5.0

Company

	Share capital 25 March 2021 £m
At beginning of period	5.0
On issue at period end	5.0

	Share capital 26 March 2020 £m
At beginning of period	5.0
On issue at period end	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 at the start of the comparative period.

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 25 March 2021, the EBT held 5,958,116 ordinary shares (26 March 2020: 5,749,377) with a cost of £18,501,342 (2020: £11,805,745). The market value of these shares as at 25 March 2021 was 386.20 pence per share (26 March 2020: 268.80).

Other comprehensive income

25 March 2021

	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	–	5.0	5.0
Deferred tax on changes in fair value of cash flow hedges	–	(0.3)	(0.3)
Total other comprehensive income	0.1	4.7	4.8

26 March 2020

	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	–	(5.5)	(5.5)
Deferred tax on changes in fair value of cash flow hedges	–	0.9	0.9
Total other comprehensive income	(0.1)	(4.6)	(4.7)

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$100 million 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 25 March 2021, 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:

25 March 2021

	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.5	0.3	0.0	0.8
Trade payables	(0.9)	(5.9)	–	(6.8)
Forward exchange contracts	–	(0.4)	–	(0.4)
Balance sheet exposure	(0.4)	(6.0)	0.0	(6.4)

26 March 2020

	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.8	0.4	0.0	1.2
Trade payables	(1.1)	(6.5)	–	(7.6)
Forward exchange contracts	(0.0)	(1.0)	–	(1.0)
Balance sheet exposure	(0.3)	(7.1)	0.0	(7.4)

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 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	
	25 March 2021 £m	26 March 2020 £m	25 March 2021 £m	26 March 2020 £m
US Dollar	–	–	0.3	0.3
Euro	–	–	–	–

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.

23 Financial instruments (continued)

Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The Group's exposure to sterling LIBOR designated in hedging relationships is £100.0m at 25 March 2021 representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged sterling-denominated revolving credit facility. The Group is working with its banking syndicate and hedging partners to document a transition from LIBOR to a SONIA benchmark rate by the end of calendar year 2021, for both the revolving credit facility and interest rate swap hedging products. The effect of the transition on the Group and Company's financial statements for the periods ending 31 March 2022 and 30 March 2023, which represents the remaining term of these facilities and products, is expected to be less than £0.1m.

(ii) Interest rate risk

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. As at 25 March 2021, the Group had a revolving credit facility with a face value totalling £100.0m. The Group's borrowings as at 25 March 2021 incur interest at a rate of 1.15% plus LIBOR 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 a fixed rate interest rate swap agreement over a total of £100.0m of the senior facility borrowings at the balance sheet date at a fixed rate of 0.918% which expires on 31 March 2021. The Group has further 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 commence on 31 March 2021 and expire on 25 September 2023. The hedge is structured to hedge at least 70% of the forecast outstanding debt for the next year.

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	Book value At 25 March 2021 £m	Book value At 26 March 2020 £m	Book value At 25 March 2021 £m	Book value At 26 March 2020 £m
Fixed rate instruments				
Financial liabilities	100.0	162.4	100.0	162.4
Variable rate instruments				
Financial liabilities	–	0.9	–	0.9
Total financial liabilities	100.0	163.3	100.0	163.3

All borrowings bear a variable rate of interest based on LIBOR. 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 and the remaining un-hedged 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. 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 25 March 2021 £m	At 26 March 2020 £m
Equity		
Increase	0.5	0.8
Decrease	(0.5)	(0.8)
Profit or loss		
Increase	–	–
Decrease	–	–

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 estimated interest payments:

Group

25 March 2021

	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)	98.7	100.0	–	–	100.0	–
Trade payables (note 20)	107.1	107.1	107.1	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow (note 16)	1.7	1.7	0.1	0.8	0.8	–
Forward exchange contracts used for hedging:						
Outflow (note 16)	1.2	1.2	1.2	–	–	–
Fuel forward contracts used for hedging:						
Outflow (note 16)	0.0	0.0	0.0	–	–	–
	208.7	210.0	108.4	0.8	100.8	–

26 March 2020

	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)	163.3	165.0	–	–	165.0	–
Trade payables (note 20)	110.8	110.8	110.8	–	–	–
Finance lease liabilities (note 16)	0.2	0.2	0.1	0.1	–	–
Put and call liability (note 16)	3.4	3.4	–	3.0	0.2	0.2
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow (note 16)	2.3	2.3	0.0	1.0	1.3	–
Forward exchange contracts used for hedging:						
Outflow (note 16)	1.7	1.7	1.7	–	–	–
Fuel forward contracts used for hedging:						
Outflow (note 16)	0.4	0.4	0.4	0.0	–	–
	282.1	283.8	113.0	4.1	166.5	0.2

