pets at home
Group plc

FOR IMMEDIATE RELEASE, 28 NOVEMBER 2023

Pets at Home Group Plc: FY24 Interim Results

for the 28-week period to 12 October 2023

Resilient performance through key period of strategic execution; full year guidance maintained

Highlights

- **H1 was the period of highest execution risk** in building our Petcare Platform as we relaunched our brand, transitioned our stores to the new Stafford Distribution Centre (DC) and continued to build a new digital platform.
- **H1 consumer revenue# grew 8.6%, ahead of our 7% ambition**, to £1.0bn, with all channels in growth and further progress in retaining and acquiring new customers. Underlying consumer demand was resilient with structural trends underpinning sustained market growth.
- **We finished H1 with 7.8m active VIP members, up 3% YoY**. Puppy & Kitten sign ups continued to normalise as expected. However, new sign-ups in our vets remained strong at over 18k per week, as early life pet acquisition was increasingly complemented by winning new clients with older pets, attracted by our compelling consumer proposition.
- **Total Group revenue growth of 6.5% to £774.2m**, with Group like-for-like# (LFL) revenue up 6.2%.
  - **Vet Group revenue grew 19.0%**, and LFL# up 17.3%, accelerating in Q2, with record sales supported by higher Average Transaction Value (ATV), mix and visits as we increased vet capacity through improved attraction, retention, and productivity.
  - **Retail revenue grew 5.2%**, and LFL# up 5.2%. After Q1 LFL growth of 7.1%, sales in Q2 were impacted by short term availability issues as the DC ramped up, causing LFL growth to dip to 2.7%. The impact was contained and swiftly corrected with availability having now normalised and the early weeks of Q3 showing a c4% LFL.
- **Underlying PBT# of £47.8m is down 19.3%,** impacted by continued investment in the platform with higher logistics costs (c£8m) and our brand relaunch (c£2m). This shape of H1/H2 profits was broadly as expected, as we outlined at Q1.
- **Statutory PBT was £34.7m, down 35.2%** reflecting the decline in underlying PBT and non-underlying costs of £13.1m associated with our DC transition, the consolidation of our support offices and a write-down of our investment in Tailster.
- **Underlying basic EPS was 7.4p**, down 22.9%, and statutory basic EPS was 5.2p, down 40.2%.
- **Interim dividend per share held at 4.5p**.
- **Free cash flow# down 44.3% to £23.1m** reflecting YoY profit shape and the phasing of investments into our key strategic growth areas.
- **Balance sheet remains robust with net cash#** of £12.1m (before lease liabilities of £398.1m). Cash and cash equivalents £60.4m at the end of H1, down £82.7m YoY.
- First £25m tranche of our buyback is completed, with the second £25m tranche to commence shortly.

DC transition

The first half saw us move our store logistics operations into our new Stafford DC. This was the period of highest risk in our move to a single DC and the DC is now fulfilling deliveries to 100% of stores, with availability having now normalised.

However, in getting to this position, we experienced a period of disruption during Q2. From the early part of Q2, we saw a deterioration in our in-store availability from normal levels of around 95%, to c80% at peak disruption. This understandably impacted our sales performance. However, the business responded quickly to address the issue and our availability and sales performance have now normalised.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 15.

In total, we estimate this period of disruption resulted in a c3% LFL drag on Retail sales, and we expect to incur extra logistics costs in FY24 of £14m (£9m underlying and £6m non-underlying) as a result. However, these impacts were managed within the scope of our uPBT guidance, without compromising our commercial proposition or overstretching our operations. We are also now past the point of highest risk having moved 85% of our sales base into Stafford with just our online operations to move across. We expect to have exited all legacy DCs by mid-2024, completing our transition.

Competition and Markets Authority (CMA) review into the UK vet sector

On 7 September 2023, the CMA announced it was opening a review into the UK veterinary sector. Its statement highlighted concerns over the high levels of inflation in the sector, the lack of transparency around the corporate ownership of many UK vet practices, and a lack of transparency over additional services offered to consumers, such as referrals of complex treatments and diagnostics, within the same group.

