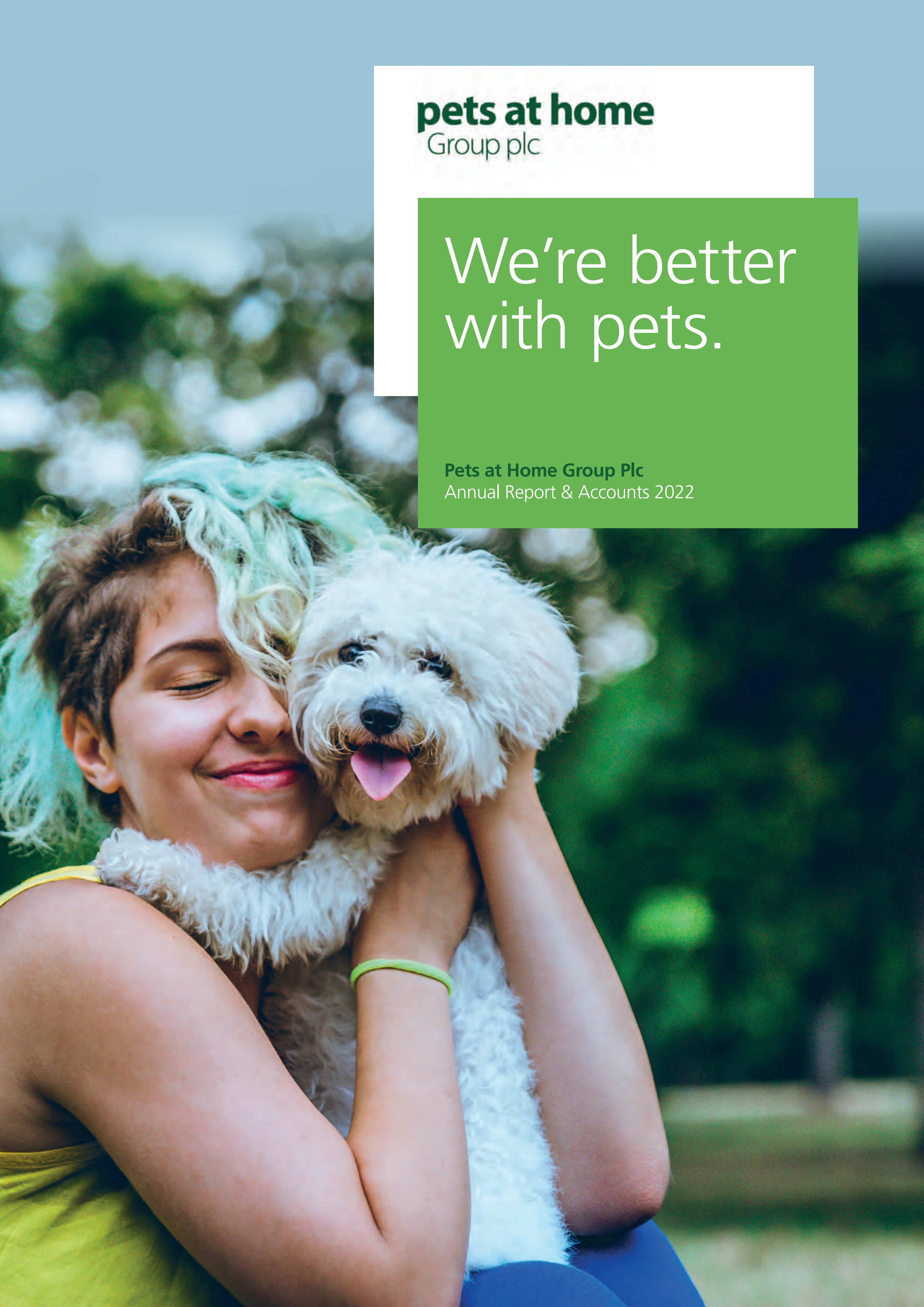


pets at home
Group plc

# We're better with pets.

**Pets at Home Group Plc**
Annual Report & Accounts 2022

# Acquire…

> Welcoming a new pet into the family can be a daunting experience, but the colleagues in my local Pets at Home store helped me take care of everything.

**Jane and Archie**

### A new member of the family

We know getting a new pet can sometimes feel overwhelming, so our Puppy and Kitten clubs are designed to make pet ownership as convenient and affordable as possible. Our free-to-join clubs provide a programme of expert advice and exclusive offers designed to introduce pet owners to all parts of our ecosystem at the very start of their pet care journey. Customers benefit from an attractive suite of special offers for signing up, including 10% off their first shop, the first month of their subscription for free, and a discount on their first groom.

### Helping owners care for their pet from the very beginning

Our experienced and passionate colleagues are trained to have insightful conversations with our customers. Many of our larger pet care centres have dedicated consultation areas where our colleagues can offer advice and assess the customers' pet care needs. They can also discuss the merits of joining our loyalty clubs and subscription plans, and personally introduce them to the grooming and veterinary services located in-store. In this way we are uniquely placed to take care of all of our customers' pet care needs under one roof.

# Giving pets the best start in life.

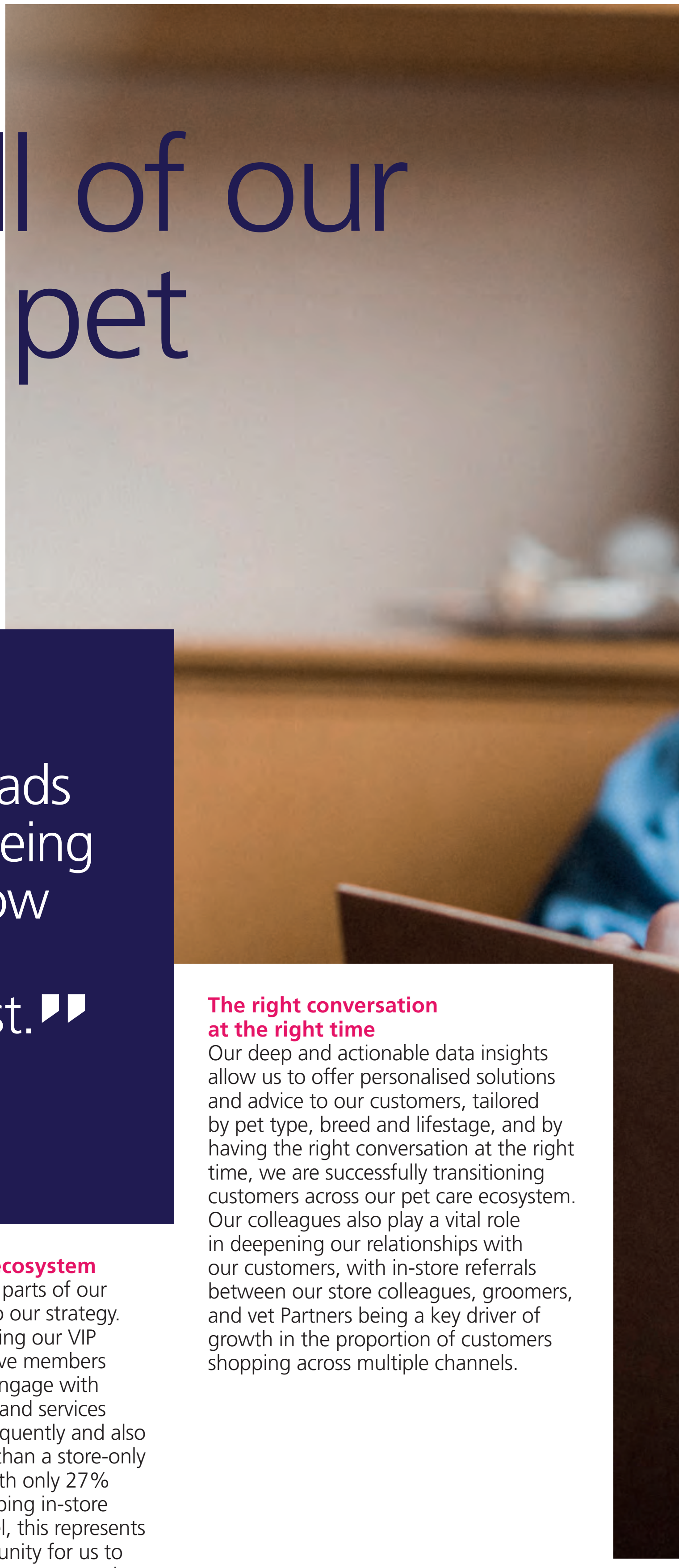
**10%**
First-shop discount when joining Puppy & Kitten club


**48%**
Growth in Puppy & Kitten club sign-ups YoY

**20%**
Average spend uplift of Puppy & Kitten club members vs non-members

# Deepen...

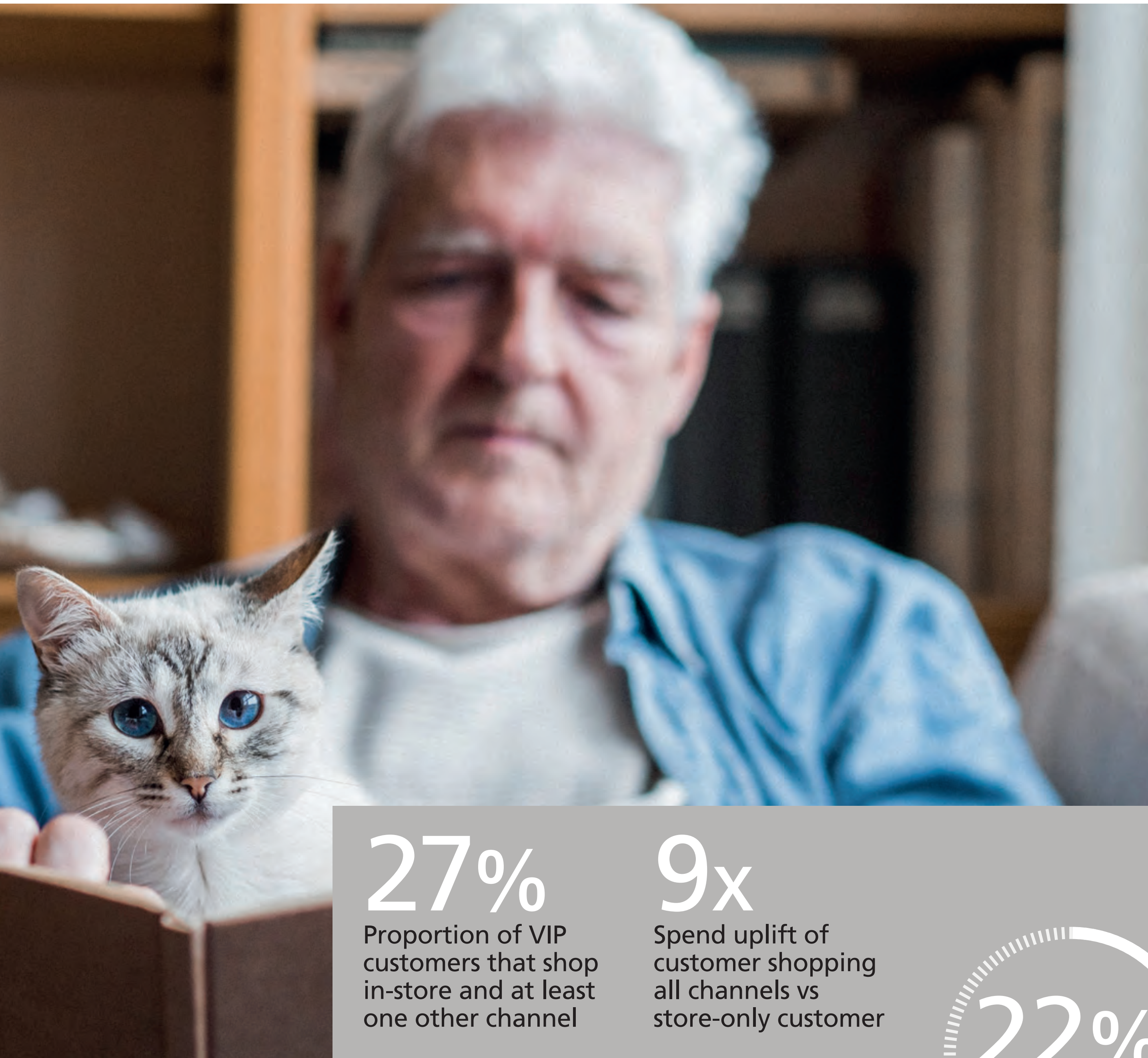
# Providing all of our customers' pet care needs.



> I use Pets at Home for everything. It saves me loads of time with everything being under one roof, and I know Bluebell is getting looked after by a name I can trust.
>
> **Mike and Bluebell**


**A unique pet care ecosystem**
Introducing VIPs to all parts of our ecosystem is central to our strategy. We know from analysing our VIP database of 7.3m active members that customers who engage with more of our products and services shop with us more frequently and also spend up to 9x more than a store-only customer per year. With only 27% of VIPs currently shopping in-store and one other channel, this represents a considerable opportunity for us to capture incremental pet care spend over the lifetime of a pet.

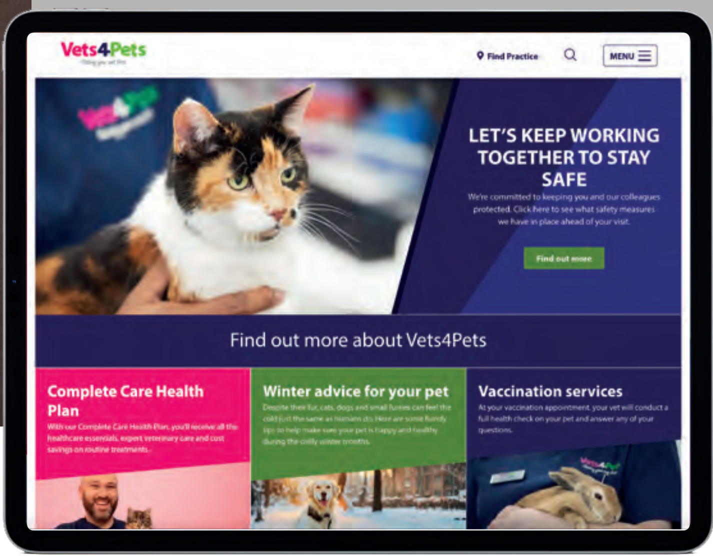
**The right conversation at the right time**
Our deep and actionable data insights allow us to offer personalised solutions and advice to our customers, tailored by pet type, breed and lifestage, and by having the right conversation at the right time, we are successfully transitioning customers across our pet care ecosystem. Our colleagues also play a vital role in deepening our relationships with our customers, with in-store referrals between our store colleagues, groomers, and vet Partners being a key driver of growth in the proportion of customers shopping across multiple channels.



## 27%
Proportion of VIP customers that shop in-store and at least one other channel

## 9x
Spend uplift of customer shopping all channels vs store-only customer

## 22%
Growth in VIPs shopping multiple channels



**Retain…**

# Relationships that last a lifetime.

> “I’ve had Cooper for 13 years and I’ve never shopped anywhere else. Why would I?”

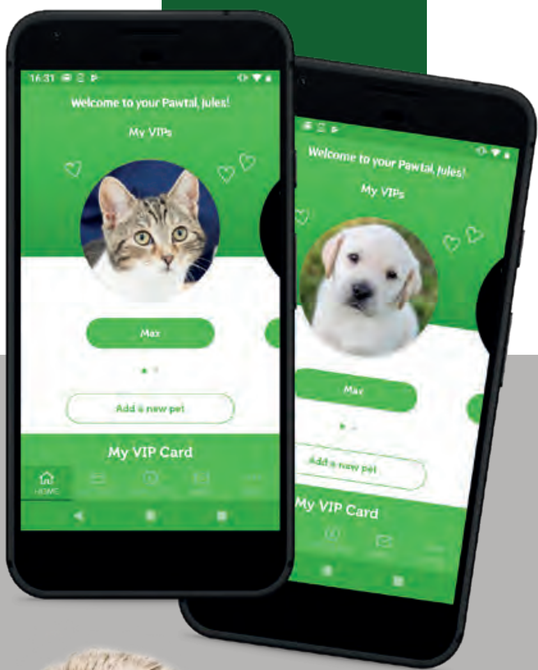
**Susan and Cooper**

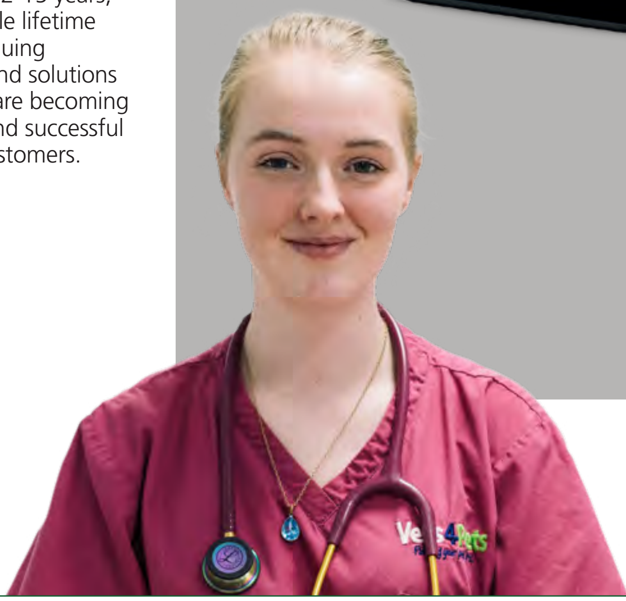
# 1.7m
Active vet clients

# 1.5m
Pet care plan subscriptions

### Making pet care convenient
Our goal is to make pet care even more convenient, affordable and rewarding for customers, allowing them to spend more time with their beloved pets. Our range of subscriptions not only maximise convenience for customers, they also increase loyalty and generate a predictable revenue stream. We now have approximately 1.5m pet care plans across our three main subscription packages, all of which continue to grow, and in total now generate over £120m in annualised customer revenue. Looking ahead, we have aspirations to create increasingly personalised subscription bundles for customers and see significant growth potential in this area.

### Fostering lifelong relationships
We know there is significant value in building long-term relationships with our customers, and our grooming and veterinary services play a key role in this area. The nature of the vet-client relationship means that customers very rarely change vets, and with dogs for example living on average 12-15 years, this represents a considerable lifetime value opportunity. By continuing to provide relevant advice and solutions throughout a pet’s life, we are becoming increasingly sophisticated and successful in the way we retain our customers.



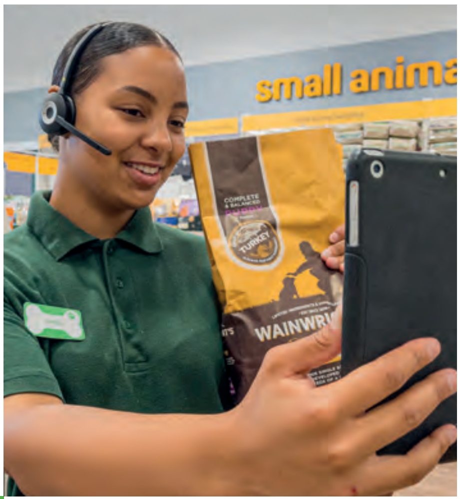
# £120m
Customer revenue from subscriptions

## Who we are…

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

p14-15
A compelling investment case

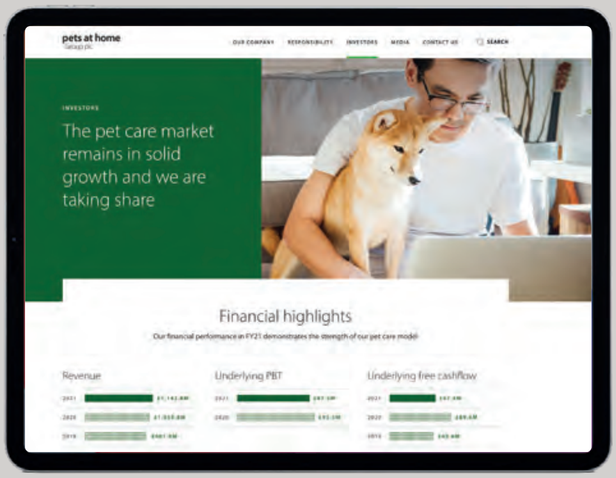
p42-61
Our social value strategy



**STRATEGIC REPORT**
08 Our approach
10 Our year in review
12 At a glance
14 Investment case
16 Chair's statement
18 Chief Executive's statement
26 Market overview
30 Business model
32 Stakeholder engagement
35 Strategy
40 Key performance indicators
42 Social value review
62 Chief Financial Officer's review
68 Operating review
72 Risk management

**GOVERNANCE**
86 Chair's Introduction
88 Board of Directors
90 Governance report
104 Nomination and Corporate Governance Committee report
107 Audit and Risk Committee report
113 ESG Committee report
115 Directors' Remuneration report
140 Directors' report
151 Statement of Directors' responsibilities

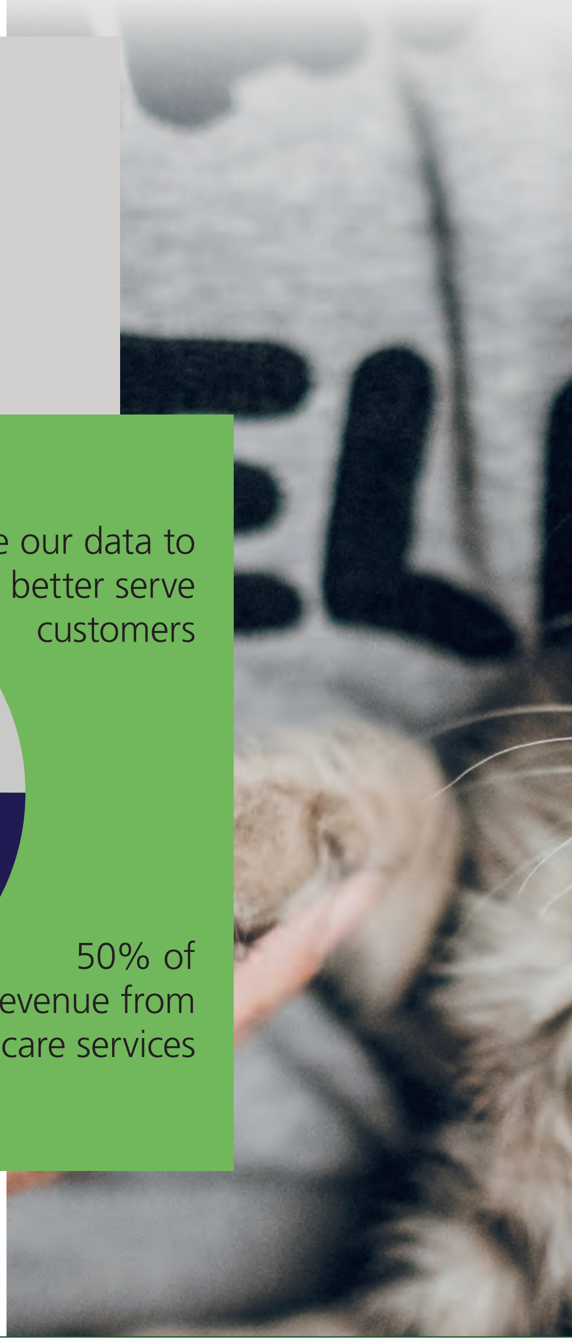
**FINANCIAL STATEMENTS**
153 Independent Auditor's report
160 Consolidated income statement
160 Consolidated statement of comprehensive income
161 Consolidated balance sheet
162 Consolidated statement of changes in equity
163 Consolidated statement of cash flows
164 Company balance sheet
165 Company statement of changes in equity
165 Company income statement
166 Company statement of cash flows
167 Notes (forming part of the financial statements)
232 Glossary – Alternative Performance Measures




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

## Our approach

# Delivering complete pet care to our customers.



### Our purpose

**We're better with pets** – is at the heart of everything we do and supports our strategy.

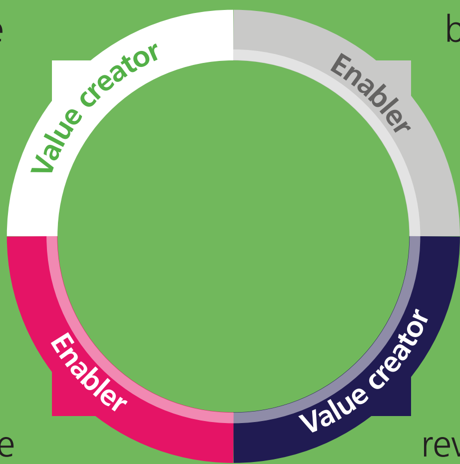
### Our vision

To become the best 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 revenue from pet care services

For more information: see pages 35-39

## Our Better World Pledge

### Pets

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

Links to business strategy

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

### People

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

Links to business strategy

- Set our people free to serve
- Bring the pet experience to life
- Use data and VIP to better serve customers

### Planet

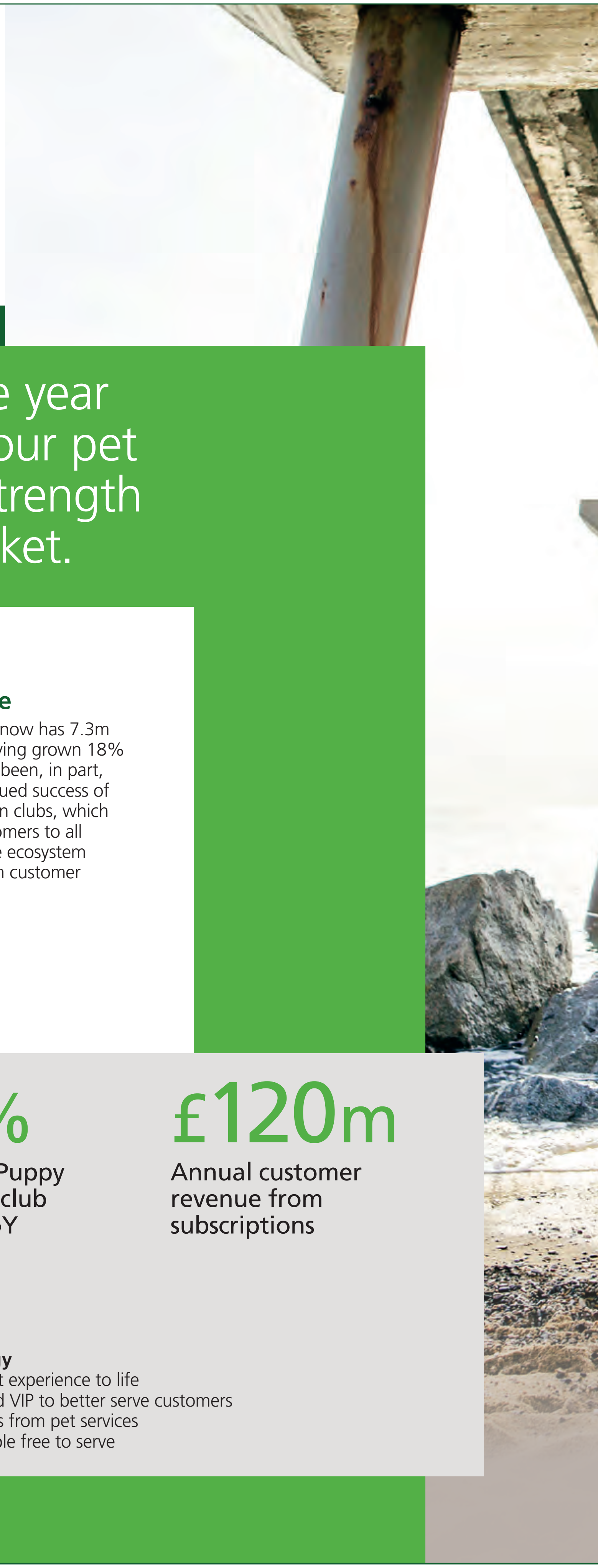
By 2040 become net zero

Links to business strategy

- Bring the pet experience to life
- Use data and VIP to better serve customers

For more information:
Social value review, pages 42-61

# Our year in review



## Operational highlights

Our performance in the year reflects the success of our pet care strategy and the strength of the UK pet care market.

### Leveraging our data insights

We are integrating analytics into our extensive pet dataset to generate unparalleled insights, enabling us to more accurately understand our customers and their pets, and predict their future pet care requirements. Beyond our CRM activities, we are increasingly using intelligent data to optimise decision-making across the wider business.

### Progressing our digital agenda

We continue to build our digital capability with the first elements of ‘Polestar’, our transformational digital initiative, launched in the year and the broadening of our pick from store capability to enable home delivery from store, embedding best-in-class fulfilment for customers.

### Expanding our subscriptions platforms

We now have approximately 1.5m pet care plans across the Group, offering customers a convenient way to shop with us, and increasing the quality and visibility of our sales profile.

### Growing our customer base

Our VIP loyalty club now has 7.3m active members, having grown 18% 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.

**48%**
Growth in Puppy and Kitten club sign-ups YoY

**£120m**
Annual customer revenue from subscriptions

**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

## Financial highlights

### Revenue (£m)

£1,317.8m +15.3%

| | |
|---|---|
| 2022 | £1,317.8m |
| 2021 | £1,142.8m |
| 2020 | £1,058.8m |

### Underlying proforma PBT[1] (£m)

£144.7m +65.3%

| | |
|---|---|
| 2022 | £144.7m |
| 2021 | £87.5m |
| 2020 | £93.5m |

### Underlying free cash flow[1] (£m)

£95.0m +40.9%

| | |
|---|---|
| 2022 | £95.0m |
| 2021 | £67.4m |
| 2020 | £89.6m |

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232. Group underlying proforma PBT is stated before the change in IAS38 accounting policy. Group underlying PBT is £130.1m having taken account of this change. See CFO review for further detail.

## Our Better World Pledge

Our social value strategy continues to guide everything that we do

**£7.5m**
Raised to support pet charities

**c10k**
hours donated to local communities

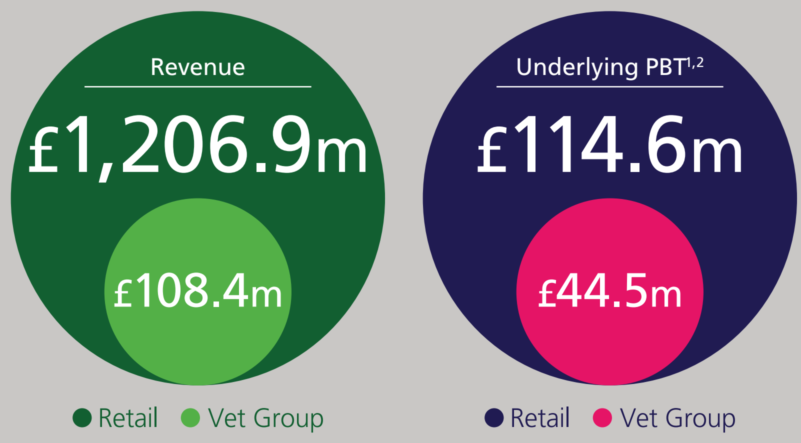
**39%**
Reduction in $CO_2e$ emissions vs FY16

# At a glance

## A unique combination of products, services and advice

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

Revenue and underlying proforma PBT[1,2] by segment




1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.
2 Central PBT of £(14.4)m not shown above.

## Retail

A wide range of pet products are 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.

For more information:
Operating review, page 68-69

**A pet care destination**
In addition to pet products, our stores 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.

**A true omnichannel model**
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 and 2-hour home delivery. Alternatively, colleagues can place an order from our extended range whilst the customer is in-store. We also offer subscriptions across monthly flea and worm treatments and regular food deliveries, making pet care even more convenient and affordable.

### Stores

457

### Omnichannel

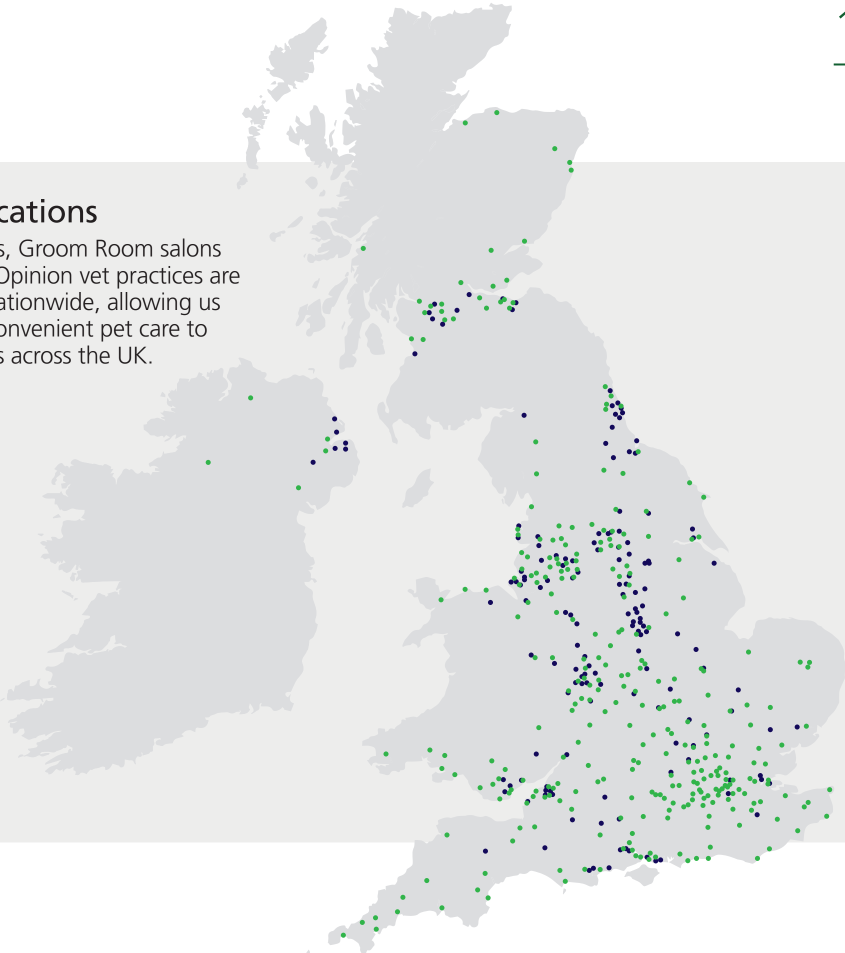
41%

Of omnichannel[1] revenues involve a store colleague

### Services

57%

Of stores have a vet practice and grooming salon



## Customers

# 7.3m

Active VIP loyalty club members

## Cross-shopping

# 27%

Proportion of VIPs who shop across more than one channel

## 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.

# 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.

For more information:
Operating review, page 70-71

**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.

**Digitally-led pet healthcare solutions**
Our telehealth business, 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.

## Practices

# 388

Joint Venture First Opinion practices

## Practices

# 55

Company managed First Opinion practices

## Consultations

# c95,000

Remote consultations each year

# A clear and compelling investment case

## 24%
market share

### **Strong position** – in a growing, resilient market

- We have 24% share of a pet care market worth £6.7bn, providing significant opportunity to take further share
- Growing population of c35m pets in the UK, underpinned by increasing humanisation and premiumisation

## 457
pet care centres

### **A unique proposition** – of pet care solutions

- An expanding ecosystem of pet care, combining product, services and expert advice from a trusted, well known brand
- Customers who transact across all channels spend up to 9x more each year compared to store-only shoppers

## £20m
digital investment

### **Scalable** – omnichannel platform

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

## 443
veterinary practices

### **Unique** – Joint Venture veterinary model

- Largest branded veterinary business in the UK, with practices located in two-thirds of stores plus a number of standalone locations
- Practice maturity represents a significant future profit and cash flow opportunity, with further potential upside from rollout of new practices

## 7.3m
VIP loyalty club members

### **Extensive** – and growing data capability

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

## 1.5m
pet care plans

### **Subscriptions** – create a predictable, visible income stream

- Approximately 1.5m pet care plan subscriptions across the Group, up 23% year-on-year
- Existing platforms generate £120m of visible, repeatable customer revenue per year

# +48%

increase in dividend

## Strong financial position – and returns potential

- Robust balance sheet with good liquidity, low leverage and significant headroom on banking covenants
- Highly cash generative with free cash flow conversion of 38% and dividend per share increased to 11.8p in FY22

# £7.5m

raised for charities

## Strong commitment – to responsible business

- Strong sense of social value focusing on our ESG agenda and designed to balance the interests of all stakeholders
- Balanced Board of Directors with a broad range of skills and experience

# A record year of growth

**We delivered a record year of sales and profit growth demonstrating the strength of our pet care strategy and the advantages of our omnichannel model. The UK remains a nation of pet lovers, with more people discovering the joys of pet ownership than ever before.**

In FY22, we welcomed over 1 million new customers into our pet care ecosystem as we continue to make pet care convenient, affordable and rewarding for pet owners. Overall, we generated revenue growth of 15.3%, to £1,317.8m, within which like-for-like sales[1] grew 15.8%.

Underlying proforma profit before tax[1] grew by 65.3% to £144.7m and our balance sheet remains strong with a net cash position of £66.0m. Our performance is testament to the success of our strategy in combining a unique proposition of products, services, and advice to provide customers with everything they need to look after their pet.

## Strategy

We have made excellent 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 initiatives, including leveraging our data capabilities to provide deep and actionable insights, enhancing our omnichannel fulfilment proposition to make pet care even more convenient for customers, and driving our subscriptions business to engage more customers with our pet care plans. We have deployed our capital to further digitise the business as we progress Project Polestar, invest in our stores and vet practices to provide a best-in-class customer experience and continue 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 transform our pet care centres. We remain committed to running a good business, as well as a successful one, and we continue to make great progress in our social value strategy.

## Performance

The performance in Retail remains strong. By offering customers a compelling range of products and services across both physical and digital channels, we have been able to consistently grow our market share across all key categories and segments.

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. We now have a record 7.3m VIP loyalty club members and there remains considerable headroom for us to deepen our relationship with these customers and grow our overall share of wallet.

We have seen positive results in the Vet Group, as the health of the practice estate continues to go from strength to strength. Driven by our unique Joint Venture model, our practices continue to outperform the market, supported by a growing client base and increasing ATV. The underlying maturity profile of the estate provides considerable runway for growth, and we see a significant profit and cash flow opportunity ahead.

Our underlying profit and cash generation across the Group has been highly encouraging, enabling us to invest in our business, reduce debt and increase our dividend. We ended the year with good liquidity, low leverage and a strong cash position.

## Management

Our Executive Management Team has provided stable and effective leadership throughout the past two years of unprecedented challenges, ensuring our customers and colleagues have remained safe, informed and supported, as well as making solid progress in implementing key aspects of our strategy.

After 11 years with Pets at Home we are saying goodbye to Peter Pritchard as our Group CEO. This follows the successful turnaround of the business, in which he developed and implemented the Group's pet care strategy, in support of its ambition to become the best pet care business in the world. On behalf of the Board and colleagues across the Group,

The strong performance of the business has enabled us to invest more in our business than ever before, and pay a record dividend to our shareholders.

**Ian Burke, Chair**

I would like to thank Peter for his significant contribution to Pets at Home since becoming CEO in 2018. His tireless work and dedication as leader of this great business has given it a very firm foundation for growth long into the future, for which we are all very grateful.

I am pleased to welcome Lyssa McGowan as our incoming CEO. Lyssa, formerly the Chief Consumer Officer at Sky UK, brings strong corporate, strategic and operational expertise across a range of consumer-facing businesses, and a proven track record of growth, with significant experience in customer and digital-first initiatives across multiple channels and sites. The Board is confident that Lyssa has the requisite skills and capabilities to lead Pets at Home as it executes its future growth strategy and I very much look forward to working with her.

### Colleagues

Our colleagues are at the heart of our business. Our passionate and skilled team of veterinarians, vet nurses, grooming stylists, and store colleagues share the joy of pet ownership, as well as their knowledge and expertise, with our customers every single day. They continue to be supported by our dedicated teams in field operations, our Distribution Centres and our Support Offices.

Our strategy of providing complete pet care to customers, is underpinned by our colleagues across the Group working together to help owners provide the best possible care to their pets. I would like to thank them for their efforts in delivering this result, and their ongoing dedication to our business.

### Dividend

The Board is pleased to recommend a final dividend of 7.5 pence per share to be paid on 12 July 2022 to shareholders on the register at the close of trading on 17 June 2022. This will take the full year dividend to 11.8 pence per share, up 48% 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, with new customer registrations continuing well ahead of pre-pandemic levels and growth in customer spend maintained across all categories and channels.

Whilst the current geopolitical tensions, and inflationary pressures represent near-term headwinds, the business is well positioned to manage such challenges and we have a clear and well-invested plan ahead. Our unique omnichannel model, and the ongoing resilience of the UK pet care market mean that we are well positioned for long-term sustainable growth.

**Ian Burke**
**Chair**

25 May 2022

## Our Better World Pledge

Our social value strategy continues to guide everything that we do

### A year of progress

Acting responsibly and sustainably is at the heart of our business and last year we formally launched our social value strategy, which we refer to as Our Better World Pledge. This pledge ensures we run our business sustainably and ethically whilst also applying high standards of governance, with the aim of creating a better world for pets and the people that love them.

Our strategy is 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, and we have fully embedded it into our business to ensure its ongoing success.

We are proud of the progress we have made this year, testament to 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 by 39% since 2016, raising over £7.5m for pets when they need us most, and investing in our people.

Social Value strategy, page 42

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.


Loyalty clubs

7.3m

Number of VIPs increased 18% YoY to a record 7.3m

New customers

+48%

Sign-ups to our Puppy and Kitten clubs grew +48% YoY

Cross-shopping

27%

The proportion of VIPs shopping across more than one channel, +22% YoY

Subscriptions

1.5m

Subscriptions now generate £120m in visible, recurring customer sales

> Our pet care strategy continues to deliver, highlighted by our ability to take market share and grow our customer share of wallet.
>
> **Peter Pritchard, CEO**

Despite another period characterised by significant and evolving external challenges, our performance this year has been nothing short of outstanding, delivering record sales, profit, and cash flow. I would like to express my heartfelt thanks to our truly inspiring colleagues and Partners across the Group for their continued adaptability and commitment to making Pets at Home bigger, stronger, and more efficient.

We have never been better placed to accelerate our growth in market share. The resilient backdrop of the UK pet care market, coupled with our clear strategic priorities, proven omnichannel model and strong Executive Team, mean that I hand over leadership of this great business to Lyssa McGowan with the utmost confidence that Pets at Home will continue to create significant value for all stakeholders in both the near and longer term.

## The year in review

Our business has never been stronger. This past year alone we have welcomed over 1.1 million new customers across the Group, delivered record sales, profit and cash flow, and accelerated investment into analytics capability, digital innovation, and our supply chain to join up our pet ecosystem, enhance the customer experience and entrench the competitive advantages of our omnichannel model.

We are growing share across every part of our business, achieving customer revenue[1] of almost £1.7bn. In Retail, broad-based growth across key categories, both in-store and online, contributed to strong like-for-like progression and good profit conversion. In Veterinary, strong growth in new client registrations has increased average practice revenue beyond £1m, with c90% of practices profitable, strongly cash generative and more balance sheet efficient.

We also continued to make excellent progress in our social value strategy, aligned across the three pillars of Planet, People and Pets. I am incredibly proud of all our colleagues and Partners across the Group for their tireless efforts and commitment to consistently doing the right thing for our customers, supplier partners and the communities we serve, in what is an extremely challenging external environment.

After 11 years in the business, I am stepping down from my role as CEO at the end of May and will be succeeded by Lyssa McGowan who brings strong strategic and operational expertise across a range of consumer-facing businesses, and significant experience in customer and digital-first initiatives. I am confident that this transition in leadership comes at a time of great opportunity for the business.

Pet care spend has proven resilient across all economic cycles, and the significant step-up in pet ownership over the past two years, combined with continued themes of pet humanisation and premiumisation, is materially increasing the size our addressable market. We see a clear pathway to at least £2.3bn of customer revenue over the medium term, optimising wallet share across our existing customer base alone.

Our omnichannel pet care strategy, providing customers with everything they need through the lifetime of their pets, allows us to access all components of spend within this growing market. Our unique ability to combine a broad range of products and services into personalised, pet-specific solutions is a key enabler of how we consistently take share and grow faster than the market.

This strategy, centred on our unwavering commitment to provide affordable, convenient and best-in-class pet care and customer experience, has served us well over the past five years, with over 60% of our growth coming from market share gains.

In conjunction with our planned investment into capacity and capability, and programme of initiatives to drive operational efficiencies and mitigate inflationary pressures across the business, it will enable us to responsibly deliver even greater value for all stakeholders in both the near and longer term.

# Chief Executive's statement continued

## Key Performance Indicators

| Financial KPIs | FY22 | FY21 | YoY change |
|---|---|---|---|
| Customer revenue#1 (£m) | **1,673.8** | 1,437.1 | 16.5% |
| Group underlying proforma PBT# (£m) | **144.7** | 87.5 | 65.3% |
| Group underlying free cash flow# (£m) | **95.0** | 67.4 | 40.9% |
| Cash Return on Invested Capital (CROIC)[2] | **24.0%** | 21.7% | 231bps |

| Strategic KPIs | Measure | FY22 | FY21 | YoY change |
|---|---|---|---|---|
| Bring the pet experience to life | Number of active VIPs[3] (m) | **7.3** | 6.2 | 17.9% |
| 50% of revenue from pet care services | Customer revenue#1 from services[4] (£m) | **537.7**<br>**32.1%** | 470.8<br>32.8% | 14.2%<br>(64)bps |
| Use our data to better serve customers | VIP customer revenue#1,5 (£m) | **1,107.1** | 875.7 | 26.4% |
| Set our people free to serve | Customer revenue#1 per FTE colleague (£k) | **201.8** | 183.1 | 10.2% |

1. Customer revenue includes total revenue across the Group including customer sales made by Joint Venture vet practices, and therefore differs to the fee income recognised within Vet Group revenue.
2. 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 of PPE, right-of-use assets and amortisation. GCI represents gross PPE, right-of-use assets and software, and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, before the effect of non-underlying items in the period, and incorporating the impact of the IFRIC clarification to IAS38 on capitalisation of software costs.
3. Number of VIP loyalty club members who transacted across the Group in the last 52 weeks from end of the reporting period.
4. Defined as customer sales made by JV vet practices, revenue from our Specialist Referral centres (up until the date of disposal on 31 December 2020) and company managed vet practices, grooming services, subscriptions, pet sales and pet insurance commissions.
5. VIP customer revenue includes customer sales at First Opinion vet practices.

# Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

# Strategic review 2022

## I. Our business will continue to grow market share

The UK pet care market has grown at an estimated CAGR of 4% over the past five years. In comparison, by leveraging our omnichannel positioning and end-to-end pet ecosystem, we have grown our customer revenue at 10% CAGR over the same period and by 12% in each of the last two years.

The continued resilience of the market in which we operate, combined with our breadth of affordable products and services, and planned investment into capacity and capability to make pet care even more easy and convenient, give us confidence in our ability to achieve strong growth in market share in both the near and long term.

### i. An affordable, defensive product and service ecosystem in a robust, growing market

**A robust and growing market**

- The UK pet care market has proven robust across all economic cycles, growing consistently between 3% and 4% each year prior to the pandemic, with pet humanisation and premiumisation driving higher spend across a pet population that was broadly stable, but continually renewed.
- COVID-19 has been a clear catalyst for a significant step-up in pet ownership over the past two years, the pace of which continues well ahead of pre-pandemic levels, and we estimate that the future annual underlying growth rate of our addressable market has increased at least to between 4% and 5%.
- This growth in new pets, combined with the aforementioned demand drivers that have increased spend propensity and decreased how discretionary that spend is perceived to be, make pet care one of the more defensive categories of consumption.


- This is clearly evident across our most recent customer cohort, where relative affluence, engagement across multiple channels and propensity to cross-shop products and services is translating, relative to previous cohorts, into a 24% increase in average customer value in year 1, a 7% increase in subscription penetration and a 16% increase in Advanced Nutrition participation.
- Anecdotal evidence also suggests that over 90% of these customers are not intending to reduce their level of pet spend.

Notwithstanding the above, our aim remains to make pet care as affordable and convenient as possible, maximising our market share opportunity.

**An affordable, defensive product and service ecosystem**

The vast majority of spend across our ecosystem is non-discretionary with food, consumables and economically resilient grooming and veterinary services accounting for over 75% of customer revenue.

While average basket size in-store is comparatively low (£15 over the last 12 months), we are laser-focused on maintaining great choice, quality, and value for customers at a time when they are facing increasing pressure on household budgets:

- Our broad, compelling nutrition matrix in food, from grocery brands through to bridging and advanced nutrition, enables our dedicated in-store consultants to offer customers great value at all price points. Our private label brands account for approximately one third of total food sales, with price points typically 25-30% below the branded equivalent.
- The majority of our pet accessories are non-seasonal with an average selling price of £7. Approximately 50% are private label, with innovation underpinning a high attachment rate.
- Our growing range of affordable subscription plans, including flea and worm treatments from £4 per month, favourably priced food auto-ship and comprehensive veterinary health plans from £12 per month, offer customers essential pet care at low, fixed monthly outlay.

# Chief Executive's statement continued


> Our performance this year has been nothing short of outstanding, delivering record sales, profit, and cash flow.
>
> **Peter Pritchard, CEO**

- Over 1.4m transactions each week across our extensive VIP customer base give us the insight to understand and anticipate our customers' changing needs, including the impact of targeted pricing investments on customer behaviour.

**ii. Ongoing investment to make pet care as easy and convenient as possible**

We will continue to invest to make pet care as easy and convenient as possible: deepening our omnichannel advantages through increasing our data and digital capabilities, future-proofing our supply chain, enhancing the client and vet experience across practices, and transforming more stores into experiential pet care centres.

**Our growing data analytics capability is driving share of wallet**

Our growing, in-house data capability, underpinned by a 70-strong team of colleagues across a range of analytical and CRM disciplines, provides deep, actionable insights that support investment decision-making to drive long-term, high-quality growth.

At the household level, our holistic and integrated view of pets and owners across all parts of our business enables us to communicate with customers individually by relevant category, service, or channel. At the individual customer level, our 'customer DNA' profiling dynamically segments pet owners across more than 300 customer-specific attributes, including lifestage, affluence, transaction history and propensity to engage with other pet products and services.

In aggregate, this equates to over 150 billion customer data points on our cloud-based platform and represents a truly unparalleled view of the UK's pet owning population. This enables us to predict our customers' future pet care requirements better than any other provider and, combining our suite of products and physical and digital services, provide relevant, personalised and joined-up pet care solutions through the full lifetime of a pet.

Since in-housing our CRM data in 2020:

- Average customer spend has sequentially increased with average first and second year spend across our two most recent cohorts between 20% and 30% higher than the respective average across all previous cohorts.
- Utilising data insights from existing subscribers to identify customers most likely to take an additional product or service has supported 70% growth in subscription plans over the past two years.
- Development of our proprietary pet lifetime value model, incorporating retail and veterinary data specific to over four million dogs to predict lifetime spend across all major breeds is providing invaluable intelligence to support long-term value creation across both sides of our business.

The strong growth in puppy and kitten registrations over the past two years has increased our lifetime value opportunity, and we will continue to leverage these unique insights to further optimise share of wallet.

We are also increasingly using intelligent data in our decision-making across the wider business. In our retail operations, for example, our cluster-based ranging methodology is optimising inventory availability and operating hours at individual store level. Within veterinary, our insights across treatments and procedures are supporting our best pet consult initiative, thereby improving the planning of practice revenues and resource.

**Our digital capability makes pet care even easier and more convenient**

Investing in digital capability is key to making pet care easy and convenient and driving additional spend. Our strong store LFL demonstrates that our digital growth is incremental not substitutional.

- **Project Polestar**
  - Project Polestar is a transformational investment into digital capability which will unlock significant opportunities around data, subscription, and loyalty by marrying the insights we have on

our customers' pet care needs with personalised journeys across a unique, proprietary digital interface that seamlessly connects our ecosystem of products and services across all channels.
  - This clearly phased programme is scheduled to deliver incremental features and functionality over the next 12 months, including a new booking platform across our veterinary and grooming services, an integrated subscription platform, and a personalised customer-centric dashboard incorporating pet-specific guidance, support, and tailored pet care recommendations.

- **Stores and colleagues**
  - We plan to extend our ship from store capability to close to 200 stores by summer 2022, reducing the variable costs associated with centralised fulfilment and delivery, and giving more choice to customers.
  - Colleagues across all our stores are now digitally connected into our ecosystem via a single handheld device that will be integrated with Polestar functionality and improve our service proposition.

### Our infrastructure provides best-in-class customer experience

- Our pet care centres remain central to our customer proposition, playing a pivotal role in connecting local communities of pet owners and their pets to all their pet care requirements and knowledgeable colleagues in one location. Returns generated from recent store openings and transformations are encouraging, and we plan to open 5 new stores and transform 40-50 stores each year over the medium term to improve both the physical shopping experience and the integration with our digital platform.
- Development of our new storage and distribution facility in Stafford remains on track to become fully operational by summer 2023. This purpose-built and highly automated facility will support our future growth ambitions through improved capacity while lowering our cost to sell through better inventory management and availability, and faster delivery.
- We will continue to invest in infrastructure and resource across our veterinary practices and plan to open between 5 and 15 new practices each year over the medium term. Our Pathfinder initiative is proving pivotal in improving practice revenues and efficiencies, and is generating a better client experience, and we plan to extend this to all 55 company managed and select Joint Venture practices over the coming year.


## II. Record levels of customer acquisition and investment to drive continuing and profitable growth

The strong momentum across both parts of our business has accelerated the progression of our medium-term revenue plan, with good profit and cash conversion underpinning a 48% increase in our ordinary dividend and a record level of investment into growing our omnichannel capability.

This investment is strengthening our competitive advantage of providing customers with convenient, joined-up pet care journeys across our omnichannel product and service ecosystem. It enables us to access all components of pet spend through the full lifetime of a pet and put simply, achieve sustainable, profitable growth over the long term.

### i. Leveraging intelligent data to grow our lifetime value opportunity

We made excellent progress this year in leveraging our in-house data capability, integrating analytics into our unique, extensive pet dataset of over eight million pets and their owners to generate unparalleled insights that underpinned strong growth in both customer acquisition and share of wallet.

**Record level of customer acquisition**
Continued strong growth in new pets, combined with our omnichannel positioning and data-led customer acquisition strategy, has enabled us to welcome approximately 1.2m (estimated 40% market share) new puppy and kitten owners over the past year.

Our Puppy and Kitten club is intuitively designed to introduce new owners to all parts of our ecosystem at the start of their pet care journey and typically results in a 20% spend premium, which continues upon graduation of the pet into our VIP club, compared to owners outside the club. Our strong growth in puppy and kitten registrations, therefore, presents a multi-year growth opportunity across the business.

**Growing our share of wallet**
Our data-led insights give us an unrivalled understanding of pet owners' current and future requirements, with our unique ability to match this knowledge to personalised, convenient propositions across a broad range of products and services through the full lifetime of a pet supporting deep relationships and high retention.

# **Chief Executive's statement** continued

**Deep relationships:** With an approximate ninefold uplift in annual spend from those customers who shop across our full pet ecosystem, our focus on using analytics to refine audience selection by propensity to spend and algorithmically generated campaigns to improve marketing velocity and present actionable, personalised offers to customers is generating strong results:

- Across more than 600 targeted campaigns over the past year, our aggregate share of customer wallet increased 600bps to 37%.
- Average annual spend across our 7.3m active VIP members is approximately 15% higher than first year spend of our most recent customer cohort.
- 2m of our active VIPs now shop across more than one channel across the Group, compared to 1.4m VIPs two years ago. While these VIPs represent 27% of the total, they contribute close to 60% of total customer spend.

– **High retention:** Our traditionally high level of customer retention is being further strengthened by our 'always on' predictive churn model, designed to target customers most at risk of lapsing with relevant interventions:

- Over 95% of first year spend is typically retained across our active customers in subsequent years.
- 90% of new Puppy and Kitten customers over the past two years remain active across the Group.
- Our predictive model has reduced customer churn by a further 4% this year and doubled the23response rate to our flagship Reward Mailer.

### ii. Digital innovation to make pet care as easy and convenient as possible

We made meaningful progress during the year across our digital agenda, marrying our in-house data and digital expertise to create digital-first, customer-led pet care journeys, as well as digitising the wider business to improve our service proposition and drive operational efficiencies.

**Project Polestar**

Development of our proprietary digital interface to seamlessly connect our pet ecosystem across all channels continues at pace, with customers now able to access all our products and services through a frictionless single login. A new iteration of our mobile app for a much-improved shopping experience is scheduled for launch later this year, giving customers even more choice over how they engage and shop with us.

**Digitally enabling stores and colleagues**

Integrating our digital capabilities into our nationwide store estate is key to improving the customer and colleague experience, enabling us to serve more customers wherever, whenever, and however they wish:

- Our one-hour Click and Collect service has continued to prove popular and, currently accounting for approximately 10% of total online orders, is an important part of our cross-channel experience with many customers shopping in store on the same trip.
- Our Contactless Collection service has been extended to over 360 stores and, in conjunction with Click and Collect across the full estate, is embedding industry-leading fulfilment for customers while generating clear operational and cost efficiencies across the Group.
- Our Deliver from Store capability is now available across more than 130 stores, c120 of which offer same day and 2-hour home delivery. Collectively, we are currently utilising our store network to cost effectively fulfil approximately one fifth of total omnichannel revenue.
- Digital innovation is increasingly pervasive across our store operations, with our 'Pet Expert Live' video functionality now actively connecting online customers to expert colleagues across a growing number of stores, and our in-house developed handheld device, 'One Device', simplifying daily tasks and empowering store colleagues to deliver a joined-up pet care experience.

### iii. Investing in infrastructure to provide a best-in-class customer experience

**Retail**

Our store transformation programme continued across existing and seven new stores this year, with 52 pet care centres currently across the estate incorporating our latest thinking on digital functionality, multi-use event space and our services proposition.

These next generation stores are performing well ahead of plan across key metrics, with transformations over the past year achieving on average a c45% increase in VIP and subscription sign ups compared to legacy formats, and vet-led and grooming sales approximately one third higher.

**Veterinary**

We continued to invest in infrastructure and resource across our veterinary practices to broaden our service proposition, improve the client experience and accelerate practice maturity. Early results from practices incorporating our 'Pathfinder' initiative, which combines design innovation, the latest client-facing technology and a new 'Pet Care Advisor' role, point to health plan penetration approximately 15% higher than the wider estate, and an improved clinician experience.

# III. Many levers to navigate inflationary pressures

We are not immune to current industry wide inflationary pressures, in particular energy and freight costs, and we have clear plans in place to keep our pricing competitive for customers, while doing everything we can to reduce our own costs.

- Over 80% of our cost of goods is sourced domestically, limiting our direct exposure to container rate volatility. We continue to work closely with our broad base of suppliers to mitigate as much inflation as possible across the supply chain to support our competitive price index.
- We have a comprehensive programme of live initiatives across consumables, packaging, store operations and availability to reduce our overall cost to serve.
- We continue to make good progress in our programme of rent reductions, achieving average cash reductions of c25% upon negotiation with c300 lease events scheduled over the next 5 years.
- Our financial position remains strong, with our robust balance sheet and good cash generation giving us the flexibility both to invest in strategically important initiatives that support long-run growth, and to pay a progressive dividend.

# IV. Maintaining our strong commitment to a sustainable future

We made good progress this year in our social value strategy, aligned across the three pillars of Planet, People and Pets.

