pets at home
Group plc

FOR IMMEDIATE RELEASE, 25 MAY 2022

Pets at Home Group Plc: FY22 Preliminary Results for the 53-week period to 31 March 2022

Record customer acquisition to accelerate future growth in market share

Financial highlights

53 weeks to 31 March 2022	Revenue	YoY Growth	1-year LFL	2-year LFL
Group revenue	£1,317.8m	15.3%	15.8%	25.9%
Retail revenue	£1,206.9m	18.5%	15.8%	26.0%
Omnichannel	£190.9m	18.4%	15.9%	100.0%
Stores	£984.0m	17.7%	15.0%	18.6%
Vet Group revenue	£108.4m	(12.0)%*	17.1%	24.5%
Fee income	£69.9m	22.6%	20.9%	26.6%

** Reflects the disposal of the Specialist Group in the prior year*

- Total Group revenue growth of 15.3% to £1,317.8m with a further 1.2m million new puppy and kitten customers in the base and average spend compounding across customer cohorts
- Growth in Group customer revenue[1] of 16.5% to £1,673.8m, reflecting market share gains across all areas of the business
- Strong growth in Retail revenue reflecting broad-based growth across all channels and categories and Vet Group LFL revenue up 17.1%
- Growth in Group underlying proforma PBT# of 65.3% to £144.7m before the change in IAS38 accounting policy[2], 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 having taken account of the accounting policy change in relation to IAS38 Intangible Assets. The impact of the policy change reflects our market leading levels of investment as we continue to digitise the business and improve our customer proposition
- Group free cash flow# of £95.0m, up 40.9% YoY, including strong cash generation across our First Opinion veterinary practices
- Strong balance sheet with net cash (excluding lease liabilities) of £66.0m and intending to launch a 12 month share buyback programme of up to £50m
- Final dividend per share of 7.5p, an increase of 36% YoY, reflecting our robust balance sheet and continued confidence in the prospects of the business, giving a total dividend of 11.8p for the year, up 48% YoY
- Continued momentum 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 1.5m, generating over £120m in annualised recurring customer revenue[1]

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 83.

Impact of 53rd Week

FY22 represents a 53-week year, and as such key metrics for FY22 are summarised below on a 52-week basis to aid comparison to the prior year. All other FY22 metrics presented throughout this statement are on a 53-week basis.

	FY22 (53 week)	FY22 (52 week)	FY21 (52 week)	YoY change
Group like-for-like revenue growth#		15.8%	8.7%	
Group revenue (£m)	1,317.8	1,293.4	1,142.8	13.2%
Group underlying proforma PBT a,b,c# (£m)	144.7	141.0	87.5	61.1%
Group underlying PBT a,b,c# (£m)	130.1	126.4	77.4	63.3%

Note all metrics above are presented on an underlying proforma basis before the change in IAS38 accounting policy[2].
52-week metrics are calculated by excluding all sales and attributable costs from the final week of the financial year.

a. *FY22 non-underlying credit of £0.1m (FY21: £0.6m) relates to the release of a provision held against property leases allocated against non-underlying gross margin.*
b. *FY22 non-underlying credit of £19.2m (FY21: £30.2m) relates to the profit on disposal of the Specialist Group. FY21 non-underlying charge of £1.9m relates to an accounting charge for minority stakes owned by partners in the Specialist Group, prior to disposal on 31 December 2020, allocated against non-underlying operating costs.*
c. *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.*

Current trading and outlook

The pet care market remains robust and in growth, with registrations into our Puppy & Kitten club continuing well ahead of pre-pandemic levels and growth in customer spend maintained across all categories and channels.

Our pet care strategy continues to deliver, the advantages of our omnichannel model in consistently taking market share by making pet care affordable, easy, and convenient are clear, and our ongoing investment into capacity and capability is achieving good return.