We have met with the CMA and offered our complete cooperation with this review. In particular, we shared the following views on the UK vet industry and on how our business fits in:

- Inflation in the UK veterinary sector has been higher than overall inflation in the UK for a period, against the backdrop of significant cost headwinds faced by UK vets that must be passed onto consumers to some extent. These include UK vet salaries (which have seen double digit inflation in each of the past 3 years as a result of structural labour shortages); increased costs of training to meet the higher treatment expectations of UK pet owners; UK national living wage increases for support staff; higher pharmaceuticals costs; and higher occupancy costs.
- Vets for Pets supports c450 practices, all of which carry a national corporate brand and 87% of which are operated under our unique model by our joint venture practice owners. Our independent practice owners operate with complete clinical autonomy and set pricing at a local level. Our support frees them to deliver the best clinical outcomes for pets, something they excel at, resulting in us being the most trusted UK vet care brand by pet owners.
- We have no exposure to other verticals within the UK vet industry, having sold our specialist referral division in 2021. Where work is referred out by our vet partners, it is done so with complete freedom based on delivering the best clinical outcomes and with complete transparency for our clients.
- Our growth strategy is pro-competitive, introducing new competition and consumer choice into the UK vet sector. Our new practices will bring new capacity to many local areas that don't currently offer our services, our advanced capabilities introduce new competition for procedures that might otherwise be referred to external hospitals and we are looking to roll out 24-hour care to new catchments.

We will continue to cooperate with the CMA as it progresses towards the conclusion of its review. We expect no impact on our growth strategy or ambitions, with the strength of our consumer proposition underpinned by the high-quality growth the business is seeing and an increase in the number of new consumers we are seeing switch to our business with older pets over recent months.

Current trading and outlook

The early weeks of Q3 have started well. Our DC is now supporting all stores, availability has recovered, and sales momentum has improved. Retail LFL growth has been c4%, with encouraging signs as we build towards peak including record Halloween trading and good initial sell through of Christmas ranges. Our vet business continues to see strong performance underpinned by improved vet capacity.

We make no change to full year underlying PBT guidance. We have experienced higher logistics costs and disruption than originally planned, but these have been managed and the impact on profit expectations contained without compromising our commercial proposition or overstretching our operations.

The consumer environment remains uncertain, but our sales growth has normalised and providing this momentum continues, we are confident in delivering full-year Group underlying PBT of c£136m, in line with analyst consensus. An improved H2 performance is underpinned by continued market resilience and the normalisation of distribution costs, which are expected to be in line with H2 FY23 on an underlying basis.

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For FY24:

- We expect consumer sales to grow in line with our medium-term ambition of 7%.
- We are comfortable with current analyst consensus for underlying PBT, currently c£136m.
- We now expect non-underlying costs of c£24m reflecting further transition costs for the DC (£20m), the one-off costs to support the consolidation of our Retail and Vet support offices (£3m) and a write-down of our investment in Tailster (£1m).
- Effective tax rate is expected to be 26% driven by the increase in the rate of UK corporation tax.
- We plan for cash capex of £60m.
- We expect to finish the year in a net cash position, after a year of significant investment, and having returned over £100m to shareholders via ordinary dividends and the previously announced £50m share buyback.

Lyssa McGowan, Chief Executive Officer:

"H1 has been a critical period in laying the foundations of our platform for future growth. This was the period of high activity when we relaunched our brand, launched our new DC, built our new digital platform, and made progress expanding and improving our physical assets across Retail and Vets. This period has not been without challenges, but we have been able to manage these well and are on track to finish FY24 with a refreshed, modernised infrastructure, fit to deliver growth for many years to come.

I am incredibly proud of how our colleagues across the business have come together using their expertise and ingenuity to navigate this demanding period. I was particularly proud to see this recognised as we were voted "Best Place to Work" in the WorkL awards. We remain absolutely committed to keeping Pets at Home an inclusive and rewarding place to work and made pleasing progress in H1 increasing diversity.

As we stand today, through our point of peak investment, with the benefits of our new DC and new digital platform still ahead of us, we look to the future with confidence that we can deliver our plan, to build the world's best pet care platform."

Delivering against our strategy - Building the world's best pet care platform

As the UK's only true complete pet care provider we already hold a leading position in a structurally growing market, and our strategy will help differentiate us further from our competitors and unlock the unique opportunity we see ahead, generating long-term sustainable value for all stakeholders.

H1 has been a period of high activity for the business, and we finished the period having made significant progress. We expect to cut over to our new digital platform this financial year and our new DC is now supporting our full store network. Importantly, the market backdrop against which we are implementing our strategy remains robust with industry growth supported by well-established, structural growth trends.