### Planet

- We have set our net zero carbon reduction targets in line with the science-based targets initiative (SBTi) guidelines, and our near term 42% scope 1, 2 and 3 reduction targets and long term 2040 all scopes net zero target are in the SBTi review and approval process.
- As part of our commitment to 100% recyclable packaging by 2025, we have rolled out collection units for the recycling of pet food packaging to over 250 stores, with plans to extend this further in the current year. Approximately 80% of our packaging is currently recyclable.
- We recently concluded an investment with Project Blu, a leading UK-based supplier of sustainable pet accessories. Under the agreement, Pets at Home will be the first UK retailer to offer Project Blu's full product range, meeting a growing demand from pet owners for planet first, mindful consumption with a broad range of environmentally friendly products. Our collaboration with Blu will also provide valuable insight to help identify future opportunities for sustainability initiatives in a rapidly growing segment of the market.
- Prior to the year end, we renewed our revolving credit facility until 2027, linking it to specific sustainability targets, aligned to the three pillars of our social value strategy: Planet, People and Pets.

### People

- In partnership with the Prince's Trust, Pets at Home provided work opportunities to over 170 young people under the Government's Kickstart programme, many of which have led to permanent roles across the Group.
- As part of our contribution to the wider community, all colleagues are encouraged to take one paid day each year to support a charity of their choice. These 'Better World Pledge' days are integral to our annual bonus scheme, with approximately 10,000 hours collectively volunteered to date.
- We continued to make progress across our Diversity and Inclusion agenda, and in the recent FTSE Women Leaders report Pets at Home ranked 22nd across the FTSE250 on gender diversity and 5th within the Retail sector overall, a significant improvement year-on-year.

### Pets

- The Pets at Home Foundation is the largest grant giver to rescue centres in the UK and, during the year, awarded grants and donations worth over £3.5m (including £0.7m pledged) to charitable organisations supporting pets and the people who love them, taking the cumulative level of donations to date to over £26m.
- We recently pledged £100,000 to help pet care professionals, pet owners and animals impacted by the horrific events in Ukraine and launched a fundraising appeal to enable our customers to donate over £100,000 to date across relevant organisations.
- We completed the first year of our partnership with the Woodland Trust through our 'pet memory scheme' and donated over £250k to support the creation, restoration, and planting of 20,000 acres of woodland by 2030, and the opportunity to capture 5,000 tonnes of carbon annually.

# V. Sustainable and profitable growth over the longer term

Our business has never been more robust and the demonstrable advantages of our omnichannel model are clear. We continue to take market share and improve spend per customer. The benefits of our ongoing investment in capacity and capability are really starting to deliver.

The continuing growth in the pet population over the past two years, combined with continued customer themes of pet humanisation, premiumisation and renewal, has increased the size of our market and scale of our opportunity. We are better placed than ever to deliver value for all stakeholders in both the near and longer term.

**Peter Pritchard**
**Group Chief Executive Officer**

25 May 2022

# A growing pet care market

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

For more information:
www.investors.petsathome.com

UK pet care market


**By sector value 2021[1]**

| | |
|---|---|
| Retail total[2] | £4.3bn |
| Food[3] | £3.1bn |
| Accessories[3] | £1.0bn |
| Veterinary[4] | £2.4bn |

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.

## 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 over the past year within such an unpredictable external environment demonstrates that our pet care strategy remains the right one.

For more information:
see page 35

### 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 two years have 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.

# Market overview continued

## Market driver

### A growing UK pet population

The UK is a nation of pet lovers, with the pet population now at an estimated 35m, having grown by approximately 10% 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 deepening engagement with our customers, introducing them to all parts of our ecosystem, and nurturing lifelong relationships with them.

## Market driver

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

Across both dog and cat owners, there is a continuing trend of selecting higher quality diets driven by greater 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 share

24%

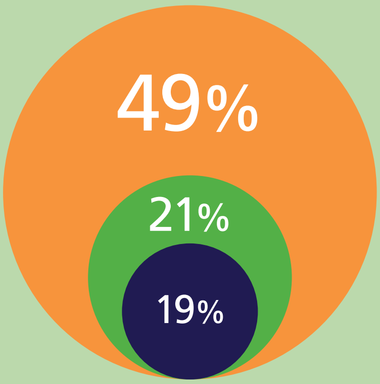
Our share of the UK pet care market

### Taking share

c100bps

Our growth in market share year-on-year

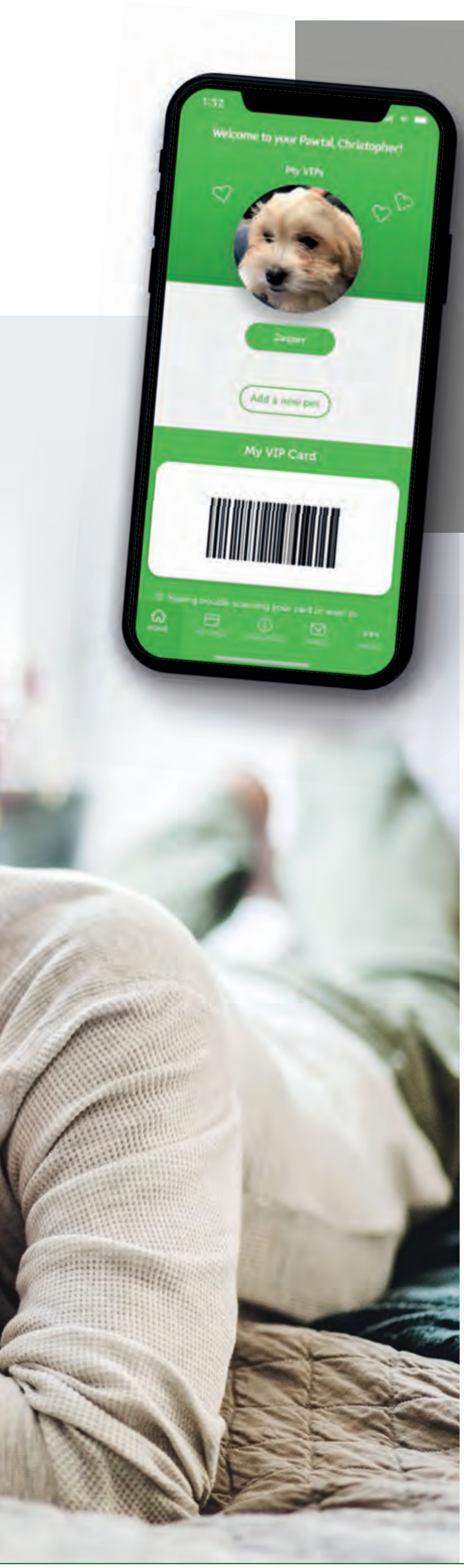
Our market share in 2021[1] (%)




**Market growth during 2021[1]**

| | |
|---|---|
| Retail total[2] | 5% |
| Accessories[2] | 6% |
| Food[3] | 4% |
| Veterinary[4] | 14% |

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 growth

# 8%

Estimated total YoY growth in UK pet care market

## Pet population

# +10%

Estimated YoY growth in the UK pet population

## Omnichannel

# 16%

Omnichannel participation of retail revenues

**Market driver**

## Continued channel shift to online

Online penetration of the pet products market increased again in the year, and was 24% in 2021. Price competitiveness and convenience remain important to the online shopping experience, driven by ease of price comparison and the different delivery options typically offered.

**Our approach:**
Recent investment in our digital capabilities and fulfilment automation, together with competitive pricing, have enabled us to take share of the online market, now estimated at 19%. However our approach extends beyond just traditional online shopping, with a multi-faceted omnichannel proposition encompassing collect in-store, order in-store and subscription platforms, all of which offer increased convenience for customers.

**Market driver**

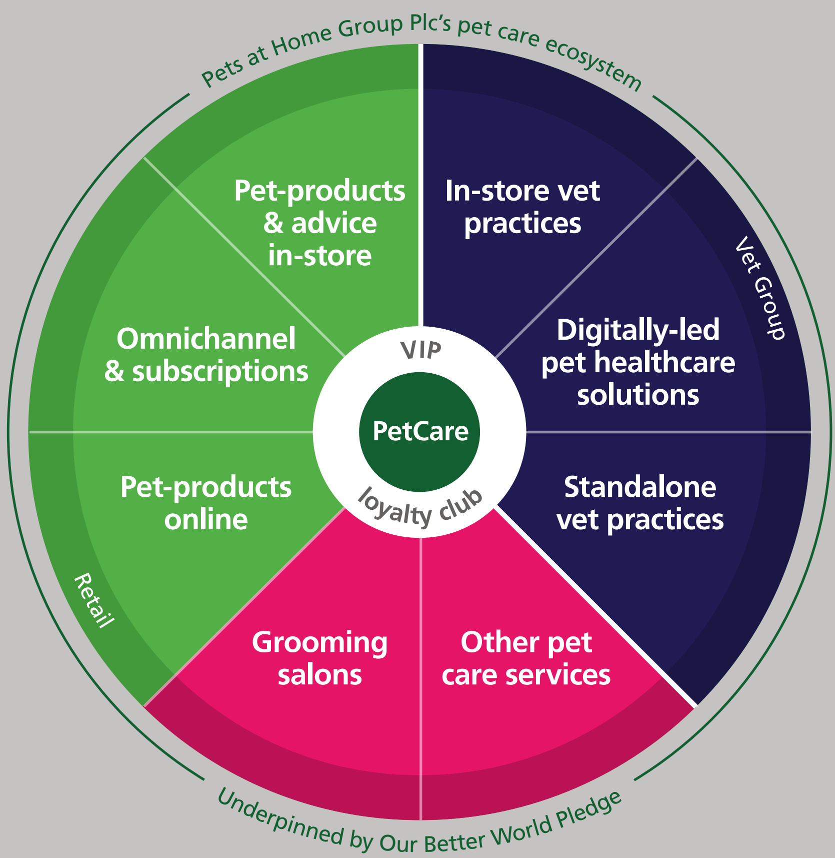
## Advances in veterinary care

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

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

# Creating value for all stakeholders

## Business activities




## 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 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 two years we have developed and put into action 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.

For more information:
Social Value, page 42-61

## Differentiators

Trusted and well known brand

Passionate and expert advice

Extensive and growing data capability

**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.

For more information:
Operating review, page 68-69

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

For more information:
Operating review, page 70-71

## Value created

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

**£7.5m**
Raised to support pet charities

**For our people**
Externally accredited training schemes.

**c10,000**
Hours donated to local communities

**For the planet**
A responsible, sustainable business.

**39%**
Reduction in $CO_2e$ emissions vs FY16

**For the Group**
Generating value for shareholders through free cash flow growth.

**£95.0m**
Underlying free cash flow[1]

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

Scalable omnichannel platform

Differentiated, sector-leading vet services

Unique digital experience

# Stakeholder engagement and s172 statement


## Colleagues

### Over 16,500 colleagues across the Group (including colleagues employed either directly or indirectly via our vet practices)

**Engagement method**
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, is Board colleague representative. In this capacity she has attended a number of colleague listening sessions. In addition, the Chair has attended 3 listening sessions in FY22. The year has continued to be disrupted by COVID-19 with fewer face-to-face opportunities, however the Chair was able to complete 5 visits during FY22, visiting 15 stores. 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. A vet specific listening campaign was run called Project Listen, which was survey-based and open to the whole profession. We ran an engagement pulse survey in the Autumn where we focused predominantly on colleague wellbeing. There are channels for colleagues to engage directly with the Executive Management Team, for example the 'Tell David' and 'Tell Jane' email addresses.

**Key messages**
During the second year of the COVID-19 crisis the need to listen to and communicate with all colleagues continued to be vitally important. The pulse survey told us we had high levels of engagement and that our interventions to support colleague wellbeing through COVID-19 were beneficial and that they needed to be maintained. Particularly with changes to ways of working as the work from home rules have lifted, making the transition to a new normal is important for our colleagues. The listening project with the vet profession told us that wellbeing, work life balance and challenges with resource were the key concerns.

**Our response**
Our focus is on creating a kind and caring company where colleagues feel welcomed and valued and are able to make their best contribution. The virtual communications established in the early days of the pandemic have been maintained. The reward hub has been developed as a vehicle for supporting colleague wellbeing and also enabling instant reward and recognition of performance and our values and behaviours. Diversity and inclusion is an important element of our colleague wellbeing strategy and our colleague networks have been developed in the year as forces for change and providing inspiring engagement events for our colleagues. Key to our wellbeing strategy has been the introduction of our Mental Health First Aider programme and a Line Manager mental health programme.


## Suppliers

### c380 active suppliers

**Engagement method**
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 we continued with top-to-top business review meetings with our priority strategic suppliers. We held a virtual conference in September for our UK and Asia suppliers. These conferences provide a platform to share our key strategic messages and the suppliers have an opportunity to ask questions, raise concerns and discuss opportunity areas.

**Key messages**
Global supply chain challenges continued to dominate engagement with suppliers as we all focused on ensuring continuity of supply of products for our customers and their pets. This was balanced with discussions on longer-term strategic developments and initiatives. Our suppliers have told us that understanding the long-term strategy enables them to invest appropriately in their businesses. The conference in September enabled engagement on our products, capabilities 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.

**Our response**
A tiered plan for meeting and engagement will enable both the transactional and strategic topics to be discussed across the year. Our category approach enables supplier engagement in the approach and opportunities at a category level across the short and long term. During the year the Product and Supply Chain Management Committee has continued to be focused on the development of the responsible sourcing strategy, including our scope 3 packaging and raw material approaches.

# Charity and Community

## 86 organisations supported with grant funding during the year from the Pets at Home Foundation

**Engagement method**

The Pets at Home Foundation engages with the animal rescue sector in the UK on a regular basis. The team, which includes a veterinary nurse, have long-term relationships with the sector and are familiar with the issues that they face and the help that they need, which supports the community strategy. The Foundation sends out a regular survey to understand both how they are coping and also what trends they are seeing in pet relinquishment. During FY22 these surveys have been conducted in September 2021, December 2021 and March 2022. During the year they had 200 responses to this survey. The Foundation also joined the regular meetings held by the CEOs of some of the large national pet rescue and animal welfare charities. This ongoing engagement with the charity sector helps us to focus our efforts where the impact on pet welfare will be greatest.

**Key messages**

Local and national rescues continued to face a significant challenge to maintain sufficient income to meet the immediate veterinary and care needs of the pets in their care during FY22. Although fundraising opportunities have begun to recover, there are new issues around rising costs. There are also more complex issues that pets are presenting with when they are relinquished, such as behavioural issues.

**Our response**

Our engagement with the charity sector enables us to structure our programmes to optimise impact. This includes both larger grants for specific change programmes and regular support through vouchers from VIP lifelines and support at a local level through our charity of the year programme.

During the year the foundation returned to its grant programme and has awarded 70 grants to pet rescue charities, totalling £1.1m and 16 grants to pet people charities, totalling £0.6m.

VIP Lifelines have additionally donated vouchers to over 800 national and local charities. Over 340 Pets at Home stores partner with a local charity to enable them to raise awareness and funds by fundraising in our stores over specific in store events, which have now resumed with restrictions having eased.

# Industry

## All vets are members of the Royal College of Veterinary Surgeons (RCVS) and the British Veterinary Association (BVA)

**Engagement method**

Pets at Home are active members of the British Retail Consortium and have contributed to various initiatives and working groups. These include the BRC Climate Actions Net Zero 2040 Road Map and their Diversity and Inclusion Charter. We have active lead members in the respective working groups.

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 JVPs and vets are members of the RCVS and BVA. We have Practice and Support Office colleagues who are senior officers in some of the main veterinary organisations. These include the British Veterinary Nursing Association (BVNA), the Veterinary Management Group (VMG) and the Society of Practising Veterinary Surgeon's (SPVS) Educational Trust. We have active senior members of profession wide inclusion networks including the British Veterinary Ethnic and Diversity Society (BVEDS), British Veterinary Lesbian, Gay, Trans Society (BVLGT+) and British Veterinary Chronic Illness Support Group (BCVIS).

**Key messages**

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

Joint Venture Partners have the clinical freedom to interpret and follow RCVS and BVA guidance. Engagement with industry bodies enables the Vet Group Clinical Services and People Team to provide informed support and advice to the partners as well as actively participating in industry-wide discussion and creation of solutions to systemic workforce challenges.

The Vet Safe initiative is an industry-wide significant event reporting system which enables learnings and improvements to be made across the industry.

**Our response**

Continuing to work with industry bodies beyond the COVID-19 pandemic means we continue to do the best for our colleagues, customers and pets. We actively review all guidance issued from Government and professional bodies related to COVID-19 and any other matter.

We continue to interpret this into clear guidance and actions for our pet care stores and our partners to ensure they are providing the safest shopping and clinical experiences possible for our customers and their pets.

# Stakeholder engagement and S172 statement continued

## Customers

### 7.3m active VIP members

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

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

**Our response**
With trends such as online shopping and subscriptions becoming increasingly prevalent, we are ensuring that we invest in these areas of the business. Insights gained throughout the year form an integral part of our annual five-year strategic planning process, to ensure that we are building a business which remains relevant to today's pet owners. During this year we continued roll out of our Contactless Collection service, and launched Deliver From Store enabling same day and 2-hour home delivery in over 100 locations.

## Shareholders and the investor community

### 237 institutions met

**Engagement method**
The CEO, CFO and Investor Relations team are involved in ongoing interaction throughout the year via conference calls, meetings and small round table events. At the AGM 100% of resolutions were passed and votes in favour ranged from 87% to 100%. A capital markets day was hosted at our Support Office, featuring a tour of our Handforth Pet Care Centre and a range on presentations from senior management. A number of ESG focused sessions have been held with the Chief People and Culture Officer and Group Head of Social Value.

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

**Our response**
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.

## Strategy

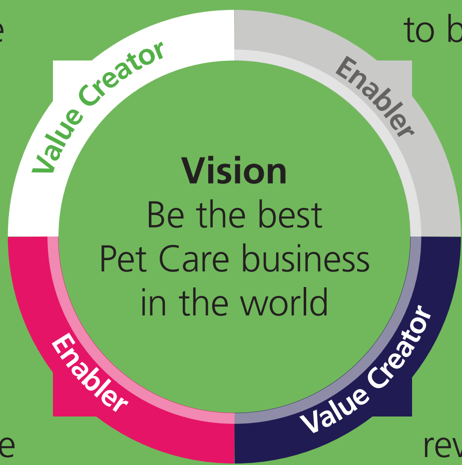
# Our pet care strategy

Supporting our vision of becoming the best pet care business in the world.

### Our business strategy

Bring the pet experience to life

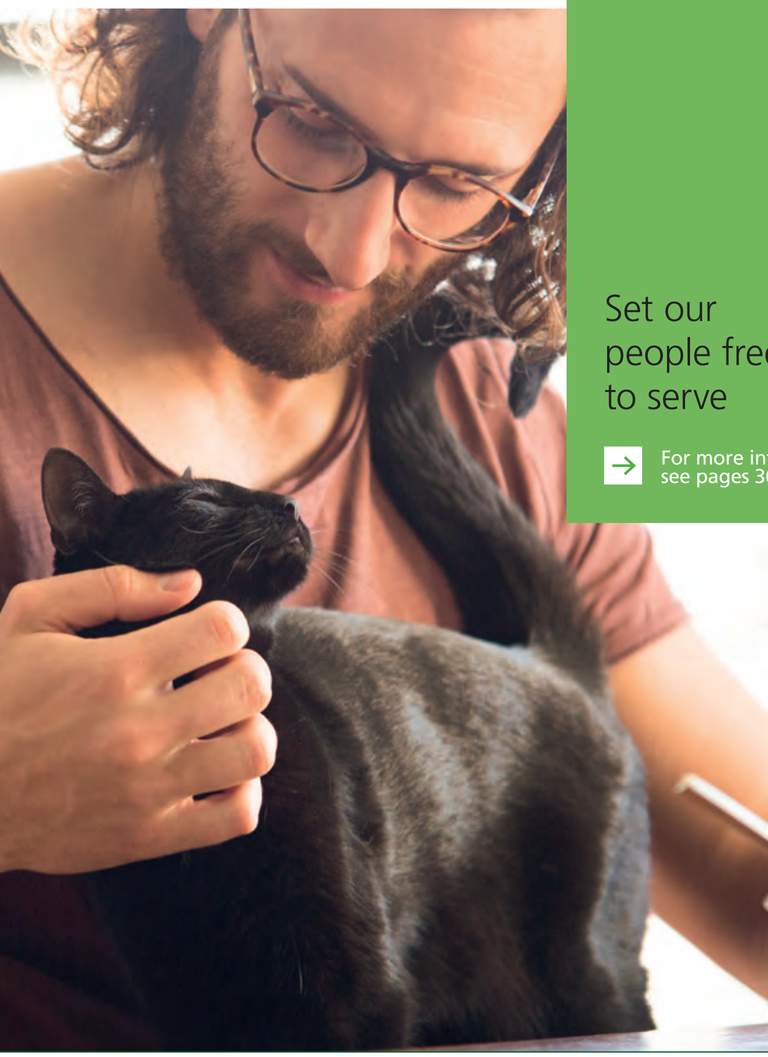
Use data and VIP to better serve customers




Set our people free to serve

50% of revenue from pet services

For more information: see pages 36-39



# 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
- Sustainability and climate change
- Liquidity and credit
- Treasury and finance
- Regulatory and compliance

**Progress in the year:**

- Rolled out a further 29 pet care centre formats throughout the year at new, existing and relocated stores
- Maintained price competitiveness vs online pureplays
- Extended our Contactless Collection service to 360 stores
- Launched 2-hour home delivery using our pick from store capability
- Launched the first elements of Project Polestar, our transformational digital platform to connect customers to 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

Number of active VIPs#

**7.3m**

Number of pet care centres

**457**

Omnichannel participation of total Retail sales

**16%**

Private label participation across food and accessories

**c40%**

# Use our data 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 efficiencies

- 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

**Progress in the year:**

- Employed AI to calculate customers' propensity to engage with additional services, driving 22% growth in VIPs who shop multiple channels
- Built pet lifetime value model to predict the full lifetime of spend and identify key junctures in the pet care journey
- Developed basket profiling at store level to optimise inventory management and ranging
- Utilised analytics across veterinary treatments and procedures supporting the best pet consult
- Grew membership of Puppy and Kitten clubs, increasing the lifetime value opportunity across our business

**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

VIP customer revenue[1 #]

**£1,107.1m**

Growth in active VIP members

**18%**

VIPs who shop across more than one channel

**27%**

Group customer revenue transacted by VIPs

**66%**

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232. 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 40.

# 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.
- 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:**

- Broke ground at our new purpose-built, highly automated distribution platform, consolidating our two existing legacy facilities
- Launched ‘Pet Expert Live’ service linking online customers to in-store colleagues
- Rolled out new intuitive in-store device for colleagues, empowering them to provide a joined-up customer experience
- Extended our in-store development teams, where new apps and technologies are co-created directly with store colleagues
- Significantly expanded our in-house digital 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

Customer revenue[1] per FTE colleague[#]

**£201.8k**

Increase in store sales per hour

**+9%**

Colleague turnover

**34%**

Colleague engagement

**76%**

# 50% of revenue from pet care 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.

## Drive maturity in our First Opinion vet business and realise free cash flow 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
- Our people
- Regulatory and compliance
- Sustainability and climate change

**Progress in the year:**

- Launched three smaller next generation stores in high-street locations within Greater London
- Continued growth in pet care plan subscriptions, now generating over £120m in annualised recurring customer revenue
- Like-for-like[1] First Opinion customer sales ahead of the underlying market across all cohorts, including mature practices
- Supported the maturity of our First Opinion vet business helping drive cash generation, with year-on-year FCF growth of 34% in our Vet Group
- Improved productivity within our grooming business, with 24% more dogs groomed year-on-year

**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

Customer revenue[1] from pet care services[#]

**+32.1%**

Grooming salons

**337**

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

**443**

Pet care plans across the Group

**1.5m**

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232. 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 40.

# 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 continued strength of our performance 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.

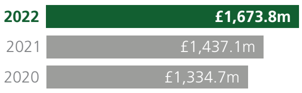
1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

## 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 revenue[1] (£m)

**£1,673.8m**
+16.5%




Representing strong like-for-like[1] growth in both our Retail and Vet businesses.

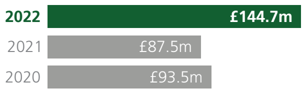
**What we are measuring**
The growth in customer revenue generated across the Group year on year. This includes spend across all brands and includes the customer sales made by Joint Venture vet practices, rather than the fee income received by Pets at Home.

**Why is it important?**
By growing customer revenue across all parts of our business ahead of the market, we are able to gain market share. In particular, this means focusing on the sales made by 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 proforma profit before tax[1] (£m)

**£144.7m**
+65.3%




Reflecting strong conversion as profit grows ahead of revenue.

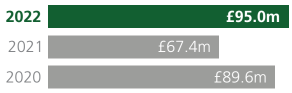
**What we are measuring**
The underlying profitability of the Group as a result of our strategic progress. We have shown underlying profit before tax[1] on a constant accounting basis post-IFRS16, first adopted in FY20. All results are shown before the change in accounting policy relating to IAS38 Intangible Assets.

**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 this year annualised against an extremely challenging prior period, we now expect the business to sustain underlying profit growth going forward.

### Group underlying free cash flow[1] (£m)

**£95.0m**
+40.9%




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

**What we are measuring**
The cash available for return to shareholders after investing in the needs of the business.

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

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

## Strategic performance

### Bring the pet experience to life

#### Number of active VIPs (m)

**7.3m**

+18%

| | |
|---|---|
| 2022 | 7.3m |
| 2021 | 6.2m |
| 2020 | 5.6m |

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

**What we are measuring**
Growth in the number of active members of our VIP loyalty club. An active member is defined as a customer who has transacted with the Group in the last 52 weeks.

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

**Future plans**
We will continue to leverage our omnichannel pet care model to make it convenient, affordable and rewarding for customers to engage with our suite of products and services. In addition, we will continue to drive our Puppy and Kitten clubs to attract customers at the very start of their pet care journey.

### 50% of revenue from pet care services

#### Customer revenue[1] from services (%)

**32.1%**

(64)bps

| | |
|---|---|
| 2022 | 32.1% |
| 2021 | 32.8% |
| 2020 | 34.1% |

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

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

**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 solely a retailer. We will continue to focus on supporting our First Opinion vet practices to mature, whilst also growing the number of customers signed up to our subscription platforms.

### Use our data to better serve customers

#### VIP customer revenue[1] (£m)

**£1,107.1m**

+26.4%

| | |
|---|---|
| 2022 | £1,107.1m |
| 2021 | £875.5m |
| 2020 | £817.2m |

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

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

**Why is it important?**
Our VIP loyalty club of 7.3m 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**
Continuing to leverage our data capabilities is a key underpin of our future growth plans. We are harnessing our deep actionable insights to better serve the needs of pet owners and deliver more personalised content and offers relevant to each individual pet.

### Set our people free to serve

#### Customer revenue[1] per FTE colleague (£k)

**£201.8k**

+10.2%

| | |
|---|---|
| 2022 | £201.8k |
| 2021 | £183.1k |
| 2020 | £187.0k |

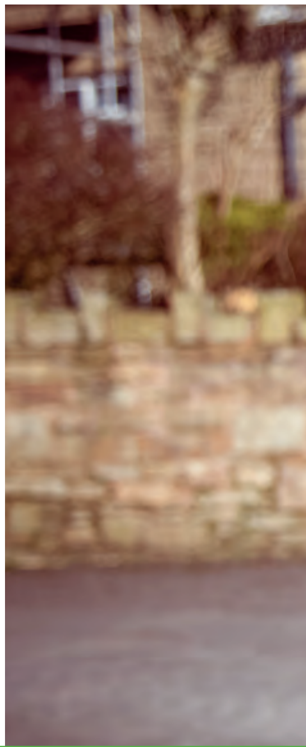
Achieved through strong revenue growth as well as efficiency initiatives in-store.

**What we are measuring**
Customer revenue generated per full-time-equivalent colleague employed directly by the Group.

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

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

# Our Better World Pledge strategy in summary



## Our purpose

**We're better with pets** – is at the heart of everything we do and supports our strategy.

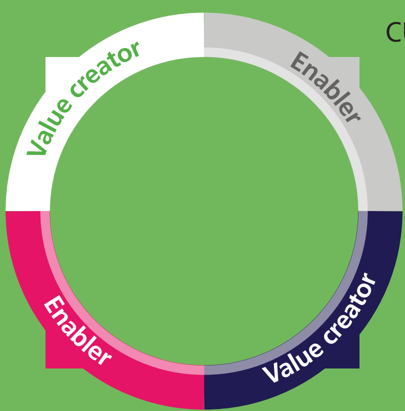
## Our vision

To become the best 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 revenue 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<br>– By 2030 increase the impact of grants, donations and skill sharing to the rescue sector<br>– By 2030 educate 2m children in responsible pet ownership<br>– By 2030 improve the health of the nation's pets by focusing on nutrition and health plans |  | Bring the pet experience to life<br>Use data and VIP to better serve customers<br>50% of sales from pet services | Read more see pages 18 to 29 |
| – By 2025 be the leading employer of pet care experts<br>– By 2025 create opportunities for 5000 people who face barriers to employment to experience work with us<br>– By 2030 increase the number and diversity of people who can benefit from time with pets |  | Set our people free to serve<br>Bring the pet experience to life<br>Use data and VIP to better serve customers | Read more see pages 30 to 43 |
| – By 2025 be leading the way in sustainable pet care products<br>– By 2030 maximise the value of our waste by adopting circular economy principles<br>– By 2040 become net zero across scopes 1, 2 and 3 using a science based initiative approved methodology |  | Bring the pet experience to life<br>Use data and VIP to better serve customers | Read more see pages 44 to 59 |

# Key Achievements

## 1. Pets at Home Foundation

We have completed our first year with the renaming of our charity as the Pets at Home Foundation. During FY22 we have raised £4.9m and since being formed in 2006 our charity has raised over £45m to support pets and the people who love them.

During FY22 we extended the type of charities that we support to include charities that support people through pets and we awarded 16 grants totalling £564k to charities like £564k to charities like Dogs For Good. They were awarded £99,296 with £199k also committed over the next two years to expand their services into Scotland with a focus on their dementia dog project.

£4.9m

raised by the Pets at Home Foundation in FY22

## 2. VIP Lifelines

When VIP loyalty club members spend in a store, Groom Room or Vets4Pets practice they earn Lifelines.

Every quarter we convert Lifelines into vouchers for animal charities which they can spend in our stores or grooming salons.

Every point earned has a direct impact – this year as part of the changes to our charity 'The Pets at Home Foundation' unredeemed and unallocated lifelines vouchers are donated to the Pets at Home Foundation meaning it can have an even greater impact across the UK.

This year, £2.9m has been raised by VIP members which makes a total of over £17.9m since it was founded in November 2012.

£2.9m

raised through VIP Lifelines during FY22

## 3. Contributing to our communities

FY22 saw the launch of our volunteering days which we call Our Better World Pledge days. Our office based colleagues were able to volunteer for a day in their local communities to support pets, people or our planet. The results have been astonishing with 1,682 colleagues donating 9,683 hours of time. This will create a lasting legacy with new community partnerships formed:

Out of 1,682 colleagues
- **98%** would attend their day again
- **97%** scored their day four or five stars out of five
- **30%** booked another day in their own time or have started volunteering long term for the organisation
- **32%** signposted other colleagues and friends and family to volunteer for the organisation

9,683

of volunteering hours donated to local communities

## Our Better World Pledge

**Pets** **People** **Planet**

# 4.
## Investing in our colleagues

Our colleagues are at the heart of everything we do. Our reward strategy engages colleagues in the long term success of our business. Colleagues were recognised for their efforts throughout the year with a £12.7m bonus in June 2021. In June 2021 we granted an additional 1.2m shares to over 9,200 colleagues.

Over 500 colleagues had invested £2.96m in the 2018 scheme which generated a potential value of £14.7m based on the closing share price of £4.69 on the maturity date.

We have continued to develop our culture and focus on the wellbeing of our colleagues with 624 colleagues completing mental health first aider training.

Our four colleague diversity networks are acting as agents of change across the organisation and providing support and challenge to the Diversity and Inclusion Leadership Forum.

**624**

colleagues completed mental health training

# 5.
## Growing our business while reducing our operational carbon impact

During FY22 our carbon intensity was 19.1 $CO_2e$. This is our strongest performance since our base year of FY16 and represents a 12.5% improvement on FY21. We calculate this by measuring our scope 1 and 2 location-based emissions relative to our sales revenue.

Our absolute scope 1 and 2 emissions grew by 3.3% vs FY21. This was driven by our sales growth of 15.3% and in some areas (such as colleague travel) returning to pre COVID-19 activity levels.

We purchased renewable energy for our main group contracts that represent 98% of our electricity use. This is the fifth year that we have purchased renewable energy.

**39%**

reduction in absolute scope 1 and 2 emissions since 2016

# 6.
## Progressing our long term carbon reduction strategy

During FY22 we completed our first CDP climate change programme submission, obtaining an overall score of B. The CDP questionnaire is a voluntary energy and carbon rating exercise, requested by investors and other financial stakeholders. The B score indicates a strong performance at the 'management' level – in line with the average for the convenience retail sector.

Responding to the urgency and scale of the climate emergency, the SBTi has ratcheted up its expectations for businesses, releasing a new Net-Zero Standard at the end of 2021. To be confident our ambitions remain robust and in line with the first global science-based standard, we identified clear next steps to adjust our previous near-term commitments. Our long term 2040 target has not changed and remains net zero across all scopes by 2040.

For more information on our carbon reduction targets see page 54

CDP DISCLOSURE INSIGHT ACTION

**'B'**

CDP score

# Pets

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

15 LIFE ON LAND

### Our goals and approach

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 led us to develop our long term goal to positively impact the life of every pet in the UK by 2030. This 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 Social value report page 20

**Pet care expertise** the level of pet care expertise and experience we leverage across the Group

Read more Social value report page 22

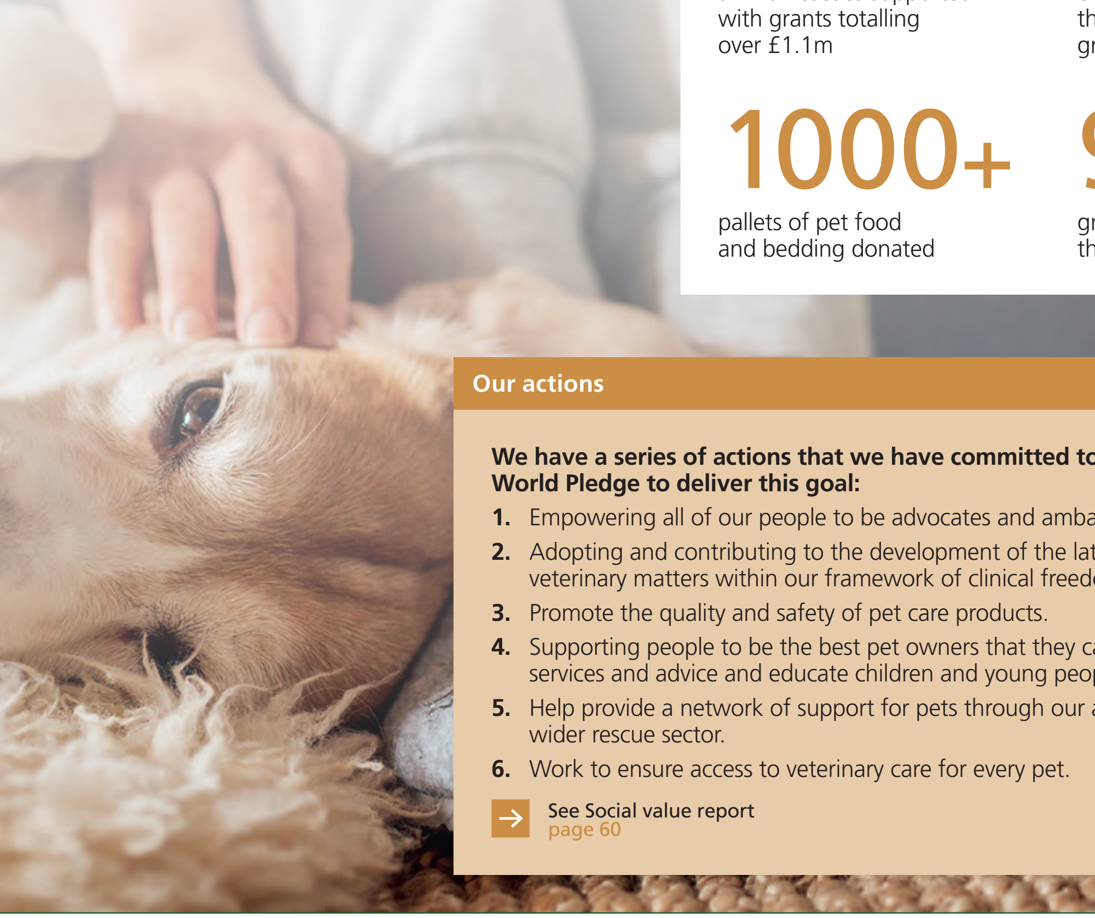
**A unique proposition of products and services** we provide in our pet care ecosystem

Read more Social value report page 24

**Pet charity** the charity work that we support for pets and the people who love them when they need our help

Read more Social value report page 26

**The value of the pet** people relationship has been highlighted by the pandemic, with two million new pet owners, 33% of whom had not owned an animal before. During the last year we have remained as focused as ever on looking after the nation's pets to the very highest standards and sharing the benefit that pets bring to all our lives.



## Performance highlights

**152+**
vet graduates, 92 joining this year, continued their training modules, many utilising virtual webinars

**1500+**
physical pet welfare audits conducted in our stores in FY22

**61k+**
children booked onto face to face PetPal sessions since they relaunched in March, educating children about responsible pet ownership

**454**
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

**£7.5m+**
raised for pet charities through the Pets at Home Foundation and VIP Lifelines bringing the total to over £56m since 2006

**800+**
local and national pet rescues supported in FY21 through vouchers from the VIP lifeline scheme

**70**
animal rescues supported with grants totalling over £1.1m

**16**
charities helping people through pets supported with grants totalling over £565k

**1000+**
pallets of pet food and bedding donated

**928k**
grooms given across the year

## 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 every day.
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.

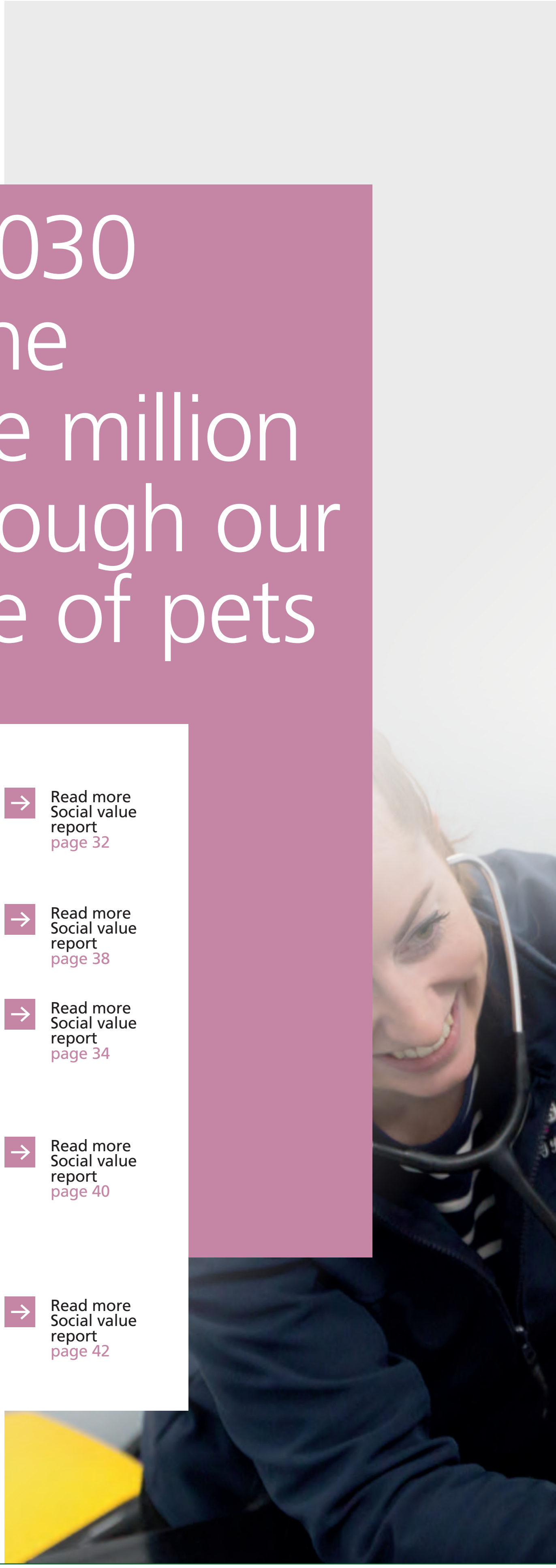
See Social value report
page 60

# People

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

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



### Our goals and approach

People sit at the heart of Our Better World Pledge strategy, whether that is our colleagues, our customers or the communities we operate in across the UK and in our Asian office in Hong Kong. People are the beating heart of our business, and it is their belief in us doing the right thing by pets that creates the unique bond that unites us all.

Last year we shared our ambitious goal to positively impact the lives of one million people by 2030 through our shared love of pets. We believe that pets bring such joy to our lives that this is possible, and our plans continue to take shape. We remain committed to bringing the joy of pets to more people and to use our unique position to reach more people through our pet ecosystem.

### Our focus areas

**Our culture and values.** Our unique culture differentiates our colleague and customer experience

Read more Social value report page 32

**Wellbeing.** Leading the way with workplace emotional and physical wellbeing

Read more Social value report page 38

**Diversity and Inclusion.** Pets don't discriminate and neither should we. We want everyone to feel welcome and part of our Group

Read more Social value report page 34

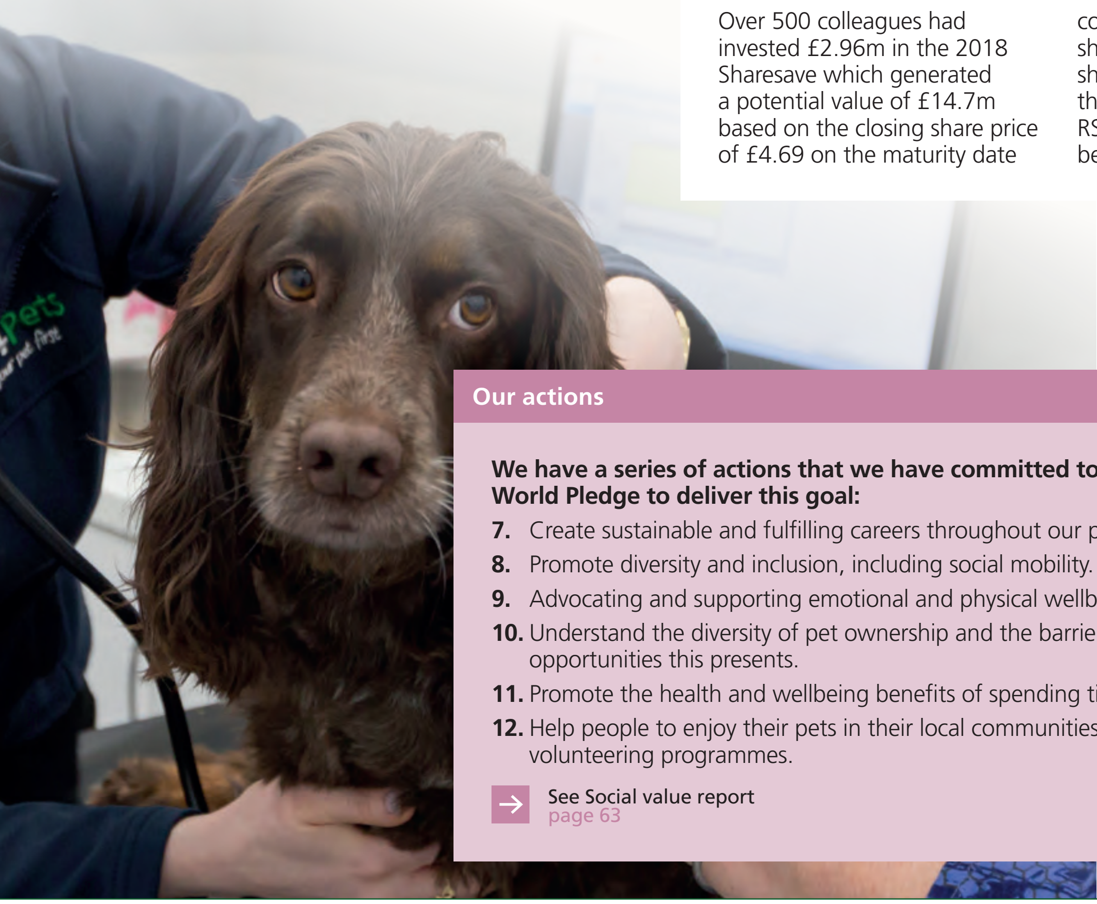
**Learning and Development** - Building pet expertise to empower our people to be ambassadors for pets every day and to be experts in their fields.

Read more Social value report page 40

**Health and Safety.** We are fully committed to continuous health and safety improvement across all areas of the Group and understand that it is the way we work and behave that protects our colleagues,customers, and other stakeholders

Read more Social value report page 42

People are the foundation of our business and central to our purpose. Our passionate talented colleagues are what creates our special culture. They, and we, care as much about each other as the communities we impact and depend upon. Together, our shared love of pets and making a difference unites us all. 'We're better with pets' – this unites us all



## Performance highlights

**3.8***
Glassdoor score moved from 3.2 to 3.8* since FY21

**624**
Mental Health First Aiders trained across the Group

**1**
Wellbeing handbook launched for all colleagues

**173**
Kickstarter colleagues welcomed

**76%**
colleague engagement in our Pulse Survey

**1st**
Winner of Best Place to Work at The Retail Week Awards 2021

**9,683**
hours of volunteering donated to community projects by colleagues

**1st**
Winner of the Best Workplace Wellbeing Strategy (large company) at the Wellbeing in the Workplace Awards 2022

**+500**
Over 500 colleagues had invested £2.96m in the 2018 Sharesave which generated a potential value of £14.7m based on the closing share price of £4.69 on the maturity date

**+5,000**
colleagues became new shareholders or had their shareholding enhanced in the fifth year of our Colleague RSP with £1.2M of shares being gifted

## 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 the 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.

See Social value report page 63

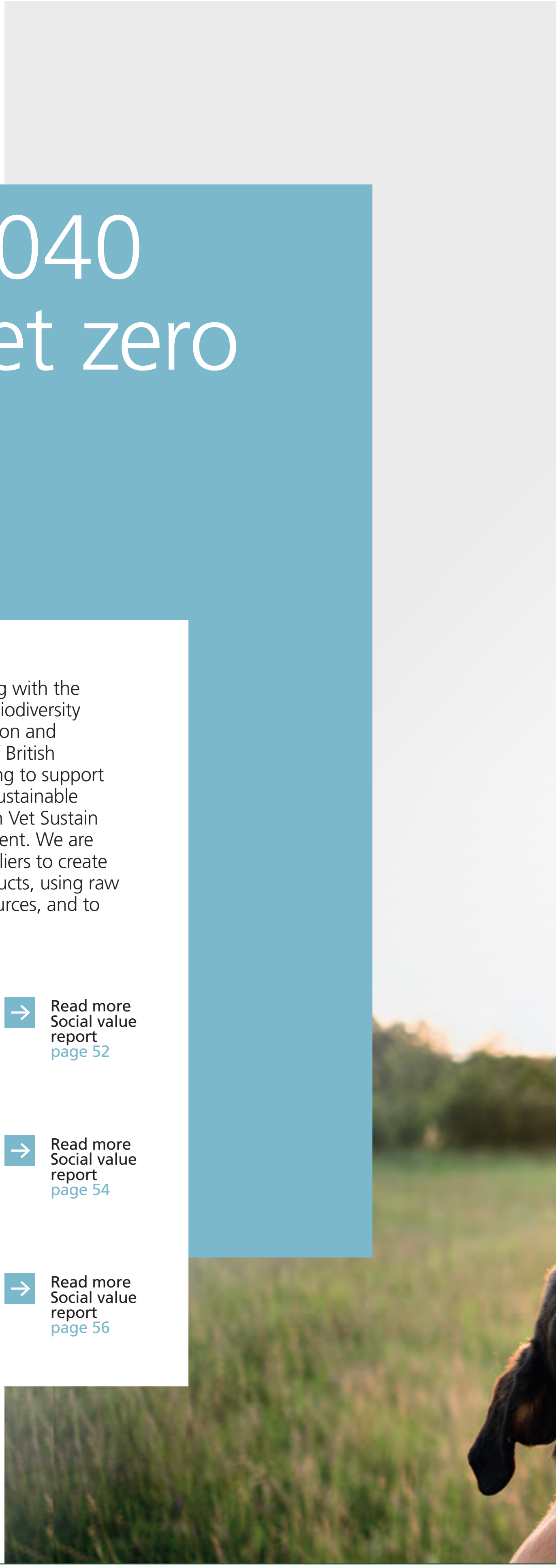
# Planet

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

15 LIFE ON LAND

## Goal: By 2040 become net zero



### Our goals and approach

When we developed our new strategy we intentionally set the bar high. In the first year of reporting our progress we are really proud of our achievements but very aware of how much still needs to be done.

The environmental goals we have set are challenging and 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. We have already done a lot of work to minimise our operational scope 1 and 2 emissions and we will continue to work to decouple our business growth from this operational impact. By 2040 we have committed to be net zero across our value chains.

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 Targets initiative methodology, the United Nations '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 to support our vet partners to be more sustainable through our partnerships with Vet Sustain and Investors in the Environment. We are also partnering with our suppliers to create better, more sustainable products, using raw materials from sustainable sources, and to create sustainable packaging.

### Our focus areas

**Our business impacts**
The operational environmental impact of our stores, Groom Rooms, vet practices and logistics operations

Read more Social value report page 52

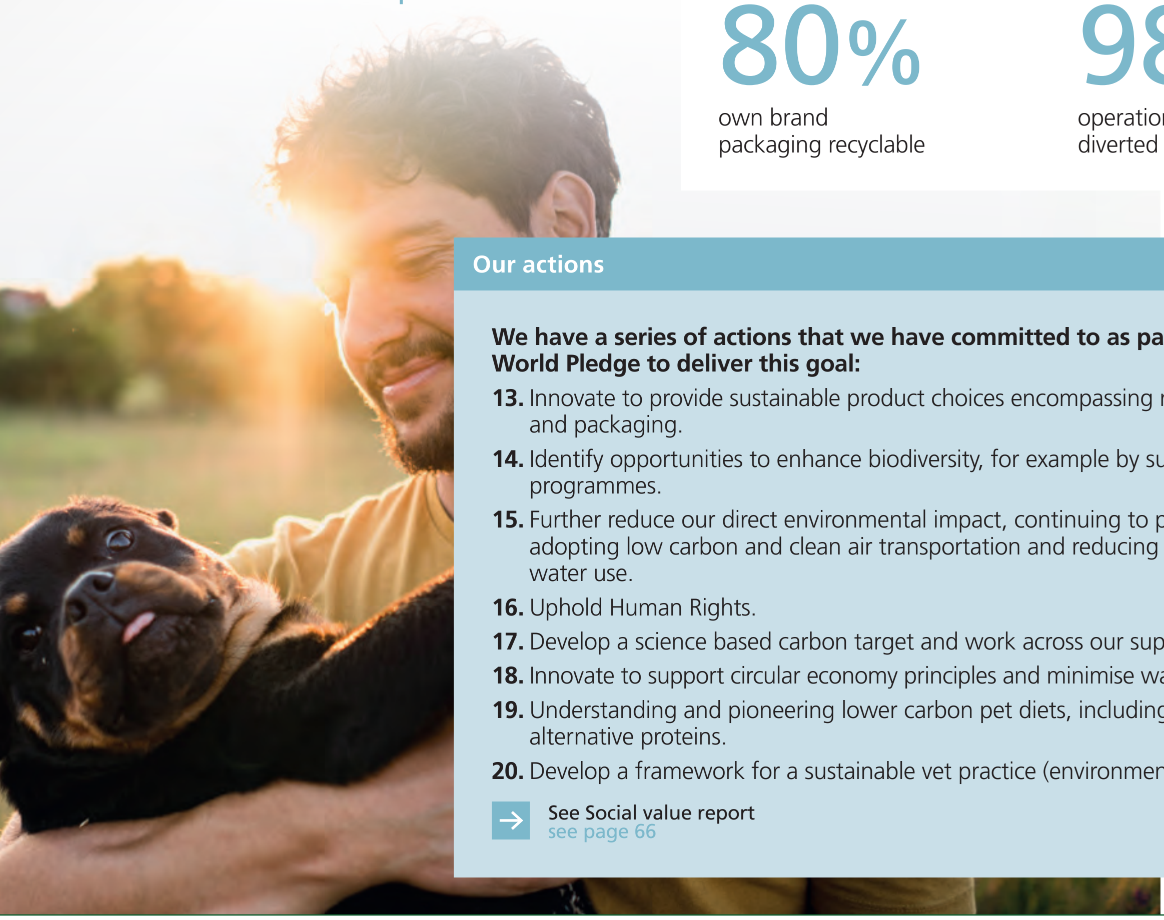
**Our value chain impacts**
The environmental impacts of our full value chain products being made, used and disposed of

Read more Social value report page 54

**TCFD Statement:** Our progress against the Task Force on Climate-related Financial Disclosures

Read more Social value report page 56

**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 unsustainable, so we are working hard to increase our efforts to prevent this.



## Performance highlights

**ALL**
main suppliers received a letter from our CEO outlining our carbon commitments and their role in supporting this delivery

**12.5%**
improvement in scope 1 & 2 $CO_2e$ intensity relative to £m revenue vs FY21

**£257k**
raised for the Woodland Trust through the first year of our Pet Memory Scheme

**1st**
Corporate supporters of Vet Sustain

**300**
Pet Pouch recycling scheme rolled out to over 300 stores

**'B'**
Score of B in the first year of completing the CDP climate change programme submission

**2030**
2030 and 2040 carbon reduction targets submitted to the SBTi for approval

**100%**
main Group energy contract renewable and 98% of group energy use

**80%**
own brand packaging recyclable

**98%**
operational waste diverted from landfill

## 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).

See Social value report
see page 66

# 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 energy more efficiently

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.

FY22 we opened a new pet care centre in Brighton where we trialled a number of sustainability initiatives for the first time. These included energy, waste and water reduction measures. Two carbon innovations delivered were air source heat pumps for heating water and heat recovery which ensures heat is not wasted. Both of these will reduce our scope 2 emissions. We are carefully reviewing our energy usage and plan to implement the most impactful initiatives across our pet care ecosystem.

During FY22 we have removed two gas meters from our store estate. As a result of this and our previous gas removal we have reduced building gas use by 12.4%. Our electricity consumption increased by 1.62% which was caused by our consumption during FY21 being reduced by COVID-19 related events including the closure of our groom rooms for ten weeks.

### Driving more kilometres efficiently

Our distribution network has been operating near full capacity as we serviced the additional demands of our growing business. We are pleased to have maintained fuel efficiency at 2.96km travelled per litre of diesel consumed compared to 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 are conscious 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.

### Improving our carbon intensity performance

During 2022, we have continued to improve our scope 1 and 2 $CO_2e$ intensity relative to revenue £m with a performance of 19.1compared to 21.8 the previous year. Our absolute operational greenhouse gas emissions have increased by 3.3% to 30,621 tonnes compared to 29,651 tonnes in FY21, this is a 6.1% reduction compared to 32,612 in FY20. 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 41.2% of our overall energy use, this continued investment enables us to operate in a very low carbon way already and means that our market based scope 2 emissions are low at 173 $tCO_2e$. We are firmly committed to maintaining this approach, while also driving down energy use. We also make checks to ensure that the electricity we buy is from a certified and verifiable source.

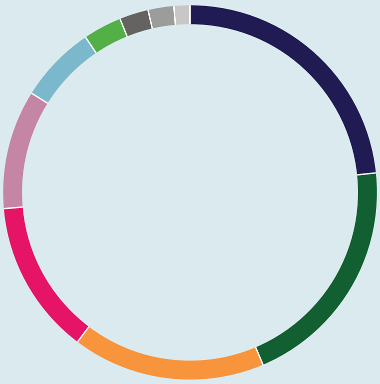
### Scope 1 and 2 carbon emissions seven year performance Tonnes CO2 e emissions

| | | Tonnes $CO_2e$ emissions | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY22 vs FY16 |
| **Emissions** | Scope 1 | 9,498 | 9,619 | 9,649 | 8,431 | 12,085 | 11,337 | 12,558 | 32% |
| | Scope 2 (location based) | 31,680 | 28,840 | 21,584 | 17,066 | 15,133 | 13,616 | 12,610 | -60% |
| | Total | 41,178 | 38,459 | 31,233 | 25,497 | 27,218 | 24,953 | 25,168 | -39% |
| | % change | | -7% | -19% | -18% | 7% | -8% | 1% | |
| | | | | | | | | | |
| **Group Revenue** | £’000,000 | 779 | 834 | 899 | 961 | 1,059 | 1,143 | 1,318 | 69% |
| | % change | | 7.1% | 7.8% | 6.9% | 10.2% | 7.9% | 15.3% | |
| | | | | | | | | | |
| | Normalisation / Intensity | 52.9 | 46.1 | 35.1 | 26.5 | 25.7 | 21.8 | 19.1 | -64% |
| | % change | | -13.0% | -25.0% | -24.0% | -3.0% | -15.0% | -12.5% | |

**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, FY21 and FY22 only. 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.

Our scope 1 emissions were 12,558 and have increased by 11% 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 57% of Scope 1 emissions and 23.3% of total emissions. Eliminating these scope 1 emissions remains the most significant challenge we face in terms of further reducing our operational impact. For that reason, we are closely monitoring the development of new technologies that will reduce the emissions associated with distributing our products.

## Carbon emissions ($tCO_2e$) breakdown by source 2021/22



| Scope | Category | FY21 | FY22 | FY22 vs FY21 | FY22 % of total |
|---|---|---|---|---|---|
| 2 | Electricity | 13,616 | 12,610 | -7.4% | 41% |
| 1 | Diesel (Core Fleet) | 6,096 | 7,149 | 17.3% | 23% |
| 3 | Diesel (3rd Party) | 3,022 | 3,686 | 22.0% | 12% |
| 1 | Anaesthetics | 2,985 | 3,379 | 13.2% | 11% |
| 3 | Electricity T&D losses | 1,170 | 1,114 | -4.7% | 4% |
| 3 | Business Travel (Third Party) | 505 | 652 | 29.1% | 2% |
| 1 | Gas | 665 | 590 | -11.4% | 2% |
| 1 | Business Travel (Company Fleet) | 456 | 558 | 22.3% | 2% |
| 1 | Fugitive Gas Refrigerants | 831 | 536 | -35.4% | 2% |
| 1 | Red Diesel | 304 | 345 | 13.6% | 1% |

### Delivering long term carbon reduction

In the last seven years since 2015/16 we have grown our sales by 69% 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 and our low carbon company car fleet have driven this reduction.

### Transforming our car fleet

In FY21 we overhauled our company car fleet list to a low carbon car selection. As cars have come up for lease renewal they have moved to these lower carbon options. By March 2022 over 170 cars had moved onto the new list saving over 500 tonnes of carbon annually. FY22 company fleet $CO_2e$ increased 23% vs FY21, which was a year when usage significantly reduced due to COVID-19, however its reduced 48.4% vs FY20.

### Our reporting boundaries

Fugitive gas and anaesthetic gas use has been included from FY20, we are unable to source accurate data earlier than this point, hence the increase in emissions between FY19 and FY20 in the seven year performance table. Anaesthetic gas is a significant emission source at 26.9% 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 increased by 16.1% which has been mainly driven by third party logistics servicing our growing business.