23 Financial instruments (continued)

Company

25 March 2021

	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)	98.7	100.0	–	–	100.0	–
	98.7	100.0	–	–	100.0	–

26 March 2020

	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)	163.3	165.0	–	–	165.0	–
	163.3	165.0	–	–	165.0	–

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

25 March 2021

	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
Interest rate swaps:						
Assets (note 16)	0.2	0.2	–	–	0.2	–
Liabilities (note 16)	(1.7)	(1.7)	(0.1)	(0.8)	(0.8)	–
Forward exchange contracts:						
Assets (note 16)	0.8	0.8	0.8	–	–	–
Liabilities (note 16)	(1.2)	(1.2)	(1.2)	–	–	–
Fuel forward contracts:						
Assets (note 16)	0.1	0.1	0.1	–	–	–
Liabilities (note 16)	(0.0)	(0.0)	(0.0)	–	–	–
	(1.8)	(1.8)	(0.4)	(0.8)	(0.6)	–

26 March 2020

	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
Interest rate swaps:						
Assets (note 16)	0.3	0.3	–	–	0.3	–
Liabilities (note 16)	(2.3)	(2.3)	0.0	(1.0)	(1.3)	–
Forward exchange contracts:						
Assets (note 16)	0.8	0.8	0.8	–	–	–
Liabilities (note 16)	(1.7)	(1.7)	(1.7)	–	–	–
Fuel forward contracts:						
Liabilities (note 16)	(0.4)	(0.4)	(0.4)	(0.0)	–	–
	(3.3)	(3.3)	(1.3)	(1.0)	(1.0)	–

Company

25 March 2021

	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
Interest rate swaps:						
Assets (note 16)	0.2	0.2	–	–	0.2	–
Liabilities (note 16)	(1.7)	(1.7)	(0.1)	(0.8)	(0.8)	–
	(1.5)	(1.5)	(0.1)	(0.8)	(0.6)	–

26 March 2020

	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
Interest rate swaps:						
Assets (note 16)	0.3	0.3	–	–	0.3	–
Liabilities (note 16)	(2.3)	(2.3)	–	(1.0)	(1.3)	–
	(2.0)	(2.0)	–	(1.0)	(1.0)	–

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 LIBOR.

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.

Put and call options over non-controlling interests

Put and call options over non-controlling interests are recognised at fair value at the acquisition date and included within the valuation of goodwill. Subsequent changes to fair value 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)

23 Financial instruments (continued)

25 March 2021

Carrying amount	Fair value – hedging instruments £m	FVOCI – equity instruments £m	Financial assets at amortised cost £m	Total carrying amount £m
Financial assets measured at fair value				
Investments in Joint Venture veterinary practices (note 16)	–	0.2	–	0.2
Other investments (note 16)	–	1.1	–	1.1
Forward exchange contracts used for hedging (note 16)	0.8	–	–	0.8
Fuel forward contracts used for hedging (note 16)	0.1	–	–	0.1
Interest rate swaps used for hedging (note 16)	0.2	–	–	0.2
	1.1	1.3	–	2.4
Financial assets not measured at fair value				
Current trade and other receivables (note 17)	–	–	–	20.4
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	–	20.8
Cash and cash equivalents (note 18)	–	–	–	101.4
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	–	11.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	–	3.3
Other receivables (note 16)	–	–	–	1.2
	–	–	–	158.4
Financial liabilities measured at fair value				
Fuel forward contracts used for hedging (note 16)	(0.0)	–	–	(0.0)
Forward exchange contracts used for hedging (note 16)	(1.2)	–	–	(1.2)
Interest rate swaps used for hedging (note 16)	(1.7)	–	–	(1.7)
	(2.9)	–	–	(2.9)
Financial liabilities not measured at fair value				
Current lease liabilities (note 12)	–	–	(78.4)	(78.4)
Non-current lease liabilities (note 12)	–	–	(331.3)	(331.3)
Trade payables (note 20)	–	–	(107.1)	(107.1)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	(17.6)	(17.6)
Other interest-bearing loans and borrowings (note 19)	–	–	(98.7)	(98.7)
	–	–	(633.1)	(633.1)

25 March 2021

Fair value	Level 2 £m
Financial assets measured at fair value	
Investments in Joint Venture veterinary practices (note 16)	–
Other investments (note 16)	–
Financial assets not measured at fair value	
Amounts owed by Joint Venture veterinary practices – Funding and operating loans (note 17)	–
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–
Loans to Joint Venture veterinary practices – other loans (note 16)	
Other receivables (note 16)	
Financial liabilities not measured at fair value	
Other interest-bearing loans and borrowings (note 19)	(100.0)