Notwithstanding enduring industry wide inflationary pressures which we continue to manage proactively, in particular the impact of raw material, energy, and freight costs, we anticipate that FY23 Group underlying pre-tax profit, excluding the impact of the accounting policy change in relation to IAS38 Intangible Assets[3], will be in line with analyst consensus, which is currently £151m, with a range of £146m to £157m.

Including the impact of this accounting policy change, we currently anticipate that FY23 Group underlying pre-tax profit will be £131m, compared to £126.4m for FY22 on a 52-week basis.

Our next scheduled update will be our Q1 FY23 release on 5 August 2022.

Peter Pritchard, Group Chief Executive Officer:

Despite another period characterised by significant and evolving external challenges, our performance this year has been noteworthy, 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 are well placed to accelerate our growth in market share. The robust 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 value for all stakeholders in both the near and longer-term.

Notes

1. Customer revenue includes customer sales made by Joint Venture vet practices and differs to the fee income recognised within Vet Group revenue.
2. In our Q3 trading statement on 26 January 2022, we anticipated that full year Group proforma underlying pre-tax profit would be at least £140m prior to the impact of any accounting policy change in relation to IAS38 Intangible Assets. Excluding the impact of this accounting policy change 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[4]	£(14.6m)	£130.1m
FY21 Underlying pre-tax profit	£87.5m	£(15.4m)	£5.3m	£(10.1m)	£77.4m

3. In light of the clarification from the IFRS Interpretations Committee (IFRIC) regarding how companies should account for configuration and customisation costs relating to cloud computing arrangements, including Software as a Service (SaaS), which has led to a change in accounting policy in the application of IAS38 Intangible Assets, we estimate an approximate £20m non-cash impact on full-year underlying PBT in FY23.
4. Proforma amortisation charge had the amounts now expensed been capitalised

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulations (Regulation (EU) No.596/2014). For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Roger Tejwani, Director of Investor Relations & External Communication.

Results webcast

An audio webcast and presentation of these results will be available on our website (https://investors.petsathome.com/investors/) from 07.00am on 25 May. Management will host a Q&A conference call for analysts and investors at 10.30am. To join the call in listen-only mode, please click on the following link (webcast). Those wishing to participate in the Q&A session should email petsathome-Maitland@maitland.co.uk for call details.

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About Pets at Home

Pets at Home Group Plc 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, with 443 First Opinion practices located both in our stores and in standalone locations. For more information visit: http://investors.petsathome.com/

Disclaimer

Chief Executive Officer's Review

Our business is in great shape. Over the past year we have welcomed more than 1.1 million new VIP 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 on both a one and two-year basis.

In Veterinary, our unique owner-managed model is delivering sector leading performance, with 2-year LFL up 24.5% and average practice revenue surpassing £1m. Gross margin expansion and good cost control, together with strong revenue growth, means that c90% of practices are now profitable, and Vet Group profit accounts for one third of the overall Group, despite representing less than 10% of Group revenue.

This increasing profitability is driving good cash flow and balance sheet efficiency at practice level, with free cash flow generation up three-fold over the past two years to £50.9m, and operating loans now standing at £20.2m, having more than halved since the start of the planned recalibration. Furthermore, the continuing growth in new client registrations provides a clear underpin to future value creation.

We also continued to make good 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.

LFL Revenue Growth#*	FY22				
	Q1	Q2	Q3	Q4	FY
1-year LFL:					
Retail	29.1%	13.8%	9.0%	10.4%	15.8%
Vet Group	44.7%	8.4%	4.0%	12.3%	17.1%
Group	**30.2%**	**13.4%**	**8.7%**	**10.5%**	**15.8%**
2-year LFL:					
Retail	29.6%	28.1%	28.4%	17.5%##	26.0%
Vet Group	25.9%	21.2%	23.3%	27.3%	24.5%
Group	**29.4%**	**27.6%**	**28.1%**	**18.2%**	**25.9%**

#All like-for-like (LFL) revenue figures are based on statutory revenue. Within the Vet Group this includes Joint Venture (JV) fee income and revenue from company managed practices

##Retail Q4 2-year LFL annualises against customer stockpiling activity seen in March 2020 (contributing to Q4 FY20 Retail LFL of 15.9%) shortly prior to the UK entering the first national lockdown

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 cashflow# (£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 services	Customer revenue#, 1 from services[4] (£m)	537.7 32.1%	470.8 32.8%	*14.2%* *(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 (£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 twelve 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*

After eleven 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 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 continued investment and our clear initiatives to drive operational efficiencies and navigate inflationary pressures, it will enable us to deliver further value for all stakeholders in both the near and longer-term.