### Carbon emissions summary by Scope 2021/22

| | Tonnes $CO_2e$ emissions | | |
|---|---|---|---|
| | 2020/21 (scope 2 location-based) | 2021/22 (scope 2 location-based) | 2021/22 (scope 2 market-based) |
| Scope 1 | 11,337 | 12,558 | 12,558 |
| Scope 2 | 13,616 | 12,610 | 173 |
| Scope 3 | 4,697 | 5,453 | 5,453 |
| Total | 29,651 | 30,621 | 18,184 |
| Inclusion of 2,000 tonnes of carbon mitigation | | 28,621 | 16,184 |
| Scope 1 and Scope 2 kWh | 90,400,963 | 96,425,923 | |
| Normalisation of $CO_2e$ to £m revenue | 21.8 | 19.1 | |

- **Methodology:** We have applied UK SECR and WBCSD/WRI Greenhouse Gas Protocol Corporate Standard as our methodology. We have used emissions factors from UK Government 2021 conversion factors, IEA 2019 for international sites and AIB residual mix from 2020.
- **Methodology:** An operational control approach has been used for the organisational boundary. This is the same as last year 2020/21.
- **Additional inclusions:** We have included the emissions from our stand-alone vet practices and referral centres.
- **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 2021/22 scope 1,2 and some scope 3 emissions (third party diesel, electricity t&d losses and third party business travel). Please refer to page 69 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 £50,000 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 2,000 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 8,533 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 value chain impacts

We realise that the reach of our business extends far beyond our pet care centres. The products we sell and the services we provide have an impact that we must consider and manage. This year we have continued to develop our approach to move beyond our business boundaries to consider the environmental impact across the full value chain.

### Our scope 1/2/3 targets

Responding to the urgency and scale of the climate emergency, the SBTi has ratcheted up its expectations for businesses, releasing a new Net-Zero Standard at the end of 2021. To be confident our ambitions remain robust and in line with the first global science-based standard, we identified clear next steps to adjust our previous near-term commitments. Our long term 2040 target has not changed and remains net zero across all scopes by 2040.

Our updated targets are as follows:

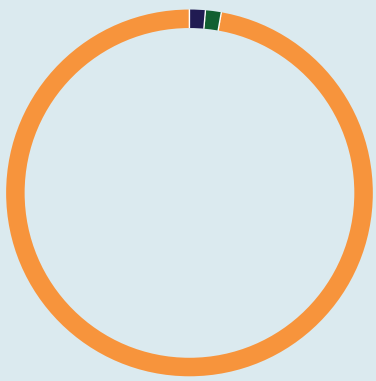
- Near-term: Pets at Home commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY2030 from a 2020 base year.
- Near-term: Pets at Home commits to reduce absolute scope 3 GHG emissions 42% by FY2030 from a 2020 base year.
- Long-term: Pets at Home commits to reduce absolute scope 1 and 2 GHG emissions 90% from a 2020 base year. Pets at Home also commits to reduce absolute scope 3 GHG emissions 90% within the same time frame.

## Prioritising emissions reduction in our value chain

This year we have built on the FY20 scope 3 assessment that was conducted last year by developing the pathways that will help us to deliver our long term carbon targets. We have submitted these reduction assumptions and programme plans with our three targets to the Science Based Targets initiative for their review and validation. The first target is our near term 2030 42% reduction in scope 3 and the second target is our net zero 2040 target. Both of these are in line with preventing global temperatures to exceed 1.5°C above pre industrial levels.

Our priority pathways to net zero are focussed on raw material switches to lower carbon options, working with our suppliers on their scope 1 and 2 reductions, switches to renewable electricity and a particular focus on pet food both from an ingredients and manufacturing perspective from purchased goods and services, and upstream transportation and distribution.

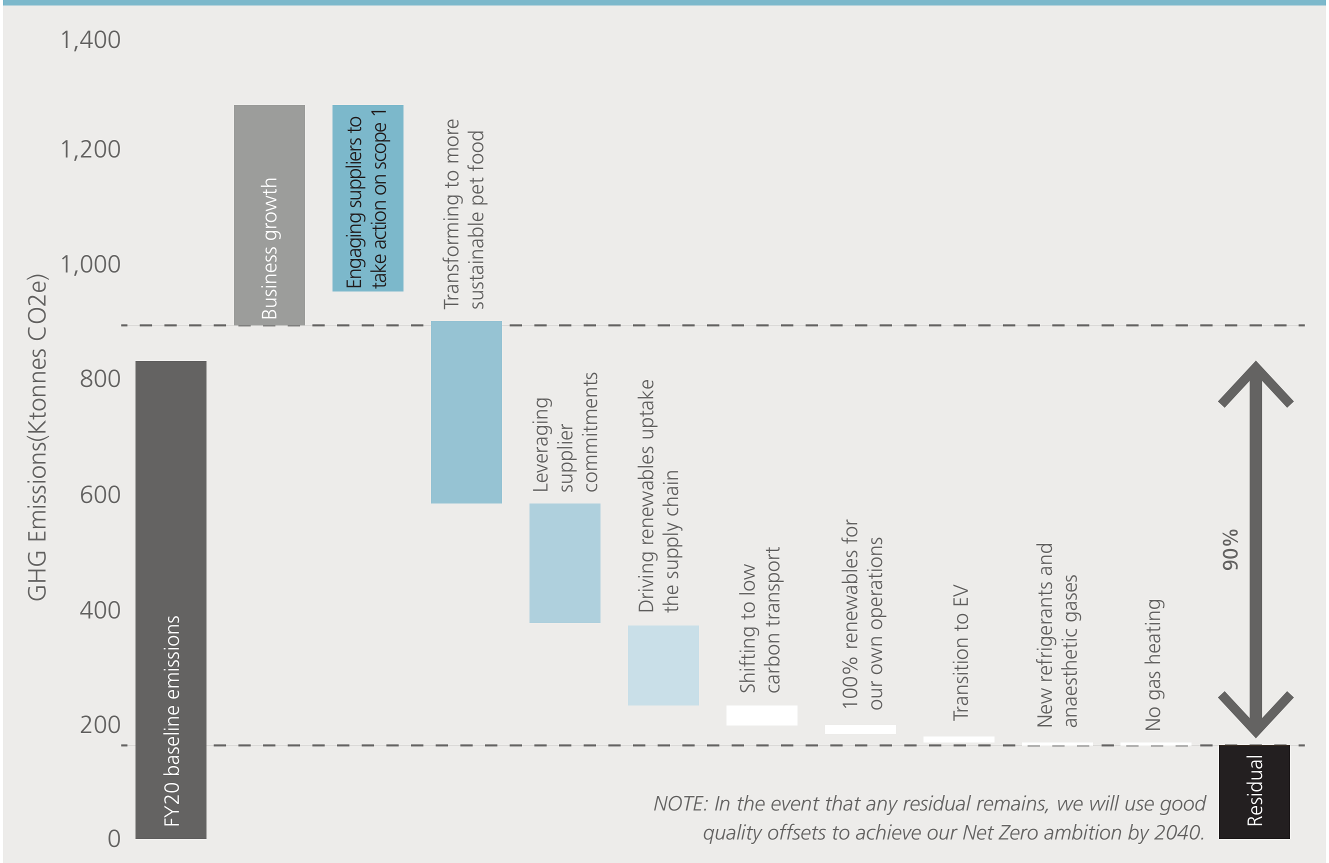
### Our Scope 1, 2 and 3 emissions



| | |
|---|---|
| Scope 1 | 12.56 |
| Scope 2 | 12.61 |
| Scope 3 | 885.00 |

We've worked to reduce our YOY scope 1 and 2 emissions as in the chart above. Scope 1 FY22, scope 2 FY22 (location-based), scope 3 FY21

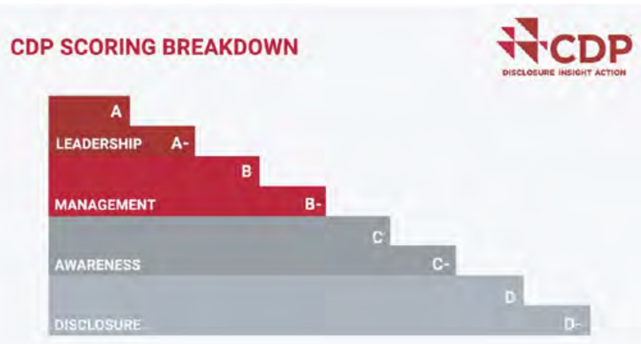
### Carbon emissions reduction pathways to 2040




FY20 scope 3 baseline has been adjusted following a methodology review with the SBTi

## External benchmarking

For the first time in 2021 we completed the CDP climate assessment, obtaining an overall score of B. The CDP questionnaire is a voluntary energy and carbon rating exercise, requested by investors and other financial stakeholders. The B score indicates a strong performance at the 'management' level – in line with the average for the convenience retail sector. With our increased focus on risk management around climate change, commitments to SBTi and the steps we will be taking to Net Zero, we anticipate that the Group climate change score will continue to improve over the next few years from this very good start.




Pets at Home has been internationally and publicly recognised by the Financial Times and Statista as one of Europe's Climate Leaders 2022.

## Collaborating on climate action

We have continued to play an active role in the British Retail Consortium (BRC) Climate roadmap and our Group Head of Social Value is chair of pathway four, sustainable sourcing. In partnership with the Pathway 4 Partner,IBM, the Pathway launched a new guide: Monitor, Measure and Report Supply Chain Scope 3 Emissions. During the year we became the first corporate members of Vet Sustain, the sustainability non for profit organisation for the vet profession. We have also become official partners of Investors in the Environment (IIE) and are supporting our vet practices, that want to do so, to become accredited to the IIE accreditation scheme.

BRC CLIMATE ACTION ROADMAP

Vet Sustain

INVESTORS IN THE ENVIRONMENT

# TCFD Statement

### Managing our climate risks

We recognise the climate emergency poses both risks and opportunities to our strategy and operations, to that end, climate change is featured as a principal risk within our Annual Report. In this section we report our climate-related disclosures, consistent with the TCFD Recommendations and Supporting Recommended Disclosures. This year our focus has been on refining our understanding of the climate-related impacts and TCFD disclosures under a range of climate scenarios.

Pets at Home is required to implement the reporting recommendations of TCFD (as set out in Listing Rule LR 9.8.6R) for the accounting period starting on or after the 1st January 2021.

We first reported earlier than required in our FY22 Annual Report and Social Value Report as part of the development of Our Better World Pledge. Over the last year we have further developed our approach, most notably through our qualitative scenario analysis.

In the table below, we have set out details of our progress in implementing the TCFD reporting recommendations against the 11 disclosure requirements.

On page 60 we have provide more detail about our qualitative scenario analysis process that we have undertaken during FY22. We plan to share more detail on our TCFD work and in particular the quantification of our risks and opportunities in next year's report.

## Governance

| Disclosure requirement | Description/progress | Read more |
|---|---|---|
| Describe the Board's oversight of climate-related risks and opportunities | The Board led by the Chair, Ian Burke, has ultimate responsibility for sustainability and climate change and ensuring that the strategy creates value for the mutual benefit of key stakeholder groups including colleagues, customers, shareholders and society. Oversight of the sustainability strategy is a matter reserved for the Board. The Board provides challenge to the Executive Management Team on progress against the goals and targets of the sustainability strategy, and ensures that the Group has an effective risk management system in place over sustainability related matters. This is principally governed via two main committee meetings: Audit and Risk Committee and the ESG Committee which meet at least three times a year. | Annual Report 2021/22 ESG committee report see page 113<br>Annual Report 2021/22 Audit and Risk Committee see page 107<br>Annual Report 2021/22 Section 172 see page 32 |
| Describe Management's role in assessing/managing climate-related risks and opportunities | The Chief Executive has overall responsibility for climate change and other environmental topics. The Chief Executive is supported by the Group Executive team to develop and implement the strategy through a number of management committees which are chaired by an Executive Management Team member or Director. Our Better World Pledge is one of the Group's key programmes and as such receives an overall update at the Executive Management Team member meeting at the end of each four weekly financial period. In terms of the management committees, climate change is considered across three principal committees. The climate change and waste committee meets every four weeks and is responsible for developing and implementing the Group's strategy relating to operational environmental impact. This includes the scope 1 and 2 carbon emissions, including buildings and logistics energy and waste management. The product and supply chain committee which meets every six weeks is responsible for developing the strategy for managing the value chain environmental and ethical impacts of our products. This includes packaging, raw materials and the scope 3 impact of products through ingredients, manufacturing, use and disposal. The Vet Group OBWP committee which meets every four weeks is responsible for interpreting the Group strategy within the Vet Group and identifying vet specific climate related risks and opportunities such as anaesthetic gas use. | Social Value Report Governance see page 10<br>Annual Report 2021/22 Our business impacts see page 52<br>Annual Report 2021/22 Our value chain impacts see page 54 |


# Strategy

| Disclosure requirement | Description/progress | Read more |
|---|---|---|
| Describe the climate-related risks and opportunities identified over the short, medium, and long term. | During FY22 we have focused on conducting high quality qualitative scenario analysis. Three scenarios were developed and a series of internal workshops were conducted to answer the question 'what would the potential implications for our strategy be if these different scenarios came to pass?' eight high level risks/ opportunities were identified during this project. Of these, five are particularly relevant to the nature of our business focusing on pets and pet ownership, the remaining three are more broad risk areas that would be expected for a retail based business with a network of stores and global supply chains. These risks were categorised on an immediate, medium term (five years) and longer term (ten years +) impact basis. Our initial assessment has identified two as immediate, three as medium term and three as longer term. Of the eight risks, five were identified as transition risks and three physical risks. These risks have been included under the 'emerging risks' within our principal risks. | Annual Report 2021/22 TCFD scenario anaylsis see page 60<br><br>Annual Report 2021/22 risks and uncertainties section see page 72 |
| Describe the impact of climate-related risks and opportunities on businesses, strategy, and financial planning. | Climate risk is an input into our standard business processes such as business planning and strategy planning. The strategic review process during FY22 was kicked off with an immersion session for the Executive Management Team in June 2021 on sustainability issues, this focused on climate and also included connected issues such as biodiversity and resource scarcity. The strategy review in the autumn of 2021 could then use this insight and as a consequence a number of strategic opportunities are being progressed. The future pet food project was initiated in FY22 based on the climate-related risk work that had already been undertaken. The eight high level risk / opportunities identified in the qualitative scenario analysis will be further analysed and developed as projects, where they were not already underway, and they will be fed into the FY23 strategy review process. This will include changes to ranges and services to reflect the changing needs of pets and their owners in a warming climate. | Annual Report 2021/22 TCFD scenario analysis see page 60<br><br>Social Value Report Our value chain impacts section on pet food see page 53 |
| Describe the resilience of your strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | When we developed Our Better World Pledge, we intentionally set the bar high. Our environmental goals are challenging and require us to change the way we work, as well as the way we think about the impacts of our products and services. Our strategy is to use less energy and fewer resources, generate less waste and packaging, while offering our customers more sustainable ways to care for their pets. To achieve this we are commencing a programme of work with our suppliers to reduce climate risks as much as possible, aiming to build resilience to minimise the negative impacts of both physical and transition risks. A key focus of our work is the development of an all scopes carbon reduction pathway and establishing our product sustainability framework. | Annual Report 2021/22 TCFD scenario analysis see page 60<br><br>Social Value Report Our value chain impacts, Targets and initiatives to focus on product sustainability see page 52 |

# TCFD Statement continued

## Risk Management

| Disclosure requirement | Description/progress | Read more |
|---|---|---|
| Describe the processes for identifying and assessing climate-related risks. | Climate change is included as a principal risk in the Group's Risk Register as part of the risk we have identified relating to sustainability. Failure to comply with TCFD reporting is identified as a reputational risk in addition to the need to be meeting the requirements of TCFD in order to identify and act on climate related risks to ensure the Group's long term sustainability. The functional risk approach also provides accountability for identifying relevant risks, three ESG risks have been identified in this way which provide more detail around climate related risks. The three ESG risks are integrated into our corporate risk management approach. | Annual Report 2021/22 Risk section see page 72 |
| Describe the processes for managing climate-related risks. | Climate-related risks are managed using our risk management framework. Climate change is a principal risk and as such is owned by a member of the Executive Management Team. The Chief Executive has overall responsibility for climate change and environmental topics. Three ESG risks are integrated into our corporate risk management approach. Each risk is given a target score which is based on an agreed risk appetite relating to climate-related issues. Owners are identified for each action that has been identified to mitigate the risk and they are responsible for managing the risk to achieve the agreed risk score over the relevant timescale. | Annual Report 2021/22 TCFD scenario analysis see page 60<br>Annual Report 2021/22 Risk section see page 72 |
| Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management. | Climate-related risks are managed through our overall risk management approach. The status of each risk is tracked on a regular basis by the relevant business function. Threats on the watch list are reviewed alongside the risk registers to monitor any changes to the impact and proximity. Internal Audit informs the Board, the Executive Management Team and the Audit and Risk Committee on how effectively risks are being managed. The Audit and Risk Committee, the Board and the Group Executive review risks and the watch list four times a year. Risks, together with emerging or developing threats are reviewed as part of the annual strategy planning cycle. | Annual Report 2021/22 Risk section see page 72 |

# Metrics and Targets

| Disclosure requirement | Description/progress | Read more |
|---|---|---|
| Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process. | This corporate risk approach is used to assess climate related risks. It scores each of these risks on the basis of five different levels of likelihood and on the level of potential impact, this is aligned to standard risk management principles. The impact measure considers ten different dimensions of impact including financial, impact on customers, impact on colleagues and impact on the environment. There are five levels of severity of impact across each of these ten dimensions. | Annual Report 2021/22<br>Risk section<br>see page 72 |
| Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks | Pets at Home have been measuring and disclosing our scope 1 and 2 $CO_2e$ emissions since FY14 and trend data from FY16 is updated and reported annually in our Social value report. We conducted our first scope 3 assessment for FY20 and this has been updated to produce an FY21 estimate and to restate FY20 to reflect improvements in assessment methodology.<br><br>Pets at Home reports using the SASB methodology Pets at Home completed the CDP climate change disclosure for the first time in FY22 gaining a Score of 'B' and will repeat this on an annual basis. | Annual Report 2021/22<br>Our business impacts<br>see pages 52<br><br>Annual Report 2021/22<br>Our value chain impacts<br>see page 54<br><br>Social Value Report<br>Assurance statement<br>see page 69<br><br>Social Value Report<br>SASB table<br>see page 70 |
| Describe the targets used to manage climate-related risks and opportunities and performance against targets. | At Pets at Home, we have taken the decision to set our carbon emissions target using the guidance of the Science Based Targets initiative (SBTi). We have made this decision because science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.<br>1. Near-term: Pets at Home commits to reduce absolute scope 1 and 2 GHG emissions 42% by FY2030 from a 2020 base year.<br>2. Near-term: Pets at Home commits to reduce absolute scope 3 GHG emissions from purchased goods and services, and upstream transportation and distribution 42% by FY2030 from a 2020 base year.<br>3. Long-term: Pets at Home Group commits to reduce absolute scope 1 and 2 GHG emissions 90% by FY2040 from a 2020 base year. Pets at Home Group also commits to reduce scope 3 GHG emissions 90% emissions within the same time frame.<br>These targets are currently in the science based targets initiative approval process.<br><br>We also identify other opportunities to align our targets to climate reduction goals. For example, our new revolving credit facility (RCF) with HSBC acting as sustainability co ordinator, agreed in March 2022, is linked to sustainability targets. We now have financial incentives (or penalties) to accelerate our work on pet, people and planet through targets focused on carbon reduction, supporting pets in need and community action. | Annual Report 2021/22<br>Our business impacts<br>see pages 52<br><br>Annual Report 2021/22<br>Our value chain impacts<br>see page 54<br><br>Annual Report 2021/22<br>TCFD scenario analysis<br>see page 60<br><br>Annual Report 2021/22<br>Director's report<br>see page 140 |

# TCFD Statement continued

> “What would be the implications for our strategy if different levels of global warming or scenarios came to pass?”

### Developing the scenarios

Our qualitative scenario analysis was conducted in a detailed, methodical way over a period of three months. The Executive Management Team and the ESG Committee reviewed and shaped the approach that we took before the workshops took place. After the workshops they were taken through the outcomes to provide additional insight, challenge and to agree the next steps.

To answer the question of ‘what would be the implications for our strategy if different levels of global warming or scenarios came to pass?’, a cross section of colleagues – from head office, retail and vet operations – were asked to consider three scenarios describing changes that the planet and society might experience because of escalating temperatures.

These were rooted in prevailing scientific evidence from the Intergovernmental Panel on Climate Change (IPCC), the International Energy Agency (IEA) and Principles for Responsible Investment (PRI):

**Short description of three scenarios based on different levels of temperature increase**

| Scenario | Name | Description |
|---|---|---|
| **1.5°C** | **A better world** | Action taken has achieved the aims set out in the 2015 Paris Agreement to limit climate change to below 1.5°C of pre-industrial levels, but with significant shifts in policy, cost and consumer behaviours. |
| **2.0°C** | **An uncertain and volatile world** | Not much has changed from today. Some action has been taken, but it’s very much business as usual. Uncertainty increases, and impacts of a changing climate manifest themselves in vulnerable pasts of the world. |
| **3.0°C** | **An irreversible change** | Economies around the world have continued to be powered by fossil fuels. As a result, the planet is in crisis and well past the point of no return by 2030. Global warming has accelerated and changes in climate are all around, tangible and, in some cases, catastrophic. |

### Making the scenarios relevant to our business

Workshop participants were asked to identify potential risks and opportunities, in the three temperature scenarios, through the eyes of our key stakeholder groups: Pets, Vets, Store Managers, Customers and Suppliers. The aim was to pinpoint those risks and opportunities considered to be 'significant' and which would warrant further investigation.

## Pets at Home's key stakeholders

### A pet's view:

Hamish is ten years old. His people deeply care about his welfare, but he's getting on a little bit now. He loves long walks and playing, but sometimes he doesn't feel as energetic as the young puppy he used to be.

Thinking about Hamish, we considered how he will be affected in terms of:

- Comfort
- Health
- Nutrition and food choices

### A vet's view:

Dave has been a vet for the past ten years. His passion is for small animals, so he's found the ideal home working with Pets at Home.

Thinking about Dave, we considered how he will be affected in terms of:

- Changes in pet care trends
- Health and treatment options
- Nutrition and food choices

### A customer's view:

Ben and Frankie (the dog) are loyal customers of Pets at Home and frequently visit their local store. It's a bit of a long drive out of town, often through traffic, but Ben likes speaking to colleagues in-store and often asks for advice on what are the best products for Frank, from food to grooming and playthings.

Thinking about Ben, we considered how he'll be affected in terms of:

- Product choice and cost
- Visits to store
- Making climate-friendly decisions

### A supplier's view:

Kai has worked with Pets at Home for five years manufacturing and selling cat toys and bedding. It's been a good relationship over the years, and he's always been able to meet the needs of his customers. He takes pride in his ability to adapt and flex as order specifications change.

Thinking about Kai, we considered how he will be affected in terms of:

- Sourcing raw materials
- Meeting customer demand
- Distributing goods

### A store manager's view:

Chloe has been Store Manager for the past three years, after working her way up through the business. She's passionate and committed to making sure her store is amongst the best performing in the Pets at Home portfolio. Chloe's approach is very hands-on – she cares about the detail and her store team.

Thinking about Chloe, we considered how she and business operations will be affected in terms of:

- Meeting customer expectations
- Operating efficiently
- Growing sales and managing costs

### Results and next steps

The workshops identified a long list of risks and opportunities that we then prioritised into eight high level areas. These were then classified based on the risk type (physical or transitional), significance (high or modest), exposure type (specific and unique to Pets at Home or relevant to other retailers and business) and time horizon when we will begin to see any impact emerge. Finally 'deep dives' or next steps were identified for each risk or opportunity area to build a greater understanding, During the course of FY23 these eight areas will be further explored to be able to provide more detailed analysis and next steps. This will include consideration to the implications of climate change on our financial planning and capital allocation and on our business strategy.

# Sustainable and profitable growth over the longer term

> With the continued growth and resilience of the pet care market, the strategic investments we are making, and our unique omnichannel model, our business has never been in a stronger position.

**Mike Iddon,**
**Chief Financial Officer**

| | FY22[6] | FY21 | YoY change |
|---|---|---|---|
| **Group like-for-like revenue growth[5]** | **15.8%** | 8.7% | |
| Retail | **15.8%** | 8.8% | |
| Vet Group | **17.1%** | 7.9% | |
| **Group revenue (£m)** | **1,317.8** | 1,142.8 | 15.3% |
| Retail | **1,206.9** | 1,018.9 | 18.5% |
| Vet Group | **108.4** | 123.2 | (12.0)% |
| Central | **2.5** | 0.7 | NM |
| **Group underlying gross margin[1,5]** | **49.2%** | 48.9% | 27 bps |
| Retail | **48.9%** | 49.2% | (35) bps |
| Vet Group[1] | **52.1%** | 46.0% | 605 bps |
| **Group underlying proforma PBT[1,2,3,5] (£m)** | **144.7** | 87.5 | 65.3% |
| Retail | **114.6** | 67.5 | 69.7% |
| Vet Group[1] | **44.5** | 35.5 | 25.3% |
| Central | **(14.4)** | (15.6) | 7.4% |
| **Group underlying proforma PBT margin[1,2,3,5]** | **11.0%** | 7.7% | 332 bps |
| Retail | **9.5%** | 6.6% | 287 bps |
| Vet Group[1] | **41.0%** | 28.8% | 1,219 bps |
| Group statutory PBT (£m) | **148.7** | 106.3 | 39.8% |
| Underlying basic EPS[1,2,3,5] (p) | **21.2** | 12.3 | 72.9% |
| Statutory basic EPS (p) | **24.9** | 18.1 | 37.6% |
| Group non-underlying items[1,2,3] (£m) | **18.6** | 28.9 | NM |
| Group non-underlying cash costs[4] (£m) | **–** | (5.5) | NM |
| Group underlying free cash flow (£m) | **95.0** | 67.4 | 40.9% |
| Dividend (p) | **11.8** | 8.0 | 47.5% |
| **Number of** | | | |
| Stores | **457** | 452 | 5 |
| Grooming salons | **337** | 316 | 21 |
| Joint Venture First Opinion vet practices | **388** | 395 | (7) |
| Company managed First Opinion vet practices | **55** | 46 | 9 |

## FY22 Financial highlights

### Revenue (£m)

£1,317.8m

+15.3%

### Statutory EPS (pence)

24.9p

+37.6%

### Underlying proforma PBT[5] (£m)

£144.7m

+65.3%

### Dividend per share (pence)

11.8p

+47.5%

### Underlying free cash flow[5] (£m)

£95.0m

+40.9%

### Group LFL revenue growth[5]

15.8%

1 FY22 non-underlying credit of £0.1m (FY21: £0.6m) relates to the release of a provision held against property leases allocated against Vet Group, and Group, non-underlying gross margin.
2 FY22 non-underlying credit of £19.2m (FY21: £30.2m) relating to the profit on disposal of the Specialist Group. 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. Both items have been allocated against non-underlying operating costs.
3 FY22 non-underlying cost of £0.7m relating to loan fees written off upon refinance of our revolving credit facility, allocated against non-underlying interest charge.
4 FY21 non-underlying cash costs include £5.5m 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 232.
6 All FY22 metrics presented are on a 53-week basis. Metrics presented as underlying proforma are stated before the change in IAS38 accounting, details of which are summarised on the next page. Metrics presented as statutory take account of the IFRIC clarification relating to how companies should account for configuration and customisation costs in cloud computing arrangements which has led to a change in accounting policy in the application of IAS38 Intangible Assets. FY21 metrics presented as statutory have been restated to take into account this change in accounting policy.

## Financial review of FY22

The FY22 audited period represents the 53 weeks from 26 March 2021 to 31 March 2022. The comparative period represents the 52 weeks from 27 March 2020 to 25 March 2021.

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 Central (includes Group costs, finance expenses and the Group's veterinary telehealth business).

The Group completed its disposal of its five Specialist Referral centres (the 'Specialist Group') on 31 December 2020 and therefore the Vet Group, and Group, financial information shown for FY21, includes an element of discontinued operations, however given the immateriality of these operations (revenue £33.9m, underlying PBT £1.3m) to Group revenue and profit they have not been disclosed separately.

### Impact of new IFRIC interpretation regarding IAS38 Intangible Assets

As a result of the IFRS Interpretations Committee's (IFRIC) April 2021 clarification on 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets)' we have revised our Group policy and processes in accounting for intangible assets.

As a result, a number of software and related implementation costs that were previously capitalised, are now required to be expensed through the income statement, and the associated amortisation charge reversed.

This change in policy coincides with our peak level of investment into such projects as we build our capabilities to drive future growth, incorporating Project Polestar, investment in how we manage our end-to-end supply chain, development of our pick from store capability, delivery of a new warehouse management system, and enhancing our in-house data capabilities. As such, the resulting adjustment to profit and capital expenditure is elevated in comparison to our historical run rate.

Group underlying proforma PBT of £144.7m is stated on our previous IAS38 accounting policy basis. The net FY22 impact amounts to £14.6m such that Group underlying PBT stands at £130.1m having taken account of the accounting policy change in relation to IAS38 Intangible Assets.

There is no impact on the Group cash position or FCF and overall there is a net nil income statement impact over the full asset life. Our final dividend for FY22 has also been unaffected by the change in accounting policy. The accounting change has no impact on our planned investment schedule, future cash generation or our ambitious growth plans.

| IAS38 policy change impact (£m) | | FY22 | FY21 |
|---|---|---|---|
| Group underlying profit before tax | Pre-IAS38 policy change | **144.7** | 87.5 |
| | Impact | **(14.6)** | (10.1) |
| | Post-IAS38 policy change | **130.1** | 77.4 |
| Group capital expenditure | Pre-IAS38 policy change | **73.1** | 44.4 |
| | Impact | **(24.0)** | (15.4) |
| | Pre-IAS38 policy change | **49.1** | 29.0 |

### Revenue

Group revenue in FY22 grew 15.3% to £1,317.8m (FY21: £1,142.8m) and like-for-like (LFL) revenue² grew 15.8%. On a 2-year basis, Group LFL² revenue grew 25.9%.

Retail revenue grew 18.5% to £1,206.9m (FY21: £1,018.9m), including omnichannel revenue growth of 18.4% to £190.9m, representing 15.8% of total Retail revenue (FY21: 15.8%). The LFL revenue growth² in Retail was 15.8% for the year and 26.0% on a 2-year basis.

Food revenue grew by 21.3% to £668.8m (FY21: £551.5m), reflecting our continued success in recruiting new customers as well as an increase in Advanced Nutrition participation.

Accessories revenue grew 13.7% to £490.6m (FY21: £431.4m), with strong growth in categories such as dog toys, consumables and training accessories.

Grooming revenues increased by 54.5% in the year to £30.3m (FY21: £19.6m), driven in part by annualising against the closure of all salons for the first 10 weeks of the prior year.

Vet Group LFL revenue² grew by 17.1% for the year, however total revenue declined by 12.0% to £108.4m (FY21: £123.2m), driven by the disposal of the Specialist Group on 31 December 2020. LFL revenue grew by 24.5% on a 2-year basis.

Total Joint Venture fee income increased by 22.6% to £69.9m (FY21: £57.0m), with LFL[2] fee income up 20.9% (26.6% 2-year basis). LFL customer sales[2,3] growth across all First Opinion practices of 16.9% (28.1% 2-year basis).

Revenues from company managed practices increased by 22.6% to £31.2m (FY21: £25.5m).

Revenue of £2.5m (FY21: £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.

### Gross margin

Underlying group gross margin² increased year-on-year by 27 bps to 49.2% (FY21: 48.9%).

Gross margin within Retail was 48.9%, a reduction of 35 bps over the prior year (FY21: 49.2%), with positive contributions from increased grooming revenue and foreign exchange benefits offset by a £6.6m (50bps) year-on-year increase in freight costs.

Underlying gross margin² within the Vet Group increased by 605bps to 52.1% (FY21: 46.0%). This increase reflects the strong sales growth across our Joint Venture estate driving strong fee income growth with the cost base to support those practices remaining largely fixed. The year-on-year movement in gross margin also reflects the disposal of the Specialist Group on 31 December 2020.

### Operating costs and profit before tax

Underlying Group profit before tax was £130.1m (FY21: £77.4m), with a profit margin of 9.9% (FY21: 6.8%). Before the change in IAS38 accounting policy, underlying Group proforma² profit before tax was £144.7m (FY21: £87.5m), with a profit margin of 11.0%² (FY21: 7.7%).

Group underlying operating costs before depreciation, amortisation and the change in IAS38 accounting policy of £375.5m (FY21: £342.1m) grew at 9.8% or 11.6% adjusting for the disposal of the Specialist Group in the prior year and, before investment in fulfilment, customer acquisition, and our Support Office capabilities, underlying operating costs grew at 4.0%.

While we are not immune to current industry-wide inflationary pressures, in particular energy and freight costs, we are well placed to manage them, and have clear plans in place to drive efficiencies across the business to help offset these cost headwinds.

Retail profit before tax was £101.4m (FY21: £59.7m) with a profit margin of 8.4% (FY21: 5.9%) reflecting the sustained strong trading across the year, and annualisation of the revenue and cost implications of COVID-19 in the prior year. Before the change in IAS38 accounting policy, Retail proforma² profit before tax was £114.6m (FY21: £67.5m) with a profit margin of 9.5% (FY21: 6.6%). Operating cost growth, before the change in IAS38 accounting policy, was 11.9% to £354.6m (FY21: £316.8m).

Underlying Vet Group profit before tax² was £43.1m (FY21: £33.3m) with a profit margin of 39.7% (FY21: 27.1%). Underlying Vet Group proforma² profit before tax was £44.5m (FY21: £35.5m) with a profit margin of 41.0% (FY21: 28.8%). Underlying operating costs in the Vet Group, before the change in IAS38 accounting policy, were £8.7m (FY21: £15.1m), a decrease of 42.4% on the prior year. The year-on-year change in operating costs reflects the disposal of the Specialist Group part way through the prior year, as well as achieved cost efficiencies across several areas.

Net costs of £14.4m (FY21: £15.6m) in our Central division reflects strong costs control and productivity gains, as well as a reduced finance expense.

# CFO's review continued

### Finance expense
The net finance expense for the year decreased to £14.4m (FY21: £18.4m) with the decrease driven by reduction in debt as well as non-recurring fees incurred in the prior year relating to an additional credit facility arranged as part of our COVID-19 response. This facility remained unutilised for the entire term and has been allowed to expire without seeking renewal.

Prior to year end, we successfully completed our refinance of the Group revolving credit facility at market leading pricing. Our new £300m facility provides capacity and flexibility over the medium term, running to March 2027 with an extension option to September 2028. The facility is aligned to the three pillars of our Better World Pledge: Planet, People and Pets.

### Group profit before tax
Underlying profit before tax[2] was £130.1m (FY21: £77.4m) an increase of 67.9%. Statutory profit before tax, including all non-underlying items was £148.7m (FY21: £106.4m).

### Taxation, profit after tax & EPS
Underlying total tax expense for the year[2] was £24.3m, a rate of 19% on underlying profit before tax. Underlying profit after tax[2] increased by 71.5% to £105.8m (FY21: £61.6m). Underlying basic earnings per share[2] were 21.2p (FY21: 12.3p) and statutory basic earnings per share were 24.9p (FY21: 18.1p).

### Cash working capital
The cash movement in trading working capital for FY22 was an inflow of £21.1m[2], predominantly driven by the strong growth in the business enabling us to turn inventory more efficiently creating a working capital benefit within trade payables.

The strong financial performance across our Joint Venture First Opinion vet practices, supported by favourable market dynamics, contributed to the gross value of operating loans reducing to £20.2m (FY21: £26.7m). The provision held against the gross value of operating loans reduced to £5.0m (FY21: £6.2m) representing 25% of the gross value of the loans.

This increased the overall Group cash working capital inflow to £26.4m (FY21: £5.7m outflow) and helped support the strong cash generation of the Vet Group.

### Capital investment
Capital investment was £49.1m (FY21: £29.0m) and £73.1m before the impact of the IAS38 accounting policy change (FY21: £44.4m). The policy change has no impact on our planned investment schedule however reduces our capex spend. Investment (pre IAS38 policy change) was focused on three strategic growth areas; investment in data analytics and business systems totalling £30.9m (FY21: £22.9m), as we continue to progress our data and digital agenda, a £10.4m (FY21: £5.6m) investment as we build capacity across our distribution network, and £17.2m (FY21: £4.8m) to rollout our next generation store format.

### Group free cash flow
Group underlying free cash flow after interest and tax, but before acquisitions and disposals increased to £95.0m[2] (FY21: £67.4m), representing a cash conversion rate[1] of 37.5% (FY21: 32.7%). The increase in free cash flow compared with the prior year is largely driven by the record year-on-year profit growth, as well as disciplined capital investment, and the strong working capital benefit described above.

| Group free cash flow (£m) | FY22 | FY21 |
|---|---|---|
| Operating cash flow | **200.3** | 119.5 |
| Tax and Interest | **(34.2)** | (21.9) |
| Debt issue costs | **(3.3)** | (0.2) |
| Net Capex | **(55.5)** | (21.3) |
| Purchase of own shares to satisfy colleague options | **(12.3)** | (8.7) |
| **Group free cash flow** | **95.0** | 67.4 |

| Divisional free cash flow | FCF (£m) | FCF conversion[1] |
|---|---|---|
| Retail | **63.4** | 29.8% |
| Vet Group | **50.9** | 110.1% |
| Central | **(19.2)** | NM |
| **Group free cash flow** | **95.0** | 37.5% |

1. Calculated as free cash flow as a percentage of underlying cash EBITDA.
2. Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.
3. Customer revenue includes customer sales made by Joint Venture vet practices and differs to the fee income recognised within Vet Group revenue.

As a result of strong cash generation and the proceeds from the disposal of the Specialist Group, the Group's net cash position at the end of the year was £66.0m, and net debt was £317.0m on a lease-adjusted basis. This represents a leverage ratio of -0.4x underlying pre-IFRS16 EBITDA[2] or 1.3x on a lease-adjusted basis.

| Group net cash/(debt) (£m) | FY22 | FY21 |
|---|---|---|
| Opening net cash/(debt) | **1.4** | (85.9) |
| Free cash flow | **95.0** | 67.4 |
| Ordinary dividends paid | **(48.5)** | (37.1) |
| Acquisitions[1] | **(1.7)** | (16.9) |
| Disposals[2] | **19.8** | 79.4 |
| Non-underlying cash outflow[3] | **–** | (5.5) |
| Closing net cash/(debt) | **66.0** | 1.4 |
| Leverage (Net cash/(debt) / underlying pre-IFRS16 EBITDA) | **(0.4)x** | 0.0x |
| **Lease-adjusted leverage (Net cash/(debt) / underlying EBITDA)** | **1.3x** | 1.9x |

1. FY22 includes investment in certain company managed practices. FY21 includes acquisition of The Vet Connection and investment in certain company managed practices.
2. FY22 and FY21 includes the cash proceeds in relation to the disposal of the Specialist Group net of fees and cash held upon disposal.
3. FY21 non-underlying cash costs of £5.5m relate to payments made to Shared Venture Partners in our Specialist Group to acquire certain remaining minority stakes.
4. Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

The Group's cash return on invested capital[4] in the year increased to 24.0% (FY21: 21.7%).

## Capital allocation

At our preliminary results in May 2021, we communicated an updated capital allocation policy which prioritises investing cash in areas that will expand the Group and deliver attractive returns. These areas include organic investment (into our digital capability, our infrastructure, and our store regeneration program), our progressive ordinary dividend policy (which approximates to 50% of earnings per share) and value-accretive opportunities including M&A (which are strategically aligned to expanding our ecosystem in core and adjacent markets). We will return to shareholders any surplus free cash flow after these items, and it is the Board's intention to review this on an annual basis.

In line with our capital allocation policy, we will undertake a 12 month on-market share buyback programme of up to a maximum aggregate consideration of £50 million. It is the current intention that the repurchased shares will be held in Treasury.

## Dividend

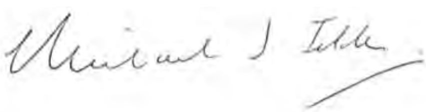
The Board has recommended a final dividend of 7.5 pence per share, an increase of 36% on the prior year. This takes the total dividend for the year to 11.8 pence per share, an increase of 48% on the prior year, reflecting our strong cash performance and balance sheet. The final dividend will be payable on 12 July 2022 to shareholders on the register at the close of trading on 17 June 2022.

## Impact of the UK's exit 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 as necessary across the Group to mitigate any related impact on tariffs, logistics, vet availability and currency.

Our foreign exchange policy uses a mix of forward contracts to hedge our USD requirement to cover the next 12-18 months. The majority of our hedging requirements for FY23 are in place at an average rate of 1.36 (FY22: 1.36) USD:GBP, and any foreign exchange impact is included within guidance provided.

We continue to monitor the potential regulatory implications for our operations in Northern Ireland, specifically concerning the importing of goods, and welcomed the indefinite extension of grace periods and easements, particularly the requirement for Export Health Certificates and additional checks on animal products, announced by the UK Government in September 2021.



**Mike Iddon**
**Chief Financial Officer**

25 May 2022

# Retail

## Strategic differentiators

**Locations nationwide and knowledgeable colleagues**

- 457 stores
- 337 grooming salons
- Over 7,800 Retail colleagues with expert pet knowledge

**VIP loyalty club**

- 7.3m active members
- Almost 10 years of proprietary pet and customer data

**Fast growing omnichannel business**

- Omnichannel[1] revenue growth of 18.4%
- 16% participation of Retail revenue
- 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

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

## Market overview

The retail segment of the UK pet market grew an estimated 5% in 2021. With Retail revenue growth of 18.5% including 18.4% growth in omnichannel revenues, we made strong share gains across key categories, both online and offline.

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

**Retail revenue**

£1,206.9m

**Retail underlying proforma PBT[1]**

£114.6m

**Like-for-like[1] revenue growth**

+15.8%

**Retail underlying free cash flow[1]**

£63.4m

# Operating review

### Food

We provide a wide range of pet foods for dogs, cats, small animals, fish, reptiles and birds. With revenues of £668.8m, pet food is the largest part of our business and represents approximately 55% of all Retail revenue, having grown strongly in the year at 21.3%. This reflects our success in acquiring new customers, particularly puppy and kitten owners, and growing our active VIP loyalty club members by 18% 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 £490.6m in FY22 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 and 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 certain elements 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

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, maximising choice and convenience.

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 10,600 products. Customers can choose to have their online order delivered to home, or take advantage of being able to collect it for free from 457 locations nationwide in as little as 1 hour, demonstrating the convenience we offer. Our recent investment in our pick from store capabilities is now enabling us to offer customers 2-hour home delivery in select locations.

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 40% of all omnichannel revenues are either collected in or fulfilled from store; highlighting the importance of our store network within Group operations. Supported by 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.

Stores

**457**

Grooming salons

**337**

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

# Operating review
continued

# Vet Group


## Strategic differentiators

**Partnership model which incentivises growth**

- 388 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 coordinated national and local marketing

**Providing clients with a wide spectrum of veterinary care**

- Convenient access to First Opinion care and advice
- 305 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 2021, the veterinary segment of the UK pet care market increased by 14% whilst in FY22 total customer sales across all of our First Opinion vet practices grew 19.1%.

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

## Our Vet Group brands

Vets4Pets Putting your pet first

THE VET CONNECTION

Vet Group revenue

**£108.4m**

Vet Group underlying proforma PBT[1]

**£44.5m**

Like-for-like[1] revenue growth

**+17.1%**

Vet Group underlying free cash flow[1]

**£50.9m**

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 232.

# Operating review

### Our Vet Group

We operate the largest branded network of First Opinion veterinary practices in the UK, with a total of 443 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 last 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.

### First Opinion vet business

Our preferred model has always been to build value through shared ownership. We operate a total of 388 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 55 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 a 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 manage their own business.

### The Vet Connection

In the prior 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 continue 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.

Joint Venture practices

**388**

First Opinion practices inside Pets at Home stores

**305**

# Principal risks and uncertainties

## Our risk management framework

We recognise that effective risk management is an integral part of running our business and is fundamental to helping us achieve our strategic objectives. Our Board is responsible for the nature and level of the principal risks that we are willing to take and have overall responsibility for the Group's risk and internal control frameworks.

Our ability to identify, assess and effectively manage current and emerging risks is critical in ensuring the continued success of our business. It allows us to take advantage of appropriate opportunities whilst protecting long-term stakeholder value.

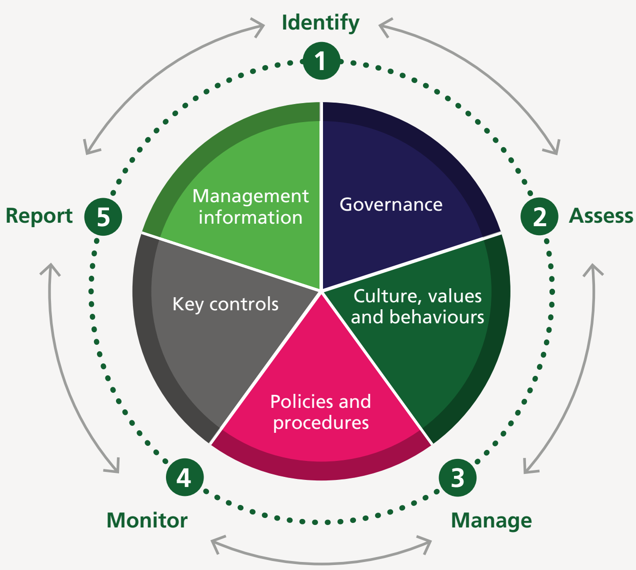
### Risk management framework

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

#### 1 Identify

Each business, function and strategic project identify their significant current and emerging risks considering their strategic plan, objectives, external environments and mitigations.

Horizon scanning exercises are conducted with senior management teams as part of the annual strategy and business planning cycles and risk management processes.




#### 2 Assess

A standardised risk scoring methodology is used across the Group to analyse risks. This aids the escalation and consolidation of risks into a Group-wide view.

The Group's principal and emerging risks that have the potential to threaten our reputation, business model, future performance, solvency, or liquidity are assessed and agreed by the Executive Management Team and the Board.

Senior management and project teams add their view on current and emerging risks.

A watch list of emerging and developing threats is maintained, where the timeline, impact or potential mitigation is not yet clear.

#### 3 Manage

Each principal and emerging risk is owned by a member of the Executive Management Team.

The executive risk owner is accountable for confirming that adequate controls and necessary mitigation plans are in place to bring the risk within an acceptable tolerance.

A range of risks are managed on an ongoing basis, which are not currently considered significant enough to be included on the Group risk register.

#### 4 Monitor

Each risk register is reviewed by the senior management team in each business, function or project 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.

The Gross, Net and Target risk scores are regularly reviewed to make sure any changes have been reflected and to monitor the progress of mitigation plans.

Assurance is gathered from across the three lines of defence to assess the effectiveness of our risk management framework and system of internal controls.

#### 5 Report

The Group risk register and watch list is reported to the Audit and Risk Committee, the Board and the Executive Management Team four times a year.

Risks are considered both independently and collectively to fully understand their dependencies and potential impact on the business.

Top down

## Board Oversight

- Sets tone from the top.
- Has overall responsibility for the Group's risk and internal control frameworks.
- Sets risk appetite and determines the nature and level of principal risks.
- Undertakes a robust assessment of the Group's current and emerging principal risks that have the potential to threaten our reputation, business model, future performance, solvency, or liquidity.

## Audit and Risk Committee

- Assists the Board in fulfilling its corporate governance responsibilities and oversees responsibilities in relation to financial reporting, 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 material risks and advises the Executive Management Team on risk appetite.
- Reviews and oversees the Group risk register and watch list.
- Reviews detailed risk reports and conducts regular deep dives into key risk areas with relevant Directors to understand the nature of the risks and adequacy of the controls and mitigation plans to bring the risk within tolerance.

## Executive Management Team

- Collectively responsible for identifying and managing risk.
- Each principal and emerging risk is allocated to an Executive Management Team member for oversight and ultimate ownership.
- Gathers assurance and risk updates from across the three lines of defence.

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

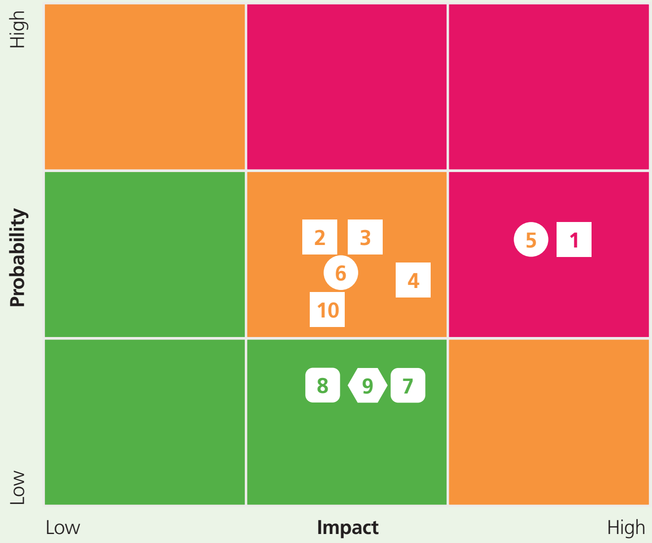
Bottom up

For further details about key roles and responsibilities within our governance structure, please see the Governance report on page 86.

## Principal risk status

The heatmap shows the risk profile of our principal risks.

The principal risks also relate to the material issues considered in the Sustainability section on page 42.




**Risks are categorised into four main areas**

- Strategic
- Operational
- Financial
- Legal & Compliance

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

# **Risk management** continued

### Emerging risks

Emerging risks are those that can potentially have a significant impact on the Group in the medium to long term, and for which we may not currently have sufficient information about the scale, impact, or likelihood to fully define a mitigation plan. These risks are identified, assessed, and managed as part of the ongoing risk management process. The Board and Executive Management team have carried out a robust assessment of our emerging risks. The risks considered a priority are summarised in the risk management section on pages 75 to 85.

### Task Force on Climate-related Financial Disclosures (TCFD)

Climate change risks are managed within the Group's established risk management framework. As required any actions identified as part of this year's scenario analysis will be captured on the Group's risk register and will be monitored by the ESG Committee (supported by the Audit Committee) in line with the Group's risk management processes.

Details of this and our overall approach to TCFD can be found on page 42 of this report and in more detail in our social value report.

### 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

### 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**

Protecting our strong brand and reputation is essential and it is every colleague's responsibility to safeguard and indeed enhance the reputation of the Group.

Pet welfare remains our highest priority. Underpinning this is our vision to become the best pet care business in the world.

To attract new customers and build customer loyalty we must maintain stakeholder trust and confidence in the Group and its brands.

**Links to strategy**

**Mitigation**

Advancing pet welfare will always be a priority in line with our purpose – We're better with pets. It is at the heart of everything we do and supports our strategy. As a retailer of small pets and as a 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 exacting standards.

Reporting into this committee is the Pet Welfare Committee, which oversees the assurance and governance of pet welfare (including our breeders and supply chains), 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 agile with communications and improvements to procedures should they be 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 independent external assessors. We also have a highly visible field operations team that are focused on maintaining the highest pet welfare standards. We have recently implemented an improved internal audit system that allows us to identify areas where additional colleague training or new procedures are required. And, despite the challenges associated with COVID-19, we have continued to implement our pet welfare audit programme with virtual assessments during the first quarter, followed by a return to in-person visits for the remainder of the year.

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 know that, despite our best efforts, customers are often unaware of the complexity or commitment required of pet ownership. Every store colleague is empowered to refuse to sell a pet if they have any doubts about the suitability of its forever home. In addition, as part of a wider project to improve rabbit welfare, we constantly evaluate how we talk about and sell pets, and rabbits are now only sold in stores that have veterinary practices on site. We continually review the price of rabbits to make them more of a considered purchase and we also discontinue the sale and adoption of rabbits over the Easter period. In addition, we have recently completed a comprehensive review of our small animal food and treat range with the aim of improving the health and welfare of both store and customer owned pets.

The Group also interacts with customers' pets through its First Opinion veterinary practices. All our veterinary surgeons and nurses are subject to the Royal College of Veterinary Surgeons' (RCVS) Code of Conduct. In addition, 330 practices are accredited under the RCVS Practice Standards Scheme (PSS), with a further 19 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 must meet a range of standards. Practices are also subject to independent spot-checks between assessments. The accreditation process has been suspended for part 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.

In conjunction with the VetCompass research team at the Royal Veterinary College we are conducting 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 several 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 UK rescue sector through the Pets at Home Foundation and our VIP Lifelines scheme. This year we have supported both the UK and international rescue sector with an emergency grant scheme to help them to cover essential costs during the pandemic or another crisis.

The rescue sector has not reported a significant increase in relinquishment of pets over the past year. However, 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 aware that an overall increase in the pet population may result in more pet relinquishments, but not an overall percentage increase in the total number of pets versus volume of relinquishments. We are also aware that as restrictions continue to 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.

# Risk management continued

## Brand and reputation continued

### 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 across the Group to ensure they remain robust and best in class.

Throughout the pandemic our First Opinion practices have followed both Government and the RCVS guidance and remained 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.

### Key emerging risks

- Disruption caused by material changes in customer behaviour and needs, driven by concerns around affordability, sustainability, and the environment.
- New and emerging animal diseases.
- Climate change may have a significant impact on pet welfare.

### Risk profile

High

### Risk Appetite

Low

We place the care, health, and welfare of pets at the front and centre of all we do. The Group has no appetite for any risk that may compromise animal welfare or breaches product quality standards.

### Change on prior year

Stable

## Competition and customers

### Description and impact

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

There is increased online competition as large well-known internet businesses continue to 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. We must continue to offer an attractive model for our future Joint Venture Partners while keeping ahead of, and responding to, developments by our competitors around price, range, quality, clinical care, and customer service. Failing to do so could have an adverse impact on the Group's financial performance and opportunities for growth.

### Links to strategy

### Mitigation

We offer pet owners a complete pet care experience, something our competitors cannot. We differentiate ourselves through our expanding pet care ecosystem, combining product, services, and expert advice from a trusted, well-known brand. In FY22, we welcomed over 1m customers into our pet care ecosystem.

Market research is carried out to review the pet market worldwide to understand what our competitors are doing. We also undertake an annual survey with c5,000 UK pet owners, both customers and non-customers. Both help identify initiatives that we can implement to help keep Pets at Home a leader in the UK market. We also constantly review expansion opportunities into new adjacencies that would contribute to our pet care ecosystem.

Our people are at the heart of our business. Our passionate and skilled team of veterinarians, vet nurses, grooming stylists, and store colleagues share their knowledge and expertise with our customers every single day. This a key element of our proposition and we continue to invest to ensure our service standards are continually improved.

Our stores play a strategic role in delivering pet care to our customers as key points of acquisition, fulfilment, and advice. We introduce services within stores (Vets, Grooming, Self-Wash etc.) where possible.

We are also leveraging our stores as mini distribution centres which will allow us to further improve our delivery options with the introduction of same day delivery. All stores are profit generating and as we open new stores, we see a good return on investment indicating that we have not yet reached maturity on our store estate.

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 characteristically loyal, we are conscious of increasing inflationary challenges and are committed to affordable pet care for all. We continue to hone our pricing and promotional strategies, 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.

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 where 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.

Our VIP loyalty club provides almost 10 years' worth of proprietary pet and customer data. We are integrating analytics into our extensive pet dataset to generate unparalleled insights, enabling us to understand more accurately our customers and their pets, and predict their future pet care requirements. Beyond our CRM activities, we are increasingly using intelligent data to optimise decision-making across the wider business. By leveraging our data insights, we can offer more personalised, targeted solutions, driving customer loyalty, retention, and lifetime value.

**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 and customers continued

## Mitigation continued

Our omnichannel participation of retail sales continues to grow. Our approach extends beyond traditional online shopping, with new fulfilment options such as a one-hour Click & Collect service across all our stores and the contactless Deliver to Car service across much of the estate. Subscription platforms allow us to offer greater convenience, choice, and flexibility to our customers. We have continued to enhance and grow our deliver to home service for the supply of preventive and therapeutic veterinary medicines to our veterinary customers. The Group now has approximately 1.5m pet care plans across the Group, offering customers a convenient way to shop with us, and increasing the quality and visibility of our sales profile.

We operate the largest branded veterinary business in the UK, with practices located in two-thirds of stores plus 138 standalone locations and continue to have a differentiated strategy versus our scale UK competitors, which all employ variations of a 'buy and build' model. The JV model, and the relationship with our retail stores and VIP club, plus our 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. Practice maturity represents a significant future profit and cash flow opportunity, with further potential upside from rollout of new practices. We are also continuing to introduce an innovative format for our veterinary practices, enhancing, and modernising the customer's experience through our 'Pathfinder' initiative which combines design innovation, the latest client-facing technology and our new 'Pet Care Advisor' role, to optimise allocation of clinical resource, enhance client engagement, and improve practice economics.

Our telehealth business, 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.

We continue to build our digital capability with the first elements of 'Polestar,' our transformational digital initiative, launched in the year, which will create a joined up and personalised pet care experience across the Group. Our vision is to make pet care easier and even more convenient for our customers from Day 1, however they wish to shop, with our entire ecosystem of products and services in one place. Single sign on was successfully launched for PetsatHome.com customers in February 2022 and we will have regular launches of new digital products and customer services through to the end of 2023.

## Outlook

Whilst the ongoing presence of COVID-19, current geopolitical tensions, and inflationary pressures represent near term headwinds, the business is well positioned to manage such challenges and we have a clear and well-invested plan.

The wider economic challenges will remain a key focus for next year. The Group is in a strong position in a large, resilient market which has seen continued structural growth over the past 12 months with a second wave of new pet ownership increasing our customer base to over 7m VIPs.

We expect to see continued strong growth both in our Puppy and Kitten clubs, online and demand for digital services, which will be supported through the new digital platform and increased delivery choices.

Key investments across our digital platforms and distribution centres keep us in a strong position to offer these newly acquired customers a complete pet care experience.

As we emerge out of COVID-19 we will also start to reintroduce more experiential activities to our stores with a focus on supporting newly acquired Puppy and Kitten customers.

Over half 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 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.

## Key emerging risks

- Disruption from new competitors taking advantage of new market dynamics
- Continued macroeconomic uncertainty post-pandemic and adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.
- Disruption caused by material changes in customer behaviour and needs, driven by concerns around affordability, sustainability, and the environment.
- Sustainability and climate change concerns make pet ownership less attractive.

## Risk profile

Medium

## Risk Appetite

Moderate to high

The Group recognises that to successfully compete and grow the business. We need to take an acceptable level of risk, whilst staying within our overall Group risk appetite.

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

## Change on prior year

Stable

# **Risk management** continued

## 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 supplier failure or disruption, 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 and 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 three distribution centres covering the UK. A disaster at one of these may result in a significant disruption to the supply of stock for many stores and in the fulfilment of internet orders.

Failing to manage this risk could lead to significant reputational damage.

### Links to strategy

●

### Mitigation

The strength of our long-standing relationships with key suppliers and freight partners is crucial to preserving our supply chain. Global supply chain challenges continued to lead our engagement with suppliers as we all focused on ensuring continuity of supply of products for our customers and their pets.

Availability remained a challenge across the year with Asia supply impacted by further challenges due to COVID-19 and the Suez Canal shipment lanes blockage. We were able to minimise disruption to customers through forward buys supported by increased distribution capacity.