26 March 2020

Carrying amount	Fair value – hedging instruments £m	Financial assets at amortised cost £m	Total carrying amount £m
Financial assets measured at fair value			
Investments in Joint Venture veterinary practices (note 16)	–	–	0.4
Other investments (note 16)	–	–	1.1
Forward exchange contracts used for hedging (note 16)	0.8	–	0.8
Interest rate swaps used for hedging (note 16)	0.3	–	0.3
	1.1	–	2.6
Financial assets not measured at fair value			
Current trade and other receivables (note 17)	–	19.6	19.6
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	31.1	31.1
Cash and cash equivalents (note 18)	–	79.1	79.1
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	13.3	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	4.0	4.0
Other receivables (note 16)	–	2.5	2.5
	–	149.6	149.6
Financial liabilities measured at fair value			
Fuel forward contracts used for hedging (note 16)	(0.4)	–	(0.4)
Forward exchange contracts used for hedging (note 16)	(1.7)	–	(1.7)
Interest rate swaps used for hedging (note 16)	(2.3)	–	(2.3)
	(4.4)	–	(4.4)
Financial liabilities not measured at fair value			
Finance lease liabilities (note 16)	–	–	(0.2)
Current lease liabilities (note 12)	–	–	(83.7)
Non-current lease liabilities (note 12)	–	–	(380.2)
Trade payables (note 20)	–	–	(110.8)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	(6.7)
Put & call liability (note 16)	–	–	(3.4)
Other interest-bearing loans and borrowings (note 19)	–	–	(163.3)
	–	–	(748.3)

26 March 2020

Fair value	Level 1 £m	Level 3 £m	Total £m
Financial assets measured at fair value			
Investments in Joint Venture veterinary practices (note 16)	–	0.4	0.4
Other investments (note 16)	–	1.1	1.1
Financial assets not measured at fair value			
Amounts owed by Joint Venture veterinary practices – funding and operating loans (note 17)	31.1	–	31.1
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	13.3	–	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	4.0	–	4.0
Other receivables (note 16)	2.5	–	2.5
Financial liabilities not measured at fair value			
Put & call liability	–	(3.4)	(3.4)
Other interest-bearing loans and borrowings (note 19)	(165.0)	–	(165.0)

23 Financial instruments (continued)

Changes in liabilities arising from financing activities

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 26 March 2020	163.3	463.9	627.2
Changes from financing cash flows			
Proceeds from loans and borrowings	–	–	–
Repayment of borrowings	(65.0)	–	(65.0)
Payment of lease liabilities	–	(79.2)	(79.2)
Total changes from financing cash flows	98.3	384.7	483.0
Other changes			
Interest expense on lease liabilities	–	12.8	12.8
Additions to lease liabilities	–	38.5	38.5
Disposal of lease liabilities	–	(26.3)	(26.3)
Amortisation of debt issue costs	0.4	–	0.4
Total other changes	0.4	25.0	25.4
Balance at 25 March 2021	98.7	409.7	508.4

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 25 March 2021 and 26 March 2020, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

						Maturity
	1-6 months	6-12 months	More than 1 year	1-6 months	6-12 months	More than 1 year
	2021	2021	2021	2020	2020	2020
Foreign currency risk						
Forward exchange contracts						
Net exposure (£m)	42.4	18.0	–	36.6	15.0	–
Average GBP-USD forward contract rate	1.32	1.36	–	1.27	1.31	–
Average GBP-EUR forward contract rate	1.11	1.15	–	1.14	1.19	–
Interest rate risk						
Interest rate swaps						
Net exposure (£m)	100.0	–	100.0	162.4	–	100.0
Average fixed interest rate	0.918%		0.811%	0.814%	–	0.865%

Company

The Company held interest rate swaps as at 25 March 2021 and 26 March 2020 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 25 March 2021 and 26 March 2020, the Group has five share award plans, all of which are equity settled schemes.

1 The Co-Invest Plan (CIP)

On 25 February 2014 the Company adopted the Co-Invest Plan (CIP). Matching awards under the CIP (as described in section 1(b) below) were made on 17 March 2014 to Executive Directors and the Senior Executives by reference to corresponding investment pledges by those colleagues.

These matching awards vested over a period of three years subject to the satisfaction of performance conditions and once vested as to performance became exercisable in equal one-third tranches in years three, four and five subject to continued employment with the Group. These awards were granted at nil cost.

(a) Eligibility

Only the Executive Directors, the Senior Executives and certain other senior colleagues were selected to participate in the CIP.

(b) Type of awards

Colleagues were invited to participate in the CIP by making an 'investment' or 'pledge' of their own shares (the 'Co-Invest Shares'), which could include existing, locked-in shares or new shares acquired with cash, in return for a nil cost-matching award over shares (the 'Matching Award').