Strategic Review

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 pet care market, combined with our product and service breadth and planned investment to make pet care even easier and more convenient, will enable us to continue growing 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 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 supported 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 one, a 7% increase in subscription penetration and a 16% increase in Advanced Nutrition participation.

- Anecdotal evidence suggests that over 90% of VIP customers are not intending to reduce their level of pet spend, and of those that are approximately one third would consider switching to one of our broad range of own label products to feed their pet a high quality diet suitable to their budget. Furthermore, approximately two thirds of owners prefer an omnichannel approach when looking after their pet care needs.

Notwithstanding the above, our overarching aim is to continue making pet care as affordable, easy, 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 stores is relatively low, 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 c£7.00. Approximately 50% are private label, with innovation underpinning good attachment rates.

- Our growing range of affordable subscription plans, including flea and worm treatments from £4 per month, favourably priced food autoship and comprehensive veterinary health plans from £12 per month, offer customers essential pet care at low, fixed monthly outlay.

- Over 1.4 million 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, futureproofing 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 life stage, 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

Continued investment into 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 ability to provide 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, generate sustainable, profitable growth over the long term.

i. Leveraging intelligent data to grow our lifetime value opportunity

We made good 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 growth in new pets, combined with our omnichannel positioning and data-led customer acquisition strategy, has enabled us to welcome approximately 1.2 million (estimated 40% market share) new puppy and kitten owners over the past year.

Our Puppy & 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.

- **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 has increased by 600bps to 37%.

- Average annual spend across our 7.3 million active VIP members is approximately 15% higher than first year spend of our most recent customer cohort.

- 2 million of our active VIPs now shop across more than one channel across the Group, compared to 1.4 million 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 club 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 the response 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. Innovation is key to driving incremental customer spend and we will continue to invest in growing our digital capability throughout the current year.

Project Polestar

Development of our proprietary digital interface to seamlessly connect our pet ecosystem across all channels is continuing 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 vital 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 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 the impact of raw material, 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 inflation where possible across the supply chain to support our competitive price index.

- We have a number of live initiatives across consumables, packaging, store operations and availability to help 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.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 83.

- 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 support colleagues during the year with a range of financial and wellbeing initiatives and were pleased to win the 'Best Place to Work Award' at the Retail Week Awards 2021.

- 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.

- In total, over £5m was donated through Group initiatives during the year, including VIP lifelines, to support over 750 local and national pet charities.

- 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 is robust and the proven 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 digital 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 well placed to continue delivering value for all stakeholders in both the near and longer-term

Peter Pritchard
Group Chief Executive Officer
25 May 2022

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 83.

Chief Financial Officer's Review

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.

	FY22##	FY21	YoY change
Group like-for-like revenue growth#	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,#]	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,#] (£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,#]	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,#] (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 cashflow# (£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

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.*

##. FY22 represents a 53-week year, and as such key metrics for FY22 are summarised on page 2 on a 52-week basis to aid comparison to the prior year. All other FY22 metrics presented throughout this statement are on a 53-week basis. Metrics presented as underlying proforma are stated before the change in IAS38 accounting, details of which are summarised below. 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.

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.