The Product and Supply Chain Committee is responsible for developing our 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 the year, the Committee has developed a roadmap to deliver the relevant targets for our Better World Pledge. More details can be found on page 42.

Over 80% of our cost of goods sold is sourced domestically, limiting our direct exposure to container rate volatility. We continue to work closely with our broad base of suppliers to mitigate as much inflation as possible across the supply chain to support our competitive price index. For our own label and private label food products we have identified alternative suppliers where appropriate and have developed contingency plans.

We assessed the impact of the crisis in Ukraine for the Group and our stakeholders. For our supply chain the impact of any material changes to the GBP/USD rate would have a financial impact. For our product ranges the main impact is the availability of sunflower seeds. We have assurance from our suppliers around the security of their supply, and we have mitigated this further through redevelopment of the few affected products in our wild bird range.

Having Pets at Home colleagues in Asia and the UK working collaboratively with suppliers enables us to monitor compliance with the Group's Code of Ethics and Business Conduct policy, and our Supplier Quality Manual.

We use a combination of independent third-party ethical audits and audits completed by our own colleagues to monitor supplier compliance. Our Legal team ensure we have the necessary contractual rights to carry out these activities. Suppliers are then supported to remediate any non-conformance. 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. We have recruited a Responsible Sourcing Specialist who is embedded operationally within our Technical Team while working closely with the Group Head of Social Value and the Company Secretary on our Group wide human rights strategy and approach.

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 due to national or international instability. We have continued with our intended programme of contract renewals during the year and have improved our provision of ring-fenced stock holdings with both wholesalers and manufacturers which has proved successful in mitigating risk to 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 sufficient 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 recognise that exposure to inflationary pressures, rising energy costs, foreign currency movements and freight market fluctuations will be a heightened risk. Freight market impacts are expected to continue through to 2024 which we are mitigating through our hedging strategy. We are in a positive position, building in more flexibility and resilience.

Availability challenges have stabilised however, we continue to actively monitor developments due to COVID-19 especially in the Far East where local policy is resulting in further lockdowns and the new processes set out in the EU-UK Trade and Cooperation Agreement.

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.

### Key emerging risks

- Geopolitical uncertainty and disruption.
- Continued macroeconomic uncertainty post-pandemic and adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.
- Changes in regulatory environment. – including UK Government consideration of wide-ranging changes to product safety regulation.
- Increased recruitment competition impacting UK manufacturing.

**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

# Supply chain and sourcing continued

| Risk profile | Risk Appetite | Change on prior year |
|---|---|---|
| Medium | Moderate | Up |

The Group does not tolerate any breach of company policies, local laws, or regulations in our supply chain.

The Group is prepared to tolerate a level of operational risk around product availability, taking steps quickly to ensure we are resilient and are operating within the approved thresholds set out in our policies and mitigation plans.

# 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 fail to deliver our strategic initiatives our expected growth and financial performance could be adversely impacted.

**Links to strategy**

**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 443 First Opinion veterinary practices, 337 Groom Rooms and 457 stores.

There has been continued growth in our pet care subscription customers. We have approximately 1.5m 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 473,000 new clients this year.

To take advantage of this opportunity the 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 potential to personalise and tailor packages to customers.

Our telehealth business, The Vet Connection, broadens our digital capabilities in providing trusted advice and pet care solutions. We will continue 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.

Our store estate provides further operating leverage versus online pure plays.

This year we have launched one new pet care centre taking us to 19 stores in this format, in addition to two smaller next generation stores. The performance of these two stores will inform our decision-making on a wider rollout.

We have also opened four in-stores practices whilst completing four conversions of company owned first opinion practices to Joint Venture partnerships.

Returns generated from recent store openings and transformations remain ahead of initial expectations, and we plan to open five new stores and transform 40-50 stores each year over the medium term to improve both the physical shopping experience and the integration with our digital platform.

Having a range of store format models that correlate with our customer and business needs enables us to optimise returns, and by taking a blended approach we will also be able to refurbish more stores, faster.

We have taken learnings from the initial cohort of pet care centres which will shape how we develop the format going forwards, focusing on range, store selection and disruption as opportunities to improve. We remain agile so that we can quickly adapt 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. We are accelerating our refurbishment plan which allows us to refurbish our oldest stores and by refining the format models we will make our stores more relevant to our customers through the introduction of new elements whilst maintaining our stores in a good state of repair from the renewal capital.

We will continue to invest in infrastructure across our veterinary practices and plan to open new practices each year over the medium term. Our Pathfinder initiative is proving pivotal in improving practice revenues and efficiencies, and is generating a better client experience, and we plan to extend this to all company managed and select Joint Venture practices over the coming year.

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.

Further capacity will be added when our new distribution hub comes online from 2023. This purpose-built and highly automated facility will support our future growth ambitions through improved capacity while lowering our cost to sell through better inventory management and availability, and faster delivery.

**Outlook**

The Group is in a strong competitive position through our unique omnichannel pet care model.

Whilst the ongoing presence of COVID-19, current geopolitical tensions, and inflationary pressures represent near term headwinds, we remain confident in our long-term strategic plan to deliver 50% of sales from pet care services.

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.

**Key emerging risks**

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

# Risk management continued

## Services and stores expansion continued

| Risk profile | Risk Appetite | Change on prior year |
|---|---|---|
| Medium | Moderate to high | Stable |

The Group recognises that to successfully innovate and grow the business. We need to take an acceptable level of risk, whilst staying within our overall Group risk appetite.

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

## Our people and culture

### Description and impact

Our Group and People strategy recognises that our 15,000+ colleagues and Partners are fundamental to the success of our business and key to us achieving our vision 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.

A loss of trust at any level will negatively impact our culture and our ability to retain and attract talent.

It is essential for the Group to attract, develop, reward, and retain talented, engaged colleagues and Partners who will deliver quality service and clinical care to our customers and their pets. If we are unable to achieve this our ability to deliver our strategic aims will be significantly impacted.

### Links to strategy

### Mitigation

During the last year, a primary focus was to continue to keep our colleagues safe and minimise the impact of the pandemic on them and across our Group.

The strength of our culture and values has never been more important. They are the anchor from which every decision is made and will continue to be made. As our business evolves it was natural that our values need to as well, and this year, we undertook a cross-business approach to redefine our values to better reflect our people and our vision. This helps us to connect our colleagues to our purpose and vision whilst doing all we can to drive loyalty and trust.

We continue to listen closely to colleagues and look for more ways to engage with them. Our annual engagement survey had a specific focus on wellbeing, as we know it is closely connected with attracting, engaging, and retaining great talent. Our listening groups 'Tune In' and COO email addresses 'ask' to provide additional channels to tap into how colleagues feel and what we can do to support. Insights from all channels continually shape our People strategy and associated wellbeing, Learning and Development and Inclusion, Diversity and Equity (IDE) strategies.

Our capability framework articulates what great looks like for all colleagues. This framework has been used to create development programmes for all levels. 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 talent.

We continue to develop bespoke critical talent group strategies and to invest in these (e.g. data, IT, grooming) alongside developing short, medium and long-term strategic mitigations to the global veterinary workforce shortage both internally and in partnership with the wider industry. We have a targeted international recruitment strategy for veterinary talent which focuses on key markets where clinical education meets UK standards. We have invested in a head to continue to work on our mitigations to the IR35 legislation which impacted some locum vets and nurses.

We continue to invest in apprenticeships and other employability programmes across the Group (e.g., Kickstarter) to provide opportunities to those who face barriers. We have apprentices at all levels of our business, and across critical talent areas in addition to our colleague and leadership development programmes, which both focus on 'growing our own', building our own talent pipeline as well as attracting new talent.

We launched a profession wide listening project to address the systemic issues within the veterinary workforce. The insights led to an evidence-based action plan which was communicated to the profession. We have committed to and invested in the BVA Good place to Work Code and are rolling this out to all our practices. Our leading vet graduate programme recruits over 90 newly qualified vets per annum and was a finalist in Personnel Today awards. We continue with our EMS bursaries, and we launched ten new vet school scholarships in partnership with Nottingham vet school. We are partnering with Timewise to launch new flexible working practices.

To support our colleagues' wellbeing, we continued to focus on maintaining the sense of belonging that was challenged by remote working whilst at the same time developing our wellbeing strategy to reflect life post-pandemic. Our strategy received external recognition when we won the best workplace wellbeing strategy at the National Workplace wellbeing awards.

Our 'modern ways of working group' is focused on 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 past two years.

**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

# Our people and culture continued

## Mitigation continued

We launched a colleague wellbeing handbook and invested in Mental Health First Aid training. We have trained over 620 mental health first aiders across the Group. All First Opinion practices now have a trained Mental Health First Aider (MHFA). By FY24 we will train one colleague for every site in our Group, and we are focused on developing our MHFA alumni community. Enhanced counselling was also launched to colleagues through the Retail Trust, and this included up to six sessions for colleague's children. We continue to support colleagues and Partners who have been dealing with challenging situations with customers through additional training and mental health resources.

From a reward perspective, total reward statements have been developed and will launch in FY23 as we work to show colleagues the overall value of their reward package. We continue to review our remuneration and benefits packages to remain competitive to current and future colleagues. This year, for example, we enhanced our maternity and shared parental leave.

Free shares were issued to eligible colleagues in summer again. Our second sharesave scheme matured where colleague's shares gained over £11.8m in value from their initial investment in 2018. We invested in formal ways for colleagues to receive instant recognition through our new reward platform. Over £100,000 of awards were sent this year. Colleague appreciation day was also recognised with every colleague and team sent tokens of gratitude from the Executive Management team.

## Outlook

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

We continue to seek new opportunities to further enhance our colleague experience as we emerge from COVID-19. This is especially so for our critical talent groups. The current headwinds facing the business from an operational cost perspective will mean we need to keep innovating in a heavily candidate led market.

External awards recognising our wellbeing strategies and as a place to work have provided further external credibility to our approach and will serve to build further trust with colleagues.

## Key emerging risks

- Continuing restriction in critical talent markets.
- Continued macroeconomic uncertainty post-pandemic.
- Adaptation to new technologies and work environments.

## Risk profile

Medium

## Risk Appetite

Low

As a Group we expect our colleagues and Partners to act in line with our culture, values, and behaviours.

The Group has no appetite for risk relating to the health, safety, and wellbeing of our colleagues.

We do however accept that there is an inherent level of risk in attracting and retaining critical talent across the Group.

## Change on prior year

Stable

# Information security and business systems

## Description and impact

Cyber-attacks continue to grow in frequency and complexity, increasing the risk to Pets at Home and our ability to continue to safely operate and protect our customer and colleague data. As we continue to adapt to these new challenges there is an associated increase in cost, resources, and time to ensure we remain secure.

## Links to strategy

## Mitigation

Pets at Home are investing heavily in our cyber security position both from a personnel and technology standpoint, this includes engaging industry leading specialist consultants to help deliver our strategy based around the NIST cyber security framework, an industry standard for measuring technical and organisational maturity.

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

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

# **Risk management** continued

## Information security and business systems continued

**Outlook**

To deliver our vision to become 'The Best Pet Care Business in the World' we include the need to protect our customers and colleagues from the ever-increasing threat of cyber-attacks, investing in both technology and our people, to deliver our comprehensive risk reduction programme and adopt a continuous service improvement cycle to monitor and adapt to the constantly evolving threat landscape.

**Key emerging risks**

- Geopolitical uncertainty and disruption.
- The increasing technology capability and complexity of organised cyber-crime gangs.
- Disruption through technology advances and adoption.

**Risk profile**

High

**Risk Appetite**

Low

The Group has no appetite for cyber security risk which may compromise our reputation, our technology solutions, and the personal data within them.

We endeavour to protect our data in line with legislation and best practice.

The Group accepts a balanced level of operational technology risk to protect and enhance our operations. We work to minimise the likelihood and impact of any business-critical technology failure.

**Change on prior year**

Up

## 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.

**Links to strategy**

**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 March 2027. The Group maintains close working relationships with its banking partners to ensure sufficient liquidity and credit is available. The Group monitors a range of potential cash flow sensitivities to ensure the banking facilities in place remain sufficient and adequate considering evolving macro- and micro-economic factors. 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.

**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

# Liquidity and credit continued

**Outlook**

The increase in the Group's liquidity headroom in the financial year, and the amendment and extension of the Group's core financing facilities, supported by the strength of trading throughout the period, has led to the liquidity risk profile remaining low.

The evolving political and macro-economic situation 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, considering resilience evidenced within the sector throughout the last financial year.

**Key emerging risks**

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

**Risk profile**

Low

**Risk Appetite**

Low

The Group has a low appetite for funding, liquidity, and credit risk. We apply a cautious and balanced approach to these risks to safeguard access to funding whilst maintaining sufficient liquidity to meet our current financial obligations and future financial forecasts.

The Group does not tolerate any breach in liquidity and credit contracts or Group liquidity and credit financial policies.

**Change on prior year**

Stable

# 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.

**Links to strategy**

**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 SONIA, thereby exposing the Group to fluctuations in SONIA 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 borrowing. Further details can be found on page 171. 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**

Ongoing currency movements between the US dollar and GBP may result in further exchange risk, particularly considering the evolving position in relation to COVID-19, the political and macro-economic environment, and the UK's developing relationship with the EU.

We will continue to monitor this and adjust our approach to hedging where necessary.

We do not expect any increased threat from other significant macro-economic changes in the short to medium term.

**Key emerging risks**

- Geopolitical uncertainty and disruption.
- Continued macroeconomic uncertainty post-pandemic and adjustment to new processes set out in the EU-UK Trade and Cooperation Agreement.

# Risk management continued

## Treasury and finance continued

| Risk profile | Risk Appetite | Change on prior year |
|---|---|---|
| Low | Low<br>The Group has a low appetite for balance sheet risk. We apply a cautious approach to safeguard the strength and resilience of the balance sheet.<br>We also take an ethical and low risk approach to tax.<br>The Group does not tolerate any breach in key financial policies, such as the Group Treasury Policy. | Down |

## 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, consumer and competition laws, trading, advertising, packaging, product quality, health and safety legislation and guidance, pet shop licensing, National Minimum Wage and National Living Wage, Equality Act, modern slavery, Anti-Bribery, data protection, environmental regulations, the Corporate Governance Code, the RCVS Code of Professional Conduct for Veterinary Surgeons, and the off-payroll regulations (IR35). Failure to comply with the obligations set out in this and other applicable legislation may lead to financial penalties and reputational damage and other consequences for the business and its Directors.

**Links to strategy**

**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, suppliers, and people working within our supply chain to raise concerns regarding any potential breach of legal or regulatory obligations in confidence.

Our suppliers commit to comply with all relevant business regulations for the territories in which they operate and to meet international labour standards which are laid out in our Supplier Code of Conduct. We reinforce this by placing contractual obligations on our suppliers and support where necessary.

The Group's Data Protection Officer, and executive sponsored steering committee, monitors Group compliance with legal requirements relating to personal data, ensuring relevant policies are up to date and works with our Information Security Steering Committee which monitors data security.

Health and safety is a key priority for the Board and senior management. The Group has a dedicated Health and Safety team covering all areas of the business. The Health and Safety Committee, chaired by the Group Legal Director and Company Secretary, is responsible for the Group health and safety framework, policy, and performance. Health and safety performance is also reviewed by the Board and the Audit and Risk Committee on a regular basis.

**Outlook**

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

We anticipate regulatory changes following Brexit to start to take shape within the next 12 months. FY23 will see an increased focus on human rights and environmental standards in our supply chain and international sanctions.

**Key emerging risks**

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

| Risk profile | Risk Appetite | Change on prior year |
|---|---|---|
| Low | Low<br>The Group is committed to acting ethically, lawfully, and always in the best interests of our stakeholders and therefore has an extremely low appetite for compliance breaches, either regulatory or of our principal internal polices, including for example, our Health and Safety policy and our Code of Business Ethics and Conduct.<br>Anyone who acts on our behalf, is expected to act in line with our policies, values, and behaviours and to take to take the necessary steps to comply with applicable laws and regulations. | 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. Our investors, colleagues and customers need to be assured that we are acting responsibly across our business and supply chains. If we do not meet these expectations the Group's reputation and license to operate could be threatened. More stringent environmental regulation could affect the cost of production and operational flexibility.

## Links to strategy

## 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.

At the Product and Supply chain meeting, during the year policies have been developed on raw materials and packaging outlining environmental considerations like deforestation and plastics use. The supplier code of conduct has been updated and this forms part of our terms and conditions of trade. We have developed a product sustainability framework to support the implementation of our environmental and social requirements across our product developments and selections.

The climate change and waste committee has been overseeing our operational climate change strategy, particularly focusing on opportunities to reduce carbon usage. An environment policy has also been developed.

In line with the Task Force on Climate-related Financial Disclosures (TCFD) requirements, we conducted a climate change scenario analysis that built on the previous year's risk assessment. Details of this and our overall approach to TCFD can be found on page 42 of this report and in our social value report. We have now submitted both our near term 2030, 42% scope 3 reduction target and our 2040 net zero target to the science-based targets initiative (SBTi) for approval and work is underway to develop the programmes that support the delivery of these targets. Extreme weather events form part of our TCFD scenario analysis presenting both risks and opportunities which we are actively monitoring. In the short term we can adapt our planned and tactical promotional activity to decide whether strengthening this would support pet welfare through sales of appropriate products and providing advice.

## Outlook

The social value strategy, Our Better World Pledge, can be found on page 42, 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 and our latest TCFD disclosure. We are committed to achieving these ambitions but recognise the challenges and complexities involved with tackling global issues, such as climate change.

Further improvements to our subscription and omnichannel services offering will continue to improve our resilience to reduced store footfall during periods of extreme weather.

## Key emerging risks

- Decarbonisation - inability to transition our products and services to low carbon models.
- Physical risks of extreme weather events affecting demand, sales, our operations, and supply chains.

| Risk profile | Risk Appetite | Change on prior year |
| --- | --- | --- |
| Medium | Low | Stable |

## Chair's Introduction

# High standards of governance at the heart of our business

**On behalf of the Board, I am pleased to present our Corporate Governance Report for the financial year ended 31 March 2022. The Governance Report sets out Pets at Home's governance framework and the approach the Board has taken during FY22 to maintaining high standards of corporate governance that are rightly expected by our stakeholders and to ensure continued compliance with the 2018 Code.**

In accordance with the 2018 Code, my role, as Chair, 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.

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 year has been particularly active for the Board in the areas of succession planning and Board evaluation.

Following Peter's announcement in November 2021 of his intention to step down as CEO, the Board commenced the search process to appoint Peter's successor. We wanted to ensure that a CEO was appointed with the right skills and experience to support the future direction and strategy of the business. I am delighted to welcome Lyssa McGowan to the Group as our new CEO. As noted previously, Lyssa brings strong corporate, strategic and operational expertise across a range of consumer-facing businesses, and a proven track record of growth at Sky, with significant experience in customer and digital-first initiatives across multiple channels and sites.

The Board believes that Lyssa has the requisite skills and capabilities to lead the Group as it executes its future growth strategy. Lyssa's commercial and strategic experience will undoubtedly be of great benefit to the Group and I very much look forward to working with her. Further details of the succession and appointment process are set out on page 105.

The Board has also focused on the external Board evaluation this year, with our last external evaluation having taken place in 2019. During the year, we continued to build on the outputs from last year's internal Board evaluation and appointed MWM Consulting to work with us on our external evaluation. Further detail on the Board evaluation process and outputs can be found on pages 102 and 103.

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.

During the year the Board has continued to shape the future strategic direction of the business, as well as oversee key strategic projects. The strategy day, held in November and attended by the Board and Executive Management Team, is a key part of this process. Throughout the year, the Board also received regular updates on key strategic projects and any decisions regarding such projects that required Board approval, have been carefully considered and discussed at Board meetings. In addition, the Board was pleased to attend 'Welcome to our world' days in Handforth and Swindon, where we met colleagues and heard about the day-to-day delivery of strategic projects. Further detail on the governance for two of the Group's key strategic initiatives is set out on page 94.

Stakeholder trust and engagement continues to be of significant importance to the Board. We aim to ensure that the Group's strategy, purpose, culture and engagement with key stakeholders are at the heart of the governance framework.

More information on our key stakeholders and how we have engaged with them is set out on pages 32 to 34.

Sustainability remains a major focus for the Board and the Group. The ESG Committee has considered key issues throughout the year, with such matters being reported to the Board at regular intervals. The Planet deep dive presented at the ESG Committee in February considered issues such as the disclosures and reporting standards, communicating with our customers, colleagues and investors to raise ESG awareness and the opportunities across the Group to improve sustainability. As part of the Group's store refurbishment programme, the Board also considered the ESG impact of refurbishments, including energy efficiency and build and space efficiency. The new green initiative store has been opened in Brighton with trials into various sustainable elements such as water conserving bathrooms, recycled materials, low VOC (volatile organic compounds) paint, worktops built from yoghurt pots and a project to increase the thermal envelope of the building. The ESG Committee also considered the TCFD reporting standards and the Group's new revolving credit facility is a sustainability linked loan which includes ESG metrics.

We will continue to build on our already strong governance framework with a number of projects planned for the coming year including: a review and rationalisation of the Group's business policies and monitoring UK SOX developments.

I hope that this report provides a clear outline of the work the Board has undertaken during the year and how our governance and Board agendas are aligned with the Group's strategy.

I look forward to welcoming shareholders to our AGM at the Pets at Home Support Office on 7 July 2022 at 11am.

**Ian Burke**
**Chair, Pets at Home Group Plc**

25 May 2022

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

The Governance Report outlines how the Board has applied the main principles of good governance as required by the UK Corporate Governance Code issued by the Financial Reporting Council in July 2018, the Disclosure Guidance and Transparency Rules ('DTRs') and the Listing Rules ('LRs'). The Board is responsible for ensuring that the Group has the necessary frameworks in place to ensure compliance with the Code. The Board believes that during this financial year, the Group was in full compliance with the Code, save that:

Provision 38 – The pension contribution rate for the CFO and CEO was 9% of base salary during the year. The pension contribution rate for the CFO was reduced to 6.5% with effect from the start of the new financial year for 2022-23. The CEO's pension contribution rate will continue at 9% until he leaves the business on 31 May 2022. The new CEO's pension contribution rate is 6.5% from her start with the Group. The rate of 6.5% will apply to any new Executive Directors so that the rate is in line with the majority of our salaried colleagues therefore ensuring the business is fully aligned with the provisions of the Code.

| **Board leadership and Company purpose** | *Read more* |
|---|---|
| Long-term value and sustainability | 92, 93 |
| Culture | 92 |
| Shareholder engagement | 92, 34 |
| Other stakeholder engagement | 92, 93, 32-34 |
| Conflicts of interest | 93 |
| **Division of responsibilities** | |
| Role of the Chair | 96 |
| Division of responsibilities | 96 |
| Non-Executive Directors | 96 |
| Independence | 101 |
| **Composition, succession and evaluation** | |
| Appointments and succession planning | 105, 106 |
| Skills, experience and knowledge | 88, 89, 91 |
| Length of service | 91 |
| Evaluation | 102, 103 |
| Diversity | 91, 101 |
| **Audit, risk and internal control** | |
| Committee | 107 |
| Integrity of financial statements | 109 |
| Fair, balanced and understandable | 112 |
| Internal controls and risk management | 110 |
| External auditor | 112 |
| Principal and emerging risks | 72 to 85 |
| **Remuneration** | |
| Policies and practices | 119 to 139 |
| Alignment with purpose, values and long-term strategy | 119 |
| Independent judgement and discretion | 123 |

# Board of Directors

## Chair

### Ian Burke

**Chair**

**Appointment to the Board**

2020

**Current roles**

**Past roles**

Member of the Board of Governors of Birmingham City University

Non-Executive Chair of Studio Retail Group Plc

Non-Executive Senior Independent Director of intu properties Plc

Chair and Chief Executive Officer of Rank Group Plc

Chief Executive Officer of Holmes Place Health Clubs

Chief Executive Officer of Thistle Hotels Plc

Chair of Vet Partners Holdings Ltd

**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.

**Committees**

N E

## Non-Executive Directors

### Dennis Millard

**Deputy Non-Executive Chair and Senior Independent Non-Executive Director**

**Appointment to the Board**

2014

**Current roles**

**Past roles**

Senior Independent Director of Superdry Plc

Non-Executive Chair of Watches of Switzerland Group Plc

Chair of Halfords Plc

Senior Independent Director of Debenhams Plc

Chair of Connect Group Plc

Senior Independent Director of Premier Farnell Plc

Senior Independent Director of Xchanging Plc

Non-Executive Director of Exel Plc

**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.

**Committees**

N A R E

### Sharon Flood

**Independent Non-Executive Director**

**Appointment to the Board**

2017

**Current roles**

Chair of Seraphine Group Plc

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

Fellow of Chapter Zero

**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.

**Committees**

N A R E

### Stanislas Laurent

**Independent Non-Executive Director**

**Appointment to the Board**

2017

**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 A E

### Committees – Key

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

### Zarin Patel

**Independent Non-Executive Director**

**Appointment to the Board**

2021

**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

Member of Chapter Zero

Member of Women on Boards

**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.

**Committees**

A R N E

### Susan Dawson

**Independent Non-Executive Director**

**Appointment to the Board**

2018

**Current roles**

Council member of the Royal College of Veterinary Surgeons (RCVS)

**Past roles**

Dean of the Institute of Veterinary Science at the University of Liverpool

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.

**Committees**

N R E

## Executive Directors

### Peter Pritchard

**Group Chief Executive Officer**

**Appointment to the Board**

2018

**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 & Spencer Plc and Wilkinson Hardware Stores

**Contribution to the Board**

Significant retail background and long-term operational experience across Pets at Home.

**Committees**

E

### Mike Iddon

**Chief Financial Officer**

**Appointment to the Board**

2016

**Current roles**

Chief Financial Officer

Non Executive Director and Audit Committee Chair of Wickes Group Plc

**Past roles**

Chief Financial Officer of New Look from 2014-2016

Held a number of senior finance roles over 13 years working for Tesco Plc both in the UK and overseas. These included Group Planning, Tax and Treasury Director, UK Finance Director and Chief Financial Officer of Tesco Homeplus (South Korea).

Number of senior roles with Kingfisher Plc and Whitbread Plc

**Contribution to the Board**

Financial knowledge and retail industry expertise.

# Governance at a glance

| Total Board meetings | Total Committee Meetings | Formal investor updates | Final dividend per share |
|---|---|---|---|
| 8 | 13 | 6 | 7.5p |

## Board and governance changes throughout the year

- Appointment of Lyssa McGowan as the new Group CEO with effect from 1 June 2022;
- Zarin Patel appointed as the Chair of the Audit Committee from May 2021;
- The addition of Zarin Patel as a member of the Remuneration Committee and the ESG Committee;
- Overhaul of the Group's pet audit system, which tracks pet welfare and insider processes;
- Updates to the Group's Supplier Code of Conduct;
- Introduction of a new Human Rights Policy, new Diversity and Inclusion Policy, new Raw Materials Policy and a new Environment Policy; and
- Establishment of the Pet Care Forum, a non-operational committee to sit between the Retail Executive Management Team and the Vet Group Executive Management Team to aid the Group's strategic direction.

## Key decisions made throughout the year

- The selection and appointment of the new Group CEO;
- Approval of the Group's Capital Allocation Policy;
- Approving CAPEX spend in relation to key strategic projects such as the warehouse system for the new Distribution Centre and for the end to end supply chain transformation project;
- Approval of dividend payments and RNS announcements;
- Consideration of the Group's strategy and approval of recommendations in relation thereto, for example the Group's approach to M&A; and
- Consideration and approval of the Group's financing arrangements.

## How the Board is spending its time through the year*

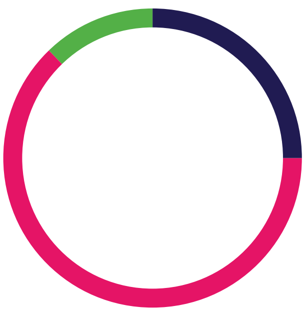

| | |
|---|---|
| Financial reporting and performance | 20% |
| Governance, including shareholder engagement | 20% |
| Risk management and internal controls | 10% |
| Project approvals | 5% |
| Leadership culture and people development, including succession | 20% |
| Strategic matters | 25% |

* Please note that the percentages above are based on an estimate of Board time spent during the year.

## Pets at Home Group Plc – Board Skills Matrix

| Director | Ian Burke | Dennis Millard | Sharon Flood | Stan Laurent | Susan Dawson | Peter Pritchard | Mike Iddon | Zarin Patel |
|---|---|---|---|---|---|---|---|---|
| Pet Owner | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ | ✘ | ✘ |
| **Expertise** | | | | | | | | |
| Accounting, finance and audit | ✔ | ✔ | ✔ | ✘ | ✘ | ✘ | ✔ | ✔ |
| Risk Management | ✔ | ✔ | ✔ | ✘ | ✘ | ✘ | ✔ | ✔ |
| Regulatory | ✔ | ✘ | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ |
| Governance | ✔ | ✔ | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ |
| Corporate Transactions | ✔ | ✔ | ✔ | ✔ | ✘ | ✘ | ✔ | ✔ |
| International (running a non UK Business) | ✔ | ✔ | ✔ | ✔ | ✘ | ✘ | ✔ | ✘ |
| General Management (CEO) | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✘ | ✔ |
| People and culture | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| General Retailing Experience | ✘ | ✔ | ✔ | ✘ | ✘ | ✔ | ✔ | ✔ |
| Customer Service and Communications Experience | ✘ | ✔ | ✔ | ✘ | ✘ | ✔ | ✔ | ✔ |
| On-line Retailing Experience | ✔ | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ | ✔ |
| Marketing/Branding | ✔ | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ | ✔ |
| General Services | ✔ | ✔ | ✔ | ✔ | ✘ | ✘ | ✘ | ✘ |
| Veterinary | ✘ | ✘ | ✘ | ✘ | ✔ | ✘ | ✘ | ✘ |
| Charity/Social Purpose | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Data | ✘ | ✘ | ✔ | ✔ | ✘ | ✘ | ✘ | ✘ |
| IT and Technology | ✘ | ✘ | ✔ | ✔ | ✘ | ✘ | ✘ | ✔ |
| **Competencies** | | | | | | | | |
| Strategic Leadership | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Vision & Mission | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Transformation Leadership | ✔ | ✔ | ✔ | ✔ | ✘ | ✔ | ✔ | ✔ |
| Chair of Plc Board | ✔ | ✔ | ✔ | ✘ | ✘ | ✘ | ✘ | ✘ |
| Chair of Plc Board Committee | ✔ | ✔ | ✔ | ✘ | ✘ | ✘ | ✔ | ✔ |

### Board by Tenure

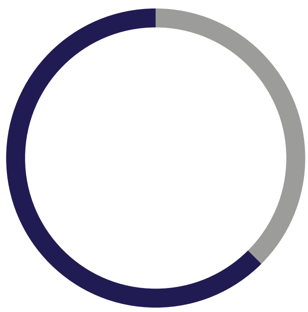


| | |
|---|---|
| under 1 year | 0% |
| 1-3 years | 25% |
| 3-8 years | 62.5% |
| 8+ years | 12.5% |

### Board by Age

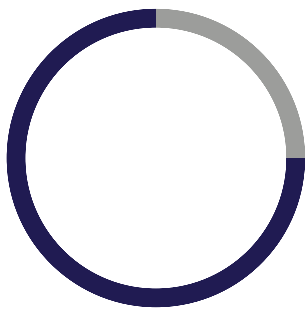
| | |
|---|---|
| 50-55 | 12.5% |
| 56-60 | 50% |
| 61-65 | 25% |
| +66 | 12.5% |

### Board by Gender



| | |
|---|---|
| 3 Females | 37.5% |
| 5 Males | 62.5% |

### Balance of the Board (Exec/Non-exec)



| | |
|---|---|
| 2 Executive Directors | 25% |
| 6 Non-Executive Directors | 75% |

# Principal governance activities during the financial year

### 2022 Board considerations

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

- Development of the Group's strategic plan;
- Overall performance of individual business functions;
- COVID-19 matters, Brexit, the Ukraine conflict and the cost of living crisis;
- Budgets and long-term plans for the Group;
- Risk management and controls, including reputation risk and corporate governance;
- Financial statements, announcements and financial reporting matters;
- Competitor and customer updates;
- Talent, capability and succession planning matters;
- Reviewing Committee reports;
- Approving significant items of capital expenditure and contracts requiring Board approval under the Board's reserved matters;
- Group culture, behaviours and results from the colleague listening surveys;
- Shareholder feedback and reports from brokers and analysts;
- Regulatory and corporate governance updates;
- Approval of the Group's financing arrangements;
- CEO and Executive Management Team succession and talent development;
- Board evaluation; and
- Key strategic projects and priorities across the Group.

### Board evaluation and CEO succession

As noted earlier, the CEO succession planning and process has been a critical activity this year, with further detail set out on page 105. In addition, the Board has spent valuable time on the external Board evaluation, full details on this are included on pages 102 and 103.

### Engagement

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 2021 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 Joint Venture Council met on various occasions throughout the year to ensure that our Joint Venture Partners continue to have a voice around the table. The Joint Venture Council also met with the Board.

The Executive Management Team listening forums, 'Tuned In', have again provided useful insight this year and external vehicles (such as Glass Door and Indeed) 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. Listening sessions, with a cross section of colleagues, have been attended by Sharon Flood (designated Non-Executive Director for colleague engagement), Dennis Millard 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 for 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 page 92 and page 135 of the Directors' Remuneration Report.

### Shareholder and stakeholder engagement

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. The Chair also met with shareholders during the year. 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.

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 32 to 34.

### Oversight of development and implementation of revised strategy

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

Ensuring that we have the correct governance framework in place for key strategic projects is critical. Details of the governance framework for two of the Group's key strategic projects is set out on page 94.

### Board meetings and attendance

In this financial year, the Board met formally eight times and attended an annual strategy day meeting. Ad hoc meetings of both the Board and Committees were arranged to deal with matters between scheduled Board meetings as appropriate. Board meetings were preceded by Committee meetings with the meetings lasting the majority of the day in most cases.

Topics for the Board meetings are determined at the beginning of the year and new items are added to this as and when appropriate in consultation with the Board and Executive Management Team.

All Directors receive papers in advance of Board meetings via an electronic board paper system which enables the fast dissemination of quality information in a safe and secure manner. These include a monthly Board report with updates from each of the 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.

### Directors' conflicts of interest

The Articles of Association of the Company give the Directors the power to consider and, if appropriate, authorise conflict situations where a Director's declared interest may conflict or does conflict with the interests of the Company.

Procedures are in place at every meeting for individual Directors to report and record any potential or actual conflicts which arise. The register of reported conflicts is maintained by the Company Secretary and reviewed by the Board at least annually. The Board has complied with these procedures during the year.

| | Board | Remuneration Committee | Audit and Risk Committee | Nomination and Corporate Governance Committee | ESG Committee |
|---|---|---|---|---|---|
| Number of meetings[1] | 8 | 3 | 5 | 1 | 4 |
| **Director** | | | | | |
| Ian Burke (Chair) | 8/8 | – | – | 1/1 | 4/4 |
| Dennis Millard (Deputy Chair) | 8/8 | 3/3 | 5/5 | 1/1 | 4/4 |
| Peter Pritchard[2] | 8/8 | – | – | – | 4/4 |
| Mike Iddon[2] | 8/8 | – | – | – | – |
| Sharon Flood | 8/8 | 3/3 | 5/5 | 1/1 | 3/4 |
| Stanislas Laurent | 8/8 | – | 5/5 | 1/1 | 4/4 |
| Susan Dawson | 8/8 | 3/3 | – | 1/1 | 4/4 |
| Zarin Patel | 8/8 | 3/3 | 5/5 | 1/1 | 3/3 |
| Karen Whitworth | 2/2 | – | 1/1 | – | – |

1 Excludes the strategy day and 'Welcome to our world' days, 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 Chair. In addition, Mike Iddon also attended meetings of the Audit and Risk, Remuneration and ESG Committees as an observer, despite not being formally appointed as a member of those Committees.

# Leadership and purpose continued

Case Study

## Polestar

The Polestar portfolio (Portfolio) is a key strategic initiative for the Group and will enable a joined up pet care experience that is easy, convenient and removes friction for customers using our pet care services. This will be achieved by the delivery of a digital pet care platform that will enable Group-wide strategy and benefits.

Governance for the Portfolio was established under the guidance of Deloitte and is focused on delivering both the new digital technology solutions but also building in-house capability to ensure that the lifetime and benefits of the pet care platform outruns the portfolio of works. The team delivering the Portfolio regularly reports to a steering committee of key individuals from the Executive Management Team. The Board has received regular updates as part of the 'Transformation Programme' time allocated at Board meetings and time has also been allocated during Board meetings to discuss specific issues, as required on the Portfolio.

The Portfolio is building Agile capability in order to deliver in a way that maximises the value to our customers and colleagues. This is a distinct shift from more traditional delivery methods and provides the opportunity for the Portfolio to test different approaches and improve our performance over the lifecycle of the Portfolio, providing the opportunity to scale this approach across the Group or transfer it into other projects.

Group Internal Audit were embedded into the Portfolio to provide project management, Board and Audit and Risk Committee assurance over delivery. The Group has a co-source agreement with PwC to ensure that project assurance teams have the required skills and expertise to undertake the audits. The Portfolio's first audit was undertaken by Group Internal Audit in Autumn 2021 and focussed on: 1) governance; and 2) Agile delivery. Both reviews were scoped based on areas the Portfolio wanted additional assurance and support on. The audit was conducted within existing structures to enable Portfolio work to continue alongside it. There were no significant or high-risk findings from the audit and all actions were completed within the tolerances of the agreed timescales. Improvements that had been made since the Portfolio was established were recognised. The openness and collaboration shown by the Polestar team during the review and their willingness to embrace continuous improvement through impartial support were also noted.

Case Study

## Project Spice

Project Spice is the project relating to the Group's new Distribution Centre in Stafford. A strong governance structure was established for the project at the outset. A steerco was set up with key colleagues to run and manage the project. Detailed programme plans were developed for all different aspects of the project. The plans are reviewed, monitored and updated at regular intervals. Group Internal Audit are embedded in the project and undertook an initial governance review. All recommended action was implemented. A later deep dive governance review was also carried out by Group Internal Audit. All outputs from the deep dive were built into the programme structure.

The Executive Management Team and Board have been updated at regular intervals on progress, including detailed updates on the specific workstreams. Spend at the levels required by the Board's reserved matters and any changes to budget have been approved by the Board (for example, changes due to steel and raw material cost fluctuations). The Executive Management Team also delegated its authority to the project steerco to approve contracts of a value up to £1m, to ensure that the steerco has the required authority to make the decisions needed, when they needed to. Contracts for key systems to be used in the new Distribution Centre have been presented to the Board for discussion and approval as needed.

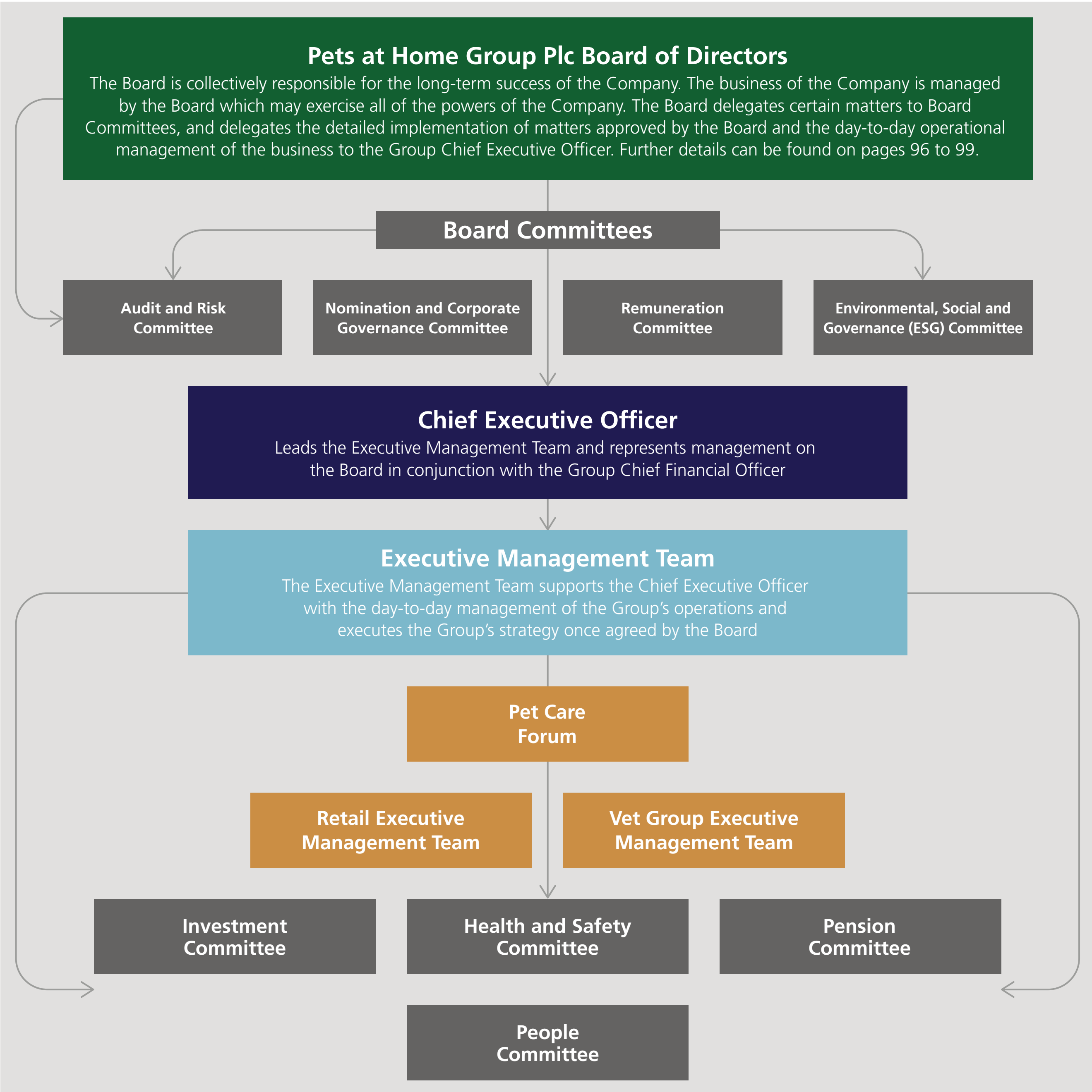
# Division of responsibilities



## Governance Structure, Roles/Responsibilities, Board Committees

### Governance structure

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



# Division of responsibilities continued

## The role of the Board

### Division of responsibilities

The Company is led and controlled by the Board which is collectively responsible for the long-term and sustainable performance of the Group. The roles of Chair and 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/division-of-responsibilities-for-the-ceo-and-the-chairman/*.

## Board responsibilities

| Role | Main responsibilities |
|---|---|
| **Chair of the Board** | – Provides leadership to, and manages, the Board of Directors;<br>– Acts as a direct liaison between the Board and the management of the Company, through the Group Chief Executive Officer;<br>– Ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements;<br>– In conjunction with the Group Chief Executive Officer and Company Secretary, develops and sets the agendas for meetings of the Board;<br>– Recommends an annual schedule of the date, time and location of Board and Committee meetings; and<br>– Ensures effective communications with shareholders and other stakeholders. |
| **Group Chief Executive Officer** | – Responsible for the day-to-day management of the Company;<br>– Together with the Executive Management Team, is responsible for executing the strategy, once it has been agreed by the Board;<br>– Creates a framework that optimises resource allocation to deliver the Group's agreed strategic objectives over varying timeframes;<br>– Ensures the successful delivery against the financial business plan and other key business objectives, allocating decision making and responsibilities accordingly;<br>– Together with the Executive Management Team, identifies and executes new business opportunities and potential acquisitions or disposals; and<br>– 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;<br>– Provides a sounding board for the Chair;<br>– Serves as an intermediary for the other Directors when necessary; and<br>– 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;<br>– Help develop proposals on strategy;<br>– Scrutinise management's performance in meeting agreed goals and objectives;<br>– Monitor performance reports;<br>– Satisfy themselves on the integrity of financial information and that controls and risk management systems are robust and defensible; and<br>– 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;<br>– Responsible for financial planning and record-keeping, as well as financial reporting to the Board of Directors and shareholders; and<br>– Ensures effective compliance and control and responding to ever increasing regulatory developments, including financial reporting, capital requirements, and corporate responsibility. |
| **Company Secretary** | – Ensures that Board procedures are followed;<br>– Oversees governance matters;<br>– Ensures that information flows between the Board and its Committees and with the Executive Management Team; and<br>– Provides administrative support to the Board. |

## Board Committees

The Board has established four Board Committees: an Audit and Risk Committee, a Nomination and Corporate Governance Committee, a Remuneration Committee and an ESG Committee.

Each Committee has written terms of reference which are approved by the Board and subject to review each year. No changes were deemed necessary to the terms of reference for the Committees this year.

The terms of reference are available on request from the Company Secretary and are published on the Group's website *https://investors.petsathome.com/investors/governance/our-committees*.

### 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 each Group entity's financial reporting, internal control system, risk management system and internal and external audit functions. | – Monitor the integrity of Group financial statements;<br>– Review and challenge accounting policies and unusual transactions;<br>– Assumptions / qualifications on viability;<br>– Compliance with accounting standards;<br>– Review clarity and completeness of financial statements;<br>– Oversee material information presented with financial statements;<br>– Review content of Annual Report and Accounts to advise if fair, balanced and understandable for shareholders;<br>– Assessment and advice on risk management system;<br>– Review and advise on adequacy and effectiveness of the Company's internal financial and regulatory controls;<br>– Give due consideration to all rules and regulations on corporate governance as required;<br>– Monitoring and review of internal and external audit; and<br>– 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;<br>– Consultation on major changes to employee benefit structure;<br>– Approval and determination of performance related pay schemes (with regard to the UK Corporate Governance Code and Listing Rules);<br>– Responsible for selection and appointment of remuneration consultants;<br>– Review design and assessment of share incentive plans;<br>– Review of Director pension arrangements;<br>– Approval of Director service contracts and severance; and<br>– 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;<br>– Board succession planning;<br>– Evaluation of Board appointments – with consideration to matters such as skill, experience, knowledge and diversity;<br>– Review of Non-Executive Directors' time required;<br>– Review matters relating to continuation of Directors' office;<br>– Assisting the Board in the consideration and development of appropriate corporate governance principles;<br>– Conducting Board performance evaluation process; and<br>– Reviewing all conflicts of interest. |

# Division of responsibilities continued

### Key objectives and responsibilities of the Board Committees continued

| | Key objectives | Main responsibilities / duties |
|---|---|---|
| **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;<br>– 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;<br>– Approving projects developed in response to implementation of Our Better World Pledge;<br>– Receiving regular reports from the chair of each management team tasked with implementing Our Better World Pledge within the areas outlined in bullet two above;<br>– Ensuring 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;<br>– Monitoring, reviewing and considering all recommendations in response to ESG issues raised and reviewing the execution and implementation of plans previously approved by the Committee;<br>– Monitoring, reviewing and considering stakeholder engagement in ESG activities and reviewing key external disclosures; and<br>– Approving 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), Director 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.

In addition, during the year, the Pet Care Forum was established (to commence meetings in the new financial year) as a non-operational committee to sit between the Retail Executive Management Team and the Vet Group Executive Management Team with the aim of enhancing the Group's overarching strategic vision.

### 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, Jane Balmain and David Robinson. 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. The Group's wellbeing and engagement manager also attends the meetings. A health and safety policy is in place for the Group which is reviewed on a regular basis.

The Distribution Centres have their own dedicated health and safety manager and a separate health and safety sub-committee which also meets on a regular basis. The Vet Group 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

The People Committee and Pension 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 Executive Management Team or senior managers within our business.

#### 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. The Board has carried out a robust assessment of the Group's emerging and principal risks, including those that would threaten its business model, future performance, solvency, liquidity or reputation as detailed on pages 72 to 85. The Board delegates to the Executive Management Team the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing key and emerging risks, and include the risk management processes set out on page 110 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 2021 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 24 March 2022.
- Management accounts have been reviewed at meetings of the Board. These reviews covered the comparison of actual performance against budget in the period end management accounts and consideration of outturn for the year. The period end accounts are prepared by the finance team and reviewed by the Group Chief Financial Officer.

# **Division of responsibilities** continued

- 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 111.
- A clearly articulated delegated authority framework in respect of all purchasing activity is in place across the Group. This is complemented by systemic controls including a contract approval policy that reflects the agreed authority framework and clear segregation of duties between relevant functions and departments.
- A schedule of matters reserved for the Board is in place for approving significant transactions and strategic and organisational change.
- Board discussion of the key risks and uncertainties facing the Group and the risk management system. Further details are contained in the Audit and Risk Committee Report on pages 107 to 109.

### 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. Following a review of modern slavery issues across the Group this year, the whistleblowing procedure was updated to cover the supply chain. This change was implemented via the Supplier Code of Conduct.

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.

Pets at Home's investor website is also regularly updated with news and information, including this Annual Report which sets out our strategy and performance together with our plans for future growth *http://investors.petsathome.com*.

# Composition, succession and evaluation



## Board balance and independence

The 2018 Code recommends that at least half the board of directors of a UK-listed company, excluding the chair, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement.

The Board currently consists of five Independent Non-Executive Directors and one Non-Executive Chair. The Directors' biographies are contained on pages 88 and 89. 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. The skills matrix for the Board on page 91 demonstrates the Board's breadth of experience.

More than half of the Directors are considered to be independent in accordance with the 2018 Code.

In addition, the 2018 Code recommends that, on appointment, the chair of a company with a premium listing on the Official List should meet the independence criteria set out in the 2018 Code. The Board considers that Ian Burke meets the independence criteria set out in the 2018 Code.

## Directors' induction and ongoing training

It is important to the Board that Non-Executive Directors have the ability to influence and challenge appropriately. New Directors receive a full, formal and tailored induction on joining the Board, including meeting with the Executive Management Team and 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. Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All Directors receive frequent updates on a variety of issues relevant to the Group's business, including regulatory and governance issues.

## Appointment terms and election of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Report on pages 125 to 126. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours.

At each Annual General Meeting of the Company all Directors will stand for re-election in accordance with the 2018 Code. Each financial year the Chair will liaise with Non-Executive Directors to assess and review individual contributions to the Board and performance over the financial period. The skills and experience which each Non-Executive Director brings to the Board are detailed on pages 88, 89 and 91 and why their contribution is, and continues to be, important to the Company's long-term sustainable success.

## Board effectiveness

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

## Diversity

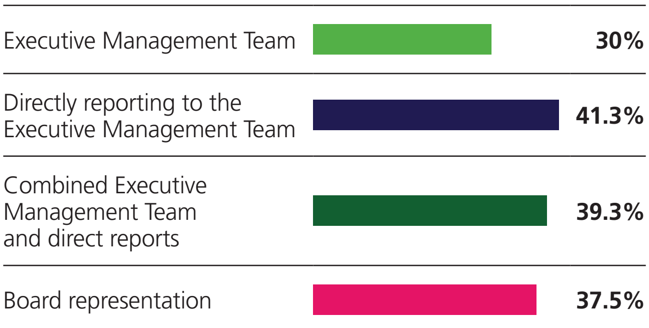
The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background, ethnicity and experience.

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 Executive Management Team on an ongoing basis. The Board was considered to have an appropriate mix of tenure, skills and experience. The Board believes that appointments should be made solely on merit, an ethos which applies across the business. The Board continues to ensure that it maintains an appropriate balance through a diverse mix of experience, background, skill, knowledge and insight, to further strengthen the diversity and experience already on the Board. Significant work has been undertaken by the Group this year on diversity and inclusion, as detailed on page 106 and in the Social Value Report.

The Board was pleased to meet the Parker Review targets on ethnic diversity again this year.

The Board was also pleased to see improvements in the Group's rankings in the FTSE Women Leaders Report on gender balance this year. Overall, the Group ranked 22nd in the FTSE 250 group which was an improvement from 83rd in 2021. In addition, the Group ranked 5th in the Retail sector, which was an improvement from 10th in 2021.

The Group is pleased to report the following female representation at the levels noted below:




Lyssa McGowan's appointment further enhances the above improvements. The Group is well positioned to achieve the new recommendations set by the FTSE Women Leaders Report for 2025, including 40% female representation on the Board and female representation in one of the most senior positions in the Group.

## Succession

The Board has continued to focus on succession planning and Group talent development this year. Further detail of the work undertaken by the Nomination and Corporate Governance Committee in this area is included on page 106.

# Board evaluation

**The 2018 Code requires the Board to undertake 'a formal and rigorous annual evaluation of the performance of the Board, its committees, the chair and individual directors.'**

In FTSE 350 companies, the chair should consider having an externally facilitated board evaluation at least every three years. With the Group's last external evaluation taking place in 2019, an external evaluation was due this year. MWM Consulting (MWM) were appointed to undertake the review. A summary of the process and their findings is set out below.

MWM were asked to undertake the review in spring 2022 at an important time for the Group. Since the previous review, the Group has seen substantial change to key Board roles, including a change in chair, Peter's CEO retirement being announced in 2021 and Lyssa joining as CEO Designate in April 2022. Zarin also joined the Board as Audit Committee Chair and Sharon had taken over chairing the Remuneration Committee. In addition, there had also been the considerable impact of COVID on both the way the Board has operated and the business itself.

The evaluation undertaken by MWM aimed to provide guidance and potential areas for the Board to focus on.

## Process

**October–November 2021**

### Appointment and briefing

The Nomination Committee considered the appointment and briefing for the external Board Evaluation. MWM were appointed. The Chair, Dennis Millard and Peter Pritchard also met with MWM to shape the evaluation, provide background and ensure it was tailored to the Board's requirements.

**January–March 2022**

### Questionnaire and individual Board member discussions

All Board members completed a questionnaire and individual discussions took place between each Board Member and MWM.

**March 2022**

### Evaluation and report

MWM's report was discussed at the March 2022 Board meeting. MWM joined the Board meeting to present their findings.

### Discussion with the Board and Committee Chairs

Discussion on the key conclusions from the report took place with appropriate individuals.

### Agreed action plans for 2022/23

The key areas for improvement were noted. Discussion on ideas for implementing changes to address the points raised were held.

### Issues considered

The discussions carried out by MWM explored the effectiveness of the Board on a range of issues including:

- Alignment around business strategy;
- Clarity of the role of the Board in delivering against that strategy;
- How effectively the Board provides stewardship and adds value, in particular focusing on:
  - How well the Board is led;
  - How effectively it provides constructive challenge to the Executive;
  - How well it drives accountability around performance and delivery;
  - Effectiveness of the Committees; and
  - Individual and collective capabilities of the Board, including any potential gaps.

### Summary of key conclusions

Overall, the Board was considered to be an aligned, well-managed team with good dynamics, that provides effective governance and strategic added value to the business. MWM considered that there is a clear sense of a positive trajectory with improvement in recent years across multiple dimensions. At the heart of this are:

- the Chair's strong leadership which has reset the tone and content of Board discussions, focusing more on strategic issues and encouraging open debate and constructive challenge;
- Strong foundations of governance, reasonable sector experience, financial acumen, and wider Board insights; and
- Collegiate, trust-based relationships between the Non-Executive Directors and the Executive Directors and a high level of engagement from the Non-Executive Directors.

The evaluation concluded that the Board fulfils its objectives efficiently and effectively.

### Areas for improvement

The following areas were highlighted by MWM as areas for improvement: 1) the Board could be less transactional, with more visits, meetings, time together and off agenda discussions; 2) a more strategic agenda would be beneficial, with debate on more radical and bolder issues, and more Vet Group discussion; 3) additional interaction with shareholders (ESG being a good opportunity for this); 4) succession planning in relation to the future needs of the business should be a focus for the Nomination Committee, for example ensuring that next time CEO succession is considered, that the Board has a strong slate of internal options; and 5) the Committees are a work in progress, as is common. The Nomination Committee is being reset and a number of the Directors had noted that it would be useful for the Chair to be a more active contributor in certain committee meetings.

Action plans to address the above points are under way following discussion of the issues at the Board meeting in March 2022.

# Nomination and Corporate Governance Committee Report

**Ian Burke**
**Chair, Nomination Committee**

### Who is on the Nomination and Corporate Governance Committee?

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

## What we did in 2022

- 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 Lyssa McGowan as Group Chief Executive Officer.
- Reviewed and considered executive succession plans.

## What we will do in 2023

- Continue to assess Board composition and how it may be enhanced.
- Launch a review into the frequency and focus of meetings of the Committee.
- Review the Committee's corporate governance obligations.
- Implement further reviews and assessment of succession planning, talent mapping and development plans.

### Introduction

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

We are also tasked with ensuring that succession plans are in place for the Directors, the Executive Management Team and the 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 Zarin Patel (who replaced Karen Whitworth on 20 May 2021). Each member 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 |
| Dennis Millard | 18 February 2014 | To date |
| 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 |
| Zarin Patel | 20 May 2021 | To date |

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 FY22

### Board appointments and resignations

On 3 November 2021, Peter Pritchard announced his intention to retire from his role as Group Chief Executive Officer taking effect on 31 May 2022. Peter joined the Group in 2011 as Commercial Director and moved to the role of CEO of Retail in 2015, before taking on the role of Group Chief Executive Officer on 27 April 2018.

During his time with the Group, Peter has overseen the development of our digital strategy and the launch and development of our VIP club, along with the strategic review and recalibration of the Vet Group. Peter also led us through the COVID-19 pandemic and has overseen the establishment of our sourcing office in Hong Kong. Having completed everything that he set out to achieve in 2018, Peter believes this is the right time to take a well-earned rest and to hand over the reins to a new leader who will continue this journey. I would like to take this opportunity to thank Peter for his valuable contribution to Pets at Home during his time.

Following Peter's announcement, we appointed an independent executive search agency Spencer Stuart & Associates Ltd (Spencer Stuart), to support in the search for a new Group Chief Executive Officer. Spencer Stuart conducted a comprehensive search and considered a number of external candidates along with internal candidates. The list of candidates was shortlisted, and the final two candidates presented to the Board addressing their ideas for the business for the years ahead. We also considered a detailed assessment report for each candidate prepared by Spencer Stuart.

The Board had a thorough discussion about the merits of both candidates relative to the challenges for the business in the years ahead and Lyssa McGowan was selected to succeed Peter as Group Chief Executive Officer with effect from 1 June 2022. Lyssa was appointed to the Board as CEO Designate on 25 April 2022, prior to her appointment as CEO on 1 June 2022.

Lyssa is the outgoing Chief Consumer Officer at Sky UK Limited, with responsibility for the Consumer business serving more than 10 million customers and achieving over $10bn of revenue. Over the last 11 years, Lyssa has led numerous business units to growth within Sky, both organically and through M&A. She has broad experience of managing product, service and subscription-led businesses, leveraging deep capabilities in new product and service innovation, omnichannel development, marketing and customer experience excellence, and data and digital transformation. Lyssa was a non-executive director of the Board of Wm Morrison Supermarkets Plc until its recent sale to CD&R.