Matching Awards were granted by reference to a ratio not exceeding one matched share for every Co-Invest Share 'pledged'. Matching Awards under the CIP did not form part of a participant's pensionable earnings and are not transferable other than on death.

(c) Individual limits

The Executive Directors and the Senior Executives pledged Co-Invest Shares with a market value equal to 2.5 times their annual salary. Other senior colleagues who elected to participate in the CIP pledged Co-Invest Shares with a market value equal to a limit specified by the Remuneration Committee, but not exceeding 1 times their annual salary.

(d) Performance, vesting and performance adjustment

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.

24 Share based payments (continued)

2 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).

3 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.

(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 CIP, 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 CIP, 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
For awards granted on, or in connection with, Admission, the performance conditions are the same as for the CIP outlined in Section 1(d) above.

4 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 17.2% 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 an 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 CIP, 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.

24 Share based payments (continued)

5 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 CIP, 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 CIP, 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.

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			CIP		PSP	
	2020	2019	2018	2015	2017	2016	2015
At grant date							
Share price	£2.28	£1.87	£1.37	£2.45	£2.59	£2.75	£2.45
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	32%	32%	32%	30%	32%	30%	30%
Option life (years)	10	10	10	3	10	10	10
Expected dividend yield	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	0.50%	1.07%	1.07%
Weighted average fair value of options granted	£2.28	£1.87	£1.37	£2.06	£2.06	£2.06	£2.06

	CSOP			SAYE		
	2017	2016	2015	2020	2019	2018
At grant date						
Share price	£2.59	£2.75	£2.31	£2.87	£2.37	£1.17
Exercise price	£2.59	£2.75	£2.31	£2.29	£1.98	£0.94
Expected volatility	32%	32%	37%	32%	32%	32%
Option life (years)	10	10	10	3	3	3
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	0.50%	2.25%	2.25%	0.20%	0.20%	0.20%
Weighted average fair value of options granted	£0.65	£0.89	£0.75	£0.95	£0.78	£0.39

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:

	CIP 000	PSP 000	CSOP 000	SAYE 000	RSA 000	Total 000
Outstanding at start of year	51	8	2,196	5,001	7,300	14,556
Granted	–	–	–	2,069	2,264	4,333
Forfeited	(47)	–	(129)	(419)	(860)	(1,455)
Exercised	–	(6)	(1,025)	(526)	(1,596)	(3,153)
Lapsed	(4)	–	–	(111)	(11)	(126)
Outstanding at end of year	–	2	1,042	6,014	7,097	14,155
Weighted average exercise price	–	–	2.44	1.47	–	NA

The Group income statement charge recognised in respect of share based payments for the 52 week period ended 25 March 2021 is £4.7m (52 week period ended 26 March 2020: £4.2m).

25 Commitments

Capital commitments

At 25 March 2021, the Group is committed to incur capital expenditure of £6.1m (26 March 2020: £3.7m). Capital commitments predominantly relate to the cost of investment in new IT systems and refurbishment of Pets at Home stores.

At 25 March 2021, the Group has a commitment to increase the loan funding to Joint Venture companies of £0.8m (26 March 2020: £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 £12.8m (26 March 2020: £10.9m).

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
Alton Vets4Pets Limited	09639868
Andover Vets4Pets Limited	08132407
Companion Care (Ballymena) Limited	08294444
Bearsden Vets4Pets Limited	07780175
Bedminster Vets4Pets Limited	09267870
Belfast Stormont Vets4Pets Limited	09022077
Bicester Vets4Pets Limited	10285804
Blackpool Squires Gate Vets4Pets Limited	09578581
Bonnyrigg Vets4Pets Limited	10757330
Borehamwood Vets4Pets Limited	09319066
Bourne Vets4Pets Limited	10200670
Bracknell Vets4Pets Limited	10605544
Bramley Vets4Pets Limited	04238788
Carmarthen Vets4Pets Limited	09498169
Clitheroe Vets4Pets Limited	09878308
Corby Vets4Pets Limited	08163294
Craigavon Vets4Pets Limited	08846831
Davidsons Mains Vets4Pets Limited	07726992
Doncaster Vets4Pets Limited	04335358
Dorchester Vets4Pets Limited	08708025
East Kilbride Vets4Pets Limited	09628917
Ellesmere Port Vets4Pets Limited	09725644
Evesham Vets4Pets Limited	09269582
Companion Care (Exeter) Limited	04930076
Companion Care (Exeter Marsh) Limited	08314727
Companion Care (Farnborough) Limited	07673889
Grantham Vets4Pets Limited	08361049
Haverfordwest Vets4Pets Limited	09485504
Inverurie Vets4Pets Limited	11056047
Kilmarnock Vets4Pets Limited	08850288
Companion Care (Kirkcaldy) Limited	07680864
Leeds Kirkstall Vets4Pets Limited	10291543
Leicester St Georges Vets4Pets Limited	09881176
Linlithgow Vets4Pets Limited	09966547
Liverpool OS Vets4Pets Limited	06959208
Companion Care (Speke) Limited	07149744
Companion Care (Macclesfield) Limited	08285995