An integrated consumer experience

- **Our deep and unique insights into pet owners' needs are driving improved performance** across operations and CRM; in H1 we continued to grow our VIP consumer base (+3%), increase spend (ACV +6%), and improve predictability (subscription penetration +2%, nutrition subscriptions +56%).
- **We now have 1.7m subscriptions,** with all 3 core plans in solid growth. The launch of an in-store sign up capability has supported accelerated Easy Repeat sign-ups, and vet health plan take up has been improved through a refreshed proposition including integration of a 24/7 vet helpline, The Vet Connection.

A unique data and digital platform

- **We are on track to launch our new digital platform by the end of FY24,** having made great progress in the last 6 months as we build out the customer experience prior to launch.
- **On target to commence pilot of our new vet practice management system**, having selected a partner. This investment will enable vet practices to deliver improved efficiency and clinical productivity, while providing access to real-time client data.

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Differentiated, sector-leading vets

- **Our vet business continues to go from strength to strength**, growth underpinned by strong customer acquisition, a 4% increase in client visits and increased vet capacity as we improved recruitment, retention (vet turnover down 10% YoY), and clinical productivity.
- **We have made good progress in growing our vet footprint,** with 2 new JV practices and 5 JV extensions completed in the half, adding over 10,000 sq ft. We are also increasing our provision of advanced services and 24hr-care hospitals, building on the success of Colchester and Northampton.
- **In addition, we have successfully converted 5 company-owned practices into JV partnerships** in H1, supported by a healthy Joint Venture partner pipeline.

An unrivalled retail proposition

- **We continue to invest behind our physical assets** with 3 new openings, 4 new groomers, and 24 refits in H1.
- **We continue to lead on innovation,** with the introduction of new frozen ranges and the launch of a new own brand freeze-dried range with both delivering material growth. We have also agreed terms for exclusive distribution of Butternut Box's innovative freshly-cooked dog food in the New Year.
- **Our own brands remained a key driver of growth** with own brand food sales growing 18% in H1.
- **Our new DC is onstream**, with all stores now being served from a single site. After an initial, short period of disruption, we have seen availability recover, and sales performance has normalised.

Our values underpin everything we do

- We have now fed over 1.6m pets for a day through our foodbank partnership with Blue Cross and launched a sustainable anaesthetic programme in the period.
- We remain the biggest supporter of pet charities through the Pets Foundation, having donated over £1.5 million to 830 rescues across the UK through our VIP scheme.
- We were voted "Best place to work" in recent WorkL awards.

Our financial framework

As we deliver against our strategy, benefitting from the structural growth in pet spend and the market share gains fuelled by the investments we are making in our platform and consumer proposition, over the medium term we expect to deliver:

- Ambition to grow consumer sales at 7% per annum, within a market growing at c4%.
- Target 10% PBT CAGR through operational leverage and productivity gains.
- Move FCF conversion towards 70% of PBT, as capex tapers and benefits from previous investment begin to flow.
- Maintain capital discipline and a clear capital allocation policy;
    1. Invest in the business. c£400m investment (capex and opex) over medium term.
    2. Pay a progressive ordinary dividend targeting 50% EPS payout.
    3. Explore inorganic growth opportunities. Focus on strategic investments and bolt-on M&A.
    4. Return excess cash to shareholders subject to maintaining a prudent balance sheet and not constraining the business.

Results webcast

An audio webcast and presentation of these results will be available on our website (https://www.petsathomeplc.com/investors/results-presentations/) from 07.00am on 28 November. Management will host a Q&A conference call for analysts and investors at 09.30am. To join the call in listen-only mode, please click on the following link (https://brrmedia.news/PETS_FY24IR). Those wishing to participate in the Q&A session should email pets@accordience.com for call details.

Our next scheduled update will be our Q3 FY24 release on 30 January 2024.

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Investor Relations Enquiries

Pets at Home Group Plc:

Andrew Porteous, Director of Investor Relations	+44 (0) 7740 361 849
Chris Ridgway, Head of Investor Relations	+44 (0) 7788 783 925

Media Enquiries

Pets at Home Group Plc:

Natalie Cullington, Head of Communications	+44 (0) 7974 594 701

Citigate Dewe Rogerson:

Angharad Couch	+44 (0) 7507 643 004

About Pets at Home

Pets at Home Group Plc is the UK's leading pet care business, providing pets and their owners with the very best advice, products and care. Pet products are available online or from over 450 pet care centres, many of which also have vet practices and grooming salons. The Group also operates a leading small animal veterinary business, with over 440 veterinary general practices located both in our pet care centres and in standalone locations. For more information visit: http://investors.petsathome.com/

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Chief Financial Officer's Review

The H1 FY24 period represents the 28 weeks from 31 March 2023 to 12 October 2023. The comparative period represents the 28 weeks from 1 April 2022 to 13 October 2022.