In Lyssa's role as Group CEO, she will be responsible for delivering the Group's strategic focus and a summary of the parameters and expectations of Lyssa's role are in the table below.

| CEO Responsibilities to Deliver the Strategic Focus |
|---|
| Provide visible, accessible leadership, inspiring and influencing followership and alignment down through the organisation behind an ambitious vision without sacrificing the core purpose and values. |
| Deliver the transformational programme that changes mindsets and behaviours, embeds the integrated channels to market and customised customer solutions, delivers the management information, processes, systems and governance for a complex business, pricing and operational model. |
| Develop a more comprehensive pet ecosystem and generate significant annual revenue growth and shareholder value. |
| Mature the integrated pet care services proposition to maximise potential value in the business and combat increasing competitor activity. |

Jane Balmain, Vet Group COO, informed the Group of her intention to retire from the business in the new financial year. Jane led the successful turnaround of our veterinary operations and, having achieved everything she set out to do, has decided that the time is right to plan her retirement over the coming months. Louise Stonier will be appointed as Jane's successor and will be appointed as Vet Group COO Designate from 30 May 2022, prior to her appointment as Vet Group COO on 24 June 2022.

Louise is the longest serving director on the Executive Management Team. She joined the business in 2004 as Legal Director, before being appointed to Chief People and Legal Officer in 2019, and to Chief People and Culture Officer in 2021. In her current role, Louise has been instrumental in formulating Pets at Home's values and behaviours, ensuring its unique culture is embedded in decision making across the Group, and also helped to launch the Group's first social value strategy, Our Better World Pledge. Louise has significant experience across the Group, including an in-depth understanding of our unique Joint Venture model. Her focus on people and culture will provide a critical insight into the opportunities and challenges facing our Partners and their clinical teams. Jane will be supporting Louise over the coming months to oversee a seamless transition.

In addition, as noted in last year's Annual Report, Zarin Patel joined the Board as Non-Executive Director on 14 April 2021. Zarin was appointed as Chair of the Audit Committee on 20 May 2021, when Karen Whitworth stepped down. Zarin is also a member of the Nomination Committee, Remuneration Committee and the ESG Committee. Mike Iddon was appointed as Audit Committee Chair and to the Board of Wickes Group Plc as a Non-Executive Director on 28 April 2021. Louise Stonier, Chief People & Culture Officer, was appointed as Non-Executive Director and Chair of the Remuneration Committee of Hostmore Plc on 16 September 2021.

# Nomination and Corporate Governance Committee Report continued

## 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.

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.

## Board evaluation and effectiveness

The Board engaged MWM to undertake an independent external evaluation of the Board and Board committee performance and to identify areas where the performance and procedures of the Board might be further improved.

Further detail on the Board evaluation process and outcomes is set out on pages 102 and 103.

## 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 101 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 101 of the Governance Report.

For further information on Board composition, diversity and independence, please see the Governance Report on page 101.

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

**Ian Burke**
**Chair, Nomination and Corporate Governance Committee**

25 May 2022

# Audit and Risk Committee Report



**Zarin Patel**
**Chair of the Audit and Risk Committee**

## Who is on the Audit and Risk Committee?

| Member | No. of meetings |
|---|---|
| Zarin Patel (Chair) | 5/5 |
| Sharon Flood | 5/5 |
| Dennis Millard | 5/5 |
| Stanislas Laurent | 5/5 |
| Karen Whitworth | 1/1 |

## What we did in 2022

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

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

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

Reviewed the effectiveness of the Group's whistleblowing procedures, health and safety plans, and activities and effectiveness of the 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 and updates on thematic reviews from the FRC.

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

Reviewed the accounting treatment for Joint Venture veterinary practices where the 'A' shares have been bought out by the Group.

Reviewed the accounting policy change and narrative disclosure in relation to 'Configuration or Customisation Costs in a Cloud Computing Arrangement' (IAS38 Intangible Assets), with reference to the IFRS Interpretations Committee's ('IFRIC') interpretation as published on 27 April 2021.

Working with the ESG Committee, supported the development of the Group's scenario planning and reporting in relation to Task Force on Climate-Related Financial Disclosures ('TCFD') and the related considerations in the Group's going concern and longer-term viability assessment, including reviewing the commitments published by the Group.

Reviewed the Department for Business, Energy, and Industrial Strategy ('BEIS') corporate governance reform agenda and commenced a related project to enhance internal financial controls.

## What we will do in 2023

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 understandable.

Continue to monitor emerging risks, in particular risks from the Ukraine crisis, in relation to supply chains, cyber security and date privacy. Continue to focus on the control environment of the Group, including pet welfare across our operations and the controls and processes relating to the release of key projects, in what is a key year for the delivery of our IT, distribution and internal financial controls projects.

Continue to monitor emerging risks, in particular risks from the Ukraine crisis, in relation to supply chains, cyber security and data privacy, whilst maintaining focus on the control environment of the Group, including pet welfare across our operations and the controls and processes relating to the release of key projects, in what is a key year for the delivery of our IT, distribution and internal financial controls projects.

Review the 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.

Continue to monitor the Group's reporting in relation to TCFD.

# Audit and Risk Committee Report continued

## Introduction

This is my first report as Chair of the Audit and Risk Committee (the Committee), having joined the Board in April 2021. I am pleased to report that the Committee has been highly engaged in assisting the Board in fulfilling its responsibilities to protect the interests of shareholders regarding the integrity of the financial reporting, the adequacy and effectiveness of internal controls and risk management systems, and the effectiveness of both the Internal Audit function and external audit relationship. We considered the BEIS consultation on restoring trust in audit and corporate governance and we welcome some of the proposed changes. We have commenced our internal financial controls development programme, and we intend to develop and publish our audit and assurance policy within the 2023 annual report. Working with the ESG Committee, the Committee overseas reporting on TCFD.

During the year, the Committee met five 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.

## 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, considerable experience in financial matters. Further details of the Committee members and their experience can be found on pages 88 to 89.

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

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

## Committee activities

The Committee's role primarily covers the following areas:

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

## Audit and Risk Committee meetings

The Committee met on five 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 25 March 2021<br>• Review of goodwill impairment<br>• Review of supplier income recognition policy<br>• Review of operating loan provisioning policy<br>• Review of consolidation consideration for Joint Venture Companies<br>• Review of disclosures in relation to acquisitions and disposals<br>• Review of considerations of the Group's longer-term viability and going concern | • Review of development of the Corporate Risk Register<br>• Review of Whistleblowing policy<br>• Review of Health and Safety reports<br>• Review of Tax policy<br>• Review of Treasury policy | • Review of FY22 Internal Audit plan<br>• Review reports on progress of the Internal Audit Plan | • Report on Annual Financial Statements and external audit<br>• Review of policy on non-audit fees |

| Meeting | Financial reporting | Risk management/ internal control | Internal audit | External audit |
|---|---|---|---|---|
| **September** | • Review of progress of subsidiary financial statements for the year ended 25 March 2021 | • Review of principal risks and the related mitigation plans<br>• Review of new Risk Management Framework to bring into line with best practice<br>• Review of distribution centre project governance<br>• Review update on UK corporate governance and approval of the internal financial controls project plan<br>• Review of Whistleblowing policy<br>• Review of Health and Safety reports<br>• Review progress on implementation of Vet Group finance transformation programme | • Review reports on progress of Internal Audit Plan<br>• Review programme on implementation of internal audit actions | • Review of FY21 external consultancy and professional services spend<br>• Process to assess external auditor effectiveness |
| **November** | • Review of the Interim Financial Statements<br>• Review of appropriateness and quantum of Alternative Performance Measures ('APM's')<br>• Review of goodwill impairment<br>• Review of considerations of the Group's longer-term viability and going concern<br>• Review of operating loan provisioning policy<br>• Review of consolidation consideration for joint venture companies | • Review of principal risks and the related mitigation plans<br>• Risk management review<br>• Review of Treasury policy<br>• Review of Whistleblowing policy<br>• Review of Health and Safety reports<br>• Review of progress on Vet Group finance transformation<br>• Review of UK Visas and Immigration audit | • Review reports on progress of Internal Audit Plan and update actions | • Report on Review of Interim Financial Statements<br>• Approval of external audit strategy for the year ended 31 March 2022<br>• Approval of external audit fees<br>• Reviewed key considerations from the FRC's thematic reviews |
| **February** | • Review of progress toward accounting policy change in relation to the 'Configuration or Customisation Costs in a Cloud Computing Arrangement' (IAS38 Intangible Assets) with reference to the IFRS Interpretations Committee's ('IFRIC') interpretation as published on 27 April 2021 | • Review of completeness of emerging risks<br>• Update on cyber security and IT resilience<br>• Review progress on implementation of Vet Group finance transformation programme | • Review reports on progress of Internal Audit Plan including Polestar, accounts payable, information security, and food quality | • Assessed external auditor effectiveness as appropriate |
| **March** | • Reviewed the accounting policy change in relation to 'Configuration or Customisation Costs in a Cloud Computing Arrangement' (IAS38 Intangible Assets), with reference to the IFRS Interpretations Committee's ('IFRIC') interpretation as published on 27 April 2021 | | | |

## Financial statement reporting issues

The Committee considered several significant issues in the year, considering in all instances the views of the Company's external auditor. The Committee has assessed the key risks and emerging risks and considers the key risks within the financial statements to be the carrying value of goodwill and parent Company's investment in subsidiaries, and the application of the accounting policy change in relation to the Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets) IFRIC interpretation.

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

# Audit and Risk Committee Report continued

| Issue | Nature of the risk | How the risk was addressed by the Committee |
|---|---|---|
| **Accounting policy change in relation to the Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets) IFRIC interpretation** | During the financial year, the Group updated its policy on IAS38 Intangible Assets following the IFRIC interpretation on accounting for Configuration or Customisation Costs in a Cloud Computing Arrangement. As a result of the Group's change in accounting policy, the prior period comparatives have been restated to derecognise previously capitalised Software as a Service ('SaaS') related costs. Where current year expenditure does not meet the requirements to capitalise under the interpretation it has been expensed. | The Committee reviewed management's policy and process for determining the items which fall within the scope of the IFRIC interpretation, and scrutinised management's approach to the change in accounting policy. The Committee reviewed the proposed financial disclosures and is satisfied that the accounting policy and disclosure for cloud computing arrangements is appropriate. |
| **Carrying value of goodwill and parent Company's investment in subsidiaries** | The Group holds a significant goodwill balance, and the Company holds significant investments in subsidiary companies. There are several factors that could impact on the future profitability and cash flows of the business (e.g. the ongoing impact of COVID-19, threat of competition, changes in market behaviour, and changes in the broader macro-economic environment including inflationary pressures) and there is a risk that the business will not meet the required financial performance to support the carrying value of the Group and Company's intangible assets. | The Committee reviewed and challenged management's process for testing goodwill for potential impairment, allocation of goodwill across cash-generating units, 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 current geopolitical tensions including the situation in Ukraine, the continuing impact of the pandemic, energy prices, supply chain security, and inflationary pressures on the Group's financial performance and future cash flows and therefore the carrying value of the Group and Company's intangible assets.<br>The Committee also reviewed KPMG's work and conclusions on this risk and the key assumptions they tested in reaching their conclusions.<br>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. |

### Ongoing viability

In considering viability overall, the Committee reviewed the Group's strategic plan with particular focus on the key assumptions in relation to revenue, cost growth and cash flow management. Sensitivities to these key assumptions were also reviewed based on the impact of the Group's key risks, individually and conflated, as set out on pages 72 to 85. The review includes the consideration of the potential ongoing impact of COVID-19, the impact of wider macro-economic factors including inflationary pressures, supply chain stability, energy prices and geopolitical instability, and further operational disruption on future cash flows, as well as the potential impact of climate change as set out in our TCFD scenario analysis.

Following a review of the detailed considerations set out above by the Committee and Executive Management Team, the Committee is satisfied that it is appropriate for the Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group and, further, that the Longer-Term Viability Statement on page 147 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 72. The Group's key risks and uncertainties are set out on pages 72 to 85.

To further strengthen our risk management approach the Committee commissioned an independent review of our risk management framework and risk culture to ensure they drive value and meet the future requirements of our stakeholders.

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

We continue to align with the TCFD requirements for climate related risks and opportunities.

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 key IT and distribution projects, as well as cyber security.

The Committee also considered the Group's approach to building its financial internal controls capability, as good practice with reference to the Department for Business, Energy, and Industrial Strategy ('BEIS') consultation on reforming the UK's corporate governance, audit and reporting regime.

## Internal Audit

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

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

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

| Risk area | Work undertaken |
|---|---|
| **Strategic** | • Project Spice (distribution centre), capital project assurance (Group). See case study on page 94<br>• Project Polestar (digital capability), capital project assurance (Group). See case study on page 94<br>• Project Apollo (Vet Group finance transformation), capital project assurance (Vet Group) |
| **Operational** | • Risk management framework (Group)<br>• Product quality processes, food (Retail)<br>• Product quality processes – non-food (Retail)<br>• Information security management framework (Group)<br>• Disaster recovery plans for principal systems (Group)<br>• Cloud strategy and management (Group)<br>• Data governance – follow up (Group)<br>• Brand and reputation (Group)<br>• Goods not for resale procurement strategy & framework (Group)<br>• Management of controlled drugs (Vet Group)<br>• Pet welfare (Group)<br>• Colleague health and wellbeing (Group)<br>• Practice profitability (Vet Group) |
| **Financial** | • Cash and banking (Retail)<br>• Accounts payable (Retail)<br>• Internal controls over financial reporting – gap assessment (Group)<br>• COVID-19 defence key financial controls – ongoing compliance with Company procedures |
| **Legal and regulatory compliance** | • Immigration legislation compliance (Group)<br>• IR35 compliance (Group) |

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

# Audit and Risk Committee Report continued

### External audit

KPMG presents their audit plan, risk assessment and audit findings to the Committee, identifying their consideration of the key audit risks for the year and the scope of their work. These reports are discussed throughout the audit cycle. These risks were the carrying value of goodwill (across the Group, but with specific reference to Vet Group goodwill), the carrying value of the parent Company's investment in subsidiaries, and the implementation of the accounting policy change in relation to the Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets) IFRIC interpretation. In their reports presented to the Committee at both the interim and full year, the auditors considered these risks to be appropriately addressed and raised no significant areas of concern in these or any other areas of their review.

KPMG also attend the Committee meetings and meet separately, without management present, to discuss any 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 8 July 2021. Stuart Burdass has been the audit partner since January 2019 and for the financial year ending 30 March 2023 will be replaced by Ailsa Griffin as part of the planned cycle of audit partner rotation.

### 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 31 March 2022.

Audit and non-audit fees paid to KPMG in the year were £1,289,000 and an analysis is presented in note 3 to the consolidated financial statements. Non-audit fees represent 25% of the audit fee. Non-audit services provided by the external auditors during the 2022 financial year comprised audit related assurance services, in the form of an independent review of the half-yearly statements, a financial covenant compliance certificate, and agreed upon procedures in relation to certain Joint Venture company's' unaudited financial statements. The Committee concluded that the provision of such services was appropriate given that they were closely related to the work performed in the external audit process and, for reason of effectiveness and efficiency, it was considered advantageous to engage the external auditors due to their knowledge and expertise.

Resolutions to reappoint KPMG as auditors and to authorise the Directors to agree their remuneration will be put to shareholders at the Annual General Meeting that will take place on 7 July 2022.

### Audit Committee effectiveness

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

### Fair, balanced and understandable

The Committee considered the Annual Report and Financial Statements for the financial year ended 31 March 2022, taken as a whole, and concluded that the disclosures as well as processes and controls underlying its production were appropriate, and recommended to the Board that the Annual Report and Financial Statements for the financial year ended 31 March 2022 are fair, balanced and understandable, while providing the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Zarin Patel

**Zarin Patel**
**Chair, Audit and Risk Committee**

25 May 2022

# ESG Committee



**Susan Dawson**
**Chair of the ESG Committee**

### Who is on the ESG Committee?

| Member | No. of meetings |
|---|---|
| Susan Dawson (Chair) | 4/4 |
| Ian Burke | 4/4 |
| Dennis Millard | 4/4 |
| Sharon Flood | 3/4 |
| Stanislas Laurent | 4/4 |
| Zarin Patel | 3/3 |
| Peter Pritchard | 4/4 |

## What we did in FY22

- Continued to focus on the monitoring and delivery of our high standards of pet welfare across the Group and the impact of the pandemic on pet welfare more broadly.
- Discussed and approved the submission of the Group's near-term 2030 42% scope 3 and long-term 2040 net zero targets to the Science Based Targets initiative (SBTi).
- Agreed the Group's approach to the Task Force on Climate related financial disclosure (TCFD) scenario planning.
- Reviewed and approved five new ESG policies on Human Rights, Diversity and Inclusion, Raw Materials, Environment, and Packaging.

## What we will do in FY23

- Develop and refine our qualitative and quantitative analysis of climate related risks in line with the TCFD requirements.
- Continue to provide rigour and challenge as we embed Our Better World Pledge strategy into the customer and colleague propositions.

### Introduction and strategic approach

The Committee oversees the governance of becoming the most responsible pet care business in the world. In my fourth year as Chair I am delighted to see the progress that we have made in embedding the Group's social value strategy, Our Better World Pledge, 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 further progress in assessing salient human rights risks across the operations and supply chains and in recognising the significant wellbeing impact the pandemic has had on our colleagues and their families and reviewing the Group's comprehensive and thoughtful response to this.

The year of COP26 was always going to be a significant milestone for the future of our planet. At the Committee we have prioritised the review of the Group's plans in this area to ensure that they are aligned with the level of response required to meet the climate crisis and to ensure the governance and processes are established to enable a smooth transition to a low carbon future.

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 and implementing programmes to deliver the long-term targets. These committees present an update to the ESG Committee on their progress at the 'deep dive' sessions.

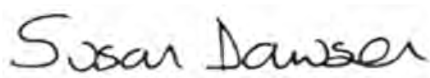
### Committee membership

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 been 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 Karen Heskin, Head of Pets, attend each Committee meeting.

# **ESG Committee** continued

### Highlights

- The first committee meeting of the year in April 2021 focused on understanding the impact of the pandemic on pet welfare. The committee reviewed a paper, presented by Louise Stonier, on the current trends and predictions on pet ownership and pet relinquishment. The paper was written following engagement with a number of the largest national pet charities at their regular CEO meeting. The perspectives of smaller rescues were also gained by hosting two virtual round table events with a selection of smaller sized charities that had been recruited via the Association of Cats and Dogs Homes (ACDH), which the Pets at Home Foundation supports. The paper highlighted that pet welfare had been impacted by the pandemic through an increase in pet theft, the criminalisation of pet breeding and the impact of delayed neutering, particularly on cats. In terms of relinquishment the sector had not seen a significant increase at that point in time, although they were noting an increase in behavioural concerns where socialisation had been less possible during the lockdown phases of the pandemic.
- The April committee meeting also reviewed the materiality assessment, an annual activity to ensure that the strategy review that follows in the autumn addresses any shifts in positioning or introduces new material issues. This review confirmed that diversity and inclusion and climate change had continue to grow in importance in the last year.
- Human Rights was an area previously discussed by the Committee in October 2020. One of the next steps following this was to conduct an independent review of the Group's salient Human Rights, from the perspective of the rights holder, and make recommendations on future actions. This review was presented with actions proposed that have since been undertaken, including the appointment of a permanent Human Rights specialist. The Group's updated modern slavery act statement was approved at the September committee meeting.
- The Committee meeting in July 2021 was the first of the scheduled 'deep dives' for the year. The 'People' pillar was reviewed in detail and subject matter experts on wellbeing, social mobility, diversity and inclusion joined to present their areas and take questions.
- The Committee approved a number of new ESG policies covering Human Rights, Diversity and Inclusion, Environment policy, Raw materials and an updated version of the Supplier Code of Conduct.
- The 'Planet' deep dive followed at the September 2021 meeting. This was a particularly important meeting as we headed into COP26. The thorough work that has been done to assess the Group's scope 3 emissions and develop the pathways to reduce them has enabled a submission to the science-based targets initiative (SBTi) in the autumn of 2021 for the near term 2030 target and in January 2022 for the 2040 target. Once the TCFD guidance was updated in the autumn of 2021 the Group has been able to conduct a series of qualitative scenario planning exercises that will feed into the strategic review in the autumn of 2022.
- Pet welfare is a standing agenda item at every ESG Committee meeting and the Head of Pets attends every Committee meeting. In addition to managing pet welfare during the pandemic, the Committee received an update regarding the new audit programme for stores. The new programme was introduced in February 2021 and included a re-weighting of non conformances and a new scoring system that enabled great performance to be recognised and celebrated and to identify stores that may require some more support and training.
- A review of clinical governance in the Vet Group was presented in the February 2022 Committee meeting. The Committee received an update across all the areas of clinical governance and how these are now beginning to return to more face to face activities now that restrictions have eased. The Royal College suspended the auditing aspect of the RCVS Practice Standards because of the pandemic and the difficulty in conducting physical visits, but this has now begun to return to physical audits. 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 78% of practices now accredited or enrolled in the scheme. The internally developed 'Aspiring to Clinical Excellence' audit programme has been recalibrated to drive an ongoing process of continual improvement and the physical audits have been able to start again as restrictions eased with over 85% of the 111 audits in the year being graded as outstanding. The results of antibiotic usage auditing were shared and demonstrate a continued positive reduction in antibiotic use across the Group over time.
- The Terms of Reference (ToR) for the ESG Committee were reviewed in the April 2022 meeting. The ToR can be found on the Pets at Home Group Plc investor website.



**Susan Dawson**
**Chair of the ESG Committee**

25 May 2022

# Directors' Remuneration Report



**Sharon Flood**
**Chair of the Remuneration Committee**

### Who is on the Remuneration Committee?

| Member | No. of meetings |
|---|---|
| Sharon Flood (Chair) | 3/3 |
| Dennis Millard | 3/3 |
| Susan Dawson | 3/3 |
| Zarin Patel | 3/3 |

### Introduction

On behalf of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for FY22.

FY22 was a challenging year both for the Group and wider UK economy, as the impact of the COVID-19 pandemic remained, and inflationary pressures increased. I am extremely proud of our leadership team who continued to prioritise the care of our colleagues, Joint Venture Partners, our customers and their pets through these challenging times. I would also like to pay tribute to our dedicated colleagues and Joint Venture Partners who demonstrated remarkable resilience through a demanding year.

During FY22, we continued to incur substantial costs in keeping our colleagues, pets and customers safe during the pandemic. Despite this, our relentless focus on the four pillars of our pet care ecosystem strategy combined with growth in the pet care market have enabled us to deliver growth and strong results in a demanding year. As in FY21, these results were delivered without taking any Government support through the COVID-19 job retention scheme, and without making any redundancies or imposing any pay cuts.

The Committee believe the business is in a strong position and has demonstrated how resilient it can be in challenging times. However, the Committee also recognises the impact the pandemic has had on many of our colleagues, our customers and wider society. Furthermore, we are acutely aware of the challenges beyond the pandemic, including the uncertainties associated with the conflict in Ukraine, global supply chain issues and inflationary concerns. Within this broader context, the Committee has carefully considered the fairness of Director pay decisions and our overall pay levels across the organisation, with a particular focus on pay rates for frontline colleagues. The Committee is comfortable that our approach as detailed below is fair and appropriate given wider stakeholder experience and the strong performance of the business this 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 and the macro-economic environment when making Director remuneration decisions in respect of FY22 and for implementation of policy for FY23. We have outlined the key factors that were considered in our decision-making process below:

### Business Performance

Over the last year we have welcomed over 1.1m new customers across the Group, delivered record growth in key financial metrics and accelerated investment into analytics capability, digital innovation, and our supply chain to join up our pet care ecosystem, enhance the customer experience and accelerate the competitive advantages of our omnichannel model.

We have grown market share across every part of our business. In Retail, broad-based growth across key categories, in-store and online, contributed to strong like-for-like progression and good profit conversion on both a one and two-year basis. In Veterinary, strong growth in new client registrations has increased average practice revenue beyond £1m, with c90% of practices profitable, cash generative and with reducing levels of debt.

### Financial highlights include:

- Total Group revenue growth of 15.3% to £1,317.8m with a further 1.2m new puppy and kitten customers; Growth in Group customer revenue of 16.5% to £1,673.8m, reflecting market share gains across all areas of the business;
- Growth in Group underlying proforma PBT of 65.3% to £144.7m, ahead of consensus expectations, with growth of 54.8% on a 2-year basis;
- Growth in Group underlying PBT of 67.9% to £130.1m;
- Group free cash flow of £95.0m, up 40.9% YoY, including strong cash generation across our First Opinion veterinary practices.

### Strategic highlights include:

- Continued demand with sustained growth across our pet care ecosystem:
  - The number of active VIPs stands at a record 7.3m having increased by 1.1m (18%) YoY, or 29% on a 2-year basis
  - 27% of all VIPs shopped across more than one channel during the year, up 22% YoY
  - The number of Puppy and Kitten Club members grew 36% YoY, with approximately 23,000 average weekly registrations in the year, compared to approximately 7,000 two years ago, creating a significant lifetime value opportunity
  - New client registrations across our First Opinion veterinary practices averaged approximately 9,000 per week, with an active client base of 1.7m
  - The number of pet care plan subscriptions across the Group grew 23% YoY to 1.48m, generating over £120m in annualised recurring customer revenue[1]

### Shareholder experience

Overall, the shareholder experience in FY22 was positive:

- We have continued to pay our dividend throughout the year in line with policy, reflecting our robust balance sheet and continued confidence in the near-term prospects of the business, with a total dividend of 11.8p for the year, up 48% YoY.
- Announced our intention to commence a share buy back programme of up to £50m over the next three years.
- We have not raised any equity during the year.
- Share price and TSR performance have been strong with an increase of +12% and +14% 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 from page 113 under the ESG Committee report, however, some of the highlights include:

### Supporting our colleagues

- **Supporting colleagues through the COVID-19 pandemic:** We continued with the key support policies initiated at the start of the pandemic, including full pay for up to 2 periods of self-isolation. We provided colleagues with caring responsibilities a bank of up to 5 days fully paid caring leave to draw on if required. We increased the wellbeing resources available for colleagues through our online portal and through our third-party experts. We published a wellbeing booklet towards the end of the year which outlines all the resources available to colleagues in one place. During the year we trained over 500 Mental Health First Aiders to provide support and signposting to colleagues locally.
- **Frontline colleague bonus:** All colleagues will be awarded their usual annual bonus in respect of FY22 in line with the usual timeline.
- **National Living Wage (NLW):**
  - In April 2022 we increased our entry level rates by 6% to a minimum of £9.60
  - We pay at least 10p ahead of the current NLW (£9.50)
  - 68% of our retail store and grooming colleagues now earn the same as or more than the Real Living Wage (£9.90), an increase of 50% when compared to March 2020 (17% earning RLW)
  - Our hourly paid retail store and grooming colleagues now have the opportunity to earn 20p more than the RLW on completion of the first stage of our training programme, which is reached within the first 3 to 6 months of employment
- **Colleague share ownership:**
  - Our second RSP vested in May 2021, which resulted in enhancing or creating new shareholders in over 4,700 of our colleagues.
  - The next RSP awards will vest at the end of May 2022 which will further enhance or create new shareholders for over 4,800 colleagues.
  - We also granted a further 1.2m shares to 9,200 colleagues via the RSP in June 2021.
  - Our 2018 Sharesave matured on 1 December 2021, generating a potential value of £14.7m, and a potential profit of £11.8m to over 500 colleagues based on the closing share price on the maturity date of £4.69.
  - We granted a further offering of the Sharesave scheme in September 2021, with a take up of 17.55%, our highest take up rate since our first issue in 2014.
- **Caring4colleagues:**
  - We donated an additional £0.5m to our Colleague Hardship Fund, taking our total donation into this fund to over £2m over the last two and a half years.
  - In FY22, we have awarded over 420 Colleague Hardship Fund grants to colleagues totalling over £474,000
  - We shut our stores on Boxing Day to give all our retail store and grooming colleagues an invaluable two-day break.

### Supporting our Customers

We maintained and enhanced our retail and veterinary operations to provide essential pet care to our customers in a safe and appropriate manner.

- We maintained Click & Collect.
- Safe distance markers, masks, sanitisers, control of numbers and Perspex screens were maintained across our Group.
- Deliver to car zero contact service and home delivery options were extended.

### Supporting our communities

- Over £5m has been donated from the Pets at Home Group's charitable activity, (including VIP lifelines) supporting over 750 charities/rescues.
- We have donated approximately 10,000 Better World Pledge Day hours to local communities to provide significant value and non-financial support to pets, people and our planet. This was in addition to the financial support we already provide as a business to various charitable organisations.
- Through the pet memory scheme, and the donations made by our practices, £257k has been donated to the Woodland Trust in FY22.
- 10% discount continued through FY22 for NHS workers.

### Directors' remuneration in respect of FY22

FY22 was the second year of our current Remuneration Policy, approved by shareholders in 2020. In light of the context set out above, the Committee made the following decisions.

### Base Salary:

The outgoing CEO did not receive a salary increase in FY22.

The CFO did not receive a salary increase in FY20 (as a result of a delayed pay review during the COVID-19 pandemic) and received an increase lower than the wider colleague population in FY21 (2.6% vs 4.83%). The Committee considered the relative market comparisons for the CFO's salary, including pay for CFO roles at companies of a similar size in the FTSE 250, and similar sized UK-listed retailers, and concluded that the CFO's salary had fallen behind the general market level for equivalent roles. The Committee were concerned that maintaining the current salary level posed a risk both to retention and succession planning. We therefore proposed a salary increase for the CFO of 10.8% (FY22 wider workforce 7.3%), (from £370,000 to £410,000), to bring his salary more in line with the external market.

Salary increases in respect of FY22 were effective from 1 October 2021.

### Annual bonus

The Executive Directors were assessed against Group Profit Before Tax (PBT) (60%), Group Free Cash Flow (FCF) (20%), Pet Care Plans (20%) and a mandatory ESG bonus underpin, which required the senior leadership team, including the Executive Directors to complete a Better World Pledge Day.

Targets were set in May against a budget that was agreed to be ambitious and stretching. 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. In light of business and stakeholder context set out above, the Committee was comfortable that the formulaic outcome was fair and appropriate therefore no adjustments were made and no discretion was exercised in relation to the outcome. As disclosed in last year's report, the bonus for FY22 will be delivered two thirds in cash and a third will be awarded in shares in line with the bonus deferral policy. The shares will not be released until a two-year holding period is complete.

- The underlying proforma PBT target range was set between £120.5m and £130.5m. Actual underlying proforma PBT was £144.7m and was in excess of the maximum target.
- The Group Free Cash Flow target range was set between £61.2m and £69.2m and the actual Free Cash Flow was £95.0m, also in excess of the maximum target.
- The Pet Care Plans target range was set between 1.33m and 1.60m net plans. The actual number of net Pet Care Plans achieved, excluding any anomalies, paused or cancelled plans was 1.48m representing 52% of the bonus maximum target.
- The bonus outcome was therefore £845k for the CEO and £528k for the CFO, both of which represented 90.4% of the bonus maximum.

### Restricted Stock Plans (more information on page 130):

The 2019 awards were subject to an absolute TSR financial underpin which was met, therefore awards will vest according to the relevant timetable. For Executive Directors this means 50% in May 2022, 25% in 2023 and the remaining 25% in 2024 provided they remain in the employment of the Group at each of these dates.

The annual RSP awards were granted to all eligible colleagues in May 2021. The awards granted to Executive Directors remain subject to the absolute TSR financial underpin and will vest 100% in 2024 and will then be subject to a 2 year post vest holding period.

### Directors' remuneration in respect of FY23

**Base Salary**

Lyssa McGowan will succeed Peter Pritchard, who announced his intention last November to step down from his role in Summer 2022 and will remain with the business until 31 May 2022 to ensure a seamless transition. Lyssa was appointed to the Board as CEO Designate on 25 April 2022 prior to her appointment as CEO on 1 June 2022. The key elements of Lyssa McGowan's remuneration package were disclosed in the announcement of her appointment and are as follows:

- Base salary of £580,000 which reflects the outgoing CEO's salary for FY21 of £550,000 with an increase of 5.5%, applied. This is broadly in line with the wider workforce which was higher at 7.3% in FY22.
- Pension contribution of 6.5% of base salary in line with our Remuneration Policy and the rate provided to the majority of our salaried colleagues.
- An annual bonus maximum award of 170% of base salary, in line with our Remuneration Policy and the outgoing CEO's remuneration package.
- A RSP maximum of 100% of base salary in line with our Remuneration Policy.
- Benefits will also be in accordance with the Remuneration Policy set out in the 2021 Annual Report and Accounts and approved by shareholders at the 2020 AGM.

Peter Pritchard, our exiting CEO's, compensation arrangements for his departure were set out in the announcement on 7 February 2022. The details of which can also be found in section (e) Payments for loss of office in the Directors' Remuneration Report on page 132.

The Board will also carry out a benchmarking review of the Non-Executive Directors' fees in October 2022 to ensure they remain in line with the market since these have not changed since 2014.

**Pension**
The CFO's pension contributions have now been reduced to 6.5% of salary, from the start of FY23.

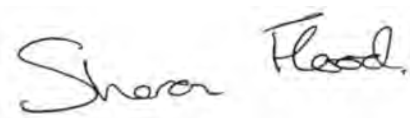
**Annual bonus**
The maximum bonus opportunity will continue to be 170% of salary for the CEO and 150% of salary for the CFO. In addition, one-third of any bonus paid will continue to be deferred in shares for two years in line with the bonus deferral policy.

For FY23, Executive Directors will continue to have an annual bonus based on Group PBT (60%), Group FCF (20%) and Pet Care Plans Subscriptions (20%), the latter of which supports our social element of our ESG Strategy By signing up to a Pet Care Plan subscription, the cost of the treatment works out cheaper for the customer on average in comparison to buying the required treatments each month. Subscription services also act as a reminder to treat the pet, in a timely manner which is best for the pet and promotes responsible pet ownership. Significant consideration was given to also including an environmental measure given the importance of sustainability and minimising its own carbon footprint to the Group. However the Committee was mindful that a one year target did not fully reflect the scope of our ambition and it was agreed that the inclusion of a meaningful and material focus on carbon reduction and /or other ESG related metrics which would support both our values and strategy would be addressed in the Remuneration Policy review to be conducted during FY23.The FY23 bonus scheme will however continue to have an ESG underpin which requires the senior leadership team, including the Executive Directors to complete a Better World Pledge Day.

**Restricted Stock Plans**
Awards granted during FY23 will continue to be set in line with the Remuneration Policy with a maximum grant value of 100% of salary for the CEO and 75% of salary for the CFO and will continue to vest subject to an absolute TSR financial underpin with a three-year vesting schedule and two-year post vesting holding period as set out in the Remuneration Policy. Given recent share price performance, the Committee considered whether a reduction to the grant level was required. Following a detailed discussion, the Committee concluded that a reduction was not appropriate as it is firmly believed that the recent drag in the share price is a result of macro-economic factors which do not reflect the strong and robust financial performance of the business. See page 137 for more details.

**Closing remarks**
We hope that you find this report helpful and we would welcome any feedback or comments on this report, particularly as we enter into the review period for our next Remuneration Policy. We 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 7 July 2022. 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**
**Chair of the Remuneration Committee**

25 May 2022

# Our Directors' Remuneration Policy

### (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 by:<br>• Improving perceived value;<br>• Creating stronger alignment with shareholders; and<br>• 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.<br>• Full disclosure of bonus – commitment to disclosing all target ranges on a retrospective basis at the end of the financial year in question. |
| **Culture** | • The absolute TSR underpin guarantees baseline performances below which awards will not vest.<br>• Serves as a security mechanism to prevent pay-outs for poor performance. |
| **Shareholders** | • Share price inherently links pay to performance.<br>• 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

The Company provides competitive salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.

#### Operation

- 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.

#### Maximum opportunity

- 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

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.

#### Operation

- 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.

#### Maximum opportunity

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

To provide colleagues with an allowance for retirement planning.

#### Operation

- Pension contributions are made to either the Group Pension Plan, or to personal pension schemes, or cash allowances in lieu of contributions are paid.

#### Maximum opportunity

- 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 9%, and further reduced by the end of FY22 to align to the same maximum rate as for new hires of 6.5% (excluding the exiting CEO who will continue on his current pension rate of 9% until he leaves on 31 May 2022). 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.<br>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.<br>• 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.<br>• 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.<br>• 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.<br>• Malus and clawback provisions apply to these awards in circumstances as set out on page 126 of the Policy.<br>• Change of control provisions apply as set out on page 126 of the Policy.<br>• Leaver provisions apply as set out on page 126 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 ⅓ 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:<br>– At least 75% of the annual bonus will be based on financial performance measures; and<br>– No more than 25% of the annual bonus will be based on performance against non-financial measures, including for example, individual and strategic objectives.<br>• 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.<br>• The performance metrics for the annual bonus for the Executive Directors are set out retrospectively within the Annual Report.<br>• 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. |

| Pay element – Variable pay | | | |
|---|---|---|---|
| **Long Term Incentive Plan[1]** | | | |
| **Purpose and link to strategy**<br>To promote continued alignment between Executive Directors and shareholders, increasing focus on long-term sustainable value creation.<br>To support our principle of embedding share ownership across the organisation.<br>To assist with succession planning. | **Operation**<br>• Awards will be made under the RSP annually.<br>• 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).<br>• No award will vest under the RSP unless the TSR underpin has been achieved.<br>• 100% of the award will vest on the third anniversary of grant, subject to the achievement of the TSR underpin and continued employment.<br>• 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.<br>• 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.<br>• Malus and clawback provisions apply to these awards in circumstances as set out on page 126 of the policy.<br>• Change of control provisions apply as set out on page 126 of the policy.<br>• Leaver provisions apply as set out on page 126 of the policy. | **Maximum opportunity**<br>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**<br>• There are no performance targets attached to the awards.<br>• 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**<br>An all-colleague plan, which encourages long term shareholding and aligns the interests of UK colleagues with shareholders.<br>Executive Directors are eligible to participate. | **Operation**<br>• SAYE is a HMRC-approved scheme where eligible colleagues are granted savings-related share options to subscribe for shares in the Company.<br>• 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).<br>• 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**<br>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**<br>• There are no performance measures attached to awards under the SAYE. |

| Pay element – Variable pay | | | |
|---|---|---|---|
| **Chair and Non-Executive Directors' Remuneration Policy** | | | |
| **Purpose and link to strategy** | **Operation** | **Maximum opportunity** | **Performance measures** |
| To attract and retain high calibre individuals by offering market competitive fee arrangements. | • Non-Executive Directors receive a basic fee in respect of their Board duties.<br>• Further fees are paid to Non-Executive Directors in respect of Deputy Chair of the Board and/or Chairship of Board Committees.<br>• The Non-Executive Chair receives an all-inclusive fee for the role.<br>• 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.<br>• Fees are typically reviewed annually.<br>• 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. | • Current fee levels can be found on page 137.<br>• Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company.<br>• The Company's Articles of Association provide that the total aggregate remuneration paid to the Non-Executive Chair and the NEDs will be within the limits set by shareholders. | n/a. |

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 extent dividend equivalents should apply to awards under the deferred share bonus arrangements and/or the restricted stock plan; (vi) apply malus and clawback; (vii) adjust the shares subject to the deferred share bonus arrangements, the SAYE options and the restricted stock plan awards in the event of a variation of the Company's share capital (or similar corporate event); (viii) apply the holding period; (ix) apply the leaver provisions; and (x) apply the change of control provisions. In addition, the Committee may exercise its discretion in order to make such other non-material decisions affecting the Executive Directors' awards in order to facilitate the administration of the annual bonus plan, RSP and SAYE respectively. Any and all decisions will be made within policy maxima and in accordance with the applicable plan rules. Use of discretion will be disclosed in the relevant Directors' Remuneration Report.

**Remuneration arrangements throughout the Company**

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

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

### (b) Recruitment policy

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

| Element | Policy and operation | |
|---|---|---|
| **Overall** | The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and not to pay more than necessary to facilitate the recruitment of the individual. | Where an Executive Director is appointed from within the business, in addition to considering the matters detailed for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions as set out under legacy matters on page 123. |
| **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 119-120. | 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.<br>• 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.<br>• 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.<br>• 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 123.<br>• 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 125-126. 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.<br>• The service contract for Lyssa McGowan provides for a notice period of 12 months from the Company and six months from the individual.<br>• 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.<br>• 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.<br>• 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.<br>• There is no contractual entitlement to a payment under the annual bonus in respect of the notice period.<br>• 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.<br>• 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.<br>• No bonus will be paid in the event of gross misconduct.<br>• 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).<br>• 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.<br>• 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.<br>• 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.<br>• 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.<br>• 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).<br>• Under the SAYE, the default position is for unvested awards to lapse upon a loss of office event.<br>• 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).<br>• Vested (but unexercised) awards under the CSOP, PSP, RSP and SAYE will count towards the Company's post-cessation shareholding policy (in force from time to time), including vested RSP awards (or shares acquired upon the exercise of vested RSP awards) that are subject to a holding period. |

| Area | Policy and operation | |
|---|---|---|
| **Change in control** | • The Committee's policy is that service contracts should not provide for additional compensation on severance as a result of a change in control.<br>• 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.<br>• Under any deferred share bonus arrangements, any holding periods applicable to deferred shares will fall away on/ immediately prior to a change of control.<br>• 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:<br>– A material misstatement of audited results;<br>– Serious financial irregularity;<br>– Any circumstances justifying summary dismissal of a participant from their office or employment with any Group company including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust; | • 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;<br>• Material contravention by the participant of the Company's ethics and values; and<br>• 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.<br>• In line with the UK Code, all Directors will seek annual reappointment by shareholders at the AGM. |
| **Appointment terms** | • Three months' notice by either the Company or the Non-Executive Director.<br>• 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 potential remuneration packages for Executive Directors in FY23, 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%.

| | Minimum | | Meeting expectations | | Maximum | | Maximum + 50% RSP[3] | |
|---|---|---|---|---|---|---|---|---|
| 2023 | Lyssa McGowan | Mike Iddon | Lyssa McGowan | Mike Iddon | Lyssa McGowan | Mike Iddon | Lyssa McGowan | Mike Iddon |
| 50% RSP[3] | | | | | | | £289,995 | £153,746 |
| RSP[2] | | | £580,000 | £307,500 | £580,000 | £307,500 | £580,000 | £307,500 |
| Bonus | | | £591,600 | £369,000 | £986,000 | £615,000 | £986,000 | £615,000 |
| Fixed Pay[1] | £629,200 | £448,705 | £629,200 | £448,705 | £629,200 | £448,705 | £629,200 | £448,705 |
| Total | £629,200 | £448,705 | £1,800,800 | £1,125,205 | £2,195,200 | £1,371,205 | £2,485,195 | £1,524,951 |

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

1 Fixed pay includes car allowance, pension, current salary and private health insurance (if they participate).
2 Is illustrated above as 75% of salary for the CFO and 100% of salary for the CEO.
3 50% RSP has been calculated using the closing share price of £3.6140 on 31 March 2022 plus 50%, resulting in a share price of £5.421.

| Scenario | Assumptions |
|---|---|
| **Fixed pay** | |
| **All performance scenarios** | • Consists of total fixed pay, including base salary, benefits and pension<br>• Base salary – excludes any potential salary increase not yet awarded<br>• Benefits – amount estimated to be received by each Executive Director in FY23<br>• Pension – based on the FY23 contribution levels (now reduced to 6.5%) |
| **Variable pay** | |
| **Minimum performance** | • No pay out under the annual bonus<br>• 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% of salary for the CFO)<br>• 100% vesting under the RSP (i.e. 100% of salary for CEO and 75% of salary for CFO) |
| **Maximum performance** | • 100% of the maximum pay-out under the annual bonus (i.e. 170% of salary for the CEO and 150% of salary for the CFO)<br>• 100% vesting under the RSP (i.e. 100% of salary for CEO and 75% of salary for CFO) |
| **Impact of 50% share** | • Based on the share price on 31 March 2022 (£3.6140), the last day of the financial year FY22 plus 50% |

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

#### (e) Consideration of conditions elsewhere in the Company
As per the Committee’s terms of reference, we also review the pay and conditions of colleagues at levels below the Executive Directors. This includes approving the design of and determining targets for the principal performance related pay schemes, such as the bonus scheme operated by the Company, and approving the total annual payments made under such schemes that have been made throughout the year to our 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 FY22, this included the decision to increase our entry level rates by 6% to a minimum of £9.60 per hour, 10p ahead of the current NLW (£9.50). Our hourly paid retail store and grooming colleagues also now have the opportunity to earn 20p more than the Real Living Wage on completion of the first stage of our training programme, which is achievable within the first 3 to 6 months of employment representing our highest increase of 6.3% 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. Sharon Flood, 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 gave 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.

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 second RSP vested in May 2021, which resulted in enhancing or creating new shareholders in over 4,700 of our colleagues.
- The next RSP awards will vest at the end of May 2022 which will further enhance or create new shareholdings for over 4,800 colleagues.
- We also granted a further 1.2m shares to 9,200 colleagues via the RSP in June 2021.
- Our 2018 Sharesave matured on 1 December 2021, generating a potential value of £14.7m, and a potential profit of £11.8m to over 500 colleagues based on the closing share price on the maturity date of £4.6940.
- We granted a further offering of the Sharesave scheme in September 2021, with a take up of 17.55%, our highest take up rate since our first issue in 2014.

#### (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).

FY23 is the final year of our current Remuneration Policy and we will therefore spend significant time reviewing our policy in order to assess whether it remains fit for purpose in light of our strategy, wider economic environment in which we operate and the developing legislative guidance on executive remuneration. We will be writing to shareholders for their views and opinions on the supporting rationale for any proposed policy changes.

#### (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.

# Annual Report on Remuneration

### (a) Directors' remuneration – report on implementation for the year ended 31 March 2022

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 132 represents the audited section of this report.

### (b) Single total figure of remuneration for Executive Directors for the year ended 31 March 2022

The following table sets out the total remuneration for Executive Directors for the year ended 31 March 2022. All payments are in line with the Policy.

| Director | Base salary (£) | Benefits (£) | Pension (£) | Total fixed pay (£) | Annual bonus (£) | Long term incentives (£) | Total variable pay (£) | Total (£) |
|---|---|---|---|---|---|---|---|---|
| **FY22** | | | | | | | | |
| Peter Pritchard | 550,000 | 11,971 | 49,500 | 611,471 | 845,633 | 374,331[4] | 1,219,964 | 1,831,435 |
| Mike Iddon | 389,623 | 11,971 | 35,270 | 436,864 | 528,499 | 535,822[3] | 1,064,321 | 1,501,185 |
| **FY21** | | | | | | | | |
| Peter Pritchard | 514,703[1] | 11,921 | 46,197 | 572,821 | 526,285 | 1,041,809[2] | 1,568,094[2] | 2,140,916 |
| Mike Iddon | 356,920[1] | 11,921 | 31,918 | 400,756 | 365,235 | 745,625[2] | 1,110,860[2] | 1,511,619 |

N.B. FY22 Base salary and pension contributions have been calculated using actual amounts earned over a 53 week year pro-rated to represent 52 weeks for a representative year on year comparison to FY21.

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 vested in full on 23 May 2021 since the absolute TSR underpin which was calculated as at the end of FY21 had been achieved. The value has been calculated using £3.86 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 FY22, 25% in FY23 and 25% in FY24, and will be subject to the share price at the time of vest.

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

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

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

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

**Pension** – corresponds to either the amount contributed to personal pension plans or the cash value of the salary supplement received during the relevant financial year. Executive Directors received a Company pension contribution worth 9% of their salary or a cash allowance where the annual allowance has been reached. The CFO's pension contributions were reduced to 6.5% at the end of FY22.

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

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

### Annual bonus

The Executive Directors were assessed against stretching PBT, FCF and Pet Care Plan subscription targets. Underlying proforma PBT, on a like for like basis was £144.7m[1] (FY21 £87.5m[1]), which was ahead of guidance. This represents a growth of 65.3% YoY. FCF after interest, tax and before acquisitions was £107.3m before purchase of own shares, and £95.0m after purchase of own shares which also exceeded the maximum target.

- The maximum annual bonus opportunity in respect of FY22 for the CEO was 170% of base salary and 150% of base salary for the CFO.
- For FY22, Executive Directors have an annual bonus based on Group PBT (60%), Group FCF (20%), Pet Care Plan subscriptons (20%) and a mandatory ESG underpin which required each Executive Director to complete a Better World Pledge Day. Our Better World Pledge Days have been carried out by all of our salaried support office colleagues and it has provided significant value and non-financial support to a range of different charities, in addition to the financial support we already provide. Colleagues have supported a range of people, pet and climate change focused charities.
- FCF 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.
- Pet Care Plan subsciptions are calculated on the number of net pet care plans after the removal of any anomalies, paused or cancelled Pet Care Plans. We achieved 1.48m net Pet Care Plans.

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

| | Target | | Achieved | | Total |
|---|---|---|---|---|---|
| Performance measures | % Base salary | Minimum | Maximum | % | |
| Group underlying proforma PBT | 60% | £120.5m | £130.5m | £144.7m[1] | 100% |
| Group Free Cash Flow | 20% | £61.2m | £69.2m | £95.0m | 100% |
| Net Pet Care Plans | 20% | 1.34m plans | 1.61m plans | 1.48m plans | 52.21% |
| Total | 100% | | | | 90.4% |

1 Excluding the impact of the accounting policy change in relation to IAS38 Intangible Assets, our FY22 underlying pre-tax profit was £144.7m and the impact of the accounting policy change was £14.6m. A reconciliation is set out below, with further detail provided in the CFO review.

| | Pre AP change | AP gross | Amortisation saving | Net | Post AP Change |
|---|---|---|---|---|---|
| FY22 Underlying pre-tax profit | £144.7m | £(24.0m) | £9.4m | £(14.6m) | £130.1m |
| FY21 Underlying pre-tax profit | £87.5m | £(15.4m) | £5.3m | £(10.1m) | £77.4m |

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

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

The Committee carefully considered whether the bonus outcome should be adjusted. However after significant assessment and in the light of the business and stakeholder context set out above in the Chair’s letter from page 115, 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 FY22 will be delivered two thirds in cash and a third will be awarded in shares in line with the bonus deferral policy for the CEO and CFO. The shares will not be released until a two-year holding period is complete. For all other colleagues, the bonus for FY22 will be delivered in cash.

### Long-term incentives

Awards granted under the RSP for 2018 vested in May 2021, including awards for the Executive Directors under the RSP which were subject to the agreed performance metrics of an absolute TSR underpin.

The absolute TSR underpin was met, therefore awards vested according to the relevant timetable. For Executive Directors, this means 50% immediately, 25% in 2022 and the remaining 25% in 2023. 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 2018 award.

Awards granted to the Executive Directors under the RSP in 2019 will vest in May 2022 as a result of the absolute TSR underpin having been met. For the Executive Directors, awards will vest 50% in 2022, 25% in 2023 and 25% in 2024.

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 and the external environment, they remain consistent with the underlying performance of the business and are in line with both colleague and shareholder experience. On this basis, we are satisfied that this is the case. In light of this, the Committee decided not to make any adjustments.

| Performance metric | 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. | **2018 RSP – vest May 2021 based on FY21 performance**<br>TSR performance positive 166.7%<br>Underpin met and award vesting will be 50% in 2021, 25% in 2022, 25% in 2023. |
| | | **2019 RSP – due to vest May 2022 based on FY22 performance**<br>TSR performance positive 207.7%<br>Underpin met and award vesting will be 50% in 2022, 25% in 2023, 25% in 2024. |

## (c) Single total figure of remuneration for Non-Executive Directors for the year ended 31 March 2022

The following table sets out the total remuneration for Non-Executive Directors and the Chair of the Board for the year ended 31 March 2022, FY22.The FY21 total single figure numbers below 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 FY22 (£) | Total single figure FY21 (£) |
|---|---|---|---|---|---|---|---|---|
| Dennis Millard | 50,000 | 20,000[1] | n/a | n/a | n/a | n/a | 70,000 | 68,385 |
| Stanislas Laurent | 50,000 | n/a | n/a | n/a | n/a | n/a | 50,000 | 48,846 |
| Sharon Flood | 50,000 | n/a | 10,000 | n/a | n/a | n/a | 60,000 | 58,615 |
| Prof Susan Dawson | 50,000 | n/a | n/a | n/a | n/a | 10,000 | 60,000 | 58,615 |
| Ian Burke | 200,000 | n/a | n/a | n/a | n/a | n/a | 200,000 | 195,385 |
| Zarin Patel | 50,000 | n/a | n/a | 10,000 | n/a | n/a | 57,057[3] | n/a |
| Karen Whitworth | 50,000 | n/a | n/a | 10,000 | n/a | n/a | 9,231[2] | 42,857 |

N.B. FY22 Base salary and pension contributions have been calculated using actual amounts earned over a 53 week year, pro-rated to represent 52 weeks for a representative year on year comparison to FY21.

1 The additional fee paid to Dennis Millard is in respect of his position as Deputy Chair of the Board and Senior Independent Director.
2 On 20 May 2021 Karen Whitworth stepped down as a Non-Executive Director and Chair of the Audit and Risk Committee. Karen's fees have been pro-rated to reflect this.
3 On 14 April 2021, Zarin Patel joined as a Non-Executive Director, and Chair of the Audit & Risk Committee. Zarin's fees have been pro-rated to reflect this.

## (d) Scheme interests awarded during the financial year

In FY22 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 | 15 June 2021 | 90,819 | Nil cost awards | 75% | 20 March 2024 |
| Mike Iddon | 15 June 2021 | 61,096 | Nil cost awards | 75% | 20 March 2024 |

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 £4.542.

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 (FY22 to FY24). A positive absolute TSR using a standard methodology that calculates returns to shareholders based on a change in share price and dividends paid to shareholders, assuming that those dividends are reinvested into Pets at Home shares, is required in order for the awards to vest. The averaging period for TSR and share price was 3 months prior to the start and end of the performance period for the 2021 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.

# Directors' Remuneration Report continued

### (e) Payments for loss of office

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

Peter Pritchard, who announced his intention in November 2021, to step down from his role as CEO in Summer 2022 and will remain with the business until 31 May 2022 to ensure a seamless transition.

During the transition process between November and May 2022, Peter continued to work full-time and received his salary and contractual benefits in line with the Policy, up to his date of termination, being 31 May 2022. He did not receive any further salary or contractual benefits for the period of notice which remains.

Peter will receive his FY22 bonus.

All payments made to Peter in respect of FY22 are reported in the single figure of remuneration.

Peter's 2019 RSP award will be treated in line with the agreed leaver provisions. 50% of the 2019 RSP will vest in full on the original vesting date in May 2022, however the 25% due to vest in 2023 and 2024 will lapse in full.

The 2020 and 2021 RSP awards will also lapse in full on cessation.

No RSP award will be granted in 2022.

### (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 one 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:

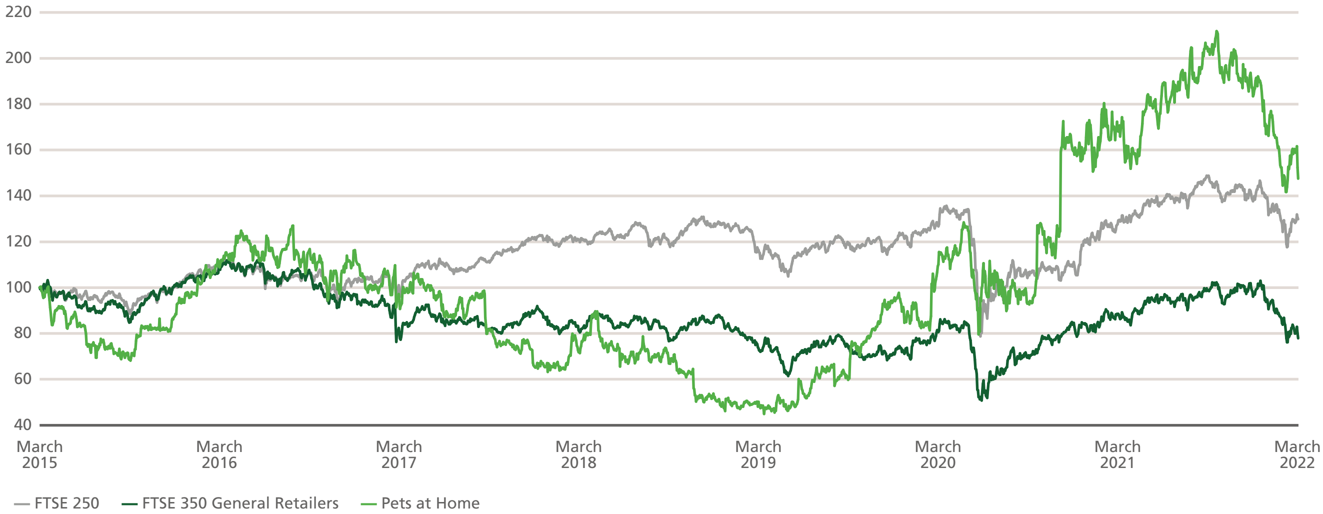
| | | Number of shares | | | |
|---|---|---|---|---|---|
| Director | Shareholding as a % of salary | Shares owned outright at 31 March 2022 | Interests in share incentive schemes, awarded without performance conditions at 31 March 2022 | Interests in share incentive schemes, awarded subject to performance conditions at 31 March 2022 | Shares owned outright at 25 March 2021 |
| Peter Pritchard | 1,040% | 1,582,601 | 0 | 639,020 | 1,467,917 |
| Mike Iddon | 215% | 243,892 | 4,385 | 459,244 | 172,485 |
| Tony DeNunzio | – | – | – | – | 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 | – | – | 4,195 |
| Ian Burke | – | 47,900 | – | – | 47,900 |
| Zarin Patel | – | 30,000 | – | – | n/a |

Shareholding as a % of salary has been calculated using the closing share price at year end on £3.614.

**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 FY22. This disclosure will be expanded in subsequent years in line with the regulations.




| CEO | | FY14[1] | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|---|---|---|---|---|---|---|---|---|---|
| CEO single figure of remuneration | Peter Pritchard[7] | – | – | – | – | – | 930,298 | 1,599,710[8] | 2,140,916 | 1,831,435 |
| | Ian Kellett[2] | – | – | – | 662,087 | 575,953 | 122,037 | n/a | n/a | n/a |
| | Nick Wood[3] | 19,460 | 790,461 | 962,224[4] | 129,696 | n/a | n/a | n/a | n/a | n/a |
| Annual bonus pay-out (as % of maximum opportunity) | Peter Pritchard | – | – | – | – | – | 75.8% | 100% | 100% | 90.4% |
| | Ian Kellett | – | – | – | 20.4% | n/a[5] | n/a | n/a | n/a | n/a |
| | Nick Wood | 73% | 75% | 60% | – | n/a | n/a | n/a | n/a | n/a |
| Long-term incentive vesting (as % of maximum opportunity) | Peter Pritchard | – | – | – | – | – | 16.8% | 100% | 100% | 100% |
| | Ian Kellett | – | – | – | 16.8%[6] | n/a | n/a | n/a | n/a | n/a |
| | Nick Wood | n/a | n/a | 96%[4] | – | n/a | 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 became exercisable in equal tranches, subject to continued employment, between May 2017 and March 2019. The first tranche of shares were released when the award vested in March 2017. The value for FY17 is based on the share price of 198.19p, being the average share price over the last three months of the performance period, being the period from 1 January to 30 March 2017. The second tranche of shares were released on 17 March 2018. The value is based on the share price of 178.3p being the share price on 16 March 2018, being the last working day before the shares were released. The final third tranche of shares vested 17 March and were made available on the first working day being the 18 March 2019. The value is based on the share price of 160p being the share price on 15 March 2019, being the last working day before the shares were released.

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 FY22:

| | % Change in base salary FY21 to FY22 | % Change in bonus earned FY21 to FY22 | % Change in benefits FY21 to FY22 |
|---|---|---|---|
| Chief Executive | 0% | 60.7%[2] | no change |
| All colleagues[1] | 7.3% | -5.7%[3] | no change |

1 All colleague information is presented by comparing the average annual bonus paid in FY21 to the average annual bonus paid in FY22 and includes colleagues who started throughout FY22.