£m		FY21	FY22	FY23
Group underlying profit before tax	Group PBT (Pre-IAS38 policy change)	87.5	144.7	151.0
	Impact of IAS38 policy change	(10.1)	(14.6)	c(20.0)
	Group PBT (Post- IAS38 policy change)	77.4	130.1	131.0
Group underlying free cashflow	Group FCF (Pre- IAS38 policy change)	67.4	95.0	
	Impact of IAS38 policy change	-	-	
	Group FCF (Post- IAS38 policy change)	67.4	95.0	
Group capital expenditure	Capex (Pre-IAS38 policy change)	44.4	73.1	
	Impact of IAS38 policy change	(15.4)	(24.0)	
	Capex (Post-IAS38 policy change)	29.0	49.1	

Revenue

Group revenue in FY22 grew 15.3% to £1,317.8m (FY21: £1,142.8m) and like-for-like (LFL) revenue grew 15.8%#. On a 2-year basis, Group LFL# 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 growth 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 revenue 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 fee income up 20.9%# (26.6% 2-year basis). LFL customer sales#1 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.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 83.

Gross margin

Underlying group gross margin# 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 margin# 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 proforma# profit before tax was £144.7m (FY21: £87.5m), with a profit margin of 11.0%# (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: 6.6%) 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 proforma# profit before tax was £114.6m (FY21: £67.5m) with a profit margin of 9.5%# (FY21: 5.9%). Operating cost growth, before the change in IAS38 accounting policy, was 11.9% to £354.6m (FY21: £316.8m).

Underlying Vet Group profit before tax was £43.1m# (FY21: £33.3m) with a profit margin of 39.7%# (FY21: 27.1%). Underlying Vet Group proforma# 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.

Finance expense

The net underlying 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 was £130.1m# (FY21: £77.4m) an increase of 67.9%. Statutory profit before tax, including all non-underlying items was £148.7m (FY21: £106.3m).

Taxation, profit after tax & EPS

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

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 83.

Cash working capital

The cash movement in trading working capital for FY22 was an inflow of £21.1m#, 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 cashflow

Group free cashflow after interest and tax, but before acquisitions and disposals increased to £95.0m# (FY21: £67.4m), representing a cash conversion rate[1] of 37.5% (FY21: 32.7%). The increase in free cashflow 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 cashflow# (£m)	FY22	FY21
Operating cashflow#	**200.3**	**119.5**
Tax and Interest	(34.2)	(21.9)
Debt issue costs	(3.3)	(0.2)
Net capex inc. ROU assets	(55.5)	(21.3)
Purchase of own shares to satisfy colleague options	(12.3)	(8.7)
Group free cashflow#	**95.0**	**67.4**

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

1. Calculated as free cashflow as a percentage of underlying cash EBITDA.

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# or 1.3x on a lease-adjusted basis.

Group net cash/(debt) (£m)	FY22	FY21
Opening net cash/(debt)	**1.4**	**(85.9)**
Free cashflow#	95.0	67.4
Ordinary dividends paid	(48.5)	(37.1)
Acquisitions[2]	(1.7)	(16.9)
Disposals[3]	19.8	79.4
Non-underlying cash outflow[4]	-	(5.5)
Closing net cash/(debt)	**66.0**	**1.4**
Leverage (Net cash/(debt) / pre-IFRS16 underlying EBITDA#)	**(0.4)x**	**0.0x**
Lease-adjusted leverage (Net cash/(debt) / underlying EBITDA#)	**1.3x**	**1.9x**

2. FY22 includes investment in certain company managed practices. FY21 includes acquisition of The Vet Connection and investment in certain company managed practices.
3. FY22 and FY21 includes the cash proceeds in relation to the disposal of the Specialist Group net of fees and cash held upon disposal.
4. 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.

The Group's cash return on invested capital# 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 cashflow 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 16 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

Financial statement

Financial statements

The financial information set out below does not constitute the company's statutory accounts for the periods ended 31 March 2022 or 25 March 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the registrar of companies, and those for 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006

Consolidated income statement

	Note	53 week period ended 31 March 2022			52 week period ended 25 March 2021 (restated)[1]		
		Underlying trading £m	Non-underlying items (note 3) £m	Total £m	Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	1,317.8	–	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 26 to 82 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	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 26 to 82 form an integral part of these financial statements.