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

	H1 FY24	H1 FY23[3]	YoY change
Group consumer revenue (£m)	1,007.7	928.2	8.6%
Retail	696.0	661.5	5.2%
Vet Group	311.7	266.7	16.9%
Group statutory revenue (£m)	774.2	727.2	6.5%
Retail	696.0	661.5	5.2%
Vet Group	78.2	65.7	19.0%
Group like-for-like revenue growth#	6.2%	6.4%	
Retail	5.2%	5.9%	
Vet Group	17.3%	10.6%	
Group gross profit margin	45.9%	47.5%	(158)bps
Retail	45.0%	46.7%	(166)bps
Vet Group	53.4%	55.3%	(187)bps
Group statutory PBT (£m)	34.7	53.4	(35.2)%
Group statutory PBT margin	4.5%	7.3%	(287)bps
Group underlying PBT[1,2,#] (£m)	47.8	59.2	(19.3)%
Retail	23.8	39.5	(40.0)%
Vet Group	32.8	28.4	15.7%
Central	(8.8)	(8.7)	(2.7)%
Group underlying PBT margin[1,2,#]	6.2%	8.1%	(197)bps
Retail	3.4%	6.0%	(256)bps
Vet Group	42.0%	43.2%	(118)bps
Statutory basic EPS (p)	5.2	8.7	(40.2)%
Statutory diluted EPS (p)	5.2	8.6	(39.5)%
Underlying basic EPS[1,2,#] (p)	7.4	9.6	(22.9)%
Non-underlying items[1,2] (£m)	(13.1)	(5.8)	£(7.3)m
Free cash flow# (£m)	23.1	41. 4	(44.3)%
Cash and cash equivalents (£m)	60.4	143.1	£(82.7)m
Total indebtedness#	386.0	379.7	£(6.3)m
Net cash#	12.1	43.1	£(31.0)m
Dividend (p)	4.5	4.5	0.0%
Number of			
Pet care centres	458	457	1
Grooming salons	345	339	6
Joint Venture vet practices	391	387	4
Company managed vet practices	55	57	(2)

1. *H1 FY24 non-underlying items of £9.4m relate to transition costs relating to our new distribution centre, £2.6m relating to the consolidation of our vet and retail support offices, and £1.1m relating to the write down of our investment in Tailster, all allocated against non-underlying operating costs.*

2. *H1 FY23 non-underlying items of £4.5m relate to transition costs relating to our new distribution centre, and £1.3m relating to restructuring of certain support functions, both allocated against non-underlying operating costs.*

3. *Refer to Note 1 of the accounts for an explanation of the prior year restatement.'*

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Revenue

H1 consumer revenue# grew 8.6%, ahead of our 7% ambition, to £1.0bn, with all channels in growth and further progress in retaining and acquiring new customers.

Group statutory revenue in H1 FY24 grew 6.5% to £774.2m (H1 FY23: £727.2m) and like-for-like (LFL) revenue grew 6.2%#.

Retail revenue grew 5.2% to £696.0m (H1 FY23: £661.5m), with LFL revenue growth of 5.2%#. Following a strong Q1 (Retail Q1 LFL +7.1%), in-store sales performance in Q2 was impacted by short-term availability challenges as we moved through the transition to our new DC (Retail Q2 LFL 2.7%). Our online business was unimpacted and delivered a LFL of 19% in Q2 (Q1: 18%), highlighting continued customer demand.

We estimate lost sales due to availability resulted in a c3% drag on LFL. The business responded rapidly and availability soon recovered and, since the end of the period, sales growth has normalised.

Vet Group revenue was up 19.0% to £78.2m (H1 FY23: £65.7m) and LFL revenue grew by 17.3%#. Total Joint Venture fee income increased by 17.2% to £47.7m (H1 FY23: £40.7m) and revenues from company managed practices increased by 24.7% to £24.0m (H1 FY23: £19.2m). Revenue of £1.5m was recognised in relation to The Vet Connection, our telehealth business.