Company	Registered number
Companion Care (Maidstone) Limited	05094399
Maidstone Vets4Pets Limited	05171954
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
Pentland Vets4Pets Limited	09360949
Prescot Vets4Pets Limited	08878815
Redditch Vets4Pets Limited	05612150
Sheffield Drakehouse Vets4Pets Limited	08790953
Sheldon Vets4Pets Limited	08822150
Sidcup Vets4Pets Limited	08187232
Companion Care (Slough) Limited	07427613
St Neots Vets4Pets Limited	09811640
Companion Care (Stevenage) Limited	08282080
Companion Care (Stratford-upon-Avon) Limited	07329166
Sudbury Vets4Pets Limited	09916308
Sydenham Vets4Pets Limited	08802574
Thamesmead Vets4Pets Limited	09881179
Tiverton Vets4Pets Limited	11023079
Uttoxeter Vets4Pets Limited	11145982
Wallasey Bidston Moss Vets4Pets Limited	09190138
Wellingborough Vets4Pets Limited	07620413
Wokingham Vets4Pets Limited	09869355
Wrexham Vets4Pets Limited	07103838
Companion Care Management Services Limited	08878037
Pet Investments Limited	04428715
Vets4Pets (Services) Limited	04317414
Vets4Pets Services Limited	05055601
Vets4Pets UK Limited	03940967
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 £12.8m (26 March 2020: £10.9m).

The transactions entered into during the period and the balances outstanding at the end of the period are as follows:

	25 March 2021 £m	26 March 2020 £m
Transactions		
– Fees for services provided to Joint Venture veterinary practices	57.0	54.7
– Rental and other occupancy charges to Joint Venture veterinary practices	8.2	12.2
Total income from Joint Venture veterinary practices	65.2	66.9
Acquisitions		
– Consideration for Joint Venture veterinary practices acquired (note 10)	1.6	1.3
Balances		
Included within trade and other receivables (note 17):		
– Funding for new practices	0.3	1.6
– Operating loans		
– Gross value of operating loans	26.7	37.5
– Allowance for expected credit losses held for operating loans	(6.2)	(8.0)
– Net operating loans	20.5	29.5
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	12.5	13.3
– Allowance for expected credit losses held for initial set up loans	(1.2)	–
– Net initial set up loans	11.3	13.3
– Loans to other related parties – other loans		
– Gross value of other loans	3.3	4.0
– Allowance for expected credit losses held for other loans	–	–
– Net other loans	3.3	4.0
Included within trade and other payables (note 20):		
– Trading balances	(17.6)	(6.7)
Total amounts receivable from veterinary practices (before provisions)	25.2	49.7

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 IFRS 15, revenue in the 52 week period ended 25 March 2021 and the 52 week period ended 26 March 2020 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 £6.2m (26 March 2020: £8.0m).

Loans to Joint Venture veterinary practices 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 IFRS 9. The balances above are shown net of allowances for expected credit losses held for operating loans of £1.2m (26 March 2020: £nil).

In the 52 week period ended 25 March 2021, the value of loans written off recognised in the income statement amounted to £1.4m which relates to operating loans. In the 52 week period ended 26 March 2020 the value of loans written off recognised in the income statement amounted to £9.0m, which relates to operating loans £7.2m, initial set up loans £1.1m and other loans £0.7m.

At 25 March 2021, the Group had a commitment to increase the loan funding to Joint Venture companies of £0.8m (26 March 2020: £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 lease 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 Investments in subsidiaries

Company

	Investments in subsidiaries £m
At 26 March 2021 and 25 March 2021	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 £958.4m at 25 March 2021 exceeds the investments held in subsidiary undertakings of £936.2m, and therefore management have concluded that under IAS 36, no impairment has been identified with regard to the Company's investments in subsidiaries.

Registered office address
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

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 25 March 2021, the Group has acquired 100% of the share capital in Pet Advisory Services Limited and its subsidiary VetsDirect Limited.

In the 52 week period ended 25 March 2021, the Group has also acquired 100% of the 'A' shares of 6 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.

Further details of these acquisitions can be found in note 10.