2 Although the wider colleague population bonus achieved was 90.4%, which was in line with the CEO's achieved bonus, the CEO's bonus earned has increased during FY22 as a result of the bonus maximum increasing from 100% to 170% in line with the policy approved in July 2020 but implemented in FY22.

3 The decrease in all colleague's bonus earned is a result of the bonus outturn reaching 90.4% vs 100% in FY21.

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 | % Change in base salary FY22 |
|---|---|---|---|---|---|---|---|
| Chief Executive | 3% | 6.4% | 2% | 2% | 0% | 9.1% | 0% |
| All colleagues | 3% | 2% | 2% | 2.51% | 2.78% | 4.83% | 7.3% |

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.

| | FY22 £m | FY21 £m | FY20 £m | FY19 £m | FY18 £m | FY17 £m |
|---|---|---|---|---|---|---|
| Underlying PBT[1] | 144.7[2] | 87.5[2] | 93.5 | 89.7 | 84.5 | 96.5 |
| Returned to shareholders: | | | | | | |
| Dividend | 48.5 | 37.1 | 37.1 | 37.2 | 37.3 | 39.9 |
| Payments to colleagues: | | | | | | |
| Wages and salaries | 235.2 | 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.

2 Excluding the impact of the accounting policy change in relation to IAS38 Intangible Assets, our FY22 underlying pre-tax profit was £144.7m and the impact of the accounting policy change was £14.6m. A reconciliation is set out below, with further detail provided in the CFO review.

| | Pre AP change | AP gross | Amortisation saving | Net | Post AP Change |
|---|---|---|---|---|---|
| FY22 Underlying pre-tax profit | £144.7m | £(24.0m) | £9.4m | £(14.6m) | £130.1m |
| FY21 Underlying pre-tax profit | £87.5m | £(15.4m) | £5.3m | £(10.1m) | £77.4m |

### (k) Our CEO pay ratio FY22

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

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

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

Note: Ratios rounded to the nearest whole number.

1 The single figure remuneration number includes only the first 50% of the 2019 RSP award which will vest in full in 2022. The 25% tranches due to vest in 2023 and 2024 will lapse in full in line with the agreed leaver provisions for Peter Pritchard.

We expect to see substantial variations in our ratio as long-term incentive plans and deferred bonus schemes mature creating substantial variation in the ratio when compared at the single figure level. All of the single figure remuneration numbers above for FY20 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. For FY22 the single figure remuneration number includes only the first 50% of the 2019 RSP award which will vest in full in 2022. The 25% tranches due to vest in 2023 and 2024 will lapse in full in line with the agreed leaver provisions for Peter Pritchard. It should also be noted that the bonus maximum has increased and the share price has decreased between FY21 and FY22. The LTIPs in FY22 were calculated based on the closing share price on 31 March 2022 (financial year end) of £3.614 and the FY21 LTIPs have been calculated based on the closing share price on 25 March 2021 (financial year end) of £3.862. We therefore believe that at the base pay level our CEO pay ratio compares favourably with the wider retail sector and comparable FTSE companies.

## (l) Consideration of wider colleague pay

### Our culture and colleague engagement

Pets at Home's unique culture and high levels of colleague engagement continue to be a key differentiator in attracting talent to our Group. Our 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 Chair 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 from page 113 under the ESG Committee report.

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 continues to come to fruition with our second RSP vesting last May. The RSPs were offered to both salaried and hourly colleagues at all levels which resulted in enhancing colleague's shareholdings or creating new shareholders in over 4,700 of our colleagues. The next RSP awards will vest at the end of May 2022 which will further enhance or create new shareholdings for over 4,800 colleagues.

We also granted a further 1.2m shares to 9,200 colleagues via the RSP in June 2021 which will vest in 2023.

Our 2018 Sharesave matured on 1 December 2021, generating a potential value of £14.7m, and a potential profit of £11.8m to over 500 colleagues based on the closing share price on the maturity date of £4.6940.

The Executive Management Team and Board will continue to actively encourage engagement with our share plans and we see our share schemes as a key differentiator in both attracting talent and aiding colleague retention. We granted a further offering of the Sharesave scheme in September 2021, with a take up of 17.55%, our highest take up rate since our first issue in 2014, which we believe is as a result of the favourable business performance combined with the first and second maturity of the RSP and a successful 2018 Sharesave maturity which encouraged further colleague shareholder engagement last year.

# Directors' Remuneration Report continued

**Gender Pay Gap report**
We published our Gender Pay Gap report on 1 April of this year. Our Group mean gender pay gap has reduced from 13.3% to 12.5%. However, our median gender pay gap increased this year, this is mainly due to the investment in our data and digital proposition due to these roles prominently being held by men.

In our 2020 Gender Pay Gap report, we included an additional 'Normalised' view, to incorporate colleagues who were on furlough or shielding, as this heavily skewed our results. However, this year's figures were not heavily impacted by this, so we did not include this for our 2021 report. This does not include figures for our Joint Venture, veterinary partnerships since these are all individual businesses owned by the veterinary partner(s) or The Vet Connection as their headcount is below 250 colleagues.

Each of our colleagues are accountable for embedding diversity and inclusion into everything we do, and we have focused on encouraging colleagues to adopt an inclusive mindset. This year over 70% of our retail and store colleagues voluntarily completed our bespoke new diversity and inclusion e-learning course.

Our newly appointed diversity and inclusion lead has worked with teams throughout our support office and operation to promote and embed inclusive working practices.

We have inspired our colleagues through our diversity-themed Inspiring Fridays Talks, welcoming speakers including Clare Balding and Wilfred Emmanuel-Jones (The Black Farmer) who shared their experiences of exclusion and the impact of changing mindsets. For International Women's Day, we were delighted to welcome Louise Watkins to talk to colleagues about her fabulous zigzag career path embracing music and the humanities before taking up a tech-based role at Microsoft.

We've also heard from our own colleagues, including Board Member Zarin Patel who shared her career story and perspectives on diversity and inclusion. Colleagues throughout our business have helped us mark national inclusive events during the year including Pride month, International Men's Day, International Day of Persons with Disabilities and a range of religious festivals.

During National Inclusion Week, we encouraged colleagues to think about everyday inclusion and respecting differences through sharing 'Three Words' to describe themselves. We keep diversity and inclusion front of mind for our colleagues through our regular diversity and inclusion newsletter and colleague updates on our Better Together weekly video.

The mean Gender Pay Gap is calculated on full time pay which is therefore not influenced by part time colleagues, whereas the mean Gender Bonus Gap is actual bonus paid. If we have more females working part time, they will receive a smaller, pro-rated bonus impacting the bonus mean. As we continue to encourage flexible working across all characteristics, we may find that the bonus gap may increase. Our bonus gap results now include the first vesting of our Restricted Stock Plan (RSP) which was an award to all colleagues of nil cost options subject to tax, essentially, free shares. Our first RSP vested in July 2020, which resulted in enhancing or creating new shareholders in over 5,000 of our colleagues. However, this has impacted our bonus gender pay gap results because higher value grants are given to colleagues in the most senior roles and more of these roles are held by men.

We are pleased to see improvement of more women in Quartile 4, our highest paid quartile for 2021.

We continued to publish reports for our Retail division (Pets at Home Limited), and our Vet division (Companion Care Services Limited, which is our Vet Group Support Office).

Our actions in supporting internal development through our leadership programmes and our commitment to the 'Be Inspired' programme, 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 31 March 2022, the Company's dilution position was 1.89% for all plans and 1.25% 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.

# Statement of implementation for FY23

This section provides an overview of how the Committee is proposing to implement our Policy in FY23.

### 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 external impacts on the business. The Committee may over time approve salary increases that are ahead of the wider colleague population if this is indicated by a significant gap in market benchmark.

### Benefits

The Committee sets benefits in line with the Policy set out from page 120 of the report. There are no proposed changes in the benefits policy for FY23 other than anticipated standard inflationary increases on premiums.

### Pensions

Pension contributions for the CFO have been reduced to a level of 6.5% of salary from the start of FY23 and pension contributions for the incoming CEO are at a level of 6.5% of base salary in line with our Remuneration Policy.

### Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY23 will continue at 170% for the CEO and to 150% for the CFO. A third of bonus will be awarded in shares in line with the bonus deferral policy. The shares will not be released until a two-year holding period is complete. This will continue to remain in place in FY23. 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 119. As detailed on page 118 the target metrics include FCF, PBT, strategic ESG measures linked to Pet Care Plan subscriptions and will continue to have an ESG underpin which requires each Executive Director to complete a Better World Pledge Day.

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

### Long-Term Incentive Awards

It is proposed that awards under the RSP will be made in FY23 following the preliminary results announcement at 100% of salary for the CEO and 75% of salary for the CFO in line with the Policy and subject to the absolute TSR underpin. The three-year vesting schedule and two-year post-vest holding period will apply to these awards. Given recent share price performance, the Committee considered whether a reduction to the grant level was required. Following a detailed discussion, the Committee concluded that a reduction was not appropriate as it is firmly believed that the recent drag in the share price is a result of macro-economic factors which do not reflect the strong and robust financial performance of the business given; record trading results, raised results consensus throughout FY22, our total dividend for FY22 is 48% higher at 11.8p per share vs 8p in FY21 and, the circumstances in Ukraine and macroeconomic challenges are creating a drag on share prices which most businesses are impacted by.

### Sharesave

The Company intends to operate the Sharesave scheme again for FY23. 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 have been any changes in the market since the fees were set in 2014. The table below shows the Non-Executive Director fee structure for FY23 that will be reviewed in October:

| | FY23 |
|---|---|
| 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.

# Directors' Remuneration Report continued

## 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 FY22 amounted to £57,850 (FY21: £57,030) based on the required time commitment.

During FY22 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all-colleague share plans.

### Committee membership and meetings

The Directors listed below in the table served on the Committee during the year. The Committee met four times during FY22 and the Committee members' attendance is also shown in the table below:

| Member | Period from | To | Meetings attended |
|---|---|---|---|
| Dennis Millard | 26 March 2021 | 31 March 2022 | 3/3 |
| Sharon Flood (Chair) | 26 March 2021 | 31 March 2022 | 3/3 |
| Prof Susan Dawson | 26 March 2021 | 31 March 2022 | 3/3 |
| Zarin Patel | 14 April 2021 | 31 March 2022 | 3/3 |

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

| Attendee | Position |
|---|---|
| Louise Stonier | Chief People and Culture Officer |
| Peter Pritchard | CEO |
| Mike Iddon | CFO |
| Lucy Williams | Group Legal Director and Company Secretary |
| Stanislas Laurent | Non-Executive Director |
| Karen Whitworth | Non-Executive Director |
| Ian Burke | Chair of the Board |
| Amy Smith | Group Head of Reward |
| Jessica Norton (Willis Towers Watson) | Willis Towers Watson Director, Executive Compensation |
| Laura O'Kane (Willis Towers Watson) | Willis Towers Watson Senior Director |

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

## Governance

The Board and the Committee consider that, throughout FY22 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 8 July 2021, the total number of shares in issue with voting rights was 500,000,000. 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 31 March 2021**

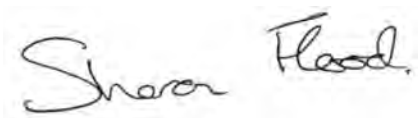
| | |
|---|---|
| Votes for[1] | 385,572,259 |
| %[2] | 96.68 |
| Votes against | 13,251,020 |
| % | 3.32 |
| Votes total | 398,823,279 |
| % of isc[3] | 79.76 |
| Votes withheld[4] | 27,377 |

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 118, our Directors' Remuneration Report will be subject to an advisory vote at our AGM to be held on 7 July 2022.

On behalf of the Board



**Sharon Flood**
**Chair of the Remuneration Committee**
25 May 2022

# Directors' Report

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

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

### Pets at Home Group Plc

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


| Statutory information | Section heading | Page number |
|---|---|---|
| **Amendment of the Articles** | Directors' Report | 146 |
| **Appointment and Removal of Directors** | Directors' Report | 143 |
| **Board of Directors** | Directors' Report | 143 |
| | Board of Directors | 88 – 89 |
| **Branches outside of the UK** | Directors' Report | 149 |
| **Change of Control** | Directors' Report | 149 |
| **Colleague Engagement** | Strategic Report – Social Value | 42 – 61 |
| | Directors' Report | 142 |
| **Colleague Diversity and Disabilities** | Directors' Report | 142 |
| **Colleague Share Ownership and Plans** | Directors' Remuneration Report | 142 |
| **Community** | Strategic Report – Social Value | 42 – 61 |
| **Compensation for loss of office** | Directors' Report | 144 |
| **Directors' Biographies** | Board of Directors | 88 – 89 |
| **Directors' information to Auditors** | Directors' Report | 150 |
| **Directors' Insurance and Indemnities** | Directors' Report | 144 |
| **Directors' Interests** | Directors' Report | 144 |
| **Directors' Responsibility Statement** | Directors' Report | 151 |
| **Executive Share Plans** | Directors' Remuneration Report | 119 – 128 |
| **Financial Instruments** | Note 23 to the consolidated financial statements | 204 |
| **Future Developments of the Business** | Strategic Report | 35 – 85 |
| **Financial position of the Group, its cash flows, liquidity position and borrowing facilities** | Chief Financial Officer's review | 62–67 |
| **Greenhouse Gas Emissions** | Strategic Report- Social Value | 42 – 61 |
| | Directors' Report | 148 |
| **Going Concern** | Directors' Report | 146 |
| **Health and Safety** | Strategic Report – Social Value | 42 – 61 |
| **Human Rights and Modern Slavery Statement** | Directors' Report | 147 |
| **Independent Auditors** | Directors' Report | 150 |
| | Audit and Risk Committee Report | 107 – 112 |
| **Internal Controls and Risk Management** | Governance Report | 86 – 106 |
| **Political Donations** | Directors' Report | 146 |
| **Profits and Dividend** | Directors' Report | 146 |
| **Post Balance Sheet Events** | Directors' Report | 146 |

| Statutory information | Section heading | Page number |
|---|---|---|
| **Powers for the Company to issue or buy back its shares** | Directors' Report | 145 |
| **Powers of the Directors** | Directors' Report | 144 |
| **Principal Activities** | Directors' Report | 141 |
| **Research and Development** | Directors' Report | 141 |
| **Restrictions on transfer of securities** | Directors' Report | 145 |
| **Stakeholder Engagement** | Strategic Report – Stakeholder engagement | 32 – 35 |
| **Share capital** | Directors' Report<br>Note 22 to the consolidated statements | 144<br>203 |
| **Significant related party transactions** | Directors' Report<br>Note 27 to the consolidated statements | 146<br>220 |
| **Significant Shareholders** | Directors' Report | 145 |
| **Subsidiary and Associated Undertakings** | Note 28 to the consolidated statements | 221 |
| **Statement of Corporate Governance** | Directors' Report | 150 |
| **The Audit and Risk Committee Report** | Governance Report | 107 – 112 |
| **The Governance Report** | Governance Report | 90 – 103 |
| **The Directors' Remuneration Report** | Governance Report | 115 – 140 |
| **The Nomination and Corporate Governance Committee Report** | Governance Report | 104 – 106 |
| **Strategic Report** | Strategic Report | 08 – 85 |
| **Treasury and Risk Management** | Strategic Report | 72 – 85 |
| **Viability Statement** | Directors' Report | 147 |
| **Voting Rights** | Directors' Report | 144 |

## 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 |
| **Significant contracts** | 149 |
| **Dividend waivers** | Note 9 to the consolidated financial statements |

## 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 (pages 68-86) out the innovation carried out by the Group in relation to product and service development.

During 2021 the UK cat population experienced a distressing spike in pancytopenia cases but following investigations by the Food Standards Agency, supported throughout by Pets at Home, disappointingly a definitive cause was not identified. As a result, we launched a £100,000 feline pancytopenia research fund to accelerate investigations into, and improve understanding of, this distressing disease. The application process is currently under way and will close at the end of May 2022.

Our understanding of the pets we sell in store is continually expanding and, to accelerate our knowledge of the welfare of these pets, we intend to fund a Senior Clinical Training Scholarship (Residency) in Small Mammal Medicine and Surgery at the University of Edinburgh School of Veterinary Studies. A clinical research project will form part of the agreement and it is expected the position will run for four years from September 2022.

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 fund a two-year epidemiological study of interventions to improve antibiotic stewardship in veterinary practice, which is now underway. In addition, the group are developing support for their own veterinary professionals to conduct research projects in practice, which will launch in the Autumn of 2022.

### Colleague engagement

We continue to recognise how we engage with our colleagues is crucial to the success of our business and our vision. Being seen to act upon their feedback is a critical driver for building trust in us and this serves to build our employer brand externally as well as internally. Engaging with our colleagues also provides us with opportunities to identify potential operational efficiency improvements, new growth opportunities as well as getting that vital 'on the ground view' coming through.

We recognise we need to have multiple channels for colleagues to engage with us and each other and not one size fits all. Highlights for this year include running our third Group wide listening survey which for the second year running had a focus on wellbeing. We continue to have 'ask' email addresses to both our Retail and Vet Group COO's where colleagues can send in any ideas or feedback they have on any area of the business. Sharon Flood is the appointed Board representative for wider colleague engagement to ensure our colleagues are heard by the Board. 'Tuned in' listening sessions were held in June, September and March and these were attended either by Ian Burke, Sharon Flood or Dennis Millard.

Our new colleague intra-net provides further opportunities to engage with colleagues across the Group through formal and informal communications. Our weekly 'Better Together' videos which are led by a Group Executive management team member allow us to share news, stories and key business successes and focuses across the whole Group. We have run 5 virtual 'Inspiring Friday' events which are open to all colleagues and are an opportunity for colleagues to hear from internal and external role models to help inspire them in their careers and daily lives.

We launched a profession wide listening survey to the Vet profession to challenge the status quo and strive for a better working environment for all colleagues and veterinary teams within our profession. A follow-on Project Action has now launched which is sharing the output and our commitments for action from the survey.

Further information on colleague engagement is included in the Social Value section of this report on pages 42 to 61 and in our separate social value report held on our website.

### Colleague share ownership and plans

This pillar of our engagement strategy continued this year with the maturity of the second RSP which is offered to all eligible salaried and hourly colleagues at all levels.

- Our second RSP vested in May 2021, which resulted in enhancing or creating new shareholders in 4,700 of our colleagues.
- The next RSP awards will vest at the end of May 2022 which will further enhance or create new shareholdings for over 4,600 colleagues.
- We also granted a further 1.2m shares to 9,200 colleagues via the RSP in June 2021.
- All eligible colleagues will receive an award again in May/June 2022.
- We had a further offering of the sharesave scheme in September 2021, with our highest take up (excluding the year of IPO) of 17.55%.

Further details of the Group's colleague share plans are contained in the Directors' Remuneration Report on page 135.

### 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. We continue to be 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 Social Value Report.

We have once again published a combined Group figure for gender pay, excluding the Joint Venture Partners. In our 2020 report we included an additional 'normalised' view, to incorporate colleagues who were on furlough or shielding, as this heavily skewed our results. However, this year's figures were not heavily impacted by this, so we only reported one set of figures.

Our Group mean pay gap reduced, however our median pay gap has increased. This is mainly due to the investment in our data and digital proposition as these roles are predominantly held by men. There were more women in 2021 in our highest paid quartile. 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 continued to deliver our diversity and inclusion strategy supported by our CEO-led Diversity and Inclusion leadership forum. The views of our colleagues have and will continue to inform our objectives and approach and our four colleague network groups have delivered twelve different 'Lunch and Learn' sessions sharing the experiences and insights of colleagues with different diverse characteristics.

Over 70% of our retail and store colleagues voluntarily completed our e-learning diversity and inclusion training which was rolled out to colleagues from June 2021. We are asking all colleagues to incorporate inclusion into their objectives for the coming year and we have launched a new diversity and inclusion policy and inclusion commitments, to help every colleague understand the contribution they can make and how we will support them.

Along with our external commitments, sharing experience and knowledge around diversity and inclusion within the retail sector and beyond is a key part of our approach and we have once again partnered with Retail Week's Be Inspired campaign and a further 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 |
|---|---|---|
| Dennis Millard | 18 February 2014 (reappointed) | n/a |
| Mike Iddon | 17 October 2016 (reappointed) | n/a |
| Sharon Flood | 25 May 2017 (reappointed) | n/a |
| Stanislas Laurent | 25 May 2017 (reappointed) | n/a |
| Peter Pritchard | 27 April 2018 (reappointed) | n/a |
| Susan Dawson | 12 July 2018 (reappointed) | n/a |
| Ian Burke | 27 March 2020 (reappointed) | n / a |
| Karen Whitworth | 9 July 2020 | 20 May 2021 |
| Zarin Patel | 14 April 2021 | n/a |

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 succeeded Karen as Chair of the Audit and Risk Committee.

On 3 November 2021, we announced that after eleven years in the business, Peter Pritchard considered it an appropriate time to step down from his role as Chief Executive Officer and director of the Company with effect from late May 2022. On 7 February 2022, we announced the appointment of Lyssa McGowan as Group Chief Executive Officer with effect from 1 June 2022. Lyssa was appointed to the Board as CEO Designate on 25 April 2022 prior to her appointment as CEO on 1 June 2022 and Peter will remain with the business until 31 May 2022 to ensure a seamless transition.

## 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 reappointment.

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

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

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

### Powers of the Directors

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

### Directors' interests

Information relating to the Directors' interests in, and options over, Ordinary Shares in the capital of the Company are shown in the Directors' Remuneration Report on page 132.

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 25 May 2022 (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 125.

### 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 31 March 2022 was 500,000,000 Ordinary Shares of 1 pence each. As at 25 May 2022, 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 in note 22 to the Group's financial statements.

There have been no movements in the Company's issued share capital in the 2022 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 shares:** The Directors were granted authority at the previous Annual General Meeting on 8 July 2021 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 7 July 2022 (or, if earlier, until the close of business on 7 October 2022). 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 8 July 2021 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 2021 Annual General Meeting, seek to renew these powers at the 2022 Annual General Meeting.

**Powers for the Company to buy back its shares:** The Company was authorised by its shareholders on 8 July 2021, at the 2021 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 2022 Annual General Meeting to be held on 7 July 2022. 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 31 March 2022, 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 31 March 2022 | Percentage of issued share capital (%) | Nature of holding (direct/indirect) |
|---|---|---|---|
| Schroders Plc | 49,931,817 | 9.99% | Indirect |
| BlackRock Inc | 37,216,703 | 7.44% | Indirect |
| JPMorgan Asset Management Holdings Inc | 25,378,629 | 5.08% | Indirect |
| Jupiter Fund Management Plc | 23,698,827 | 4.73% | Indirect |

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 1 April 2022 and 19 May 2022 (being not more than one month prior to the date of the Notice of Annual General Meeting).

### Significant related party transactions

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

### Amendment of the Articles

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

### Profits and dividend

The consolidated profit for the year after taxation and all non-underlying items was £124.5m (FY21 restated: £90.4m). The results are discussed in greater detail in the Chief Financial Officer's review on pages 62 to 67.

A final dividend of 7.5 pence per ordinary share (FY21: 5.5 pence per ordinary share) will be recommended to the Company's shareholders in respect of the 2022 financial year. The final dividend will be proposed by the Directors at the 2022 Annual General Meeting on 7 July 2022 in respect of the financial year ended 31 March 2022 to add to an interim dividend of 4.3 pence per ordinary share paid on 7 January 2022 (FY21: 2.5 pence per ordinary share).

The Directors' proposed final dividend of 7.5 pence per ordinary share takes the total dividend payable in respect of the 2022 financial year to 11.8 pence per ordinary share. The ex-dividend date will be 16 June 2022 and, subject to shareholder approval being obtained at the 2022 Annual General Meeting, the final dividend of 7.5 pence per ordinary share will be payable on 12 July 2022 to shareholders on the register at the close of business on 17 June 2022.

### Political donations

The Group made no political donations and incurred no political expenditure during the year (FY21: 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 FY22 were 53 days (FY21: 50 days).

### Post balance sheet events

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

### Going concern

The unprecedented uncertainty created by COVID-19, along with current geopolitical instability, inflationary pressures, economic uncertainty and the potential impacts of climate change as noted in our TCFD scenario analysis, make it challenging to predict how the business will be impacted in the year ahead, but on the basis of current financial projections and facilities available, the Directors are satisfied that the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

The considered business response to COVID-19, the impact of geopolitical instability on our supply chains, the impact of inflationary pressures and the considerations from our TCFD scenario analysis are discussed in detail in the Chief Executive Officer's statement on pages 62 to 67. 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, geopolitical instability, inflationary pressures and climate change on future cash flows and liquidity. The Directors have considered a combination of risks and uncertainties and the mitigating controls operated by the Group as detailed on pages 72 to 85 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 457 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK-leading small animal veterinary business, supporting 443 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 throughout our supply chain. Our Code of Ethics and Business Conduct policy reflects our commitment to acting ethically and with integrity in all our business dealings and relationships and we expect full compliance with it by colleagues, suppliers and business partners. Our policy is reviewed on an annual basis.

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

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

## Greenhouse Gas Emissions

The Group has calculated its greenhouse gas emissions since 2016. We report our seven-year performance for our scope 1 and scope 2 emissions:

**Scope 1 and 2 carbon emissions 7 year performance Tonnes CO2 e emissions**

| | | Tonnes $CO_2$e emissions | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY22 vs FY16 |
| **Emissions** | Scope 1 | 9,498 | 9,619 | 9,649 | 8,431 | 12,085 | 11,337 | 12,558 | 32% |
| | Scope 2 (location based) | 31,680 | 28,840 | 21,584 | 17,066 | 15,133 | 13,616 | 12,610 | -60% |
| | Total | 41,178 | 38,459 | 31,233 | 25,497 | 27,218 | 24,953 | 25,168 | -39% |
| | % change | | -7% | -19% | -18% | 7% | -8% | 1% | |
| **Group Revenue** | £'000,000 | 779 | 834 | 899 | 961 | 1,059 | 1,143 | 1,318 | 69% |
| | % change | | 7.1% | 7.8% | 6.9% | 10.2% | 7.9% | 15.3% | |
| | Normalisation / Intensity | 52.9 | 46.1 | 35.1 | 26.5 | 25.7 | 21.8 | 19.1 | -64% |
| | % change | | -13.0% | -25.0% | -24.0% | -3.0% | -15.0% | -12.5% | |

**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, FY21 and FY22 only. 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.

Our scope 1 emissions were 12,558 and have increased by 11% 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 57% of Scope 1 emissions and 23.3% of total emissions. Eliminating these scope 1 emissions remains the most significant challenge we face in terms of further reducing our operational impact. For that reason, we are closely monitoring the development of new technologies that will reduce the emissions associated with distributing our products.

As part of our social value strategy, 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 1.5°C above pre-industrial times by 2050. We have submitted for SBTi review and approval, a near term 2030 target to reduce our scope 1, 2 and 3 emissions by 42% vs our 2020 base on our pathway to the net zero goal. To achieve these goals, we have started to work with our suppliers to support them to set their carbon reduction goals

### Methodology

We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard as the combined Group. We have reported all of the emissions required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. We have used emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2021, and IEA 2020 for those overseas. The Group's operations are based in the UK except for a small office in Hong Kong. Therefore less than 0.1% of total scope 1 and 2 emissions and KWh are from outside the UK. The reporting period is the financial year 2021/22, the same as that covered by the Annual Report and Accounts. The boundaries of reporting are operational control. Overall emissions have been presented to both reflect location and market-based methodologies. Since 2017 the Group has purchased 100% renewable electricity backed by REGOs and assessed for conformance to the GHG Protocol Scope 2 quality criteria. An emissions factor of zero has 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 emissions.

The following table compares scope 1 and 2 and a small element of scope 3 Greenhouse gas emissions for 2021/22 and 2020/21

**Carbon emissions summary by Scope 2021/22**

| | Tonnes $CO_2$e emissions | | |
|---|---|---|---|
| | 2020/21 (scope 2 location-based) | 2021/22 (scope 2 location-based) | 2021/22 (scope 2 market-based) |
| Scope 1 | 11,337 | 12,558 | 12,558 |
| Scope 2 | 13,616 | 12,610 | 173 |
| Scope 3 | 4,697 | 5,453 | 5,453 |
| Total | 29,651 | 30,621 | 18,184 |
| | | | |
| Inclusion of 2,000 tonnes of carbon mitigation | | 28,621 | 16,184 |
| Scope 1 and Scope 2 kWh | 90,400,963 | 96,425,923 | |
| Normalisation of $CO_2$e to £m revenue | 21.8 | 19.1 | |

- **Methodology:** We have applied UK SECR and WBCSD/WRI Greenhouse Gas Protocol Corporate Standard as our methodology. We have used emissions factors from UK Government 2021 conversion factors, IEA 2019 for international sites and AIB residual mix from 2020.
- **Methodology:** An operational control approach has been used for the organisational boundary. This is the same as last year 2020/21.
- **Additional inclusions:** We have included the emissions from our stand-alone vet practices and referral centres.
- **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 2021/22 scope 1,2 and some scope 3 emissions (3rd party diesel, electricity t&d losses and 3rd party business travel). Please refer to page 69 of the social value report for their assurance statement.
- **Normalisation:** We have chosen to report gross Scope 1, 2 and 3 emissions tonnes of CO2e 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 £50,000 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 2,000 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 8,533 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.

### Actions to reduce our operational energy impact

We will continue to identify opportunities to reduce GHG usage and to increase energy efficiencies. In financial year 2021–22, projects we have implemented include:

- testing energy reducing initiatives in our new Brighton pet care centre to assess viability for including them in future new pet care centres;
- installing LEDs into 100% of pets at home stores and office;
- Group scope 1 & 2 carbon emissions intensity measured against revenue improved by 12.5% to 19.1 compared to 21.8 last year;
- Group absolute scope 1 and 2 location-based carbon emissions grew by 1% compared to last year during which period sales revenue grew by 15.3%; and
- Group absolute scope 1 and 2 location-based carbon emissions reduced by 39% against our 2015/16 base, a period in which sales revenue grew by 69%.

### 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 29 March 2022, the Group entered into a senior facilities agreement with a total facility amount of £300m. This senior facilities agreement expires on 29 March 2027 (unless extended in accordance with its terms), and contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

# **Directors' Report** continued

- The Company's subsidiary, Companion Care (Services) Ltd (CCSL), has an existing facility agreement dated November 2020 with Santander for a £20m reducing basis (non-revolving) loan facility with a three-year availability period. In addition to the Santander facility agreement, CCSL also has an agreement with Lloyds dated May 2021 and, along with Vet4Pets Limited (V4P), a further facility with HSBC dated April 2021. Both HSBC and Lloyds facilities are capable of being reborrowed and contain clauses that vary the maximum facility limits over their availability periods. As at 31 March 2022, the maximum facility limit on the Lloyds and HSBC facility agreements were £20m and £15m respectively. Both of these facility agreements have a two-year availability period with a possible one-year extension, being at the discretion of the lender. The option to extend has been submitted for both of the Lloyds and HSBC facilities. Taken together these facilities will provide funding for the Group's Joint Venture First Opinion practices over the next two 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 guarantee.

### 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 88 to 89) confirms that, so far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

### Independent auditors

During the 2016 financial year, a competitive tender process of audit services was completed in accordance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order). KPMG LLP was reappointed as auditor of the Company at the 2021 Annual General Meeting.

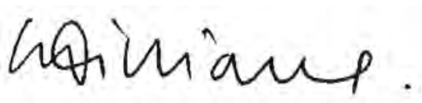
The Company's auditor, KPMG LLP, has indicated their willingness to continue their role as the Company's auditor. Resolutions concerning the reappointment of KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration will be proposed at the 2022 Annual General Meeting as set out in the Notice of Annual General Meeting. For further information on the reappointment of the auditors, refer to page 112 of the Audit and Risk Committee Report.

### Corporate Governance Statement

The Corporate Governance Report on pages 90 to 103 is hereby incorporated by reference into this Directors' Report and includes details of compliance with the Code. A description of the main features of our internal control and risk management arrangements in relation to the financial reporting process is set out on page 108 to 111. The information required under DTR 7.2.6R can be found in the Governance section of this Annual Report. A description of the Board composition, operation and its Committees, including diversity matters is set out on pages 88 to 103. The Code can be viewed on the FRC's website at frc.org.uk

### Approval of Annual Report

The Strategic Report, Corporate Governance Statement and the Governance Report were approved by the Board on 19 May 2022. This Directors' Report was approved by the Board on 19 May 2022 and signed on its behalf by:



**Lucy Williams**
**Group Legal Director and Company Secretary**

25 May 2022

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss in the period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

Approved by the Board and signed on its behalf by:

**Peter Pritchard**
**Group Chief Executive Officer**
25 May 2022

# Financial Statements


| | |
|---|---|
| Independent Auditor’s report | 153 |
| Consolidated income statement | 160 |
| Consolidated statement of comprehensive income | 160 |
| Consolidated balance sheet | 161 |
| Consolidated statement of changes in equity as at 31 March 2022 | 162 |
| Consolidated statement of changes in equity as at 25 March 2021 | 162 |
| Consolidated statement of cash flows | 163 |
| Company balance sheet | 164 |
| Company statement of changes in equity as at 31 March 2022 | 165 |
| Company statement of changes in equity as at 25 March 2021 | 165 |
| Company statement of cash flows | 166 |
| Notes (forming part of the financial statements) | 167 |
| Glossary – Alternative Performance Measures | 232 |
| Advisors and contacts | 239 |


# 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 53 weeks ended 31 March 2022 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, Company balance sheet, the Company statement of changes in equity, the Company statement of cash flows, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's profit for the 53 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK- adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK- adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

We were first appointed as auditor by the shareholders on 10 February 2014. The period of total uninterrupted engagement is for the 9 financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

| Overview | | |
|---|---|---|
| **Materiality:** Group financial statements as a whole | £6.5m (2021:£3.75m)<br>5% (2021: 4.3% of Underlying profit before tax | |
| **Coverage** | 98% (2021: 93% of underlying Group profit before tax | |
| **Key audit matters** | | vs 2021 |
| **Recurring risks** | Carrying value of Vets Group CGU Goodwill | ◀▶ |
| **Event driven** | **New:** Accounting treatment of costs related to cloud-based software arrangements | – |
| **Parent Company key audit matter** | Carrying value of parent Company's investment in subsidiaries | ◀▶ |

# Independent Auditor's Report to the Members of Pets at Home Group Plc only continued

### 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.

We continue to perform procedures over operating loans to joint venture practices. However, there is no longer a risk that the potential range of reasonable outcomes for the calculation of the expected credit loss is greater than materiality and 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 as a key audit matter in our report this year.

| | The risk | Our response |
|---|---|---|
| **Carrying value of Vet Group CGU Goodwill**<br><br>(£362m; 2021: £361m)<br><br>*Refer to page 112 (Audit and Risk Committee Report), page 178 (accounting policy) and page 192 (financial disclosures).* | **Forecast based assessment:** 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 cash flows, which form the basis of the value in use calculation.<br><br>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.<br><br>The financial statements (note 13) disclose the sensitivities estimated by the Group. | We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.<br><br>**Our procedures included:**<br>■ **Re-performance:** we re-performed the calculations performed for determining the value in use and compared data used in the model against source information, where applicable.<br>■ **Historical comparison:** we assessed the reasonableness of the Vet Group's budgets by considering the historical accuracy of previous forecasts.<br>■ **Benchmarking assumptions:** we used our own internal discount rate tools to assess the reasonableness of Vet Group's discount rate by comparing the Group's assumptions to externally derived data.<br>■ **Our sector experience:** we assessed 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 and for consistency with industry and analyst reports.<br>■ **Sensitivity analysis:** we performed sensitivity analysis on the key assumptions and checked whether the directors have identified plausible worst case scenarios in their own sensitivity analysis.<br>■ **Assessing transparency:** we assessed whether the disclosures about the impairment testing appropriately reflect the risks inherent in the assessment of the recoverability of Vet Group goodwill.<br><br>**Our results**<br>■ We found the Group's conclusion that there is no impairment of the Vet Group CGU goodwill to be acceptable (2021: acceptable). |

| | The risk | Our response |
|---|---|---|
| **Accounting treatment of costs related to cloud-based software arrangements**<br><br>Costs related to cloud-based software £24.0m (2021 restated: £15.4m)<br><br>*Refer to page 110 (Audit and Risk Committee Report), page 172 (accounting policy) and pages 192 (financial disclosures).* | **Accounting treatment:**<br>Previously, the Group capitalised certain internal and external costs in respect of cloud-based software arrangements. In April 2021 the IFRS Interpretations Committee ('IFRIC') published an agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements, including Software-as-a-Service (SaaS). Following the interpretation being published, the Group has now reviewed and revised its accounting policy in relation to IAS38 Intangible Assets, which includes accounting for such SaaS arrangements.<br><br>The risk is that the accounting policy change is not appropriately applied to nor appropriately disclosed in relation both the current and prior financial years. | 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.<br><br>**Our procedures included:**<br>■ **Assessing accounting policy:** we assessed the accounting clarification of the IFRIC April 2021 agenda decision against the proposed change in the Group's accounting policy.<br>■ **Test of detail:** we agreed a sample of costs related to cloud-based software arrangements to supporting documentation and other relevant project information to understand the nature of the items and considered this against the accounting standards and related interpretations.<br>■ **Personnel enquiries:** we made enquiries with selected employees who were assigned to projects to corroborate the nature of the work performed and considered this against the accounting standards and related interpretations.<br>■ **Assessing transparency:** we assessed the adequacy of the Group's related disclosures in respect of the change in accounting policy and the judgements taken by the directors.<br><br>**Our results:**<br>■ We found the accounting treatment of costs related to cloud-based software arrangements to be acceptable. |
| **Carrying value of the parent Company's investments in subsidiaries**<br><br>£936.2m (2021: £936.2m)<br><br>*Refer to page 110 (Audit and Risk Committee Report), page 170 (accounting policy) and page 221 (financial disclosures).* | **Low risk, high value**<br>The carrying amount of the parent Company's investments in subsidiaries represents 60.8% (2021: 61.3%) 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.<br><br>**Our procedures included:**<br>■ **Tests of detail:** we compared the value of investments to the market capitalisation as at the period end date and post period end.<br>■ **Tests of detail:** we obtained the directors' view on impairment of investments and checked whether this is consistent with our audit testing.<br>■ **Comparing valuations:** for the investments where the carrying amount exceeded the net asset value, we compared the carrying amount to the VIU calculation prepared by the directors in relation to the goodwill impairment; and assessed the accuracy of the key inputs into the VIU calculations.<br>■ **Sensitivity analysis:** we performed sensitivity analysis on the key assumptions and checked whether the directors have identified reasonably possible downside scenarios in their own sensitivity analysis.<br><br>**Our results:**<br>■ We found the Company's conclusion that there is no impairment of its investments in subsidiaries to be acceptable (2021 result: acceptable). |

# Independent Auditor's Report to the Members of Pets at Home Group Plc only continued

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

Materiality for the Group financial statements as a whole was set at £6.5m (2021: £3.75m), determined with reference to a benchmark of Group profit before tax normalised to exclude this year's non-underlying items as disclosed in note 3, of £130.1m (2021: £87.5m prior to restatement) of which it represents 5% (2021: 4.3%). We consider normalised Group profit before tax to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £2.9m (2021: £1.8m), determined with reference to a benchmark of parent Company total assets, of which it represents 0.19% (2021: 0.12%).

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% (2021:75%) of materiality for the financial statements as a whole, which equates to £4.8m (2021: £2.8m) for the Group and £1.7m (2021: £1.4m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.325m (2021: £0.18m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

Of the Group's 8 (2021: 8) reporting components, we subjected 3 (2021: 4) to full scope audits for Group purposes. For the residual 5 (2021:4) 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 underlying Group profit before tax.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The work on 1 of the 8 components (2021: 1 of the 8 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team.

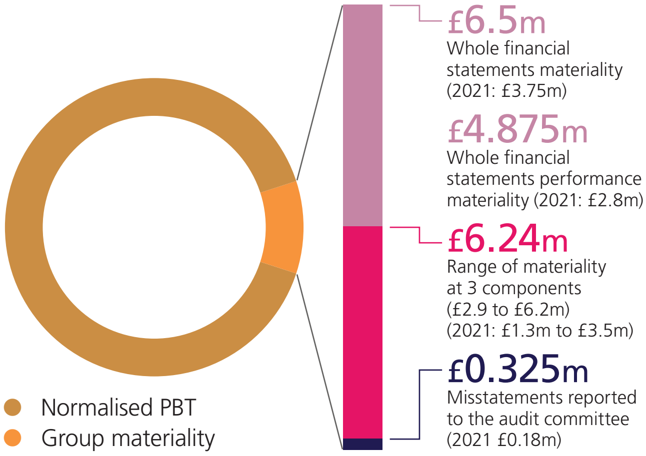
The Group team approved the component materialities, which ranged from £2.9m to £6.24m (2021: £1.3m to £3.5m), having regard to the mix of size and risk profile of the Group across the components.

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.

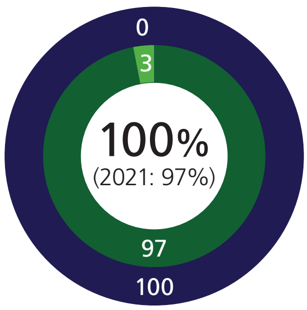
The components within the scope of our work accounted for the percentages illustrated below.

**Normalised Group profit before tax**
£130.1m (2021: £87.5m)

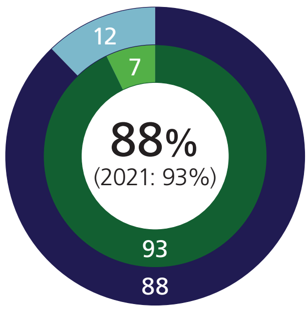
**Group materiality**
£6.5m (2021: £3.75m)



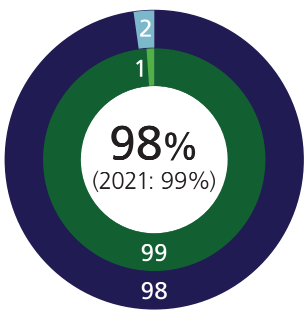

**Group revenue**



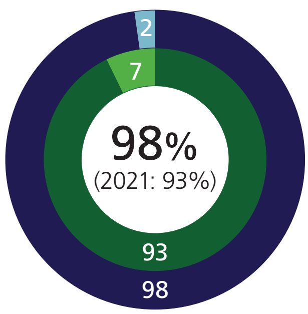

**Group profit before tax**




**Group total assets**




**Normalised group profit before tax**




- Full scope for Group audit purposes 2022
- Residual components 2022
- Full scope for Group audit purposes 2021
- Residual components 2021

## 4. The impact of climate change on our audit

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

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

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

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

## 5. Going concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and parent 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 parent Company's available financial resources and/or metrics relevant to debt covenants over this period were:

- the impact of inflation on the Group's cost base; and
- failure to meet sales growth targets.

We considered whether these risks could plausibly affect liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or parent Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1.3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and parent 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 151 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 parent Company will continue in operation.

## 6. Fraud and breaches of laws and regulations – ability to detect

**Identifying and responding to risks of material misstatement due to fraud**

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading 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, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the simplistic nature of revenue transactions, and the absence of judgement in revenue recognition.

We did not identify any additional fraud risks.

**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 understanding of the control environment including the entity's procedures for complying with regulatory requirements.

# Independent Auditor's Report to the Members of Pets at Home Group Plc only continued

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 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.

## 7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**Strategic report and directors' report**

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial 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 on page 101 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 and uncertainties 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 147 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 parent Company's longer-term viability.

**Corporate governance disclosures**

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

– the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
– the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
– the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

– adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9. Respective responsibilities

**Directors' responsibilities**

As explained more fully in their statement set out on page 151, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

## 10. The purpose of our audit work and to whom we owe our responsibilities

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

**Stuart Burdass (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
1 St Peter's Square
Manchester M2 3AE

25 May 2022

# Consolidated Income Statement

as at 31 March 2022

| | | 53 week period ended 31 March 2022 | | | 52 week period ended 25 March 2021 (restated)[1] | | |
|---|---|---|---|---|---|---|---|
| | Note | Underlying trading £m | Non-underlying items (note 3) £m | Total £m | Underlying trading £m | Non-underlying items (note 3) £m | Total £m |
| **Revenue** | 2 | **1,317.8** | **–** | **1,317.8** | 1,142.8 | – | 1,142.8 |
| Cost of sales | | **(670.6)** | **0.1** | **(670.5)** | (583.2) | 0.6 | (582.6) |
| Impairment gains/(losses) on receivables | 3 | **0.7** | **–** | **0.7** | (0.8) | – | (0.8) |
| **Gross profit** | | **647.9** | **0.1** | **648.0** | 558.8 | 0.6 | 559.4 |
| Selling and distribution expenses | | **(382.2)** | **–** | **(382.2)** | (321.0) | – | (321.0) |
| Administrative expenses | 3 | **(121.2)** | **–** | **(121.2)** | (142.0) | (1.9) | (143.9) |
| Profit on disposal of subsidiary | 3 | **–** | **19.2** | **19.2** | – | 30.2 | 30.2 |
| **Operating profit** | 2,3 | **144.5** | **19.3** | **163.8** | 95.8 | 28.9 | 124.7 |
| Financial income | 6 | **0.2** | **–** | **0.2** | 0.3 | – | 0.3 |
| Financial expense | 7 | **(14.6)** | **(0.7)** | **(15.3)** | (18.7) | – | (18.7) |
| **Net financing expense** | | **(14.4)** | **(0.7)** | **(15.1)** | (18.4) | – | (18.4) |
| **Profit before tax** | | **130.1** | **18.6** | **148.7** | 77.4 | 28.9 | 106.3 |
| Taxation | 8 | **(24.3)** | **0.1** | **(24.2)** | (15.8) | (0.1) | (15.9) |
| **Profit for the period** | | **105.8** | **18.7** | **124.5** | 61.6 | 28.8 | 90.4 |

1 See note 1.1 for an explanation of the prior year restatement.

### Basic and diluted earnings per share attributable to equity shareholders of the Company:

| | Note | 53 week period ended 31 March 2022 | 52 week period ended 25 March 2021 (restated)[1] |
|---|---|---|---|
| Equity holders of the parent – basic | 5 | **24.9p** | 18.1p |
| Equity holders of the parent– diluted | 5 | **24.5p** | 17.7p |

1 See note 1.1 for an explanation of the prior year restatement.

Dividends paid and proposed are disclosed in note 9.

The notes on pages 167 to 231 form an integral part of these financial statements.

# Consolidated Statement of Comprehensive Income

as at 31 March 2022

| | Note | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 (restated)[1] £m |
|---|---|---|---|
| **Profit for the period** | | **124.5** | 90.4 |
| **Other comprehensive income** | | | |
| *Items that are or may be recycled subsequently into profit or loss:* | | | |
| Foreign exchange translation differences | 22 | **(0.0)** | 0.1 |
| Effective portion of changes in fair value of cash flow hedges | 22 | **7.9** | 5.0 |
| **Other comprehensive income for the period, before income tax** | | **7.9** | 5.1 |
| Income tax on other comprehensive income | 15,22 | **(1.2)** | (0.3) |
| **Other comprehensive income for the period, net of income tax** | | **6.7** | 4.8 |
| **Total comprehensive income for the period** | | **131.2** | 95.2 |

1 See note 1.1 for an explanation of the prior year restatement.

The notes on pages 167 to 231 form an integral part of these financial statements.

# Consolidated Balance Sheet

as at 31 March 2022

| | Note | **At 31 March 2022 £m** | At 25 March 2021 (restated)[1] £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | **108.9** | 99.6 |
| Right-of-use assets | 12 | **340.1** | 368.7 |
| Intangible assets | 13 | **987.1** | 979.5 |
| Other non-current assets | 16 | **14.1** | 16.7 |
| | | **1,450.2** | 1,464.5 |
| **Current assets** | | | |
| Inventories | 14 | **84.5** | 83.7 |
| Deferred tax asset | 15 | **1.1** | 3.8 |
| Other financial assets | 16 | **3.0** | 1.5 |
| Trade and other receivables | 17 | **53.7** | 49.3 |
| Corporation tax receivable | | **9.1** | 1.1 |
| Cash and cash equivalents | 18 | **166.0** | 101.4 |
| | | **317.4** | 240.8 |
| **Total assets** | | **1,767.6** | 1,705.3 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(224.8)** | (211.1) |
| Lease liabilities | 12 | **(78.3)** | (78.4) |
| Provisions | 21 | **(6.5)** | (4.3) |
| Other financial liabilities | 16 | **(0.0)** | (1.3) |
| | | **(309.6)** | (295.1) |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 19 | **(96.9)** | (98.7) |
| Lease liabilities | 12 | **(304.7)** | (331.3) |
| Provisions | 21 | **(6.7)** | (2.1) |
| Other financial liabilities | 16 | **–** | (1.6) |
| | | **(408.3)** | (433.7) |
| **Total liabilities** | | **(717.9)** | (728.8) |
| **Net assets** | | **1,049.7** | 976.5 |
| **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)** | (0.0) |
| Cash flow hedging reserve | | **3.4** | (1.5) |
| Retained earnings | | **1,300.0** | 1,231.7 |
| **Total equity** | | **1,049.7** | 976.5 |

1 See note 1.1 for an explanation of the prior year restatement.

On behalf of the Board:

**Mike Iddon**
**Group Chief Financial Officer**

25 May 2022

Company number: 08885072

The notes on pages 167 to 231 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

as at 31 March 2022

| | Share capital £m | Consolidation reserve £m | Merger reserve £m | Cash flow hedging reserve £m | Translation reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|
| **Restated balance at 25 March 2021**[1] | 5.0 | (372.0) | 113.3 | (1.5) | (0.0) | 1,231.7 | 976.5 |
| **Total comprehensive income for the period** | | | | | | | |
| Profit for the period | – | – | – | – | – | 124.5 | 124.5 |
| Other comprehensive income (note 22) | | | | 6.7 | (0.0) | – | 6.7 |
| **Total comprehensive income for the period** | – | – | – | 6.7 | (0.0) | 124.5 | 131.2 |
| Hedging gains and losses reclassified to inventory | – | – | – | (1.8) | – | – | (1.8) |
| **Total hedging gains and losses reclassified to inventory** | – | – | – | (1.8) | – | – | (1.8) |
| **Transactions with owners, recorded directly in equity** | | | | | | | |
| Equity dividends paid | – | – | – | – | – | (48.5) | (48.5) |
| Share based payment charge | – | – | – | – | – | 4.9 | 4.9 |
| Deferred tax movement on IFRS2 reserve | – | – | – | – | – | (0.3) | (0.3) |
| Purchase of own shares | – | – | – | – | – | (12.3) | (12.3) |
| **Total contributions by and distributions to owners** | – | – | – | – | – | (56.2) | (56.2) |
| **Balance at 31 March 2022** | **5.0** | **(372.0)** | **113.3** | **3.4** | **(0.0)** | **1,300.0** | **1,049.7** |

1 See note 1.1 for an explanation of the prior year restatement.

# Consolidated Statement of Changes in Equity

as at 25 March 2021 (restated)[1]

| | 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 (as previously reported)** | 5.0 | (372.0) | 113.3 | (2.8) | (0.1) | 1,187.6 | 931.0 |
| Impact of change in accounting policy | – | – | – | – | – | (8.6) | (8.6) |
| **Restated balance at 26 March 2020**[1] | 5.0 | (372.0) | 113.3 | (2.8) | (0.1) | 1,179.0 | 922.4 |
| **Total comprehensive income for the period** | | | | | | | |
| Profit for the period (restated) | – | – | – | – | – | 90.4 | 90.4 |
| Other comprehensive income (note 22) | – | – | – | 4.7 | 0.1 | – | 4.8 |
| **Total comprehensive income for the period** | – | – | – | 4.7 | 0.1 | 90.4 | 95.2 |
| Hedging gains and losses reclassified to inventory | – | – | – | (3.4) | – | – | (3.4) |
| **Total hedging gains and 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 IFRS2 reserve | – | – | – | – | – | 3.4 | 3.4 |
| Purchase of own shares | – | – | – | – | – | (8.7) | (8.7) |
| **Total contributions by and distributions to owners** | – | – | – | – | – | (37.7) | (37.7) |
| **Restated balance at 25 March 2021**[1] | 5.0 | (372.0) | 113.3 | (1.5) | (0.0) | 1,231.7 | 976.5 |

1 See note 1.1 for an explanation of the prior year restatement.

# Consolidated Statement of Cash Flows

as at 31 March 2022

| | **53 week period ended 31 March 2022 £m** | 52 week period ended 25 March 2021 (restated)[1] £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **124.5** | 90.4 |
| *Adjustments for:* | | |
| Depreciation and amortisation | **103.9** | 105.4 |
| Profit on disposal of subsidiaries | **(19.2)** | (30.2) |
| Financial income | **(0.2)** | (0.3) |
| Financial expense | **14.6** | 18.7 |
| Share-based payment charges | **4.9** | 4.7 |
| Taxation | **24.2** | 15.9 |
| | **252.7** | 204.6 |
| Decrease in trade and other receivables | **0.6** | 3.1 |
| (Increase) in inventories | **(0.8)** | (22.1) |
| Increase in trade and other payables | **19.8** | 12.0 |
| Increase in provisions | **6.8** | 1.3 |
| | **26.4** | (5.7) |
| Tax paid | **(31.0)** | (17.5) |
| Net cash flow from operating activities | **248.1** | 181.4 |
| **Cash flows from investing activities** | | |
| Proceeds from the sale of property, plant and equipment | **0.3** | 0.3 |
| Interest received | **0.3** | 0.4 |
| Costs to acquire right-of-use assets | **(0.3)** | (0.4) |
| Acquisition of subsidiaries, net of cash acquired | **(1.7)** | (16.9) |
| Disposal of subsidiaries, net of cash disposed | **0.6** | – |
| Disposal of subsidiaries, net of cash disposed (non-underlying) | **19.2** | 79.4 |
| Acquisition of property, plant and equipment and other intangible assets | **(55.5)** | (21.2) |
| Net cash used in investing activities | **(37.1)** | 41.6 |
| **Cash flows from financing activities** | | |
| Equity dividends paid | **(48.5)** | (37.1) |
| Proceeds from new loan | **100.0** | 60.0 |
| Repayment of borrowings | **(100.0)** | (125.0) |
| Debt issue costs | **(3.3)** | (0.2) |
| Cash payments for the principal portion of the right-of-use lease liability | **(67.3)** | (66.6) |
| Settlement of 'put and call' liabilities (minimum amount) | **–** | (5.5) |
| Purchase of own shares | **(12.3)** | (8.7) |
| Interest paid | **(3.5)** | (4.8) |
| Interest paid on lease obligations | **(11.5)** | (12.8) |
| Net cash used in financing activities | **(146.4)** | (200.7) |
| Net increase in cash and cash equivalents | **64.6** | 22.3 |
| Cash and cash equivalents at beginning of period | **101.4** | 79.1 |
| **Cash and cash equivalents at end of period** | **166.0** | 101.4 |

1 See note 1.1 for an explanation of the prior year restatement.

The notes on pages 167 to 231 form an integral part of these financial statements.

# Company Balance Sheet

as at 31 March 2022

| | Note | At 31 March 2022 £m | At 25 March 2021 (restated)[1] £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 28 | **936.2** | 936.2 |
| Trade and other receivables | 17 | **600.2** | 587.9 |
| | | **1,536.4** | 1,524.1 |
| **Current assets** | | | |
| Other financial assets | 16 | **1.6** | 0.2 |
| Cash and cash equivalents | 18 | **–** | – |
| Deferred tax asset | 15 | **2.8** | 3.7 |
| | | **4.4** | 3.9 |
| **Total assets** | | **1,540.8** | 1,528.0 |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(552.9)** | (509.7) |
| Other financial liabilities | 16 | **–** | (0.1) |
| | | **(552.9)** | (509.8) |
| **Non-current liabilities** | | | |
| Other interest-bearing loans and borrowings | 19 | **(96.9)** | (98.7) |
| Other financial liabilities | 16 | **–** | (1.6) |
| | | **(96.9)** | (100.3) |
| **Total liabilities** | | **(649.8)** | (610.1) |
| **Net assets** | | **891.0** | 917.9 |
| **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 | | **1.3** | (1.2) |
| Retained earnings | | **771.4** | 800.8 |
| **Total equity** | | **891.0** | 917.9 |

1 The prior year company balance sheet has been restated. See note 1.1 for an explanation of the prior year restatement.

On behalf of the Board:

**Mike Iddon**
**Group Chief Financial Officer**
25 May 2022

Company number: 08885072

The notes on pages 167 to 231 form an integral part of these financial statements.

# Company Statement of Changes in Equity
as at 31 March 2022

| | Share capital £m | Merger reserve £m | Cash flow hedging reserve £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|
| **Balance at 25 March 2021** | 5.0 | 113.3 | (1.2) | 800.8 | 917.9 |
| **Total comprehensive income for the period** | | | | | |
| Profit for the period | – | – | – | 23.8 | 23.8 |
| Other comprehensive income | – | – | 2.5 | – | 2.5 |
| **Total comprehensive income for the period** | – | – | 2.5 | 23.8 | 26.3 |
| **Transactions with recorded directly in equity** | | | | | |
| Equity dividends paid | – | – | – | (48.5) | (48.5) |
| Share-based payment charge | – | – | – | 7.9 | 7.9 |
| Deferred tax movement on IFRS2 reserve | – | – | – | (0.3) | (0.3) |
| Purchase of own shares | – | – | – | (12.3) | (12.3) |
| **Total contributions by and distributions to owners** | – | – | – | (53.2) | (53.2) |
| **Balance at 31 March 2022** | **5.0** | **113.3** | **1.3** | **771.4** | **891.0** |

# Company Statement of 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 recorded directly in equity** | | | | | |
| Equity dividends paid | – | – | – | (37.1) | (37.1) |
| Share based payment charge | – | – | – | 4.7 | 4.7 |
| Deferred tax movement on IFRS2 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 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 profit for the 53 week period ended 31 March 2022 was £23.8m (loss for the 52 week period ended 25 March 2021 was £7.5m).

# Company Statement of Cash Flows

as at 31 March 2022

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 (restated)[1] £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) for the period | **23.8** | (7.5) |
| Financial expense | **3.2** | 5.9 |
| Share based payment charges | **7.9** | 4.7 |
| Tax | **(2.9)** | (3.1) |
| | **32.0** | 0.0 |
| Increase in trade and other payables | **44.6** | 121.5 |
| Tax paid | **3.5** | 3.5 |
| Net cash flow from operating activities | **80.1** | 125.0 |
| **Cash flows from investing activities** | | |
| Increase in amounts owed by group undertakings | **(12.8)** | (8.7) |
| Net cash flow used in investing activities | **(12.8)** | (8.7) |
| **Cash flows from financing activities** | | |
| Equity dividends paid | **(48.5)** | (37.1) |
| Proceeds from new loan | **100.0** | 60.0 |
| Repayment of borrowings | **(100.0)** | (125.0) |
| Debt issue costs | **(3.3)** | (0.2) |
| Interest paid | **(3.2)** | (5.3) |
| Purchase of own shares | **(12.3)** | (8.7) |
| Net cash used in financing activities | **(67.3)** | (116.3) |
| Net (decrease)/increase in cash and cash equivalents | **–** | – |
| Cash and cash equivalents at beginning of period | **–** | – |
| **Cash and cash equivalents at end of period** | **–** | – |

1 See note 1.1 for an explanation of the prior year restatement.

# 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 UK adopted international accounting standards and applicable law. The Company's financial statements have been prepared in accordance with UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006 and applicable law. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value, and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under UK adopted international accounting standards. The following new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) has had a material impact on the Group's financial statements during the 53 week period ended 31 March 2022 and the 52 week period ended 25 March 2021.