Gross margin

Group gross margin[1] decreased YoY by 158 bps to 45.9% (H1 FY23: 47.5%).

Gross margin within Retail was 45.0%, a reduction of 166 bps over the prior period (H1 FY23: 46.7%), predominantly driven by food growing faster than accessories (90bps impact on Group gross margin), as well as a foreign exchange impact as our contracted $ rate was lower YoY (69bps impact on Group gross margin). We have hedged 100% of our foreign exchange requirements for FY24 at an average rate of $1.19 (FY23: $1.34), and over 40% of our FY25 requirements at an average rate of $1.24.

Excluding these two factors, gross margin within Retail was maintained, with cost inflation being successfully managed through pricing, whilst maintaining our competitive price position.

Gross margin within the Vet Group decreased by 187 bps to 53.4% (H1 FY23: 55.3%) including a £1.5m impact from a planned one-off marketing investment into our TV brand launch campaign which is charged against gross margin. Excluding this impact, the strong sales growth across our Joint Venture estate against a relatively fixed cost base, as well as the YoY improvement in performance in our company managed practices, helped deliver a 76bps YoY gross margin expansion.

Operating costs

Operating costs[2] of £320.3m (H1 FY23: £294.3m) grew at 8.8% including a £7.2m YoY increase in non-underlying costs. In H1 FY24, we incurred a total of £13.0m of non-underlying operating costs (H1 FY23: £5.8m). Before non-underlying costs, operating costs[2] grew 6.5%.

(£m)	H1 FY24	H1 FY23	YoY
Selling and distribution expenses	239.3	222.3	
Administrative expenses	68.0	66.2	
Underlying operating costs	**307.3**	**288.5**	**6.5%**
Non-underlying costs	13.0	5.8	
Operating costs	**320.3**	**294.3**	**8.8%**

We continue to maintain a tight operational grip on industry-wide cost headwinds, including raw materials, wages, and foreign exchange costs. As well as directly mitigating these costs where possible, we are also proactively offsetting them through our ongoing self-help initiatives. Our programme of rent reductions is progressing well; where we have actively sought to reduce the rent at lease events, we have achieved an average reduction of 20%. We expect to complete 45 lease renegotiations in FY24. We also continue to target efficiencies across consumables and goods not for resale, and we are driving further productivity gains across our stores and supply chain, using technology to lower our overall cost to serve.

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In addition to industry-wide headwinds, we have also incurred additional costs in H1 relating to the transition to our new DC (£8m) and the cost of our brand relaunch (£2m). The elevated distribution costs seen in H1 as we moved through transition to our new DC will normalise into H2 on an underlying basis, and the brand relaunch was a one-off event.

Finance expense

The net finance expense, including interest charged on lease liabilities, was stable at £7.2m (H1 FY23: £7.2m). Of this, £7.3m (H1 FY23: £5.7m) related to interest expense on lease liabilities.

Profit before tax

Group statutory profit before tax was £34.7m (H1 FY23: £53.4m), in part due to a £7.3m YoY increase in non-underlying costs. In H1 FY24 we incurred a total of £13.1m of non-underlying costs (£13.0m operating costs, £0.1m interest), of which £9.4m relates to the transition to our new distribution centre. In H1 FY23, non-underlying costs totalled £5.8m (£5.8m operating costs), of which £4.5m related to our new DC.

Group underlying profit before tax was £47.8m# (H1 FY23: £59.2m), with a profit margin[3] of 6.2% (H1 FY23: 8.1%), impacted by lower profits in our retail business (with much of the YoY decline expected to reverse out in H2), offset by a significant step on in profits in our vet business.

Retail statutory profit before tax was £13.3m (H1 FY23: £35.0m). Retail underlying profit before tax was £23.8m (H1 FY23: £39.5m) with a profit margin[3] of 3.4% (H1 FY23: 6.0%) reflecting the gross margin impacts described above as food grew ahead of accessories, higher distribution costs as we transitioned to our new DC, and increased colleague costs following the 9.7% National Living Wage increase in April.

Vet Group statutory profit before tax was £30.2m (H1 FY23: £28.4m). Vet Group underlying profit before tax was £32.8m (H1 FY23: £28.4m) with a profit margin[3] of 42.0% (H1 FY23: 43.2%), driven by ongoing strong sales performance as we continue to improve clinical capacity.