Consolidated balance sheet

	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 26 to 82 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

	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 26 to 82 form an integral part of these financial statements.

Company balance sheet

	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 26 to 82 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

	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.

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 cashflow 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

Notes (forming part of the financial statements) continued

1 Significant accounting policies (continued)

1.1 Basis of preparation (continued)

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 coronavirus 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.

The Directors of Pets at Home Group Plc, having made appropriate enquiries including the principal risks and uncertainties, 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.

Notes (forming part of the financial statements) continued

1 Significant accounting policies (continued)

1.4 Basis of consolidation (continued)

Subsidiaries (continued)
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).

Notes (forming part of the financial statements) continued

1 Significant accounting policies (continued)

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.

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.

Notes (forming part of the financial statements) continued
1 Significant accounting policies (continued)

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.

1 Significant accounting policies (continued)

1.17 Employee benefits (continued)

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.

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.

1 Significant accounting policies (continued)

1.19 Revenue and cost of sales (continued)

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 83.

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.

1 Significant accounting policies (continued)

1.19 Revenue and cost of sales (continued)

3. Growth income: These are tiered volumetric rebates relating to growth targets agreed with the supplier in the joint business planning process. These are retrospective rebates based on sales volumes or purchased volumes. Income is recognised to the extent that it is reasonably certain that the conditions will be achieved, with such certainty increasing in the latter part of the calendar year.

Promotional income

Promotional income relates to supplier funded rebates specific to promotional activity run in agreement between the Group and its suppliers. Rebates are agreed at an individual inventory article level for agreed periods of time and are systemically calculated based on article sales information. No estimation is applied in calculating the promotional income receivable.

Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at year end are included within trade and other receivables.

1.20 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.

Notes (forming part of the financial statements) continued

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 83.

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**

Notes (forming part of the financial statements) continued

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 theacceleration 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

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.

Notes (forming part of the financial statements) continued

3 Expenses and auditor's remuneration (continued)

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

Notes (forming part of the financial statements) continued

4 Colleague numbers and costs (continued)

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.

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

Notes (forming part of the financial statements) continued

8 Taxation (continued)

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)

Notes (forming part of the financial statements) continued

10 Business combinations (continued)

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**

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.

Notes (forming part of the financial statements) continued

10 Business combinations (continued)

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

Notes (forming part of the financial statements) continued
10 Business combinations (continued)

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.

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 £3.5m 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**

Notes (forming part of the financial statements) continued

12 Leases

As Lessee

Property, plant and equipment comprise owned and leased assets that do not meet the definition of investment property.

The majority of the Group's trading stores, standalone veterinary practices, Distribution Centres and Support Offices are leased under operating leases with remaining lease terms of between 1 and 20 years. The Group also has a number of non-property operating leases relating to vehicle, equipment and material handling equipment with remaining lease terms of between 1 and 6 years.

Right-of-use assets

	Property £m	Equipment £m	Total £m
Cost			
Balance at 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.

13 Intangible assets (continued)

	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%

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.

13 Intangible assets (continued)

Impairment testing (continued)

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).

Notes (forming part of the financial statements) continued
15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	At 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.

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.

Notes (forming part of the financial statements) continued

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

16 Other financial assets and liabilities (continued)

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

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)

Notes (forming part of the financial statements) continued

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

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.

17 Trade and other receivables (continued)

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.

Notes (forming part of the financial statements) continued

19 Other interest-bearing loans and borrowings (continued)

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

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.

Notes (forming part of the financial statements) continued

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.

Notes (forming part of the financial statements) continued

22 Capital and reserves (continued)

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).

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.

Notes (forming part of the financial statements) continued

23 Financial instruments (continued)

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% strengthening of the above currencies against the pound sterling in any period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Managing interest rate benchmark reform and associated risks

The Group's exposure to sterling SONIA designated in hedging relationships is £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**

23 Financial instruments (continued)

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	–

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	–	–

Notes (forming part of the financial statements) continued

23 Financial instruments (continued)

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.