# Notes (forming part of the Financial Statements) continued

## 1 Significant accounting policies continued

### 1.1 Basis of preparation continued

***IFRIC: Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS38 Intangible Assets)***
In April 2021, the IFRS Interpretations Committee published an agenda decision in relation to configuration and customisation expenditure relating to cloud computing arrangements, including Software as a Service (SaaS). The Committee has clarified the position that configuration and customisation expenditure that is distinct from access to the cloud software can only be capitalised to the extent it gives rise to an asset for a SaaS customer, i.e., they have the power to obtain the future economic benefits and can restrict others' access to those benefits, otherwise such expenditure should be expensed. Following the interpretation being published, the Group has reviewed and revised its accounting policy in relation to IAS38 Intangible Assets, which includes accounting for computer software. This has resulted in reclassifying £15.4m of expenditure that was previously capitalised as an intangible asset and expensing this to the income statement as administrative expenses. Consequently, £5.3m of amortisation charged in the period ended 25 March 2021 relating to expenditure previously capitalised has been reversed. The impact on profit before tax for the 52-week period ended 25 March 2021 is a reduction in PBT of £10.1m. The impact on the 53 week period ended 31 March 2022 profit before tax as a result of the change in accounting policy is a reduction in profit before tax of £14.6m. Comparatives have been restated as relevant, with the detailed impact of the restatement set out below

| | 2021 (previously reported) £m | Restatement £m | 2021 Restated £m |
|---|---|---|---|
| **Consolidated income statement impact** | | | |
| Administrative expenses | (133.8) | (10.1) | (143.9) |
| Profit before tax | 116.4 | (10.1) | 106.3 |
| Tax charge | (17.4) | 1.5 | (15.9) |
| Profit for the period | 99.0 | (8.6) | 90.4 |
| Basic earnings per share | 19.8p | (1.7p) | 18.1p |
| Diluted earnings per share | 19.4p | (1.7p) | 17.7p |
| **Consolidated statement of financial position impact** | | | |
| Intangible assets | 1,000.2 | (20.7) | 979.5 |
| Deferred tax asset | 2.9 | 0.9 | 3.8 |
| Corporation tax receivable | – | 1.1 | 1.1 |
| Total assets | 1,724.0 | (18.7) | 1,705.3 |
| Corporation tax payable | (1.5) | 1.5 | – |
| Total liabilities | (730.3) | 1.5 | (728.8) |
| Net assets | 993.7 | (17.2) | 976.5 |
| Retained earnings | 1,248.9 | (17.2) | 1,231.7 |
| Total equity | 993.7 | (17.2) | 976.5 |
| **Consolidated statement of cash flows** | | | |
| Profit for the period | 99.0 | (8.6) | 90.4 |
| Depreciation and amortisation | 110.8 | (5.4) | 105.4 |
| Taxation | 17.4 | (1.5) | 15.9 |
| Increase in trade and other payables | 10.2 | 1.8 | 12.0 |
| Net cash flow from operating activities | 195.1 | (13.7) | 181.4 |
| Acquisition of property plant and equipment and other intangible assets | (34.9) | 13.7 | (21.2) |
| Net cash used in investing activities | 27.9 | 13.7 | 41.6 |

| | 2020 (previously reported) £m | Restatement £m | 2020 Restated £m |
|---|---|---|---|
| **Consolidated statement of financial position impact** | | | |
| Intangible assets | 1,006.4 | (10.6) | 995.8 |
| Deferred tax asset | – | 1.6 | 1.6 |
| Total assets | 1,768.9 | (9.0) | 1,759.9 |
| Deferred tax liabilities | (0.4) | 0.4 | – |
| Total liabilities | (837.9) | 0.4 | (837.5) |
| Net assets | 931.0 | (8.6) | 922.4 |
| Retained earnings | 1,187.6 | (8.6) | 1,179.0 |
| Total equity | 931.0 | (8.6) | 922.4 |

The Directors have restated the presentation of trade and other receivables on the Company balance sheet. These all relate to amounts owed by Group undertakings which are repayable on demand, and bear no interest, but there is no valid expectation that they will be settled within the next 12 months. As a result, the comparative amount of £587.9m of amounts owed by Group undertakings as at 25 March 2021 has been reclassified from current to non-current assets as the Company did not intend for this amount to be settled within 12 months of that reporting date. There is no impact on profit, tax or net assets and the cash flow statement has been restated to reclassify the movement in these balances from operating to investing.

The Group has adopted the following IFRSs in these financial statements:

– Amendments to IFRS9: Interest Rate Benchmark Reform Phase 2 has been adopted from 26 March 2021. The Phase 2 has been applied retrospectively, however, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Company has no transactions for which the benchmark rate had been replaced with an alternative benchmark as at 25 March 2021, there is no impact on the opening equity balances as a result of retrospective application. The details of the accounting policies are disclosed in note 1.7 and 1.21. See also note 23 for related disclosures about risks and hedge accounting.
– Amendments to IFRS16: Leases COVID-19 Related Rent Concessions has been adopted. The amendment introduces an optional practical expedient for leases in which the Group is a lessee. For leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group has applied the amendment retrospectively. The details of the accounting policies are disclosed in note 1.12 and see also note 26 for related disclosures. The further amendment, which extended the concession period, has been early adopted.

**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. 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 geopolitical tensions and the actual and potential impact on supply chains, energy cost inflation, as well as the ongoing impacts of the pandemic globally on the Group's financial position, liquidity and future performance. The Group has also considered the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis conducted in undertaking this assessment.

The Group has entered into a new revolving credit facility of £300m in the financial period, which expires in March 2027. The Group has £100.0m drawn down at 31 March 2022 and cash balances of £166.0m. The lowest level of headroom forecast over the next 12 months from the date of signing of the financial statements is in excess of £356.7m in the base case scenario which occurs in July 2022. On a sensitised basis, the lowest level of headroom forecast over the next 12 months from the date of approving of the financial statements is £351.4m due to the removal of the dividend payment in an extreme scenario. The Group has been in compliance with all covenants applicable to this facility within the financial year and is forecast to continue to be in compliance for 12 months from the date of signing of the financial statements. 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 prior year revenue 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 per annum, with dividends held at 11.8p per share per annum
– Scenario 3: Group like-for-like sales declines to 0% over the next year and a conflated risk impact of £92.5m on sales and £46.25m on PBT per annum 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 £322.2m. Further mitigating actions could also be taken in such scenarios should it be required, including reducing capital expenditure.

# Notes (forming part of the Financial Statements) continued

**1 Significant accounting policies** continued

**1.3 Going concern** continued

The Directors of Pets at Home Group Plc, having made appropriate enquiries including the principal risks and uncertainties on page 111, 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 31 March 2022.

### 1.4 Basis of consolidation

***Subsidiaries***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group and Company operate an Employee Benefit Trust (EBT) for the purposes of acquiring shares to fund share awards made to employees. The EBT is deemed to be a subsidiary of the Group and Company as Pets at Home Group Plc is considered to be the ultimate controlling party for accounting purposes. The assets and liabilities of this trust have been included in the consolidated financial information. The cost of purchasing own shares held by the EBT is accounted for in retained earnings.

***Investment in Joint Venture veterinary practices***

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as Joint Venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the Joint Venture Partner, and do not give the Group power over decision making, nor joint control, to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profits, losses, or any surplus on winding up or disposal of the Joint Venture veterinary practices, and as such no participatory interest is recognised. The Group's category of shareholding in the Joint Venture veterinary practices entitles the Group to charge management fees for support services provided. For further details see notes 16, 17 and 27. The Group's shares are non-participatory, and therefore the Group does not share in any profits, losses or other distribution of value from the Joint Venture company; the investments are held at cost less impairment, which is deemed to be their carrying value as explained further in note 16.

### 1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, 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 IAS32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

**1.7 Non-derivative financial instruments**
Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, 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 purposes of the cash flow statement and are only offset for balance sheet purposes where the offsetting criteria are met.

***Interest-bearing borrowings***
Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

***Contingent consideration***
Contingent consideration on acquisition or disposal of a subsidiary is valued at fair value at the time of acquisition or disposal. Any subsequent change in fair value is recognised in profit or loss (see 1.13).

**1.8 Derivative financial instruments and hedging**
***Derivative financial instruments***
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

***Cash flow hedges***
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

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.

# Notes (forming part of the Financial Statements) continued

## 1 Significant accounting policies continued

### 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.

### 1.11 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.

The Group's accounting policy has been updated in year to reflect the agenda decision issued by the International Financial Reporting Interpretations Committee (IFRIC) regarding configuration and customisation expenditure relating to cloud computing arrangements.

Expenditure on SaaS customisation and configuration that is distinct from access to the cloud software can only be capitalised to the extent it gives rise to an asset, i.e. where the Company has the power to obtain the future economic benefits and can restrict others' access to those benefits, otherwise such expenditure in relation to developing SaaS for use is expensed.

### 1.12 Leases
The Group recognises a right-of-use asset, representing its right to use the underlying asset and a lease liability, representing its obligation to make lease payments. The lease liability is measured at the present value of the lease payments over the term of the lease, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. The rate implicit in the lease cannot be readily determined and therefore a rate based on the Group's incremental borrowing rate is used. This rate is adjusted to take into account the risk associated with the length of the lease. Lease payments will include any fixed payments, including as a result of stepped rent increases.

The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date and any lease incentives received or premiums paid.

The Group has lease contracts in relation to property and equipment. There are recognition exemptions for low-value assets and short-term leases with a lease term of 12 months or less. Any leases under a short-term licence agreement are excluded as they fall into the lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease. The total value of leases where the Group has taken a recognition exemption is disclosed in note 12.

The Group has a small number of leases where it is an intermediate lessor. For these leases, it accounts for the interest in the head lease and sub-lease separately. It assesses the lease classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group currently receives rental income from related Joint Venture veterinary practices which are located within the Group's retail stores. These rental incomes are disclosed in note 3. Under IFRS16, the lease classification of sub-leases is assessed by reference to the right-of-use asset under the head lease rather than the underlying asset. Therefore there will be no change in accounting for this rental income, which will continue to be presented as other income within operating expenses.

Right-of-use assets may be impaired if the lease becomes onerous. Impairment costs would be charged to administrative expenses if this occurred.

**1.13 Business combinations**
Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

***Acquisitions on or after 26 March 2010***
For acquisitions on or after 26 March 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. If contingent consideration is payable and is dependent on future employment, it is recognised as an expense over the relevant period as a cost of continuing employment.

Any contingent deferred consideration receivable is recognised at fair value.

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.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

***Acquisitions prior to 26 March 2010 (date of adoption of IFRS)***
IFRS1 grants certain exemptions from the full requirements of Adopted IFRS for first time adopters. In respect of acquisitions prior to 26 March 2010, goodwill is included on the basis of its deemed cost.

**1.14 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.

# Notes (forming part of the Financial Statements) continued

## 1 Significant accounting policies continued

### 1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less rebates and discounts.

Provision is made against specific inventory lines where market conditions identify an issue in recovering the full cost of that 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 1.22.

### 1.16 Impairment excluding inventories and deferred tax assets

***Financial assets (including receivables)***

Measurement of Expected Credit Losses ('ECLs') and definition of default

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The definition of default is applicable to intercompany and related party receivables but not relevant to trade receivables where the lifetime expected credit loss is considered. The Group 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 16.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit as defined by IAS36 is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ('CGUs'). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 1.17 Employee benefits

***Defined contribution plans***
A defined contribution plan is a post-employment benefit plan under which the 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.

### 1.18 Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

# Notes (forming part of the Financial Statements) continued

**1.19 Revenue and cost of sales**
Revenue represents the total amount receivable for goods and services, net of discounts, coupons, returns and excluding value added tax, sold in the ordinary course of business, and arises from activities in the United Kingdom.

Revenue is recognised when the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled, and substantially all of the Group's performance obligations have been fulfilled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer.

***Sale of goods in-store and online***
Retail revenue from the sale of goods is recorded net of value added tax, colleague discounts, coupons, vouchers, returns and the free element of multi-save transactions. Sale of goods represents food and accessories sold in-store and online, with revenue recognised at the point in time the customer obtains control of the goods and substantially all of the Group's performance obligations have been fulfilled, which is when the transaction is completed in-store and at point of delivery to the customer for online orders. Revenue is adjusted to account for estimates for anticipated returns and a provision is recognised within trade and other payables. Estimates for anticipated returns are calculated using past data for both in-store and online transactions. No separate asset has been recognised (with no corresponding adjustment to cost of sales) in relation to the value of products to be recovered from the customer as the products are not always in a resaleable condition.

***Gift vouchers and cards***
Revenue from the sale of gift vouchers and cards is deferred until the voucher is redeemed, at which point performance obligations have been fulfilled. In line with IFRS15 the value of revenue deferred is based on expected redemption rates. The Group continues to assess the appropriateness of the expected redemption rates against actual redemptions.

***VIP loyalty scheme***
Under the VIP loyalty scheme, points are earned by customers upon the purchase of goods and services. These points can be converted by nominated charities into gift cards for redemption against goods and services in-store and online. The sales value of the points earned under the VIP scheme are treated as deferred income; the sales are only recognised once the points have been redeemed by the charities, at which point performance obligations have been fulfilled. The points do not expire and have no value to the customer.

***Subscription orders***
Revenue for subscription orders is recognised at the point of delivery of each incremental order to the customer at which point performance obligations have been fulfilled. Subscription services primarily relate to the repeat order of flea and worm products sold online and in-store.

***Provision of services***
Revenue from the provision of services is recorded net of value added tax, colleague discounts, coupons and vouchers. Provision of services represents veterinary group income, grooming revenue and insurance commissions, with revenue recognised upon provision of the service to the customer at the point at which the Group has substantially fulfilled its performance obligations.

i) Veterinary Group income
Veterinary Group income represents revenue from the provision of veterinary services (from Specialist Referral Centres up until 31 December 2020 and managed First Opinion veterinary practices in the 53 week period ended 31 March 2022 and the 52 week period ended 25 March 2021) 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 unutilised deferred revenue will be recognised as revenue. Revenue from 'Vac4Life' plans is deferred when payment is received and then recognised in reducing proportions over the first three years of the plan when vaccinations/boosters are provided.

Rental income received from in-store Joint Venture veterinary practices is disclosed within note 3 and is categorised as 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 from Joint Venture veterinary practices, revenues generated through Specialist Referral Centres (in the 52 week period ended 25 March 2021), 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 UK-adopted IFRS. These Alternative Performance Measures may not be directly comparable with other companies' alternative performance measures and the Directors do not intend these to be a substitute for, or superior to, IFRS measures. Further information can be found in the Glossary on page 232.

*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 are explained below. The supplier income arrangements are typically not coterminous with the Group's financial period, instead running alongside the calendar year. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group, and the income can be measured reliably based on the terms of the contract. This income is recognised as a credit within gross margin to cost of sales and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory.

Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at 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 reassessed and remeasured throughout the contractual period, based on actual performance against the joint business plan.
2. Fixed lump sum income: These are typically guaranteed lump sum payments made by the supplier and are not based on volume. Fixed lump sum income is usually predicated on confirmation of a supplier contract and typically includes performance conditions upon the Group, such as marketing and promotional campaigns. These amounts are recognised periodically when contractual milestones have been met such as the promotion being run or marketing in-store.
3. Growth income: These are tiered volumetric rebates relating to growth targets agreed with the supplier in the joint business planning process. These are retrospective rebates based on sales volumes or purchased volumes. Income is recognised to the extent that it is reasonably certain that the conditions will be achieved, with such certainty increasing in the latter part of the calendar year.

# Notes (forming part of the Financial Statements) continued

## 1 Significant accounting policies continued

### 1.19 Revenue and cost of sales continued

*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.

### 1.20 Expenses

***Financing income and expenses***
Financing expenses comprise interest payable under the effective interest rate method, incorporating amortisation of loan arrangement fees, finance charges on shares classified as liabilities, unwinding of the discount on provisions, interest on lease liabilities and net foreign exchange gains or losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

### 1.21 Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### 1.22 Accounting estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

***Impairment of goodwill and other intangibles (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. The Directors consider that it is not reasonably possible for the assumptions for the current financial year to change so significantly to warrant inclusion as a significant estimate but acknowledge that there is estimation uncertainty over the assumptions used in future financial periods when calculating future cash flows.

### 1.23 Dividends

Final dividends are recognised in the Group's financial statements as a liability in the period in which the dividends are approved by shareholders such that the Company is obliged to pay the dividend. Interim equity dividends are recognised in the period in which they are paid.

## 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. Central includes veterinary telehealth business, Group costs and finance expenses. Revenue and costs are allocated to a segment where reasonably possible. For the purposes of goodwill allocation, the veterinary telehealth business (hereafter known as TVC) is classed as a separate CGU which sits within the central operating segment.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment underlying operating profit as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these financial statements. All material operations of the reportable segments are carried out in the UK and all revenue is from external customers.

| | **53 week period ended 31 March 2022** | | | |
|---|---|---|---|---|
| Income statement | **Retail £m** | **Vet Group £m** | **Central £m** | **Total £m** |
| Revenue | **1,206.9** | **108.4** | **2.5** | **1,317.8** |
| Underlying gross profit | **589.9** | **56.5** | **1.5** | **647.9** |
| Underlying operating profit/(loss) | **112.5** | **43.2** | **(11.2)** | **144.5** |
| Non-underlying items | **–** | **0.1** | **19.2** | **19.3** |
| **Segment operating profit** | **112.5** | **43.3** | **8.0** | **163.8** |
| Net financing expense | **(11.1)** | **(0.1)** | **(3.9)** | **(15.1)** |
| **Profit before tax** | **101.4** | **43.2** | **4.1** | **148.7** |

Non-underlying operating expenses in the periods ended 31 March 2022 and 25 March 2021 are explained in note 3.

| | 52 week period ended 25 March 2021 (restated)[1] | | | |
|---|---|---|---|---|
| Income statement | Retail £m | Vet Group £m | Central £m | Total £m |
| Revenue | 1,018.9 | 123.2 | 0.7 | 1,142.8 |
| Underlying gross profit | 501.6 | 56.7 | 0.5 | 558.8 |
| Underlying operating profit/(loss) | 71.7 | 33.8 | (9.7) | 95.8 |
| Non-underlying items | – | 28.9 | – | 28.9 |
| **Segment operating profit/(loss)** | 71.7 | 62.7 | (9.7) | 124.7 |
| Net financing expense | (12.0) | (0.5) | (5.9) | (18.4) |
| **Profit/(loss) before tax** | 59.7 | 62.2 | (15.6) | 106.3 |

1 See note 1.1 for an explanation of the prior year restatement.

# Notes (forming part of the Financial Statements) continued

## 2 Segmental Reporting continued

| Reconciliation of EBITDA before non-underlying items | 53 week period ended 31 March 2022 Retail £m | Vet Group £m | Central £m | Total £m |
|---|---|---|---|---|
| Underlying operating profit/(loss) | **112.5** | **43.2** | **(11.2)** | **144.5** |
| Depreciation of property, plant and equipment | **24.1** | **1.3** | **0.0** | **25.4** |
| Depreciation of right-of-use assets | **68.5** | **1.2** | **–** | **69.7** |
| Amortisation of intangible assets | **7.7** | **0.6** | **0.5** | **8.8** |
| Underlying EBITDA | **212.8** | **46.3** | **(10.7)** | **248.4** |

| Reconciliation of EBITDA before non-underlying items | 52 week period ended 25 March 2021 (restated)[1] Retail £m | Vet Group £m | Central £m | Total £m |
|---|---|---|---|---|
| Underlying operating profit/(loss) | 71.7 | 33.8 | (9.7) | 95.8 |
| 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 | 6.8 | 1.4 | – | 8.2 |
| Underlying EBITDA | 171.5 | 39.4 | (9.7) | 201.2 |

1 See note 1.1 for an explanation of the prior year restatement.

EBITDA before non-underlying items is defined on page 232.

| Segmental revenue analysis by revenue stream | 53 week period ended 31 March 2022 Retail £m | Vet Group £m | Central £m | Total £m |
|---|---|---|---|---|
| Retail – Food | **668.8** | **–** | **–** | **668.8** |
| Retail – Accessories | **490.6** | **–** | **–** | **490.6** |
| Retail – Services | **47.5** | **–** | **–** | **47.5** |
| Vet Group – First Opinion fee income | **–** | **69.9** | **–** | **69.9** |
| Vet Group – Company managed practices | **–** | **31.2** | **–** | **31.2** |
| Vet Group – Other income | **–** | **7.3** | **–** | **7.3** |
| Central – Veterinary telehealth services | **–** | **–** | **2.5** | **2.5** |
| **Total** | **1,206.9** | **108.4** | **2.5** | **1,317.8** |

| Segmental revenue analysis by revenue stream | 52 week period ended 25 March 2021 Retail £m | Vet Group £m | Central £m | Total £m |
|---|---|---|---|---|
| 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 |

## 3 Expenses and auditor's remuneration

Included in operating profit are the following:

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 (restated)[1] £m |
|---|---|---|
| **Non-underlying items** | | |
| Costs associated with the purchase of Joint Venture veterinary practices | **(0.1)** | (0.6) |
| Increase in fair value of put and call liability | **–** | 1.9 |
| Profit on disposal of subsidiary | **(19.2)** | (30.2) |
| **Total non-underlying items** | **(19.3)** | (28.9) |
| **Underlying items** | | |
| Impairment (gains)/losses on receivables | **(0.7)** | 0.8 |
| Software as a service (SaaS) expense[1] | **24.0** | 15.4 |
| Depreciation of property, plant and equipment | **25.4** | 26.9 |
| Amortisation of intangible assets administrative expenses[1] | **8.8** | 8.2 |
| Depreciation of right-of-use assets | **69.7** | 70.3 |
| *Rentals under operating leases:* | | |
| Expenses relating to short term or low value leases | **0.1** | 0.1 |
| *Other income* | | |
| Rental income from sub-leasing right-of-use assets to third parties | **(0.3)** | (0.3) |
| Rental income from related parties[2] | **(7.4)** | (7.3) |
| Share-based payment charges | **4.9** | 4.7 |

1 See note 1.1 for an explanation of the prior period restatement.
2 This other income is presented within selling and distribution expenses.

The non-underlying credit of £0.1m recognised in the 53 week period ended 31 March 2022 relates to the reversal of the impairment of a right-of-use asset previously recognised on acquisition of a Joint Venture veterinary practice. The property has now been sub-leased, and therefore the impairment has been reversed. The credit has been treated as a non-underlying item since the original impairment was also treated in this way.

During the 52 week period ended 25 March 2021, the Group disposed of its 100% shareholding in the subsidiary Pets at Home Veterinary Specialist Group Limited, and its subsidiaries Northwest Veterinary Specialists Limited, Anderson Moores Veterinary Specialists Limited, Eye-Vet Limited, Dick White Referrals Limited and Veterinary Specialists (Scotland) Limited (collectively referred to as the Specialist Referral Centres). The profit on disposal of £19.2m reported in the non-underlying items in the 53 week period ended 31 March 2022 represents contingent deferred consideration received as a result of the Specialist Referral Centres achieving certain key performance indicators. The fair value of this contingent deferred consideration was assessed as having nil value in the 52 week period ended 25 March 2021 due to the uncertainty around the financial performance of the Specialist Referral Centres in the forthcoming financial year, and whether these would meet threshold key performance indicators which would trigger payment.

The Group has also recognised non-underlying charges of £0.7m in net financing expense. These related to the acceleration of amortisation on debt issue costs, as a consequence of the related senior finance facilities being replaced on 31 March 2022.

The profit on disposal in the 52 week period ended 25 March 2021 represents cash consideration received and costs incurred by the Group in relation to the disposal of the Specialist Referral Centres, 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 |

# Notes (forming part of the Financial Statements) continued

### 3 Expenses and auditor's remuneration continued

The remaining non-underlying operating expenses in the 52 week period ended 25 March 2021 of £1.3m relate to:

- £1.9m 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, 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 related to the release of provisions for exit and closure costs provided for under IAS37 in relation to Joint Venture veterinary practices provided for in the 52-week period ended 26 March 2020.

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.

The amortisation charge on intangible assets for the period ended 25 March 2021 has been restated following the IFRS Interpretations Committee accounting guidance on cloud computing arrangements. Subsequently, the Group has revised its accounting policy in relation to intangible assets and has reclassified expenditure previously capitalised as intangible assets to administrative expenses in the income statement. Any amortisation charged in the period on assets that have been reclassified has therefore been reversed. See note 1.1 for further explanation of the prior period restatement.

#### Underlying items

The rentals under short term leases disclosed in relation to the 53 week period ended 31 March 2022 and the 52 week period ended 25 March 2021 relate to leases under short-term agreements or of low value. These fall under the short-term and low value exemptions so are excluded from the requirements of IFRS16 on the basis that the lease terms are 12 months or less.

#### Auditor's remuneration

| | **53 week period ended 31 March 2022 £m** | 52 week period ended 25 March 2021 £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** | 0.9 |
| Review of interim financial statements | **0.1** | 0.1 |
| Other assurance services | **0.2** | 0.0 |
| | **1.3** | 1.0 |

### 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:

| | **53 week period ended 31 March 2022 Number** | 52 week period ended 25 March 2021 Number |
|---|---|---|
| Sales and distribution – FTE | **7,323** | 6,538 |
| Administration – FTE | **969** | 732 |
| | **8,292** | 7,270 |
| Sales and distribution – total | **9,334** | 8,904 |
| Administration – total | **928** | 1,100 |
| | **10,262** | 10,004 |

The aggregate payroll costs of these persons were as follows:

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 £m |
|---|---|---|
| Wages and salaries | **235.2** | 227.6 |
| Social security costs | **21.7** | 19.2 |
| Contributions to defined pension contribution plans | **7.9** | 7.6 |
| | **264.8** | 254.4 |

**Remuneration of Directors and Executive Management Team**

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 £m |
|---|---|---|
| Executive Directors' emoluments | **2.8** | 2.1 |
| Non-Executive Directors' emoluments | **0.5** | 0.5 |
| Executive Directors' amounts receivable under share options | **1.6** | 1.8 |
| Executive Directors' pension contributions | **0.1** | 0.1 |
| **Total Directors' remuneration** | **5.0** | 4.5 |
| Executive Management Team emoluments | **6.7** | 5.5 |
| Executive Management Team amounts receivable under share options | **1.9** | 2.2 |
| Executive Management Team pension contributions | **0.3** | 0.2 |
| **Total Executive Management Team remuneration** | **8.9** | 7.9 |

In the opinion of the Board, the key management as defined under revised IAS24 Related Party Disclosures are the Executive Directors, Non-Executive Directors and the Executive Management Team. Executive Directors' emoluments are also included within the Executive Management Team emoluments disclosed above.

## 5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

| | **53 week period ended 31 March 2022** | | 52 week period ended 25 March 2021 (restated)[1] | |
|---|---|---|---|---|
| | **Underlying trading** | **After non-underlying items** | Underlying trading | After non-underlying items |
| Profit attributable to equity shareholders of the parent (£m) | **105.8** | **124.5** | 61.6 | 90.4 |
| Basic weighted average number of shares | **500.0** | **500.0** | 500.0 | 500.0 |
| Dilutive potential ordinary shares | **7.4** | **7.4** | 11.6 | 11.6 |
| Diluted weighted average number of shares | **507.4** | **507.4** | 511.6 | 511.6 |
| Basic earnings per share | **21.2p** | **24.9p** | 12.3p | 18.1p |
| Diluted earnings per share | **20.8p** | **24.5p** | 12.0p | 17.7p |

1 See note 1.1 for an explanation of the prior period restatement.

# Notes (forming part of the Financial Statements) continued

## 6 Finance income

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 £m |
|---|---|---|
| Interest receivable on loans to Joint Venture veterinary practices | **0.2** | 0.3 |
| Other interest receivable | **0.0** | 0.0 |
| **Total finance income** | **0.2** | 0.3 |

## 7 Finance expense

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 £m |
|---|---|---|
| Bank loans at effective interest rate | **3.2** | 6.0 |
| Interest expense on lease liability | **11.4** | 12.8 |
| Other financial expense | **–** | (0.1) |
| Accelerated amortisation on debt issue costs (non-underlying item) | **0.7** | – |
| **Total finance expense** | **15.3** | 18.7 |

## 8 Taxation

### Recognised in the income statement

| | 53 week period ended 31 March 2022 £m | 52 week period ended 25 March 2021 (restated)[1] £m |
|---|---|---|
| **Current tax expense** | | |
| Current period | **23.6** | 17.5 |
| Adjustments in respect of prior periods | **(0.6)** | (1.7) |
| **Current tax expense** | **23.0** | 15.8 |
| **Deferred tax expense** | | |
| Origination and reversal of temporary differences | **1.1** | (1.1) |
| Impact of difference between deferred and current tax rates | **0.2** | – |
| Adjustments in respect of prior periods | **(0.1)** | 1.2 |
| **Deferred tax expense** | **1.2** | 0.1 |
| **Total tax expense** | **24.2** | 15.9 |

1 See note 1.1 for an explanation of the prior period restatement.

The UK corporation tax standard rate for the period was 19% (2021: 19%). Deferred tax at 31 March 2022 has been calculated based on the rate of 22% which is the blended rate at which the majority of items are expected to reverse. This is due to the increase in the main rate of corporation tax to 25% from April 2023, which was substantively enacted on 24 May 2021.

### Deferred tax recognised in comprehensive income

| | **53 week period ended 31 March 2022 £m** | 52 week period ended 25 March 2021 £m |
|---|---|---|
| Effective portion of changes in fair value of cash flow hedges (note 22) | **1.2** | 0.3 |

### Reconciliation of effective tax rate

| | **53 week period ended 31 March 2022** | | | 52 week period ended 25 March 2021 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | **Underlying trading £m** | **Non-underlying items £m** | **Total £m** | Underlying trading £m | Non-underlying items £m | Total £m |
| Profit for the period | **105.8** | **18.7** | **124.5** | 61.6 | 28.8 | 90.4 |
| Total tax expense/(credit) | **24.3** | **(0.1)** | **24.2** | 15.8 | 0.1 | 15.9 |
| **Profit excluding taxation** | **130.1** | **18.6** | **148.7** | 77.4 | 28.9 | 106.3 |
| Tax using the UK corporation tax rate for the period of 19% (*52 week period ended 25 March 2021: 19%*) | **24.7** | **3.5** | **28.2** | 14.7 | 5.5 | 20.2 |
| 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** | 0.6 | – | 0.6 |
| Capital allowances super-deduction | **(0.8)** | **–** | **(0.8)** | | | |
| Expenditure not eligible for tax relief | **0.3** | **–** | **0.3** | 1.0 | (5.4) | (4.4) |
| Non-taxable income | **–** | **(3.6)** | **(3.6)** | | | |
| Adjustments in respect of prior periods | **(0.7)** | **–** | **(0.7)** | (0.5) | – | (0.5) |
| **Total tax expense** | **24.3** | **(0.1)** | **24.2** | 15.8 | 0.1 | 15.9 |

1 See note 1.1 for an explanation of the prior period restatement.

The UK corporation tax standard rate for the 53 week period ended 31 March 2022 was 19% (52 week period ended 25 March 2021: 19%). The effective tax rate before non-underlying items for the 53 week period ended 31 March 2022 was 18.7%.

## 9 Dividends paid and proposed

| | **Group and Company** | |
|---|---|---|
| | **53 week period ended 31 March 2022 £m** | 52 week period ended 25 March 2021 £m |
| *Declared and paid during the period* | | |
| Final dividend of 5.5p per share (2021: 5.0p per share) | **27.2** | 24.7 |
| Interim dividend of 4.3p per share (2021: 2.5p per share) | **21.3** | 12.4 |
| *Proposed for approval by shareholders at the AGM* | | |
| Final dividend of 7.5p per share (2021: 5.5p per share) | **37.5** | 27.2 |

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 31 March 2022 and 25 March 2021 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 31 March 2022: 3,363,989 shares; holding at 25 March 2021: 5,958,116 shares).

# Notes (forming part of the Financial Statements) continued

## 10 Business combinations

In the 53 week period ended 31 March 2022, the Group has acquired 100% of the 'A' shares of 11 veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares, equating to 50% of the total shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.4.

In the 53 week period ended 31 March 2022, £2.3m of operating loans relating to these practices were written off in advances of the acquisitions.

Up to the date of acquisition and in the comparative period being the 52 week period ending 25 March 2021, these entities listed below were all accounted for as a Joint Venture veterinary practice where the Group held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices on the dates below, leading to control from the date of acquisition and consolidation from that date forward.

### Subsidiaries acquired in the 53 week period ended 31 March 2022

| | Principal activity | Date of acquisition | Proportion of voting equity instruments acquired | Total proportion of voting equity instruments owned following the acquisition | Cash consideration transferred £m |
|---|---|---|---|---|---|
| South Shields Quays Vets4Pets Limited | Veterinary practice | 8 April 2021 | 50% | 100% | – |
| Companion Care (Barnsley Cortonwood) Limited | Veterinary practice | 29 April 2021 | 50% | 100% | – |
| Crewe Vets4Pets Limited | Veterinary practice | 20 July 2021 | 50% | 100% | – |
| Lancaster Vets4Pets Limited | Veterinary practice | 19 August 2021 | 50% | 100% | 0.9 |
| Companion Care (Ely) Limited | Veterinary practice | 13 September 2021 | 50% | 100% | 0.7 |
| Kendal Vets4Pets Limited | Veterinary practice | 29 October 2021 | 50% | 100% | – |
| Denbigh Vets4Pets Limited | Veterinary practice | 15 November 2021 | 50% | 100% | – |
| Runcorn Vets4Pets Limited | Veterinary practice | 20 December 2021 | 50% | 100% | – |
| Huddersfield Vets4Pets Limited | Veterinary practice | 16 March 2022 | 50% | 100% | – |
| Blackpool Warbreck Vets4Pets Limited | Veterinary practice | 18 March 2022 | 50% | 100% | 0.5 |
| Northwich Vets4Pets Limited | Veterinary practice | 22 March 2022 | 50% | 100% | – |

### Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

| | Book value of assets and liabilities acquired £m | Adjustments on acquisition £m | Fair value of assets and liabilities acquired £m |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 0.7 | – | 0.7 |
| Trade and other receivables | 0.0 | – | 0.0 |
| Inventories | 0.1 | – | 0.1 |
| **Non-current assets** | | | |
| Tangible fixed assets | 0.9 | – | 0.9 |
| Right-of-use assets | 0.8 | – | 0.8 |
| Intangible assets | – | 0.7 | 0.7 |
| **Non-current liabilities** | | | |
| Lease liabilities | (0.8) | – | (0.8) |
| **Current liabilities** | | | |
| Bank loans | (1.5) | – | (1.5) |
| Overdrafts | (0.3) | – | (0.3) |
| Trade and other payables | (3.2) | – | (3.2) |
| **Net liabilities** | (3.3) | 0.7 | (2.6) |

### Goodwill arising on acquisition

| | £m |
|---|---|
| Consideration | 2.1 |
| Add: Fair value of liabilities acquired | 2.6 |
| Goodwill arising on acquisition | 4.7 |
| Impairment of goodwill | (3.7) |
| Carrying value of goodwill | 1.0 |

The consideration shown within the table above relates to both consideration for the purchase of A-shares and cash settlement of 'A' shareholder Joint Venture Partner loans, which were repaid to the 'A' shareholder at the point of acquisition. The impairment of goodwill relates to loss making practices.

In line with IFRS3, the right-of-use asset has been brought on at a value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices.

During the 53 week period ended 31 March 2022, the Group invested a further £0.0m in Dog Stay Limited. The Group's percentage stake in Dog Stay Limited has remained unchanged following the investment.

In the 52 week period ended 25 March 2021, 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 VetsDirect 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 |

# Notes (forming part of the Financial Statements) continued

## 10 Business combinations continued

### 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 IFRS3 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 scripts 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.

In the 52 week period ended 25 March 2021, the Group has acquired 100% of the 'A' shares of six veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares, equating to 50% of the total shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.4.

In the 52 week period ended 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 in the 52 week period ended 25 March 2021

| | 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 of veterinary practice subsidiaries in 52 week period ended 25 March 2021**

| | £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 IFRS3, the right-of-use asset has been brought on at value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices.

# Notes (forming part of the Financial Statements) continued

## 11 Property, plant and equipment

| | Freehold property £m | Leasehold improvements £m | Fixtures, fittings, tools and equipment £m | Assets under construction £m | Total £m |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at 25 March 2021 | 2.4 | 62.4 | 245.3 | – | 310.1 |
| Additions | – | 6.7 | 17.6 | 9.3 | 33.6 |
| On acquisition (note 10) | – | 0.8 | 0.1 | – | 0.9 |
| Transfers[1] | – | (3.4) | – | 3.4 | – |
| Disposals | – | (0.8) | (1.4) | – | (2.2) |
| **Balance at 31 March 2022** | **2.4** | **65.7** | **261.6** | **12.7** | **342.4** |
| **Depreciation** | | | | | |
| Balance at 25 March 2021 | 0.3 | 29.4 | 180.8 | – | 210.5 |
| Depreciation charge for the period | 0.1 | 4.1 | 21.2 | – | 25.4 |
| Disposals | – | (0.6) | (1.8) | – | (2.4) |
| **Balance at 31 March 2022** | **0.4** | **32.9** | **200.2** | **–** | **233.5** |
| **Net book value** | | | | | |
| At 25 March 2021 | 2.1 | 33.0 | 64.5 | – | 99.6 |
| **At 31 March 2022** | **2.0** | **32.8** | **61.4** | **12.7** | **108.9** |

1 Included within the cost of leasehold improvements brought forward at 25 March 2021 was £3.4m which related to assets under construction. These have been reallocated to assets under construction as at 31 March 2022.

| | 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** |

## 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 25 March 2021 | 493.5 | 14.7 | 508.2 |
| Additions | 37.6 | 2.9 | 40.5 |
| On acquisition (note 10) | 0.8 | – | 0.8 |
| Disposals | (0.3) | (1.0) | (1.3) |
| **Balance at 31 March 2022** | **531.6** | **16.6** | **548.2** |
| **Depreciation** | | | |
| Balance at 25 March 2021 | 132.8 | 6.7 | 139.5 |
| Depreciation charge for the period | 66.5 | 3.2 | 69.7 |
| Disposals | (0.1) | (1.0) | (1.1) |
| **Balance at 31 March 2022** | **199.2** | **8.9** | **208.1** |
| **Net book value** | | | |
| At 25 March 2021 | 360.7 | 8.0 | 368.7 |
| **At 31 March 2022** | **332.4** | **7.7** | **340.1** |

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of IFRS16 (leases with a contract term of less than 12 months) amounted to £0.1m in the 53 week period ended 31 March 2022.

| | 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 |

# Notes (forming part of the Financial Statements) continued

## 12 Leases continued

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date:

***Maturity analysis – contractual undiscounted cash flows***

| | At 31 March 2022 £m | At 25 March 2021 £m |
|---|---|---|
| Less than one year | **78.3** | 78.4 |
| Between one and five years | **236.9** | 241.9 |
| More than 5 years | **108.1** | 131.9 |
| **Total undiscounted lease liabilities** | **423.3** | 452.2 |
| **Carrying value of lease liabilities included in the statement of financial position** | **383.0** | 409.7 |
| Current | **78.3** | 78.4 |
| Non-current | **304.7** | 331.3 |

For the lease liabilities at 31 March 2022 a 0.1% change in the discount rate used would have increased the carrying value of lease liabilities by £1.4m (25 March 2021: £0.1m).

**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 IAS36, the carrying value of the right-of-use asset will be assessed for indicators of impairment and an impairment charge will be recognised if necessary. Under IAS17, 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** | | | | |
| Restated balance at 25 March 2021[1] | 958.5 | 6.2 | 55.7 | 1,020.4 |
| Additions | – | – | 15.5 | 15.5 |
| On acquisition (note 10) | 1.0 | 0.7 | – | 1.7 |
| Disposals | (0.4) | (0.2) | (2.9) | (3.5) |
| **Balance at 31 March 2022** | **959.1** | **6.7** | **68.3** | **1,034.1** |
| **Amortisation** | | | | |
| Restated balance at 25 March 2021[1] | 0.1 | 0.4 | 40.4 | 40.9 |
| Amortisation charge for the period | – | 0.7 | 8.1 | 8.8 |
| Disposals | – | (0.1) | (2.6) | (2.7) |
| **Balance at 31 March 2022** | **0.1** | **1.0** | **45.9** | **47.0** |
| **Net book value** | | | | |
| At 25 March 2021 | 958.4 | 5.8 | 15.3 | 979.5 |
| **At 31 March 2022** | **959.0** | **5.7** | **22.4** | **987.1** |

1 See note 1.1 for an explanation of the prior period restatement.

| | Goodwill £m | Customer list £m | Software £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at 26 March 2020 as previously reported | 981.3 | 1.9 | 63.1 | 1,046.3 |
| Impact of change in accounting policy | – | – | (17.5) | (17.5) |
| **Restated balance at 26 March 2020[1]** | 981.3 | 1.9 | 45.6 | 1,028.8 |
| Additions | – | – | 10.1 | 10.1 |
| On acquisition (note 10) | 11.8 | 5.1 | 0.1 | 17.0 |
| Disposals | (34.6) | (0.8) | (0.1) | (35.5) |
| **Restated balance at 25 March 2021[1]** | 958.5 | 6.2 | 55.7 | 1,020.4 |
| **Amortisation** | | | | |
| Balance at 26 March 2020 | 0.1 | 0.5 | 39.3 | 39.9 |
| Impact of change in accounting policy | – | – | (6.9) | (6.9) |
| **Restated balance at 26 March 2020[1]** | 0.1 | 0.5 | 32.4 | 33.0 |
| Amortisation charge for the period | – | 0.2 | 8.0 | 8.2 |
| Disposals | – | (0.3) | – | (0.3) |
| **Restated balance at 25 March 2021[1]** | 0.1 | 0.4 | 40.4 | 40.9 |
| **Net book value** | | | | |
| At 26 March 2020 (restated)[1] | 981.2 | 1.4 | 13.2 | 995.8 |
| **At 25 March 2021 (restated)[1]** | 958.4 | 5.8 | 15.3 | 979.5 |

1 See note 1.1 for an explanation of the prior period restatement.

**Impairment testing**

Cash generating units ('CGUs'), as defined by IAS36, within the Group are considered to be aligned to three operating segments as shown in the table below. Within the Retail operating segment, the CGU comprises the body of stores, online operations, grooming operations and insurance operations. Within the Vet Group operating segment, the CGU comprises the First Opinion veterinary practices. The veterinary telehealth business, hereafter disclosed as The Vet Connection (TVC) CGU, forms part of the Central operating segment. Revenue and costs are allocated to a segment and CGU where reasonably possible.

As at 31 March 2022 and 25 March 2021, the Group is deemed to have CGUs as follows:

| | Goodwill | |
|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m |
| Retail | **586.1** | 586.1 |
| TVC | **11.1** | 11.4 |
| Vet Group | **361.8** | 360.9 |
| Total | **959.0** | 958.4 |

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:

| | **53 week period ended 31 March 2022** | | | 52 week period ended 25 March 2021 | |
|---|---|---|---|---|---|
| | **Retail** | **Vet Group** | **TVC** | Retail | Vet Group |
| Period on which management approved forecasts are based (years) | **5** | **5** | **5** | 5 | 5 |
| Growth rate applied beyond approved forecast period | **2.0%** | **3.5%** | **2.0%** | 2.0% | 3.5% |
| Discount rate (pre-tax) | **11%** | **11%** | **11%** | 10% | 10% |
| Like-for-like sales growth | **7%** | **10%** | **35%** | 4% | 11% |
| Gross profit margin (average over next 5 years) | **48%** | **63%** | **59%** | 48% | 49% |

# Notes (forming part of the Financial Statements) continued

## 13 Intangible assets continued

**Impairment testing** continued
The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on 'value-in-use' calculations. These calculations use a post-tax cash flow projection based on a five-year plan approved by the Board. For the purposes of intangible asset impairment testing, the model removes all cash flows associated with business units (for example stores or practices yet to open, but within the planning horizon) which the Group has a strategic intention to invest capital in, but has not yet done so, thus ensuring that the future cash flows used in modelling for impairment exclude any cash flows where the investment is yet to take place, in accordance with the requirements of IAS36 to exclude capital expenditure to improve asset performance. Contributions from and costs associated with new stores and veterinary practices which are already operational at the impairment test date are included in the cash flows. The Group reviews components within CGUs such as stores and veterinary practices for indicators of impairment. This approach is consistent with impairment reviews carried out in the 2021 financial statements.

The key assumptions in the business plans for the Retail, Vet Group and TVC CGUs are like-for-like sales growth and gross profit margin. The Retail forecast assumptions reflect continual innovation and our deep understanding of our customers, incorporating assumptions based on past experience of the industry, products and markets in which the CGU operates, in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The Vet Group forecast assumptions are based on a deep understanding of the maturity profile of the practices and their performance, incorporating assumptions based on past experience of the industry, services and markets in which the CGU operates in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The TVC forecast assumptions are based on building on the synergies between the three operating segments and increasing the Group's service offering. The projections are based on all available information and growth rates do not exceed growth rates experienced in prior periods. A different set of assumptions may be more appropriate in future years depending on changes in the macro-economic environment and the industry in which each CGU operates. The Group has considered the Task Force on Climate Related Financial Disclosures ('TCFD') scenario analysis conducted in undertaking this assessment.

The discount rate was estimated based on past experience and a market participant weighted average cost of capital. A post tax discount rate was used within the value in use calculation and adjustments made to calculate the pre-tax discount rate which is disclosed above in line with IAS36 requirements.

The Directors have assumed a growth rate projection beyond the five-year period based on market growth rates based on past experience within the Group taking into account the economic growth forecasts within the relevant industries. The long-term growth rate in the Vet Group and TVC CGUs exceed the long-term average for the UK but is an appropriate rate for the industry.

The total recoverable amount in respect of goodwill for the CGU group as assessed by the Directors using the above assumptions is greater than the carrying amount and therefore no impairment charge has been recorded in each period, with the exception of the goodwill impaired immediately following the acquisition of certain First Opinion veterinary practices (see note 10).

Within the Retail, Vet Group and TVC CGUs, a number of sensitivities have been applied to the assumptions in reaching this conclusion including:

- Reduction in growth rate applied beyond forecast period by 100 bps
- Increasing the discount rate by 100 bps
- Reduction in gross margin percentage of 100 bps

None of the above, considered reasonably possible changes in assumptions, would result in impairment when applied either individually or collectively.

The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess of the recoverable amount over the carrying value.

## 14 Inventories

| | At 31 March 2022 £m | At 25 March 2021 £m |
|---|---|---|
| Finished goods | **84.5** | 83.7 |

The cost of inventories recognised as an expense and included in 'cost of sales' is £585.3m (52 week period ended 25 March 2021: £487.6m).

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 31 March 2022 the inventory provision amounted to £3.9m (25 March 2021: £3.9m). The inventory provision is calculated by reference to the age of the SKU and the length of time it is expected to take to sell. The provision percentages applied in calculating the provision are as follows:

- Discontinued stock greater than 365 days: 100%
- Current stock greater than 365 days with a use by date: 50%
- Current stock within 180 and 365 days with a use by date: 25%
- Greater than 180 days with no use by date: 25%

In addition, a provision is held to account for store stock losses during the period since which the SKU was last counted.

The value of inventory against which an ageing provision is held is £10.3m (25 March 2021: £8.9m).

In the 53 week period ended 31 March 2022, the value of inventory written off to the income statement amounted to £7.6m (52 week period ended 25 March 2021: £9.3m).

## 15 Deferred tax assets and liabilities

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

| | At 31 March 2022 | | | At 25 March 2021 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | Assets £m | Liabilities £m | Total £m | Assets £m | Liabilities £m | Total £m |
| Property, plant and equipment | **1.9** | **–** | **1.9** | 3.5 | – | 3.5 |
| Financial assets | **(0.0)** | **–** | **(0.0)** | 0.6 | – | 0.6 |
| Financial liabilities | **–** | **(0.8)** | **(0.8)** | – | (0.2) | (0.2) |
| Other short-term timing differences | **0.9** | **(4.0)** | **(3.1)** | 2.3 | (4.9) | (2.6) |
| Arising on acquisition of intangible assets | **–** | **–** | **–** | – | (0.9) | (0.9) |
| SBP | **3.1** | **–** | **3.1** | 3.4 | – | 3.4 |
| Net deferred tax assets/(liabilities) | **5.9** | **(4.8)** | **1.1** | 9.8 | (6.0) | 3.8 |

1 See note 1.1 for an explanation of the prior period restatement.

### Movement in deferred tax during the period

| | 25 March 2021 (restated)[1] £m | Recognised in income £m | Recognised in equity £m | Recognised on acquisition £m | 31 March 2022 £m |
|---|---|---|---|---|---|
| Property, plant and equipment | 3.5 | (1.6) | – | – | **1.9** |
| Net financial assets/(liabilities) | 0.4 | – | (1.2) | – | **(0.8)** |
| Other short term timing differences | (2.6) | 0.4 | – | – | **(2.2)** |
| Arising on acquisition of intangible assets | (0.9) | – | – | – | **(0.9)** |
| SBP | 3.4 | – | (0.3) | – | **3.1** |
| | 3.8 | (1.2) | (1.5) | – | **1.1** |

1 See note 1.1 for an explanation of the prior period restatement.

# Notes (forming part of the Financial Statements) continued

## 15 Deferred tax assets and liabilities continued

Other short-term timing differences primarily relate to inventory provisions.

### Movement in deferred tax during the prior period

| | 26 March 2020 (as previously stated) £m | Impact of change in accounting policy £m | 26 March 2020 (restated)[1] £m | Recognised in income (restated)[1] £m | Recognised in equity £m | Recognised on acquisition £m | 25 March 2021 (restated)[1] £m |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 2.4 | 0.6 | 3.0 | 0.5 | – | – | 3.5 |
| Net financial assets/(liabilities) | 0.7 | – | 0.7 | – | (0.3) | – | 0.4 |
| Other short-term timing differences | (3.5) | 1.5 | (2.0) | (0.6) | – | – | (2.6) |
| Arising on acquisition of intangible assets | – | – | – | – | – | (0.9) | (0.9) |
| SBP | – | – | – | – | 3.4 | – | 3.4 |
| | (0.4) | 2.1 | 1.7 | (0.1) | 3.1 | (0.9) | 3.8 |

1 See note 1.1 for an explanation of the prior period restatement.

### Company

***Movement in deferred tax during the period***

| | 25 March 2021 £m | Recognised in income £m | Recognised in equity £m | **31 March 2022 £m** |
|---|---|---|---|---|
| Net financial assets | 0.3 | – | (0.6) | **(0.3)** |
| SBP | 3.4 | – | (0.3) | **3.1** |
| | 3.7 | – | (0.9) | **2.8** |

The rate used to calculate deferred tax assets and liabilities is 22% based on a blended rate at which the majority of items are expected to reverse.

## 16 Other financial assets and liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Non-current assets** | | | | |
| Investments in Joint Venture veterinary practices | **0.2** | 0.2 | **–** | – |
| Loans to Joint Venture veterinary practices – initial set up loans | **8.6** | 11.3 | **–** | – |
| Loans to Joint Venture veterinary practices – other loans | **2.1** | 3.3 | **–** | – |
| Other investments | **1.1** | 1.1 | **–** | – |
| Other receivables | **0.5** | 0.6 | **–** | – |
| Interest rate swaps | **1.6** | 0.2 | **1.6** | 0.2 |
| Fuel forward contracts | **0.0** | – | **–** | – |
| | **14.1** | 16.7 | **1.6** | 0.2 |

### Investments in Joint Venture veterinary practices

Investments represent £0.2m (2021: £0.2m) of the 'B' share capital in Joint Venture veterinary practice companies. These investments are held at cost less impairment. The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory. The share capital of the veterinary practice companies is split equally into 'A' ordinary shares (held by Joint Venture Partners) and 'B' ordinary shares (held by the Group). Any operational decisions require the agreement of the Joint Venture Partner.

Under the terms of the agreements, the Group ('B' shareholder) is not entitled to any profits, losses or dividends, or any surplus on winding up or disposal, although it is entitled to appoint Directors to the Board and carry the same shareholder voting rights as 'A' ordinary shareholders.

The agreements entitle the Group to receive income in relation to support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property.

**Loans to Joint Venture veterinary practices – initial set up loans**
Loans to Joint Venture veterinary practices of £8.6m (2021: £11.3m) 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 IFRS9. The carrying value is cost as the impact of discounting future cash flows at a market rate of interest has been assessed as not material. Under the terms of the loans provided to veterinary companies trading under the Companion Care and Vets4Pets brands the loans attract varying interest rates between 2% and 3%. There is no set date for repayment of the loans due to the Group.

The balances are shown net of an expected credit loss ('ECL') of £1.2m (2021: £1.2m).

| | Gross loan value £m | Expected credit loss £m | Carrying value of loan £m |
|---|---|---|---|
| As at 25 March 2021 | 12.5 | (1.2) | 11.3 |
| Net repayment and further advances | (2.7) | – | (2.7) |
| Provisions made during the period | – | – | – |
| **As at 31 March 2022** | **9.8** | **(1.2)** | **8.6** |
| Closing position | 9.8 | (1.2) | 8.6 |

**Analysis of expected credit loss by risk category**
The following table presents an analysis of the credit risk and credit impairment of initial set up loans held at amortised cost. Based on their score card performance, loans are categorised as performing or in default. The loss allowance is calculated in accordance with the policy set out in note 1.16, depending on the credit risk of each loan and the Group's expectations of future cash flow recoverability.

| Credit risk | **At 31 March 2022 £m** | At 25 March 2021 £m |
|---|---|---|
| Performing | **8.1** | 10.5 |
| In default | **1.7** | 2.0 |
| Gross carrying amount | **9.8** | 12.5 |
| Loss allowance | **(1.2)** | (1.2) |
| Net carrying amount | **8.6** | 11.3 |

**Loans to Joint Venture veterinary practices – other loans**
Loans to Joint Venture veterinary practices – other loans of £2.1m (2021: £3.3m) represent loan balances to Joint Venture veterinary practices. These loans are unsecured, typically for five to seven years and attract an interest rate of SONIA plus 2.8%. The loans are accounted for at amortised cost under IFRS9. The carrying value is considered to be cost as the impact of discounting future cash flows at a market rate of interest has been assessed as not material. The loans are typically to support capacity expansion. The balances have been assessed under the criteria in note 1.16 as fully performing. Any expected credit losses are immaterial (2021: £nil).

| | Gross loan value £m | Expected credit loss £m | Carrying value of loan £m |
|---|---|---|---|
| As at 25 March 2021 | 3.3 | – | 3.3 |
| Net repayment and further advances | (1.2) | – | (1.2) |
| Provisions made during the period | – | – | – |
| **As at 31 March 2022** | **2.1** | **–** | **2.1** |
| Closing position | 2.1 | – | 2.1 |

# Notes (forming part of the Financial Statements) continued

## 16 Other financial assets and liabilities continued

### 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 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Non-current assets** | | | | |
| Interest rate swaps | **1.6** | 0.2 | **1.6** | 0.2 |
| | **1.6** | 0.2 | **1.6** | 0.2 |

| | Group | | Company | |
|---|---|---|---|---|
| Other financial assets | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Current assets** | | | | |
| Fuel forward contracts | **0.5** | 0.1 | **–** | – |
| Forward exchange contracts | **2.2** | 0.8 | **–** | – |
| Other receivables | **0.3** | 0.6 | **–** | – |
| | **3.0** | 1.5 | **–** | – |

| | Group | | Company | |
|---|---|---|---|---|
| Other financial liabilities | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Current liabilities** | | | | |
| Fuel forward contracts | **–** | (0.0) | **–** | – |
| Forward exchange contracts | **(0.0)** | (1.2) | **–** | – |
| Interest rate swaps | **–** | (0.1) | **–** | (0.1) |
| | **(0.0)** | (1.3) | **–** | (0.1) |

| | Group | | Company | |
|---|---|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Non-current liabilities** | | | | |
| Interest rate swaps | **–** | (1.6) | **–** | (1.6) |
| | **–** | (1.6) | **–** | (1.6) |

## 17 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 (restated)[1] £m |
| **Current assets** | | | | |
| Trade receivables | **14.9** | 11.4 | **–** | – |
| Amounts owed by Joint Venture veterinary practices – funding for new practices | **–** | 0.3 | **–** | – |
| Amounts owed by Joint Venture veterinary practices – operating loans | **15.2** | 20.5 | **–** | – |
| Other receivables | **13.1** | 9.0 | **–** | – |
| Prepayments | **1.7** | 0.5 | **–** | – |
| Accrued income | **8.8** | 7.6 | **–** | – |
| **Non-current assets** | | | | |
| Amounts owed by Group undertakings | **–** | – | **600.2** | 587.9 |
| | **53.7** | 49.3 | **600.2** | 587.9 |

1 The prior year company balance sheet has been restated. See note 1.1 for an explanation of the prior year restatement.

### Trade and other receivables

The impairment of trade and other receivables is assessed in line with IFRS9. As at 31 March 2022 and 25 March 2021 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 IFRS9 and default to lifetime expected credit loss. The ECL is immaterial on the trade receivables balance for the 53 week period ended 31 March 2022 (52 week period ended 25 March 2021: £nil).

### 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 IFRS9 at their nominal value as the effect of discounting the expected cash flows based on the effective interest rate at the market rate of interest is not material. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. No facility exists and the levels of loans are monitored in relation to review of the practices' performance against business plan and a number of financial and non-financial KPIs in accordance with the policy set out in note 1.16.

For those practices in default, a credit impairment charge is recognised under IFRS9 taking into account the Group's expectations of future cash flow recoverability. For other practices, a credit impairment charge is recognised under IFRS9, taking into account both the probability of loss and the loss proportion given default.

The balances above are shown net of allowances for expected credit losses held for operating loans of £5.0m (2021: £6.2m). The basis for this allowance and the movement in the period is set out below.

### Group

| | Gross loan value £m | Expected credit loss £m | Carrying value of loan £m |
|---|---|---|---|
| As at 25 March 2021 | 26.7 | (6.2) | 20.5 |
| Loans written off | (2.3) | 0.6 | (1.7) |
| Net repayment and further advances | (4.2) | 0.6 | (3.6) |
| Release of impairment recognised during the period | – | – | – |
| **As at 31 March 2022** | **20.2** | **(5.0)** | **15.2** |
| Closing position | 20.2 | (5.0) | 15.2 |

# Notes (forming part of the Financial Statements) continued

**17 Trade and other receivables** continued

During the 53 week period ended 31 March 2022, £2.3m of operating loans which were deemed to be in default were written off in advance of the acquisition of the 'A' shares (52 week period ended 25 March 2021: £1.4m) 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 £5.0m against operating loans of £20.2m (25 March 2021: ECLs of £6.2m against operating loans of £26.7m). The movements are shown in the table above. The Group continues to work with a number of Joint Venture Partners, where the partners choose to follow the Group's recommendations on remediation plans aimed at improving practice performance. Further details regarding credit risk are provided in note 1.16.