Taxation, profit after tax & EPS

Total tax expense was £9.4m for the period, an effective rate of 27.1%.

Statutory profit after tax decreased by 41.2% to £25.3m (H1 FY23: £43.1m). Statutory basic earnings per share were 5.2 pence (H1 FY23: 8.7 pence) and underlying basic earnings per share# were 7.4 pence (H1 FY23: 9.6 pence).

Working capital

The movement in working capital[4] for H1 FY24 was an inflow of £10.5m, driven by the increase in payables.

Inventories increased by £8.3m YTD to £116.9m reflecting the impacts of cost inflation, and a small increase as we transitioned to our new DC. We would expect c£6m of our current inventory holding to unwind as we fully complete the transition to the new DC and close the legacy sites.

Payables increased by £24.0m YTD primarily driven by the cost inflation in inventory, as well as the timing of PAYE and VAT settlements falling due, with the PAYE and VAT settlement impact expected to reverse out in H2.

Receivables were broadly stable, increasing £1.8m YTD. Within receivables, the strong financial performance across our Joint Venture vet practices contributed to the gross value of operating loans reducing by £3.5m to £10.3m from £13.8m at FY23 year-end (H1 FY23: £14.9m).

Investment

Total investment was £33.5m (H1 FY23: £55.8m), split £18.4m capital investment (H1 FY23: £39.0m), and £15.1m of cloud-based digital investment which is expensed through the P&L (H1 FY23: £16.8m).

Total investment of £33.5m was focused on three strategic growth areas; investment in data analytics and business systems totalling £16.7m (H1 FY23: £20.1m), as we continue to build out our digital platform ahead of a planned launch in H2, a £3.3m (H1 FY23: £19.3m) investment as we complete our new distribution centre, and £10.7m (H1 FY23: £13.4m) to continue with our store refit programme.

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Free cash flow

Free cash flow after interest and tax, but before acquisitions was £23.1m# (H1 FY23: £41.4m). The decrease in free cash flow compared with the prior year primarily reflects the underlying profit decline, offset in part by lower capex as we move past our peak investment phase.

Free cash flow# (£m)	H1 FY24	H1 FY23
Net cash flow from operating activities	**103.1**	**142.9**
Lease payments[6]	(38.1)	(37.2)
Net cash capex[7]	(22.4)	(42.4)
Net interest[8]	(7.7)	(7.1)
Purchase of own shares for colleague share schemes	(11.8)	(14.8)
Free cash flow#	**23.1**	**41.4**

The cash and cash equivalents at the end of the period were £60.4m, down £82.7m year-on-year (H1 FY23: £143.1m).

Divisional free cash flow	FCF (£m)
Retail	(46.2)
Vet Group	57.0
Central	12.3
Group#	**23.1**

The cash generation described above, enables us to maintain our dividend payment and fund our £50m share buyback programme. Our net cash position# at the end of the period was £12.1m (cash £60.4m, debt £48.3m), and total indebtedness# was £386.0m post lease liabilities. This represents a leverage ratio# of (0.1)x underlying EBITDA or 1.6x on a lease adjusted basis. We expect to finish the year in a net cash position.

Net cash (£m)	H1 FY24	FY23
Opening net cash#	**54.7**	**66.0**
Free cash flow#	23.1	41.4
Equity dividends paid	(39.5)	(58.7)
Share buyback	(25.1)	(50.3)
Acquisitions[5]	(1.1)	(0.5)
Closing net cash#	**12.1**	**54.7**
Pre IFRS 16 leverage#	**(0.1)x**	**(0.3)x**
Lease adjusted leverage#	**1.6x**	**1.5x**

1. *Gross margin is calculated as gross profit as a percentage of revenue.*
2. *Operating costs are the sum of selling and distribution expenses and administrative expenses.*
3. *Profit margin is calculated as underlying profit before tax as a percentage of revenue.*
4. *Working capital is the sum of YoY movements in trade and other receivables, inventories, trade and other payables, and provisions.*
5. *FY24 includes £1.0m investment in Good Dog Food and £0.1m investment in certain company managed practices. FY23 includes investment in certain company managed practices.*
6. *Lease payments are cash payments for the principal portion of the right-of-use lease liability.*
7. *Net cash capex is proceeds from the sale of property, plant and equipment less costs to acquire right-of-use assets and acquisition of property, plant and equipment and other intangible assets.*
8. *Net interest is interest received less interest paid, interest paid on lease obligations, and debt issue costs.*

The Group's underlying cash return on invested capital (CROIC)# in the period decreased to 20.1% (*H1 FY23*: 21.5%) having been through a period of heightened investment as we build our digital platform and bring our new DC onstream, with the cash benefits to come in future years.