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
Dick White Referrals Limited	Indirect	United Kingdom	Ordinary	–	91
Eye-Vet Limited	Indirect	United Kingdom	Ordinary	–	100
Anderson Moores Veterinary Specialists Ltd	Indirect	United Kingdom	Ordinary	–	100
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
Northwest Veterinary Specialists Limited	Indirect	United Kingdom	Ordinary	–	100
PAH Pty Limited	Indirect	Australia	Ordinary	100	100
Pet Advisory Services Limited	Indirect	United Kingdom	Ordinary	100	–
Pet Investments Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home (Asia) Limited	Indirect	Hong Kong	Ordinary	100	100

Notes (forming part of the financial statements) continued

28 Investments in subsidiaries (continued)

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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 Veterinary Specialist Group Limited	Indirect	United Kingdom	Ordinary	–	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	–
Veterinary Specialists (Scotland) Limited	Indirect	United Kingdom	Ordinary	–	94
Aberdeen North Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Aberdeen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
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
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 Squires Gate 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
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
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
Clitheroe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Coalville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Colchester Layer Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Ballymena) 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	50
Companion Care (Kendal) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kirkcaldy) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Macclesfield) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Maidstone) Limited	Indirect	United Kingdom	Ordinary	100	100

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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 (Stevenage) 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
Cumbernauld Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Davidsons Mains Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Doncaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Dorchester 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	50
Great Yarmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Haverfordwest Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Heanor 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
Inverness Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Inverurie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kilmarnock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leamington Spa Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leeds Kirkstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leicester St Georges Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
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 Vet4sPets 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
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

28 Investments in subsidiaries (continued)

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
Rawtenstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Redditch Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ripon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Salford 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 Drakehouse 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	50
St Austell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	95	95
St Neots 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
Sydenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
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	50
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

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 25 March 2021 %	At 26 March 2020 %
Abingdon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
ABTW Limited	Indirect	United Kingdom	Ordinary	50	50
Accrington Vets4Pets 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
Bangor Wales 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	100
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

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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 Warbreck 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 Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
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
Cc (Rustington) Newco 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
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
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 (Banbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Barnsley Cortonwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon Pipps 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

28 Investments in subsidiaries (continued)

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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 (Chippenham) 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 (Ely) 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
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

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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 (Llantrisant) 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	100
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
Companion Care (Southend-On-Sea) 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

28 Investments in subsidiaries (continued)

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
Crewe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cross Hands 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
Denbigh 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
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 Limited	Indirect	United Kingdom	Ordinary	50	50
Epsom Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Falkirk Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Feltham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
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
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
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	100
Huddersfield 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

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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
Kendal 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
Kirkby in Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lancaster 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
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
Newtownards 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
Northwich 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

28 Investments in subsidiaries (continued)

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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
Pure Pet Food Ltd	Indirect	United Kingdom	Ordinary	12	19
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
Runcorn 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
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 Wadsley Bridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shelfield 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
Somercotes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
South Shields Quays 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
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

Company	Holding	Country of incorporation	Class of shares held	At 25 March 2021 %	At 26 March 2020 %
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	100
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	100
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 25 March 2021, the Group has sold 100% of the 'A' shares in a number of companies which were previously classified as subsidiaries, and subsequent to sale of the 'A' shares, have been accounted for as Joint Venture veterinary practices, which has led to the reduction in the holding in 7 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 EU-adopted IFRS, 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.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with the prior year.

All APMs relate to the current period's results and comparative periods where provided. Where the current APM has been amended to exclude the impact of transition to IFRS 16, this has been set out in the definition below.

APMs considered by the business to be a key performance indicator are explained in more detail on page 13 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, veterinary practices and Specialist Referral Centres 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

Omnichannel revenue: Revenue net of discounts and VAT from core online sales, subscriptions and order to store

Underlying EBITDA: Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period

Underlying free cash flow: Net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid and debt issue costs before the effect of non-underlying items in the period

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 property rentals and share based payments subject to tax, then adjusted for depreciation and amortisation. GCI represents gross property, plant and equipment, plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, plus capitalised rent multiplied by a factor of 8x, before the effect of non-underlying items in the period

Non-underlying items: 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

References to **Underlying GAAP measures** and **Underlying APMs** throughout the financial statements are measured before the effect of non-underlying items.