The following table presents an analysis of the credit risk and credit impairment of operating loans held at amortised cost. Based on their score card performance, loans are categorised as performing or in default. The loss allowance is calculated in accordance with the policy set out in note 1.16, depending on the credit risk of each loan.

| Credit risk | At 31 March 2022 £m | At 25 March 2021 £m |
|---|---|---|
| Performing | 9.5 | 15.9 |
| In default | 10.7 | 10.8 |
| Gross carrying amount | 20.2 | 26.7 |
| Loss allowance | (5.0) | (6.2) |
| Net carrying amount | 15.2 | 20.5 |

Should forecast cash flows, as defined by the risk criteria in note 1.16, decrease by 0.5% over the 10-year time horizon, this would lead to an increase in the required provision for operating loans of £1.2m (25 March 2021: £0.4m). This sensitivity is considered by management to represent a reasonably possible range of estimation uncertainty, based on the variance in current trading performance within these Joint Venture veterinary practices. The factors which give rise to the estimation uncertainty include macro-economic and industry specific factors, including the level of industry growth, as well as gross margin percentages achieved within the industry, which contain a number of factors including the availability of suitably qualified veterinary personnel. Further details are provided in note 27.

### Accrued income

Accrued income relates to income in relation to fees to Joint Venture veterinary practices and 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 1.19, supplier income is recognised as a credit within gross margin to cost of sales and is outside of the scope of IFRS15 and therefore a contract asset has not been separately recognised. Further detail of the Group's revenue recognition policy is provided in note 1.19.

### Company

***Amounts owed by Group undertakings***

Amounts owed by Group undertakings are repayable on demand bearing no interest but there is no valid expectation that it will be settled within the next 12 months. Amounts owed by Group undertakings have been assessed in line with IFRS9 and an assessment is made of the expected credit loss. As at 31 March 2022 and 25 March 2021 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 31 March 2022 £m | At 25 March 2021 £m | At 31 March 2022 £m | At 25 March 2021 £m |
| Cash and cash equivalents | 166.0 | 101.4 | – | – |

## 19 Other interest-bearing loans and borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Non-current liabilities** | | | | |
| Unsecured bank loans | **96.9** | 98.7 | **96.9** | 98.7 |

### Terms and debt repayment schedule

| | Currency | Nominal interest rate | Year of maturity | **Face value at 31 March 2022 £m** | **Carrying amount at 31 March 2022 £m** | Face value at 25 March 2021 £m | Carrying amount at 25 March 2021 £m |
|---|---|---|---|---|---|---|---|
| Revolving credit facility | GBP | SONIA +1.35% | 2027 | **100.0** | **96.9** | – | – |
| Revolving credit facility | GBP | SONIA _1.15% | 2023 | **–** | **–** | 100.0 | 98.7 |

During the financial year, the Group entered into a new revolving credit facility of £300.0m which expires on 31 March 2027.

The drawn amount on the £300.0m facility was £100.0m at 31 March 2022 (drawn amount on the £248m facility was £100.0m at 25 March 2021) and this amount is reviewed each month. Interest is charged at SONIA plus a margin based on leverage on a pre-IFRS16 basis (net debt: EBITDA). Face value represents the principal value of the revolving credit facility. The facility is unsecured.

Following the cessation of Sterling LIBOR on 31 December 2021 the Group transitioned its existing revolving credit facility and interest rate swap hedging products from LIBOR to SONIA. The effect of the transition was less than £0.1m. The new £300m revolving credit facility entered into on 29 March 2022 is also linked to SONIA and the existing interest rate hedges continue to be effective.

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 31 March 2022 £m** | At 25 March 2021 £m |
|---|---|---|
| Within one year or repayable on demand | **–** | – |
| Between one and two years | **–** | – |
| Between two and five years | **100.0** | 100.0 |
| | **100.0** | 100.0 |

The loans at 31 March 2022 and 25 March 2021 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 fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which expire on 25 September 2023.

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 25 March 2021 £m | Cash flow £m | Non-cash movement £m | **At 31 March 2022 £m** |
|---|---|---|---|---|
| Cash and cash equivalents | 101.4 | 64.6 | – | **166.0** |
| Debt due within one year at face value | – | – | – | **–** |
| Debt due after one year at face value | (100.0) | – | – | **(100.0)** |
| Net debt | 1.4 | 64.6 | – | **66.0** |

# Notes (forming part of the Financial Statements) continued

## 20 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **At 31 March 2022 £m** | At 25 March 2021 £m | **At 31 March 2022 £m** | At 25 March 2021 £m |
| **Current** | | | | |
| Trade payables | **118.5** | 107.1 | **–** | – |
| Accruals | **62.8** | 57.9 | **0.4** | 0.4 |
| Amounts owed to Joint Venture veterinary practices | **9.2** | 17.6 | **–** | – |
| Other payables including tax and social security | **34.3** | 28.5 | **–** | – |
| Amounts owed to Group undertakings | **–** | – | **552.5** | 509.3 |
| | **224.8** | 211.1 | **552.9** | 509.7 |

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 IFRS15 of £0.7m (2021: £0.8m) relate to advanced consideration received from customers in relation to gift vouchers, cards and points redeemable by charities. This revenue will be recognised as the vouchers, cards and points are redeemed, which is expected to be over the next two years.

Within accruals above, contract liabilities under IFRS15 of £1.6m (2021: £0.4m) 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 25 March 2021 | 3.4 | 0.7 | 2.3 | 6.4 |
| Provisions made during the period | 4.8 | 1.0 | 2.5 | 8.3 |
| Provisions utilised during the period | (0.3) | (0.4) | (0.4) | (1.1) |
| Provisions released during the period | – | – | (0.4) | (0.4) |
| **Balance at 31 March 2022** | **7.9** | **1.3** | **4.0** | **13.2** |

| | **At 31 March 2022 £m** | At 25 March 2021 £m |
|---|---|---|
| Current | **6.5** | 4.3 |
| Non-current | **6.7** | 2.1 |
| | **13.2** | 6.4 |

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 one and three years. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

The dilapidations provision relates to the expected cost of repairs on leased properties at future lease expiry dates. The timing of the utilisation of these provisions is variable depending on the expiry dates of the property leases concerned. In the 53 week period ended 31 March 2022 a dilapidations provision of £4.1m was made for expected repairs at the Stoke Distribution Centre at the expiry date of the lease.

The provision is discounted in line with the discount rates used to calculate the value of a right-of-use asset. A decrease in this rate of 100 bps would increase the provision by £0.0m.

The provisions for exit and closure costs relating to Joint Venture veterinary practices relate to expenses for any Joint Venture veterinary practices that the Group has bought out or has offered to buy out from Joint Venture Partners, and therefore which have been provided for under IAS37. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 1 and 15 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 26 March 2020 | 500,000,000 | 5.0 |
| At 25 March 2021 | 500,000,000 | 5.0 |
| **At 31 March 2022** | **500,000,000** | **5.0** |

***Company***

| | **Share capital 31 March 2022 £m** |
|---|---|
| At beginning of period | **5.0** |
| On issue at period end - authorised | **5.0** |

| | Share capital 25 March 2021 £m |
|---|---|
| At beginning of period | 5.0 |
| On issue at period end - authorised | 5.0 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Consolidation and Merger reserves

The consolidation reserve and the merger reserve arose as a result of the creation of Pets at Home Group Plc and its purchase of the existing group of companies as part of the Initial Public Offering in 2014. As part of the IPO, a number of shares in Plc were issued in exchange for various instruments or cash. The premium arising on the issue was allocated between the share premium and merger reserve. A consolidation reserve was also created which reflected the difference between Plc reserves and the consolidated equity of PAH Lux S.a.r.l as part of the IPO in 2014.

### 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 31 March 2022, the EBT held 3,363,989 ordinary shares (25 March 2021: 5,958,116) with a cost of £12,833,137 (2021: £18,501,342). The market value of these shares as at 31 March 2022 was 361.40 pence per share (25 March 2021: 386.20 pence per share).

# Notes (forming part of the Financial Statements) continued

## 22 Capital and reserves continued

### Other comprehensive income

***31 March 2022***

| | Translation reserve £m | Cash flow hedging reserve £m | Total other comprehensive income £m |
|---|---|---|---|
| Other comprehensive income | **(0.0)** | **–** | **(0.0)** |
| Effective portion of changes in fair value of cash flow hedges | **(0.0)** | **7.9** | **7.9** |
| Deferred tax on changes in fair value of cash flow hedges | **0.0** | **(1.2)** | **(1.2)** |
| Total other comprehensive income | **(0.0)** | **6.7** | **6.7** |

***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 |

## 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$120m 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 31 March 2022, 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:

**31 March 2022**

| | Euro £m | US Dollar £m | HKD £m | Total £m |
|---|---|---|---|---|
| Cash and cash equivalents | **0.0** | **0.2** | **0.0** | **0.2** |
| Trade payables | **(2.1)** | **(5.2)** | **–** | **(7.3)** |
| Forward exchange contracts | **0.0** | **2.2** | **–** | **2.2** |
| Balance sheet exposure | **(2.1)** | **(2.8)** | **0.0** | **(4.9)** |

**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) |

***Sensitivity analysis***

A 5% weakening of the following currencies against the pound sterling at the period end date in both years would have increased profit or loss or equity by the amounts shown below. This calculation is post the impact of hedging and assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

| | Equity | | Profit or loss | |
|---|---|---|---|---|
| | **31 March 2022 £m** | 25 March 2021 £m | **31 March 2022 £m** | 25 March 2021 £m |
| US Dollar | **(0.1)** | – | **0.2** | 0.3 |
| Euro | **–** | – | **0.1** | – |

A 5% weakening of the following currencies against the pound sterling at the period end date in both years would have increased profit or loss or equity by the amounts shown below. This calculation is post the impact of hedging and assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

***Managing interest rate benchmark reform and associated risks***

The Group's exposure to sterling SONIA designated in hedging relationships is £100.0m at 31 March 2022 representing both the nominal amount of the hedging interest rate swap and the principal amount of the hedged sterling-denominated revolving credit facility. Following the cessation of Sterling LIBOR on 31 December 2021 the Group transitioned its previous revolving credit facility and interest rate swap hedging products from LIBOR to SONIA. The effect of the transition was less than £0.1m. The new £300m revolving credit facility entered into on 31 March 2022 is also linked to SONIA and the existing interest rate hedges continue to be effective.

***(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 31 March 2022, the Group had a revolving credit facility with a face value totalling £100.0m. The Group's borrowings as at 31 March 2022 incur interest at a rate of 1.35% plus SONIA at the leverage prevalent in the period, which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in note 19.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Group has fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which commenced on 31 March 2021 and will expire on 25 September 2023. The hedge is structured to hedge at least 70% of the forecast outstanding debt for the next year.

# Notes (forming part of the Financial Statements) continued

## 23 Financial instruments continued

### Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

| | Group | | Company | |
|---|---|---|---|---|
| | **Book value At 31 March 2022 £m** | Book value At 25 March 2021 £m | **Book value At 31 March 2022 £m** | Book value At 25 March 2021 £m |
| **Fixed rate instruments** | | | | |
| Financial liabilities | **100.0** | 100.0 | **100.0** | 100.0 |
| **Variable rate instruments** | | | | |
| Financial liabilities | **–** | – | **–** | – |
| **Total financial liabilities** | **100.0** | 100.0 | **100.0** | 100.0 |

All borrowings bear a variable rate of interest based on SONIA. Group policy is to hedge at least 70% of the loan to ensure a fixed rate of interest. Therefore, designated above is the portion of the loan hedged by a fixed rate interest rate swap, which at the 31 March 2022 is £100.0m which is 100% of the drawn down facility, 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 post hedging. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the comparative period.

| | **At 31 March 2022 £m** | At 25 March 2021 £m |
|---|---|---|
| **Equity** | | |
| Increase | **0.5** | 0.5 |
| Decrease | **(0.5)** | (0.5) |
| **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

***31 March 2022***

| | Carrying amount £m | Contractual cash flows £m | 1 year or less £m | 1 to <2 years £m | 2 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Bank loans (note 19) | **96.9** | **100.0** | **–** | **–** | **100.0** | **–** |
| Trade payables (note 20) | **118.5** | **118.5** | **118.5** | **–** | **–** | **–** |
| | **215.4** | **218.5** | **118.5** | **–** | **100.0** | **100.0** |

***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 | – |

### Company

***31 March 2022***

| | Carrying amount £m | Contractual cash flows £m | 1 year or less £m | 1 to <2 years £m | 2 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Bank loans (note 19) | **96.9** | **100.0** | **–** | **–** | **100.0** | **–** |
| | **96.9** | **100.0** | **–** | **–** | **100.0** | **–** |

***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 | – |

# Notes (forming part of the Financial Statements) continued

## 23 Financial instruments continued

### Liquidity risk and cash flow hedges

***Cash flow hedges***

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and to affect profit or loss:

**Group**

***31 March 2022***

| | Carrying amount £m | Expected cash flows £m | 1 year or less £m | 1 to <2 years £m | 2 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|
| *Interest rate swaps:* | | | | | | |
| Assets (note 16) | **1.6** | **1.6** | **–** | **1.6** | **–** | **–** |
| *Forward exchange contracts:* | | | | | | |
| Assets (note 16) | **2.2** | **2.2** | **2.2** | **–** | **–** | **–** |
| Liabilities (note 16) | **(0.0)** | **(0.0)** | **(0.0)** | **–** | **–** | **–** |
| *Fuel forward contracts:* | | | | | | |
| Assets (note 16) | **0.5** | **0.5** | **0.5** | **–** | **–** | **–** |
| | **4.3** | **4.3** | **2.7** | **1.6** | **–** | **–** |

***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) | – |

**Company**

***31 March 2022***

| | Carrying amount £m | Expected cash flows £m | 1 year or less £m | 1 to <2 years £m | 2 to <5 years £m | 5 years and over £m |
|---|---|---|---|---|---|---|
| *Interest rate swaps:* | | | | | | |
| Assets (note 16) | **1.6** | **1.6** | **–** | **1.6** | **–** | **–** |
| | **1.6** | **1.6** | **–** | **1.6** | **–** | **–** |

***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) | – |

**Fair values of financial instruments**

***Investments***
The fair values of investments are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

***Trade and other payables and receivables***
The fair values of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

***Cash and cash equivalents***
The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand (such as term deposits), then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

***Long term and short term borrowings***
The fair value of bank loans and other loans approximates their carrying value as they have interest rates based on SONIA. The impact of credit risk has an immaterial impact on the fair value.

***Short term deposits***
The fair value of short term deposits is considered to be their carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

***Derivative financial instruments***
The fair values of forward exchange contracts and interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and are based on forward exchange rates and anticipated future interest yield  respectively.

***Contingent consideration***
Contingent consideration on acquisition or disposal of a subsidiary is valued at fair value at the time of acquisition or disposal. Any subsequent changes in fair values are recognised in profit or loss.

***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)

# Notes (forming part of the Financial Statements) continued

## 23 Financial instruments continued

***31 March 2022***

| Carrying amount | Fair value – hedging instruments £m | FVOCI – equity instruments £m | Financial assets at amortised cost £m | Other financial liabilities £m | Total carrying amount £m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| 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) | 2.2 | – | – | – | 2.2 |
| Fuel forward contracts used for hedging (note 16) | 0.5 | – | – | – | 0.5 |
| Interest rate swaps used for hedging (note 16) | 1.6 | – | – | – | 1.6 |
| | 4.3 | 1.3 | – | – | 5.6 |
| **Financial assets not measured at fair value** | | | | | |
| Current trade and other receivables (note 17) | – | – | 28.0 | – | 28.0 |
| Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17) | – | – | 15.2 | – | 15.2 |
| Cash and cash equivalents (note 18) | – | – | 166.0 | – | 166.0 |
| Loans to Joint Venture veterinary practices – initial set up loans (note 16) | – | – | 8.6 | – | 8.6 |
| Loans to Joint Venture veterinary practices – other loans (note 16) | – | – | 2.1 | – | 2.1 |
| Non-current other receivables (note 16) | – | – | 0.5 | – | 0.5 |
| Current other receivables (note 16) | – | – | 0.3 | – | 0.3 |
| | – | – | 220.7 | – | 220.7 |
| **Financial liabilities measured at fair value** | | | | | |
| Forward exchange contracts used for hedging (note 16) | (0.0) | (0.0) | – | – | (0.0) |
| | (0.0) | (0.0) | – | – | (0.0) |
| **Financial liabilities not measured at fair value** | | | | | |
| Current lease liabilities (note 12) | – | – | – | (78.3) | (78.3) |
| Non current lease liabilities (note 12) | – | – | – | (304.7) | (304.7) |
| Trade payables (note 20) | – | – | – | (118.5) | (118.5) |
| Amounts owed to Joint Venture veterinary practices (note 20) | – | – | – | (9.2) | (9.2) |
| Other interest-bearing loans and borrowings (note 19) | – | – | – | (96.9) | (96.9) |
| | – | – | – | 607.6 | 607.6 |

***31 March 2022***

| Fair value | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Investments in Joint Venture veterinary practices (note 16) | – | – | 0.2 | 0.2 |
| 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) | – | – | 15.2 | 15.2 |
| Loans to Joint Venture veterinary practices – initial set up loans (note 16) | – | – | 8.6 | 8.6 |
| Loans to Joint Venture veterinary practices – other loans (note 16) | – | – | 2.1 | 2.1 |
| Non-current other receivables | | | 0.5 | 0.5 |
| Other receivables (note 16) | – | – | 0.3 | 0.3 |
| **Financial liabilities not measured at fair value** | | | | |
| Other interest-bearing loans and borrowings (note 19) | – | (100.0) | – | (100.0) |

***25 March 2021***

| Carrying amount | Fair value – hedging instruments £m | FVOCI – equity instruments £m | Financial assets at amortised cost £m | Other financial liabilities £m | Total carrying amount £m |
|---|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | | |
| 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 | – | 20.4 |
| Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17) | – | – | 20.8 | – | 20.8 |
| Cash and cash equivalents (note 18) | – | – | 101.4 | – | 101.4 |
| Loans to Joint Venture veterinary practices – initial set up loans (note 16) | – | – | 11.3 | – | 11.3 |
| Loans to Joint Venture veterinary practices – other loans (note 16) | – | – | 3.3 | – | 3.3 |
| Non-current other receivables (note 16) | | | 0.6 | – | 0.6 |
| Current other receivables (note 16) | – | – | 0.6 | – | 0.6 |
| | – | – | 158.4 | – | 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 1 £m | Level 2 £m | Level 3 £m | Total £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 |
| **Financial assets not measured at fair value** | | | | |
| Amounts owed by Joint Venture veterinary practices – funding and operating loans (note 17) | – | – | 20.8 | 20.8 |
| Loans to Joint Venture veterinary practices – initial set up loans (note 16) | – | – | 11.3 | 11.3 |
| Loans to Joint Venture veterinary practices – other loans (note 16) | – | – | 3.3 | 3.3 |
| Other receivables (note 16) | – | – | 1.2 | 1.2 |
| **Financial liabilities not measured at fair value** | | | | |
| Other interest-bearing loans and borrowings (note 19) | – | (100.0) | – | (100.0) |

# Notes (forming part of the Financial Statements) continued

## 23 Financial instruments continued

### Changes in liabilities arising from financing activities

| | Loans and borrowings £m | Lease liabilities £m | Total £m |
|---|---|---|---|
| **Balance at 25 March 2021** | 98.7 | 409.7 | 508.4 |
| Changes from financing cash flows | | | |
| Proceeds from loans and borrowings | 100.0 | – | 100.0 |
| Repayment of borrowings | (100.0) | – | (100.0) |
| Payment of lease liabilities | – | (78.2) | (78.2) |
| Total changes from financing cash flows | – | (78.2) | (78.2) |
| Other changes | | | |
| Interest expense on lease liabilities | – | 11.5 | 11.5 |
| Additions to lease liabilities | – | 41.3 | 41.3 |
| Disposal of lease liabilities | – | (1.3) | (1.3) |
| Capitalisation of debt issue costs | (3.3) | – | (3.3) |
| Accelerated amortisation of debt issue costs | 0.7 | – | 0.7 |
| Amortisation of debt issue costs | 0.8 | – | 0.8 |
| Total other changes | (1.8) | 51.5 | 49.7 |
| **Balance at 31 March 2022** | 96.9 | 383.0 | 479.9 |

### 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 31 March 2022 and 25 March 2021, 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 |
| | **2022** | **2022** | **2022** | 2021 | 2021 | 2021 |
| **Foreign currency risk** | | | | | | |
| *Forward exchange contracts* | | | | | | |
| Net exposure (£m) | **52.9** | **21.0** | **–** | 42.4 | 18.0 | – |
| Average GBP-USD forward contract rate | **1.37** | **1.34** | **–** | 1.32 | 1.36 | – |
| Average GBP-EUR forward contract rate | **1.18** | **1.18** | **–** | 1.11 | 1.15 | – |
| **Interest rate risk** | | | | | | |
| *Interest rate swaps* | | | | | | |
| Net exposure (£m) | **–** | **–** | **100.0** | 100.0 | – | 100.0 |
| Average fixed interest rate | **–** | **–** | **0.811%** | 0.918% | – | 0.811% |

### Company

The Company held interest rate swaps as at 31 March 2022 and 25 March 2021 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 31 March 2022 and 25 March 2021, the Group has four share award plans, all of which are equity settled schemes.

### 1 CSOP

On 25 February 2014 the Company adopted the CSOP. Part I of the CSOP is tax approved under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of tax approved options. Part II of the CSOP provides for the grant of unapproved options.

The tax approved options under Part I of the CSOP will be exercisable between the third and tenth anniversary of the date of grant, subject to continued employment with the Group. These awards will be granted with an exercise price equal to the market value of the shares at the grant date (as agreed with HMRC).

#### *(a) Eligibility*

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the CSOP, at the discretion of the Remuneration Committee.

# Notes (forming part of the Financial Statements) continued

**24 Share-based payments** continued

***(b) Grant of options***
No options may be granted more than ten years after the adoption of the CSOP. Options under the CSOP will not form part of a colleague's pensionable earnings.

***(c) Vesting and performance***
Colleagues who receive options under the CSOP and under the PSP in connection with Admission will be subject to the same performance conditions described in Section 1 (d) above in respect of both grants. Colleagues who only receive options under the CSOP in connection with Admission will not be subject to performance conditions.

***(d) Exercise price***
The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of market value of a share at the time of grant and its nominal value. The exercise price is therefore fixed at grant date.

***(e) Individual limits***
No option may be granted to an eligible colleague under Part I of the CSOP which would result in the aggregate exercise prices of shares comprised in all outstanding options granted to him/her under Part I, when aggregated with outstanding options held under any other tax approved executive share option scheme established by the Company, exceeding the tax approved limit (currently £30,000).

In addition, (both under Part I and II of the CSOP) the aggregate exercise price of shares comprised in options granted to a colleague under the CSOP and the PSP in any financial year shall not exceed 150% of his/her annual salary for that year.

For the purposes of these limits, market value will be calculated by reference to the market value of the shares on or prior to the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) and subject to HMRC approval if applicable.

Part II of the CSOP provides for the grant of unapproved options. This enables options to be granted under the same terms as Part I of the CSOP but without complying with the particular requirements of the legislation applicable to tax approved CSOP Schemes. The provisions of the CSOP that do not apply under Part II include the £30,000 limit and the need to seek HMRC approval for the scheme and subsequent amendments (as applicable).

**2 PSP**
On 25 February 2014 the Company adopted the PSP. Awards under the PSP were made on 17 March 2014 and annually thereafter up until 2017 after which no further awards were granted. The awards will be exercisable between the third and tenth anniversary of the grant date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards were granted at nil cost.

***(a) Eligibility***
Only the Executive Directors, Senior Executives and certain other senior colleagues were selected to participate in the PSP.

***(b) Grant of awards***
Awards under the PSP will not form part of a colleague's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee.

***(c) Exercise price***
The price at which a colleague may acquire shares on the exercise or vesting of an award under the PSP shall be determined by the Remuneration Committee on the date of grant, and may, if the Remuneration Committee determines, be nil or nominal value only.

***(d) Scheme limits***
The number of newly issued shares over which (or in respect of which) awards may be granted under the PSP on any date shall be limited so that: (i) the total number of shares issued and issuable in respect of options or awards granted in any ten year period under the PSP and any other discretionary share option scheme of the Company (including the RSA and the CSOP but other than to satisfy dividend equivalent payments) is restricted to 5% of the Company's issued shares calculated at the relevant time; and (ii) the total number of shares issued and issuable pursuant to options or awards granted in any ten year period under the PSP and any other employee share scheme operated by the Company (including the CSOP, SAYE and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards granted before, on or in connection with Admission and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Shares held in treasury will be treated as newly issued shares for the purposes of these limits (as long as this is required by institutional investor guidelines), but (for the avoidance of doubt) shares acquired in the market will not.

***(e) Individual limits***
The aggregate market value of shares comprised in awards granted to a colleague under the PSP, RSA and the CSOP in any financial year shall not exceed 150% of their annual salary for that year.

For the purposes of awards granted on (or before) Admission, market value for these purposes was calculated by reference to the Offer Price. For the purposes of awards granted following Admission, market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

***(f) Performance***
The Matching Awards granted on 17 March 2014 vested subject to the satisfaction of the performance conditions outlined below. To the extent that any future awards are granted, different conditions may apply (in the absolute discretion of the Remuneration Committee).

The performance conditions were as follows:

– 75% of the Matching Award was subject to the CAGR in the Company's earnings per share ('EPS') over three financial years, namely FY15, FY16 and FY17 (together the 'Performance Period') (which, for the avoidance of doubt, ended on 30 March 2017). If the CAGR in the Company's EPS was 10%, then 10% of the total Matching Award would vest. If the CAGR in the Company's EPS was 17.5% or more, then 75% of the total Matching Award would vest. Vesting was on a straight-line basis between these two points. For the avoidance of doubt, if the CAGR in the EPS was less than 10% over the Performance Period then the amount of the Matching Award which would vest under this EPS performance condition would be nil.
– 25% of the total Matching Award was subject to the Company's total shareholder return ('TSR') as compared to a comparator group made up of a selected group of retail companies over the Performance Period. Vesting of 6.25% of the total Matching Award would occur for median performance. Vesting of the maximum 25% of the total Matching Award would occur for upper quartile performance or above. Vesting would occur on a straight-line basis between these two points. If the Company's TSR performance over the Performance Period was below median, then the amount of the Matching Award which would vest under this TSR performance condition would be nil.
– To the extent vested as to performance, Matching Awards became exercisable in three equal amounts on the third, fourth and fifth anniversary of 17 March 2014, but subject to continued employment with the Group.

**3 SAYE**
On 25 February 2014, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 4 April 2015). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. In September each year, the Company issues invitations under the rules of the SAYE which provides eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings is £500 per month. The Executive Directors have elected to participate in the SAYE, along with 17.55% 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.

# Notes (forming part of the Financial Statements) continued

## 24 Share-based payments continued

**3 SAYE** continued

***(c) Exercise price***
The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80% of the market value of a share at the time of grant and its nominal value.

***(d) Savings contract***
Options may be granted by the Board or the trustee of an employee benefit trust. Upon applying for an option, the colleague will be required to enter into an approved savings contract with a savings institution nominated by the Company which lasts for three years. The maximum amount which an employee is permitted to contribute under SAYE contracts is £500 per month. The Board may set lower savings limits than this for different colleagues by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10). The total exercise price of the shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the colleague's related SAYE contract.

***(e) Scheme limits***
The number of newly issued shares over which (or in respect of which) options may be granted under the SAYE on any date of grant shall be limited so that the total number of shares issued or capable of being issued in any ten year period under all the Company's employee share schemes (including the CSOP, PSP and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time. Any options or rights to acquire shares granted before, on or in connection with Admission will be excluded from this limit, and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting.

***(f) Exercisability***
Options will normally be exercisable during a period of six months following the allocation of a bonus under the related SAYE contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the colleague dies or leaves employment through injury, disability, redundancy or retirement or where a colleague leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. Early exercise will also be permitted in the event of a takeover, reconstructions or voluntary winding up of the Company.

**4 RSA**
On 20 July 2017 the Company adopted the RSA. Awards under the RSA were made on 20 July 2017 and annually thereafter and will be exercisable between the third and tenth anniversary of this date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards are granted at nil cost.

***(a) Eligibility***
All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the RSA, at the discretion of the Remuneration Committee.

***(b) Grant of awards***
Awards under the RSA will not form part of a colleague's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee.

***(c) Exercise price***
The price at which a colleague may acquire shares on the exercise or vesting of an award under the RSA shall be determined by the Remuneration Committee on the date of grant, and may, if the Remuneration Committee determines, be nil or nominal value only.

***(d) Scheme limits***
The number of newly issued shares over which (or in respect of which) awards may be granted under the RSA on any date shall be limited so that: (i) the total number of shares issued and issuable in respect of options or awards granted in any ten year period under the RSA and any other discretionary share option scheme of the Company (including the PSP and the CSOP but other than to satisfy dividend equivalent payments) is restricted to 5% of the Company's issued shares calculated at the relevant time; and (ii) the total number of shares issued and issuable pursuant to options or awards granted in any ten year period under the RSA and any other employee share scheme operated by the Company (including the CSOP, SAYE and PSP but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards granted before, on or in connection with Admission and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Shares held in treasury will be treated as newly issued shares for the purposes of these limits (as long as this is required by institutional investor guidelines), but (for the avoidance of doubt) shares acquired in the market will not.

***(e) Individual limits***

The aggregate market value of shares comprised in awards granted to a colleague under the RSA, PSP and the CSOP in any financial year shall not exceed 150% of their annual salary for that year. Market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

### Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions and a Monte-Carlo simulation for the market-based (TSR element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

| | RSA | | | | PSP | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| **At grant date** | | | | | | | |
| Share price | £4.57 | £2.28 | £1.87 | £1.37 | £2.59 | £2.75 | £2.45 |
| Exercise price | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 | £0.00 |
| Expected volatility | 32% | 32% | 32% | 32% | 32% | 30% | 30% |
| Option life (years) | 10 | 10 | 10 | 10 | 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 | £4.57 | £2.28 | £1.87 | £1.37 | £2.06 | £2.06 | £2.06 |

| | CSOP | | | SAYE | | |
|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2015 | 2021 | 2020 | 2019 |
| **At grant date** | | | | | | |
| Share price | £2.59 | £2.75 | £2.31 | £5.13 | £2.87 | £2.37 |
| Exercise price | £2.59 | £2.75 | £2.31 | £4.10 | £2.29 | £1.98 |
| Expected volatility | 32% | 32% | 37% | 33% | 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% | 0.64% | 0.20% | 0.20% |
| Weighted average fair value of options granted | £0.65 | £0.89 | £0.75 | £1.68 | £0.95 | £0.78 |

As both the RSA and PSP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value.

Movements in awards under share-based payment schemes:

| | PSP 000 | CSOP 000 | SAYE 000 | RSA 000 | Total 000 |
|---|---|---|---|---|---|
| Outstanding at start of year | 2 | 1,042 | 6,014 | 7,097 | 14,155 |
| Granted | – | – | 1,187 | 1,167 | 2,354 |
| Forfeited | – | (22) | (601) | (112) | (735) |
| Exercised | – | (541) | (3,294) | (2,067) | (5,902) |
| Lapsed | – | (3) | (88) | (160) | (251) |
| **Outstanding at end of year** | 2 | 476 | 3,218 | 5,925 | 9,621 |
| **Weighted average exercise price** | – | 2.59 | 2.81 | – | NA |

The Group income statement charge recognised in respect of share-based payments for the 53 week period ended 31 March 2022 is £4.9m (52 week period ended 25 March 2021: £4.7m).

# Notes (forming part of the Financial Statements) continued

## 25 Commitments

### Capital commitments

At 31 March 2022, the Group is committed to incur capital expenditure of £21.7m (25 March 2021: £6.1m). Capital commitments predominantly relate to the cost of investment in and refurbishment of the new Pets at Home Distribution Centre and Pets at Home stores.

At 31 March 2022, the Group has a commitment to increase the loan funding to Joint Venture companies of £0.8m (25 March 2021: £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 £11.2m (25 March 2021: £12.8m).

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 |
| Companion Care (Barnsley Cortonwood Limited) | 04141142 |
| Bearsden Vets4Pets Limited | 07780175 |
| Bedminster Vets4Pets Limited | 09267870 |
| Belfast Stormont Vets4Pets Limited | 09022077 |
| Bicester Vets4Pets Limited | 10285804 |
| Blackpool Squires Gate Vets4Pets Limited | 09578581 |
| Blackpool Warbreck Vets4Pets Limited | 08394978 |
| Bonnyrigg Vets4Pets Limited | 10757330 |
| Borehamwood Vets4Pets Limited | 09319066 |
| Bourne Vets4Pets Limited | 10200670 |
| Bracknell Vets4Pets Limited | 10605544 |
| Bramley Vets4Pets Limited | 04238788 |
| Bramley Vets4Pets (Newco) Limited | 09772761 |
| Brighton Vets4Pets Limited | 13539268 |
| Carmarthen Vets4Pets Limited | 09498169 |
| Clitheroe Vets4Pets Limited | 09878308 |
| Corby Vets4Pets Limited | 08163294 |
| Craigavon Vets4Pets Limited | 08846831 |
| Crewe Vets4Pets Limited | 08966730 |
| Davidsons Mains Vets4Pets Limited | 07726992 |
| Denbigh Vets4Pets Limited | 10976376 |
| Doncaster Vets4Pets Limited | 04335358 |
| Dorchester Vets4Pets Limited | 08708025 |
| East Kilbride South Vets4Pets Limited | 09628917 |
| Ellesmere Port Vets4Pets Limited | 09725644 |
| Companion Care (Ely) Limited | 04417089 |
| Companion Care (Exeter) Limited | 04930076 |
| Companion Care (Exeter Marsh) Limited | 08314727 |
| Companion Care (Farnborough) Limited | 07673889 |
| Grantham Vets4Pets Limited | 08361049 |

| Company | Registered number |
| --- | --- |
| Guildford Vets4Pets Limited | 13470077 |
| Handforth Vets4Pets Limited | 13371655 |
| Haverfordwest Vets4Pets Limited | 09485504 |
| Huddersfield Vets4Pets Limited | 07207906 |
| Inverurie Vets4Pets Limited | 11056047 |
| Kendal Vets4Pets Limited | 10163314 |
| Kilmarnock Vets4Pets Limited | 08850288 |
| Companion Care (Kirkcaldy) Limited | 07680864 |
| Lancaster Vets4Pets Limited | 08536904 |
| Leeds Kirkstall Vets4Pets Limited | 10291543 |
| Leicester St Georges Vets4Pets Limited | 09881176 |
| Linlithgow Vets4Pets Limited | 09966547 |
| Liverpool OS Vets4Pets Limited | 06959208 |
| Companion Care (Speke) Limited | 07149744 |
| Companion Care (Macclesfield) Limited | 08285995 |
| Maidstone Vets4Pets Limited | 05171954 |
| Companion Care (Maidstone) Limited | 05094399 |
| Malvern Vets4Pets Limited | 10516552 |
| Market Harborough Vets4Pets Limited | 10602806 |
| Marlborough Vets4Pets Limited | 09869384 |
| Monmouth Vets4Pets Limited | 10756991 |
| Musselburgh Vets4Pets Limited | 10425760 |
| Companion Care (Newport) Limited | 08425358 |
| Newton Mearns Vets4Pets Limited | 07957431 |
| Northwich Vets4Pets Limited | 11107287 |
| Pentland Vets4Pets Limited | 09360949 |
| Pet Advisory Services Limited | 09180974 |
| Prescot Vets4Pets Limited | 08878815 |
| Rawtenstall Vets4Pets Limited | 09009519 |
| Redditch Vets4Pets Limited | 05612150 |
| Runcorn Vets4Pets Limited | 11446894 |
| Sheffield Drakehouse Vets4Pets Limited | 08790953 |
| Sheldon Vets4Pets Limited | 08822150 |
| Sidcup Vets4Pets Limited | 08187232 |
| South Shields Quays Vets4Pets Limited | 09848857 |
| Spalding Vets4Pets Limited | 13720296 |
| Companion Care (Slough) Limited | 07427613 |
| St Austell Vets4Pets Limited | 09878373 |
| St Neots Vets4Pets Limited | 09811640 |
| Staines Vets4Pets Limited | 13584062 |
| 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 |
| VetsDirect Limited | SC230445 |
| Wallasey Bidston Moss Vets4Pets Limited | 09190138 |
| Wellingborough Vets4Pets Limited | 07620413 |
| Wokingham Vets4Pets Limited | 09869355 |
| Wrexham Vets4Pets Limited | 07103838 |
| Companion Care Management Services Limited | 08878037 |
| Pets at Home (ESOT) Limited | 03911784 |
| Vets4Pets Services Limited | 05055601 |
| Vets4Pets Veterinary Group Limited | 04263054 |

# Notes (forming part of the Financial Statements) continued

## 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 £11.2m (25 March 2021: £12.8m).

The transactions entered into during the period and the balances outstanding at the end of the period are as follows:

| | **31 March 2022 £m** | 25 March 2021 £m |
|---|---|---|
| **Transactions** | | |
| – Fees for services provided to Joint Venture veterinary practices | **69.9** | 57.0 |
| – Rental and other occupancy charges to Joint Venture veterinary practices | **11.7** | 8.2 |
| Total income from Joint Venture veterinary practices | **81.6** | 65.2 |
| **Acquisitions** | | |
| – Consideration for Joint Venture veterinary practices acquired (note 10) | **2.1** | 1.6 |
| **Balances** | | |
| Included within trade and other receivables (note 17): | | |
| – Funding for new practices | **–** | 0.3 |
| – Operating loans | | |
| – Gross value of operating loans | **20.2** | 26.7 |
| – Allowance for expected credit losses held for operating loans | **(5.0)** | (6.2) |
| – Net operating loans | **15.2** | 20.5 |
| 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 | **9.8** | 12.5 |
| – Allowance for expected credit losses held for initial set up loans | **(1.2)** | (1.2) |
| – Net initial set up loans | **8.6** | 11.3 |
| – Loans to Joint Venture veterinary practices – other loans | | |
| – Gross value of other loans | **2.1** | 3.3 |
| – Allowance for expected credit losses held for other loans | **–** | – |
| – Net other loans | **2.1** | 3.3 |
| Included within trade and other payables (note 20): | | |
| – Trading balances | **(9.2)** | (17.6) |
| Total amounts receivable from veterinary practices (before provisions) | **22.9** | 25.2 |

Fees for services provided to related party veterinary practices are included within revenue and relate to charges for support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property. In accordance with IFRS15, revenue in the 53 week period ended 31 March 2022 and the 52 week period ended 25 March 2021 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 £5.0m (25 March 2021: £6.2m).

Loans to Joint Venture veterinary practices for other related parties – other loans are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long-term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost under IFRS9. The balances above are shown net of allowances for expected credit losses held for initial set up loans of £1.2m (25 March 2021: £1.2m).

In the 53 week period ended 31 March 2022, the value of loans written off recognised in the income statement amounted to £2.3m which relates to operating loans. 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.

At 31 March 2022, the Group had a commitment to increase the loan funding to Joint Venture companies of £0.8m (25 March 2021: £0.8m); this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

The Group is a guarantor for the leases for veterinary practices that are not located within Pets at Home stores.

**Key management personnel**
Details of remuneration paid to key management personnel are set out in note 4.

## 28 Investments in subsidiaries

**Company**

| | Investments in subsidiaries £m |
|---|---|
| At 31 March 2022 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 £959.0m at 31 March 2022 exceeds the investments held in subsidiary undertakings of £936.2m, and therefore management have concluded that under IAS36, no impairment has been identified with regard to the Company's investments in subsidiaries.

**Registered office 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.

# Notes (forming part of the Financial Statements) continued

## 28 Investments in subsidiaries continued

### Group

Details of the subsidiary undertakings are as follows:

In the 53 week period ended 31 March 2022, the Group has also acquired 100% of the ‘A’ shares of 11 companies. These practices were previously accounted for as Joint Venture veterinary practices as the Group held 100% of the non-participatory ‘B’ ordinary shares. Acquisition of the ‘A’ shares has led to the control and consolidation of these companies. A detailed explanation for the basis of consolidation can be found in note 1.4.

Further details of these acquisitions can be found in note 10.

| Company | Holding | Country of incorporation | Class of shares held | **At 31 March 2022 %** | At 25 March 2021 % |
|---|---|---|---|---|---|
| Brand Development Limited | Indirect | Guernsey | Ordinary | **100** | 100 |
| Companion Care (Services) Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Companion Care Management Services Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Les Boues Limited | Indirect | Jersey | Ordinary | **100** | 100 |
| PAH Pty Limited | Indirect | Australia | Ordinary | **100** | 100 |
| Pet Advisory Services Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pet Investments Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home (Asia) Limited | Indirect | Hong Kong | Ordinary | **100** | 100 |
| PAH Financial Services Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home Holdings Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home No.1 Limited | Direct | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home Superstores Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home Vets Group Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pets at Home (ESOT) Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pet City Holdings Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pet City Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pet City Resources Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Vets4Pets (Services) Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Vets4Pets Holdings Limited | Indirect | Guernsey | Ordinary | **100** | 100 |
| Vets4Pets I.P. Limited | Indirect | Guernsey | Ordinary | **100** | 100 |
| Vets4Pets Services Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Vets4Pets UK Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Vets4Pets Limited | Indirect | Guernsey | Ordinary | **100** | 100 |
| Vets4Pets Veterinary Group Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| VetsDirect Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Aberdeen North Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Aberdeen Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| 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 Warbreck Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 50 |
| Bodmin Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bolton Central Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bonnyrigg Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Borehamwood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bourne Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bracknell Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bradford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bramley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bramley Vets4Pets (Newco) Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Bridlington Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Brighton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | – |

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| 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 |
| Clacton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | – |
| Clitheroe Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Colchester Layer Road Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Colchester Vets4Pets Advanced Practice Limited | Indirect | United Kingdom | Ordinary | 100 | – |
| Companion Care (Ballymena) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Barnsley Cortonwood) Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| Companion Care (Ely) Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| Companion Care (Exeter Marsh) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Exeter) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Farnborough) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Kendal) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Kirkcaldy) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Macclesfield) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Maidstone) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Newport) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Nottingham) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Slough) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Speke) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Companion Care (Stratford-Upon-Avon) Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Corby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Coventry Canley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Craigavon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Crewe Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| Crosby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Davidsons Mains Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Denbigh Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| 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 | 100 |
| Great Yarmouth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Guildford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | – |
| Handforth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | – |
| Haverfordwest Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Hemsworth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Hexham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Horden Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Huddersfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| Inverness Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Inverurie Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Kendal Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| Kilmarnock Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Kingswood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 100 |
| Lancaster Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 100 | 50 |
| 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 |

# Notes (forming part of the Financial Statements) continued

## 28 Investments in subsidiaries continued

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| 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 |
| Northwich Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 50 |
| Norwich Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Nottingham Castle Marina Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Pentland Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Perth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Peterlee Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Poynton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Prescot Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Rawtenstall Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Redditch Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Ripon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Runcorn Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 50 |
| 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** | 100 |
| South Shields Quays 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 |
| Staines Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | – |
| Stocksbridge Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Stoke-On-Trent Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Sudbury Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Teesside Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Thamesmead Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| The Heart of Dulwich Veterinary Care Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Thornbury Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Tiverton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Uckfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Uttoxeter Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Wallasey Bidston Moss Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Warrington Winnick Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Wellingborough Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| West Drayton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Wokingham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |
| Wrexham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **100** | 100 |

**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 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| 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** | 50 |
| Barry Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bath Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bedford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bedlington Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Beeston Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Beverley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Biggleswade Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bishops Stortford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bishopston Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bitterne Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Blackburn Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Blackheath Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Blackpool Squires Gate Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 100 |
| Blackwood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bolton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bradford Idle Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Brighouse Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bristol Emerson Green Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bristol Imperial Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bristol Kingswood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bristol Longwell Green Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bromsgrove Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Buckingham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bulwell Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Burscough Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Burton-On-Trent Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bury St Edmunds Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Bury Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Byfleet Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Caerphilly Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Camborne Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Cannock Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Canterbury Sturry Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Cardiff Newport Road Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Carlisle Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Carrickfergus Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Castleford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Catterick Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Chadwell Heath Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Cheadle Hulme Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Chester Caldy Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Chester Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Chesterfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |

# Notes (forming part of the Financial Statements) continued

## 28 Investments in subsidiaries continued

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| Cirencester Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Clevedon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Cleveleys Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Clifton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Clowne Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Coalville Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 100 |
| 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 (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 |
| 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 (Enfield) Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |

| Company | Holding | Country of incorporation | Class of shares held | **At 31 March 2022 %** | At 25 March 2021 % |
|---|---|---|---|---|---|
| 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 |
| 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** | 50 |
| Companion Care (Peterborough Bretton) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Peterborough) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Plymouth) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Poole) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Portsmouth) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Preston Capitol) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Pudsey) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Reading) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Redditch) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Redhill) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Romford) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Rotherham) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Rustington) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Salisbury) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Scarborough) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Southampton) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Companion Care (Southend-On-Sea) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |

# Notes (forming part of the Financial Statements) continued

## 28 Investments in subsidiaries continued

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| Companion Care (Stevenage) Limited | Indirect | United Kingdom | Ordinary | **50** | 100 |
| 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 |
| Cross Hands Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Cumbernauld Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 100 |
| Dagenham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Darlington Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Daventry Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Denton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Dewsbury Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Dog Stay Limited | Indirect | United Kingdom | Ordinary | **12** | 12 |
| Dover Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Droitwich Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Drumchapel Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Dudley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Dumbarton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Dunfermline Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Durham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| East Kilbride Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Eastleigh Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Eastwood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Eccleshill Vets4Pets (Newco) Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Epsom Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Falkirk Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Feltham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Filton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Gamston Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Gateshead Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Glasgow Forge Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Glasgow Pollokshaws Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Goldenhill Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Gosport Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Gravesend Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Greasby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Greenford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Grimsby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| 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 |

| Company | Holding | Country of incorporation | Class of shares held | **At 31 March 2022 %** | At 25 March 2021 % |
|---|---|---|---|---|---|
| Harrogate New Park Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Harrogate Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hartlepool Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hastings Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Havant Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Haverhill Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hayling Island Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Heanor Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 100 |
| Hedge End Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hemel Hempstead Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hendon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hereford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hertford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| High Wycombe Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hinckley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hucknall Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hull Anlaby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hull Stoneferry Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Hull Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Ilkeston Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Ipswich Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Irvine Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Kettering Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Kidderminster Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Kirkby in Ashfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Larne Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Launceston Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leeds Birstall Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leeds Colton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leeds Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leigh Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leigh-On-Sea Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Letchworth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Leyland Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Lichfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Lincoln South Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Lisburn Longstone Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Llandudno Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Llanelli Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Llanrumney Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Longton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Loughborough Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Loughton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Luton Gipsy Lane Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Luton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Lytham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Maidenhead Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Maldon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Mansfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Mapperley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Merthyr Tydfil Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| 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 |

# Notes (forming part of the Financial Statements) continued

## 28 Investments in subsidiaries continued

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| 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 |
| 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 |
| 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 | 12 |
| Quinton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rayleigh Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rhyl Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Richmond Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rochdale Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rotherham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rugby Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rugby Central Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Ruislip Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Rushden Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Saffron Walden Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 50 |
| Salford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | 50 | 100 |
| 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 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 |

| Company | Holding | Country of incorporation | Class of shares held | At 31 March 2022 % | At 25 March 2021 % |
|---|---|---|---|---|---|
| Stourbridge Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Street Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Sunderland South Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Sunderland Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Sutton Coldfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Sutton In Ashfield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Swindon Bridgemead Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Swinton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Sydenham Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 100 |
| Telford Madeley Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Thurrock Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Tilehurst Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Torquay Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Totton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Trafford Park Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Trowbridge Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Wakefield Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Walkden Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Walsall Reedswood Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Waltham Abbey Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Walton on Thames Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Walton Vale Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Warminster Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Warrington Riverside Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Warrington Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Washington Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Waterlooville Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Watford Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| West Bromwich Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Weymouth Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Whitstable Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Widnes Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Wigan Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Wimbledon Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Wolverhampton Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Worksop Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Worthing Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| WSM Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Yate Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| Yeovil Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| York Clifton Moor Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |
| York Vets4Pets Limited | Indirect | United Kingdom | Ordinary | **50** | 50 |

During the 53 week period ended 31 March 2022, the Group has sold 100% of the ‘A’ shares in four 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 four entities listed above to 50% investment.

# Glossary – Alternative Performance Measures

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under UK-adopted international accounting standards and consider these to be important measures in evaluating the Group's strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods by adjusting for non-underlying items, to aid the user in understanding the Group's performance.

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 results and comparative period where provided.

APMs considered by the business to be a key performance indicator are explained in more detail on page 40 of the Annual Report.

The key APMs used by the Group are:

**'Like-for-Like'** sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons and veterinary practices that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future.

**Underlying PBT:** Underlying profit before tax (PBT) is based on pre-tax profit before the impact of 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 proforma profit before tax:** Underlying proforma profit before tax 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, as well as the impact of the in-year change in IAS38 intangible asset accounting policy.

**Underlying free cash flow:** Net increase/(decrease) in cash before the impacts of dividends paid, acquisition of subsidiaries, proceeds from new loans and repayment of borrowings.

**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.<br><br>The comparative cash EBITDA has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | Cash EBITDA (£m) | **FY22** | FY21 | Note |
| | | Underlying EBITDA | **248.4** | 201.2 | 2 |
| | | Share-based payment charge | **4.9** | 4.7 | 3 |
| | | Cash EBITDA | **253.3** | 205.9 | |

| APM | Definition | Reconciliation |
|---|---|---|
| **Underlying EBITDA** | Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period.<br><br>The comparative underlying EBITDA has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| Underlying EBITDA (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Statutory operating profit | **163.8** | 124.7 | 2 |
| Depreciation on tangible fixed assets | **25.4** | 26.9 | 3,11 |
| Depreciation on right-of-use assets | **69.7** | 70.3 | 3,12 |
| Amortisation of intangible assets | **8.8** | 8.2 | 3,13 |
| Non-underlying items | **(19.3)** | (28.9) | 3 |
| Underlying EBITDA | **248.4** | 201.2 | |

| 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, then adjusted for depreciation of PPE, right-of-use assets and amortisation. GCI represents gross PPE, right-of-use assets and software, and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, before the effect of non-underlying items in the period.<br><br>The comparative underlying CROIC has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| CROIC | FY22 | FY21 | Note |
|---|---|---|---|
| Cash returns: | | | |
| Underlying operating profit | **144.5** | 95.8 | 2 |
| Share-based payment charges | **4.9** | 4.7 | 3 |
| | **149.4** | 100.5 | |
| Effective tax rate | **19%** | 19% | |
| Tax charge on above | **(28.4)** | (19.1) | |
| | **121.0** | 81.4 | |
| Depreciation and amortisation | **103.9** | 105.4 | 2 |
| Cash returns | **224.9** | 186.8 | |
| Gross capital invested (GCI): | | | |
| Gross property, plant and equipment | **342.4** | 310.1 | 11 |
| Gross right-of-use assets | **548.2** | 508.2 | 12 |
| Intangibles | **1,034.1** | 1,020.4 | 13 |
| Less KKR goodwill | **(906.4)** | (906.4) | |
| Investments | **9.9** | 12.6 | 16 |
| Net working capital | **(90.7)** | (83.4) | see definition |
| GCI | **937.5** | 861.5 | |
| Underlying CROIC | **24.0%** | 21.7% | |

# Glossary – Alternative Performance Measures continued

| 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.<br><br>The comparative underlying free cash flow has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See reconciliation table below. |

| Underlying free cash flow (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying free cash flow | **95.0** | 67.4 | |
| Non-underlying working capital | **–** | – | |
| Free cash flow | **95.0** | 67.4 | |
| *Underlying cash flow* | | | |
| Dividends | **(48.5)** | (37.1) | CFS |
| Acquisition of subsidiary | **(1.7)** | (16.9) | CFS |
| Proceeds from new loan | **100.0** | 60.0 | CFS |
| Repayment of borrowings | **(100.0)** | (125.0) | CFS |
| *Non-underlying cash flow* | | | |
| Proceeds from sale of PPE relating to GVs | **0.6** | – | |
| Settlement of put and call | **–** | (5.5) | CFS |
| Disposal of subsidiaries | **19.2** | 79.4 | CFS |
| Net increase in cash | **64.6** | 22.3 | |

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 and veterinary practices that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future. | Not applicable. |
| **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 and veterinary practices 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. |

| APM | Definition | Reconciliation |
|---|---|---|
| **Underlying basic EPS** | Underlying basic earnings per share (EPS) is based on earnings per share before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.<br><br>The comparative underlying basic EPS has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | see table below |
| **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.<br><br>The comparative underlying operating profit has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | see table below |
| **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.<br><br>The comparative underlying profit before tax has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | see table below |
| **Group underlying proforma profit before tax** | Underlying proforma profit before tax 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, as well as the impact of the in-year change in IAS38 intangible asset accounting policy. | see table below |

| Underlying basic EPS (p) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying basic EPS | **21.2** | 12.3 | 5 |
| Non-underlying items | **3.7** | 5.8 | 5 |
| Basic earnings per share | **24.9** | 18.1 | |

| Underlying operating profit (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying operating profit | **144.5** | 95.8 | 2 |
| Non-underlying items | **19.3** | 28.9 | 3 |
| Operating profit | **163.8** | 124.7 | |

| Underlying PBT (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying PBT | **130.1** | 77.4 | CIS |
| Non-underlying items | **18.6** | 28.9 | CIS |
| Profit before tax | **148.7** | 106.3 | |

CIS = Consolidated income statement

| Underlying proforma PBT (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying PBT | **130.1** | 77.4 | CIS |
| Intangible asset costs expensed | **24.0** | 15.4 | |
| Intangible asset amortisation reversal | **(9.4)** | (5.3) | |
| Underlying proforma profit before tax | **144.7** | 87.5 | |

CIS = Consolidated income statement

# Glossary – Alternative Performance Measures continued

| APM | Definition | Reconciliation |
|---|---|---|
| **Retail underlying proforma profit before tax** | Retail underlying proforma profit before tax 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 division and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the division, as well as the impact of the in-year change in IAS38 intangible asset accounting policy. | See table below |

| Retail underlying proforma PBT (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying PBT | **101.4** | 59.7 | 2 |
| Intangible asset costs expensed | **22.5** | 13.2 | |
| Intangible asset amortisation reversal | **(9.3)** | (5.3) | |
| Underlying proforma profit before tax | **114.6** | 67.6 | |

| APM | Definition | Reconciliation |
|---|---|---|
| **Vet Group underlying proforma profit before tax** | Vet Group underlying proforma profit before tax is based on the impact of the 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 division and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the division, as well as the impact of the in-year change in IAS38 intangible asset accounting policy. | See table below |

| Vet Group underlying proforma PBT (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying PBT | **43.1** | 33.3 | 2 |
| Intangible asset costs expensed | **1.5** | 2.2 | |
| Intangible asset amortisation reversal | **(0.1)** | – | |
| Underlying proforma profit before tax | **44.5** | 35.5 | |

| APM | Definition | Reconciliation |
|---|---|---|
| **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.<br><br>The comparative underlying PAT has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| Underlying PAT (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying PAT | **105.8** | 61.6 | CIS |
| Non-underlying items | **18.7** | 28.8 | CIS |
| PAT | **124.5** | 90.4 | |

CIS = Consolidated income statement

| APM | Definition | Reconciliation |
|---|---|---|
| **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 or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by235virtue of their size and nature in order to reflect management's view of the performance of the Group.<br><br>The comparative underlying total tax expense has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| Underlying total tax expense (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Underlying tax expense | **(24.3)** | (15.8) | CIS,8 |
| Non-underlying items | **0.1** | (0.1) | CIS,8 |
| Tax expense | **(24.2)** | (15.9) | |

CIS = Consolidated income statement

| APM | Definition | Reconciliation |
|---|---|---|
| **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.<br><br>The change year on year reflects the cash in/outflow in relation to changes in the working capital cycle excluding non-underlying items.<br><br>The change in net working capital is a key component of the free cash flow measure of the Group.<br><br>The comparative underlying net working capital has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See tables below |

| Underlying net working capital movement (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Net working capital per cash flow statement | **26.4** | (5.7) | CFS |
| Being: | | | |
| Movement in trade and other receivables | **(4.7)** | (5.9) | |
| Movement in inventories | **(0.8)** | (22.1) | CFS |
| Movement in trade and other payables | **19.8** | 12.0 | CFS |
| Movement in provisions | **6.8** | 1.3 | CFS |
| Trading working capital movement | **21.1** | (14.7) | |
| Movement in gross operating loans | **6.5** | 10.8 | |
| Cash working capital movement | **27.6** | (3.9) | |
| Underlying allowance for expected credit losses against operating loans | **(1.2)** | (1.8) | |
| Net working capital movement | **26.4** | (5.7) | |

CFS = Consolidated statement of cash flows

| (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Receivables | **62.8** | 50.4 | |
| Inventory | **84.5** | 83.7 | 14 |
| Trade and other payables | **(224.8)** | (211.1) | 20 |
| Provisions | **(6.5)** | (4.3) | 21 |
| Non-current provisions | **(6.7)** | (2.1) | 21 |
| Net working capital | **(90.7)** | (83.4) | |

| APM | Definition | Reconciliation |
|---|---|---|
| **Underlying cash working capital** | Working capital before increase/decrease in gross operating loans to Joint Venture practices<br><br>The comparative underlying cash working capital has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| Underlying cash working capital (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Net working capital (above) | **26.4** | (5.7) | |
| Net loans and borrowings | **(5.3)** | (9.0) | 27 |
| Underlying cash working capital | **21.1** | (14.7) | |

# Glossary – Alternative Performance Measures continued

| 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 items, lease payments, proceeds from the sale of PPE, and costs to acquire right-of-use assets.<br><br>The comparative underlying operating cash flow has been restated to reflect the reclassification of expenditure to the income statement following the impact of the accounting policy change detailed in note 1.1. | See table below |

| Operating free cash flow(£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Net cash flow from operating activities (per cash flow statement) | **248.1** | 181.4 | CFS |
| Add back: | | | |
| Tax paid | **31.0** | 17.5 | CFS |
| Pre-tax underlying operating cash flow | **279.1** | 198.9 | |
| Capital lease payments | **(67.3)** | (66.6) | CFS |
| Interest paid on lease obligations | **(11.5)** | (12.8) | CFS |
| **Operating cash flow** | **200.3** | 119.5 | |
| Tax paid | **(31.0)** | (17.5) | CFS |
| Interest paid | **(3.5)** | (4.8) | CFS |
| Interest received | **0.3** | 0.4 | CFS |
| Debt issue costs | **(3.3)** | (0.2) | CFS |
| Purchase of own shares | **(12.3)** | (8.7) | CFS |
| Acquisition of PPE and intangible assets | **(55.5)** | (21.2) | CFS |
| Proceeds from sale of PPE | **0.3** | 0.3 | CFS |
| Costs to acquire ROU assets | **(0.3)** | (0.4) | CFS |
| Underlying free cash flow | **95.0** | 67.4 | |

CFS = Consolidated statement of cash flows

**Net cash/(debt)** — Cash and cash equivalents less loans and borrowings.

| Net cash/(debt) (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Cash and cash equivalents | **166.0** | 101.4 | 18 |
| Loans and borrowings | **(100.0)** | (100.0) | 19 |
| Net cash/(debt) | **66.0** | 1.4 | |

**Total indebted-ness** — Cash and cash equivalents less loans and borrowings plus lease liabilities.

| Total indebtedness (£m) | FY22 | FY21 | Note |
|---|---|---|---|
| Cash and cash equivalents | **166.0** | 101.4 | 18 |
| Loans and borrowings | **(100.0)** | (100.0) | 19 |
| Net cash/(debt) | **66.0** | 1.4 | |
| Lease liabilities | **(383.0)** | (409.7) | 12 |
| Total indebtedness | **(317.0)** | (408.3) | |

**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) | FY22 | FY21 | Note |
|---|---|---|---|
| Statutory Group revenue | **1,317.8** | 1,142.8 | CIS |
| Fee income | **(69.9)** | (57.0) | 2 |
| Sales by Joint Venture veterinary practices | **425.9** | 351.3 | |
| Customer sales | **1,673.8** | 1,437.1 | |

CIS = Consolidated income statement

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# Notes

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