Capital allocation

Our capital allocation policy prioritises investing cash in areas that will expand the Group and deliver attractive returns. These areas include organic investment (into our digital capability, our infrastructure, and our store refit 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 platform in core and adjacent markets). We will return to shareholders any surplus free cash flow after these items, and it is the Board's intention to review this on an annual basis. In the prior year we completed a £50m share buyback programme and are currently progressing a further £50m buyback in the current financial year.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 15.

Dividend

The Board has recommended an interim dividend of 4.5 pence per share, held in line with prior year. The interim dividend will be payable on 12 January 2024 to shareholders on the register at the close of trading on 8 December 2023.

Outcome of external audit tender

Following completion of a competitive tender process led by the Audit and Risk Committee, the Board has approved the appointment of Deloitte LLP ("Deloitte") as auditor of the Company for the 52-week period ending 27 March 2025. The appointment is subject to shareholder approval at the Company's 2024 Annual General Meeting.

KPMG, the Company's current auditors will step down following completion of the audit for the 52-week period ending 28 March 2024. A formal handover process will be undertaken to ensure a smooth and effective transition from KPMG to Deloitte.

The Board would like to thank KPMG for their excellent service and good quality audits delivered with insights over the period since their appointment.

The tender process was run giving due consideration to the quality standards set out in the newly published Minimum Audit Standards for Audit Committees. Further details of the audit tender process and evaluation criteria will be included in our 2024 Annual Report and Accounts which is due to be published in May 2024.

Mike Iddon
Chief Financial Officer
28 November 2023

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 15.

Risks and Uncertainties

An effective risk management process has been adopted to help the Group achieve its strategic objectives and enjoy long term success. The Board has continued to refresh the principal risks and uncertainties since the publication of the annual report for the 52 week period ended 30 March 2023, and recognise that those risks and uncertainties impacted by macro-economic factors and geopolitical tensions have become more acute. The principal risks and uncertainties comprise:

Technological

- Security of information assets and business systems
- Data protection
- Delivery and execution of strategic initiatives
- Loss of IT services

Financial

- Inflation
- Sustainability of joint venture model
- Competition
- Delivery and execution of distribution centre project

Pets

- Clinical governance and pet welfare
- Product availability

People

- Attraction, onboarding, and retention of critical talent
- Joint Venture Partner pipeline

Planet

- Ability to achieve our net carbon zero targets
- Delivery of sustainable product and service ranges

The Board continues to review the risks and uncertainties that may arise as a result of geopolitical tensions and the actual and potential impact on supply chains, as well as energy cost inflation and foreign exchange volatility.

A detailed explanation of the risks and uncertainties which were identified for the 52 week period ended 30 March 2023 can be found on pages 23 to 30 of the 2023 Annual Report which is available at http://investors.petsathome.com.

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of interim financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting adopted for use in the UK;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 24 weeks of the year; and
  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first 28 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board on 28 November 2023

Lyssa McGowan, Chief Executive Officer

Mike Iddon, Chief Financial Officer

Disclaimer

This statement of interim financial results does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Pets at Home Group Plc shares or other securities nor should it form the basis of or be relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor.

Certain statements in this statement of interim financial results constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this statement of interim financial results. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this statement should be construed as a profit forecast.

INDEPENDENT REVIEW REPORT TO PETS AT HOME GROUP PLC

Conclusion

We have been engaged by Pets at Home Group plc ("the company")" to review the condensed set of financial statements in the half-yearly financial report for the 28 week period ended 12 October 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 12 October 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('ISRE (UK) 2410') issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Ailsa Griffin
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

28 November 2023

Alternative Performance Measures (‘APMs’)

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 IFRS and consider these to be important measures in evaluating the Group’s strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-underlying items to aid the user in understanding the Group’s performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

All APMs relate to the current period’s results and comparative periods where provided.

Several APMs exclude non-underlying items (see definition below) in order to reflect management’s view of the performance of the business. This can result in a difference between APMs and total results. As such, APMs should not be viewed in isolation but as supplementary information to the interim financial statements.

A full glossary of APMs is included in the most recent Annual Report & Accounts which are available at http://investors.petsathome.com.