APM	Definition	Reconciliation			
Cash EBITDA	Underlying EBITDA (see below) adjusted for share based payment charges.	**Cash EBITDA (£m)**	**FY21**	**FY20**	**Note**
		Underlying EBITDA	216.7	220.7	2
		Share based payment charge	4.7	4.2	3
		Cash EBITDA	221.4	224.9	
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period.	**Underlying EBITDA (£m)**	**FY21**	**FY20**	**Note**
		Statutory operating profit	134.8	103.7	2
		Depreciation on tangible fixed assets	26.9	28.3	3
		Amortisation of intangible assets	13.6	10.0	3
		Non-underlying items	(28.9)	7.6	3
		Underlying EBITDA before IFRS 16	146.4	149.6	
		Depreciation on right-of-use assets	70.3	71.1	3
		Underlying EBITDA	216.7	220.7	

APM	Definition	Reconciliation
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, and then adjusted for depreciation on property, plant and equipment, depreciation on right-of-use assets and amortisation on intangible assets. GCI represents gross property, plant and equipment and right-of-use assets, plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital.	See table below

CROIC	FY21	FY20	Note
Cash returns:			
Underlying operating profit	105.9	111.3	2
Share based payment charges	4.7	4.2	3
	110.6	115.5	
Effective tax rate	19%	20%	
Tax charge on above	(21.0)	(23.1)	
	89.6	92.4	
Depreciation and amortisation	110.8	109.4	2
Cash returns	200.4	201.8	
Gross capital invested (GCI):			
Gross property, plant and equipment	310.1	306.2	11
Gross right-of-use assets	508.2	497.9	12
Intangibles	1,053.4	1,046.3	13
Less KKR goodwill	(906.5)	(906.5)	
Investments	12.6	14.8	16
Net working capital	(87.3)	(91.1)	see definition
GCI	890.5	867.6	
Underlying CROIC	22.5%	23.3%	

APM	Definition	Reconciliation
Underlying free cash flow	Net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid and debt issue costs before the effect of non-underlying items in the period.	See table below

Underlying free cash flow (£m)	FY21	FY20	Note
Underlying free cash flow	67.4	89.6	
Non-underlying working capital	–	1.2	
Free cash flow	67.4	90.8	
Underlying cash flow			
Dividends	(37.1)	(37.1)	CFS
Investments	–	(1.0)	CFS
Acquisition of subsidiary	(16.9)	(0.5)	CFS
Proceeds from new loan	–	61.0	CFS
Repayment of borrowings	(65.0)	(77.0)	CFS
Non-underlying cash flow			
Proceeds from sale of PPE	–	0.4	CFS
Proceeds from sale of PPE relating to GVs	–	(0.3)	
Payment of deferred consideration	–	–	CFS
Settlement of put & call	(5.5)	(6.4)	CFS
Acquisition of subsidiary	–	(0.5)	CFS
Costs associated with acquisitions	–	(3.7)	CFS
Repayment of borrowings on acquisition	–	(5.9)	CFS
Non-underlying working capital	–	(1.2)	CFS
Disposal of subsidiaries	79.4	–	CFS
Net increase in cash	22.3	18.6	

CFS = Consolidated statement of cash flows

APM	Definition	Reconciliation
Like-for-like	'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, veterinary practices and Specialist Referral Centres 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.
2-year like-for-like	2 year '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, veterinary practices and Specialist Referral Centres that have been trading for 104 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.

Glossary – Alternative Performance Measures continued

APM | Definition | Reconciliation

Underlying basic EPS

Underlying basic earnings per share (EPS) is based on earnings per share after the impact of IFRS 16, but 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)	FY21	FY20	Note
Underlying basic EPS	14.0	15.0	5
Non-underlying items	5.8	(1.5)	5
Basic earnings per share	19.8	13.5	

Underlying operating profit

Underlying operating profit is based on operating 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 operating profit (£m)	FY21	FY20	Note
Underlying operating profit	105.9	111.3	2
Non-underlying items	28.9	(7.6)	3
Operating profit	134.8	103.7	

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)	FY21	FY20	Note
Underlying PBT	87.5	93.5	CIS
Non-underlying items	28.9	(7.6)	3
PBT	116.4	85.9	

CIS = Consolidated income statement

Underlying profit after tax

Underlying profit after tax (PAT) is based on post 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 PAT (£m)	FY21	FY20	Note
Underlying PAT	70.2	74.9	CIS
Non-underlying items	28.8	(7.5)	CIS
PAT	99.0	67.4	

CIS = Consolidated income statement

Underlying total tax expense

Underlying total tax expense is based on the statutory tax expense for the period (being the net of current and deferred tax) before the impact of certain costs of 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 total tax expense (£m)	FY21	FY20	Note
Underlying tax expense	(17.3)	(18.6)	8
Non-underlying items	(0.1)	0.1	8
Tax expense	(17.4)	(18.5)	

Underlying net working capital

Underlying net working capital movement is a measure of the cash required by the business to fund its inventory, receivables and payables.

The change year on year reflects the cash in/outflow in relation to changes in the working capital cycle excluding non-underlying items.

The change in net working capital is a key component of the free cash flow measure of the Group.