23 Financial instruments (continued)

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)

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 (note 16)	–	–	0.5	0.5
Other receivables (note 16)	–	–	0.3	0.3
Financial liabilities not measured at fair value				
Other interest-bearing loans and borrowings (note 19)	–	(100.0)	–	(100.0)

Notes (forming part of the financial statements) continued

23 Financial instruments (continued)

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%

Notes (forming part of the financial statements) continued

23 Financial instruments (continued)

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.

(b) Grant of options

No options may be granted more than ten years after the adoption of the CSOP. Options under the CSOP will not form part of a colleague's pensionable earnings.

(c) Vesting and performance

Colleagues who receive options under the CSOP and under the PSP in connection with Admission will be subject to the same performance conditions described in Section 1 (d) above in respect of both grants. Colleagues who only receive options under the CSOP in connection with Admission will not be subject to performance conditions.

(d) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of market value of a share at the time of grant and its nominal value. The exercise price is therefore fixed at grant date.

(e) Individual limits

No option may be granted to an eligible colleague under Part I of the CSOP which would result in the aggregate exercise prices of shares comprised in all outstanding options granted to him/her under Part I, when aggregated with outstanding options held under any other tax approved executive share option scheme established by the Company, exceeding the tax approved limit (currently £30,000).

In addition, (both under Part I and II of the CSOP) the aggregate exercise price of shares comprised in options granted to a colleague under the CSOP and the PSP in any financial year shall not exceed 150% of his/her annual salary for that year.

For the purposes of these limits, market value will be calculated by reference to the market value of the shares on or prior to the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) and subject to HMRC approval if applicable.

Part II of the CSOP provides for the grant of unapproved options. This enables options to be granted under the same terms as Part I of the CSOP but without complying with the particular requirements of the legislation applicable to tax approved CSOP Schemes. The provisions of the CSOP that do not apply under Part II include the £30,000 limit and the need to seek HMRC approval for the scheme and subsequent amendments (as applicable).

2 PSP

On 25 February 2014 the Company adopted the PSP. Awards under the PSP were made on 17 March 2014 and annually thereafter up until 2017 after which no further awards were granted. The awards will be exercisable between the third and tenth anniversary of the grant date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards were granted at nil cost.

(a) Eligibility

Only the Executive Directors, Senior Executives and certain other senior colleagues were selected to participate in the PSP.

(b) Grant of awards

Awards under the PSP will not form part of a colleague's pensionable earnings. Awards are not transferable (other than on death) without the consent of the Remuneration Committee.

(c) Exercise price

The price at which a colleague may acquire shares on the exercise or vesting of an award under the PSP shall be determined by the Remuneration Committee on the date of grant, and may, if the Remuneration Committee determines, be nil or nominal value only.

Notes (forming part of the financial statements) continued

24 Share-based payments (continued)

2 PSP (continued)

(d) Scheme limits

The number of newly issued shares over which (or in respect of which) awards may be granted under the PSP on any date shall be limited so that: (i) the total number of shares issued and issuable in respect of options or awards granted in any ten year period under the PSP and any other discretionary share option scheme of the Company (including the RSA and the CSOP but other than to satisfy dividend equivalent payments) is restricted to 5% of the Company's issued shares calculated at the relevant time; and (ii) the total number of shares issued and issuable pursuant to options or awards granted in any ten year period under the PSP and any other employee share scheme operated by the Company (including the CSOP, SAYE and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time.

For the purposes of these limits, no account will be taken of options or awards granted before, on or in connection with Admission and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting. Shares held in treasury will be treated as newly issued shares for the purposes of these limits (as long as this is required by institutional investor guidelines), but (for the avoidance of doubt) shares acquired in the market will not.

(e) Individual limits

The aggregate market value of shares comprised in awards granted to a colleague under the PSP, RSA and the CSOP in any financial year shall not exceed 150% of their annual salary for that year.

For the purposes of awards granted on (or before) Admission, market value for these purposes was calculated by reference to the Offer Price. For the purposes of awards granted following Admission, market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

(f) Performance

The Matching Awards granted on 17 March 2014 vested subject to the satisfaction of the performance conditions outlined below. To the extent that any future awards are granted, different conditions may apply (in the absolute discretion of the Remuneration Committee).

The performance conditions were as follows:

- 75% of the Matching Award was subject to the CAGR in the Company's earnings per share ('EPS') over three financial years, namely FY15, FY16 and FY17 (together the 'Performance Period') (which, for the avoidance of doubt, ended on 30 March 2017). If the CAGR in the Company's EPS was 10%, then 10% of the total Matching Award would vest. If the CAGR in the Company's EPS was 17.5% or more, then 75% of the total Matching Award would vest. Vesting was on a straight-line basis between these two points. For the avoidance of doubt, if the CAGR in the EPS was less than 10% over the Performance Period then the amount of the Matching Award which would vest under this EPS performance condition would be nil.
- 25% of the total Matching Award was subject to the Company's total shareholder return ('TSR') as compared to a comparator group made up of a selected group of retail companies over the Performance Period. Vesting of 6.25% of the total Matching Award would occur for median performance. Vesting of the maximum 25% of the total Matching Award would occur for upper quartile performance or above. Vesting would occur on a straight-line basis between these two points. If the Company's TSR performance over the Performance Period was below median, then the amount of the Matching Award which would vest under this TSR performance condition would be nil.
- To the extent vested as to performance, Matching Awards became exercisable in three equal amounts on the third, fourth and fifth anniversary of 17 March 2014, but subject to continued employment with the Group.

3 SAYE

On 25 February 2014, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 4 April 2015). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. In September each year, the Company issues invitations under the rules of the SAYE which provides eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings is £500 per month. The Executive Directors have elected to participate in the SAYE, along with 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.

(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.

24 Share-based payments (continued)

3 SAYE (continued)

(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.

24 Share-based payments (continued)

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).

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.

26 Contingencies (continued)

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
Evesham Vets4Pets Limited	09269582
Companion Care (Exeter) Limited	04930076
Companion Care (Exeter Marsh) Limited	08314727
Companion Care (Farnborough) Limited	07673889
Grantham Vets4Pets Limited	08361049
Guildford Vets4Pets Limited	13470077
Handforth Vets4Pets Limited	13371655
Haverfordwest Vets4Pets Limited	09485504
Huddersfield Vets4Pets Limited	07207906
Inverurie Vets4Pets Limited	11056047
Kendal Vets4Pets Limited	10163314
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

Company	Registered number
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

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).

Notes (forming part of the financial statements) continued

27 Related parties (continued)

Loans to Joint Venture veterinary practices for other related parties - other loans are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long-term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost under IFRS9. The balances above are shown net of allowances for expected credit losses held for initial set up loans of £1.2m (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 Investment 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.

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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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	–
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
Leyland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lichfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lincoln South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lisburn Longstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llandudno Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanelli Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanrumney Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Longton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Gipsy Lane Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lytham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maidenhead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mansfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mapperley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Merthyr Tydfil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Cleveland Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middleton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Millhouses Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Morpeth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
New Milton Vets4pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newcastle-Upon-Tyne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newmarket Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newton Abbot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownabbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownards Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
North Tyneside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northallerton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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
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

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2022 %	At 25 March 2021 %
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 4 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 4 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. 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	
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period. 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.	**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.

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.

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%	

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.

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.

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

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.

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.

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

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.

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.

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 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.

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.

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

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 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

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.

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	

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.

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	

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.

The comparative underlying profit after 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.

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 by virtue of their size and nature in order to reflect management's view of the performance of the Group. 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. The change year on year reflects the cash in/outflow in relation to changes in the working capital cycle excluding non-underlying items. The change in net working capital is a key component of the free cash flow measure of the Group. 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 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)	

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.

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.

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 indebtedness

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	

IS = Consolidated income statement