Underlying net working capital movement (£m)	FY21	FY20	Note
Net working capital per cash flow statement	(7.5)	27.3	CFS
Being:			
Movement in trade and other receivables	(5.9)	8.8	
Movement in inventories	(22.1)	5.7	CFS
Movement in trade and other payables	10.2	16.9	CFS
Movement in provisions	1.3	(0.7)	CFS
Trading working capital movement	(16.5)	30.7	
Movement in gross operating loans	10.8	(2.5)	
Cash working capital movement	(5.7)	28.2	
Underlying allowance for expected credit losses against operating loans	(1.8)	(0.9)	
Net working capital movement	(7.5)	27.3	

CFS = Consolidated statement of cash flows

(£m)	FY21	FY20	Note
Receivables	49.3	55.9	17
Inventory	83.7	62.8	14
Trade and other payables	(213.9)	(204.6)	
Provisions	(4.3)	(3.9)	21
Non-current provisions	(2.1)	(1.3)	21
Net working capital	(87.3)	(91.1)	

Underlying cash working capital

Working capital before increase/decrease in gross operating loans to Joint Venture practices

Underlying cash working capital (£m)	FY21	FY20	Note
Net working capital (above)	(7.5)	27.3	
Net loans and borrowings	(9.0)	1.6	27
Underlying cash working capital	(16.5)	28.9	

APM	Definition	Reconciliation

Operating cash flow

Net cash flow from operating activities per the cash flow statement, before the effects of corporation tax payments, non-underlying elements, and IFRS 16

Operating free cash flow(£m)	FY21	FY20	Note
Net cash flow from operating activities (per cash flow statement)	195.1	215.2	CFS
Add back:			
Tax paid	17.5	30.8	CFS
Settlement of put & call liabilities (growth element)	–	0.8	CFS
Pre-tax underlying operating cash flow	212.6	246.8	
Capital lease payments	(66.6)	(67.0)	CFS
Interest paid on lease obligations	(12.8)	(14.0)	CFS
Operating cash flow	133.2	165.8	
Tax paid	(17.5)	(30.8)	CFS
Interest paid	(4.8)	(3.7)	CFS
Interest received	0.4	0.5	CFS
Debt issue costs	(0.2)	–	CFS
Purchase of own shares	(8.7)	(2.8)	CFS
Acquisition of PPE and intangible assets	(34.9)	(39.6)	CFS
Proceeds from sale of PPE	0.3	0.4	CFS
Proceeds from sale of PPE (non-underlying)	–	(0.2)	CFS
Costs to acquire ROU assets	(0.4)	–	CFS
Underlying free cash flow	67.4	89.6	

CFS = Consolidated statement of cash flows

Omnichannel revenue

Revenue net of discounts and VAT from core online sales, subscriptions and order to store.

Omnichannel revenue (£m)	FY21	FY20	Note
Omnichannel revenue	161.3	93.9	

Underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading.

Underlying EBIT (£m)	FY21	FY20	Note
Operating profit relating to underlying trading (EBIT)	105.9	111.3	2

Retail underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading for the Retail division.

Retail underlying EBIT (£m)	FY21	FY20	Note
Retail operating profit relating to underlying trading (EBIT)	79.5	89.3	2

Vet Group underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading for the Vet Group division.

Vet Group underlying EBIT (£m)	FY21	FY20	Note
Vet Group operating profit relating to underlying trading (EBIT)	36.0	30.6	2

Net cash/(debt)

Cash and cash equivalents less loans and borrowings.

Net cash/(debt) (£m)	FY21	FY20	Note
Cash and cash equivalents	101.4	79.1	18
Loans and borrowings	(100.0)	(165.0)	19
Net cash/(debt)	1.4	(85.9)	

Total indebtedness

Cash and cash equivalents less loans and borrowings plus lease liabilities.

Total indebtedness (£m)	FY21	FY20	Note
Cash and cash equivalents	101.4	79.1	18
Loans and borrowings	(100.0)	(165.0)	19
Net cash/(debt)	1.4	(85.9)	
Lease liabilities	(409.7)	(463.9)	12
Total indebtedness	(408.3)	(549.8)	

Customer sales

Customer sales being statutory Group revenue, less Joint Venture veterinary practice fee income (which forms part of statutory revenue within the Vet Group), plus gross customer sales made by Joint Venture veterinary practices (unaudited).

Customer sales (£m)	FY21	FY20	Note
Statutory Group revenue	1,142.8	1,058.8	CIS
Fee income	(57.0)	(53.8)	2
Sales by Joint Venture veterinary practices	351.3	329.7	
Customer sales	1,437.1	1,334.7	

IS = Consolidated income statement

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