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 commenced trading more than 53 weeks prior to the reporting date, excluding fee income from Joint Venture 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 non-recurring nature, in order to reflect management’s view of the performance of the Group. 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.

Free cash flow: Net increase/(decrease) in cash before the impacts of dividends paid, acquisition of subsidiaries, share buybacks, proceeds from new loans and repayment of borrowings.

References to Underlying GAAP measures and Underlying APMs throughout the interim statements are measured before the effect of non-underlying items.

Alternative Performance Measures ('APMs') (continued)

APM	Definition	Reconciliation
Consumer revenue	Consumer revenue being statutory Group revenue, less Joint Venture veterinary practice fee income (which forms part of statutory revenue within the Vet Group), plus gross consumer sales made by Joint Venture veterinary practices (unaudited).	see below
Like-for-like revenue	Like-for-like revenue growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons and veterinary practices that have been trading more than 53 weeks prior to the reporting date, excluding fee income from Joint Venture practices where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future.	Not applicable.
Underlying profit before tax	Underlying profit before tax (PBT) is based on pre-tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	see below
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.	see below
Free cash flow	Net increase/(decrease) in cash before the impacts of dividends paid, share buybacks, acquisition of subsidiaries, proceeds from new loans and repayment of borrowings.	see below

Consumer sales (£m)	HY24	HY23	Note
Statutory Group revenue	774.2	727.2	2
Joint Venture Fee income	(42.2)	(40.7)	2
Revenue by Group managed veterinary practices	(29.0)	(19.2)	2
Revenue by all veterinary practices	304.7	260.9	2
Consumer sales	1,007.7	928.2	

Underlying PBT (£m)	HY24	HY23	Note
Underlying PBT	47.8	59.2	CIS
Non-underlying items	(13.1)	(5.8)	3
Profit before tax	34.7	53.4	

CIS = Consolidated Income Statement

Underlying basic EPS (p)	HY24	HY23	Note
Underlying basic EPS	7.4	9.6	4
Non-underlying items	(2.2)	(0.9)	
Basic earnings per share	5.2	8.7	

Free cash flow (£m)	HY24	HY23	Note
Net decrease in cash	(117.6)	(22.9)	
Remove effects of:			
Dividends	39.5	37.0	CFS
Acquisition of subsidiary	1.1	0.1	CFS
Repayment of borrowings	75.0	-	
Share buyback	25.1	27.2	CFS
Free Cash Flow	23.1	41.4	

CFS = Consolidated Statement of Cash Flows

Alternative Performance Measures ('APMs') (continued)

Underlying CROIC

Cash return on invested capital represents cash returns divided by the average of gross capital invested (GCI) for the last 12 months. Cash returns represent underlying operating profit before share-based payments subject to tax, then adjusted for depreciation of PPE, right-of-use assets and amortisation. GCI represents gross PPE, right-of-use assets and software, and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, before the effect of non-underlying items in the period.

Net working capital movement is a measure of the cash required by the business to fund its inventory, receivables and payables.

Underlying CROIC (£m)	HY24	HY23	Note
Cash returns:			
Underlying operating profit	138.1	132.9	
Share based payment charges	5.2	4.9	
	143.3	137.8	
Effective tax rate	22%	19%	
Tax charge on above	(32.0)	(26.2)	
	111.3	111.6	
Underlying Depreciation and amortisation	102.3	99.4	
Cash returns	213.6	211.0	
Gross capital invested (GCI):			
Gross property, plant and equipment	421.4	374.5	8
Gross right-of-use assets	649.7	626.7	9
Intangibles	1,046.8	1,041.0	10
Less KKR goodwill	(906.4)	(906.4)	
Investments	8.6	8.5	
Debtors	55.5	64.0	
Stock	116.9	99.8	
Creditors	(279.2)	(268.9)	
Provisions	(13.4)	(16.8)	
GCI	1,099.9	1,022.4	
Average	1,061.1	980.0	
Underlying CROIC	20.1%	21.5%	

Net cash/(debt)

Cash and cash equivalents less loans and borrowings.

Net cash (£m)	HY24	HY23	Note
Cash and cash equivalents	60.4	143.1	CBS
Loans and borrowings	(48.3)	(100.0)	12
Net cash	12.1	43.1	

Alternative Performance Measures ('APMs') (continued)

Total indebtedness

Cash and cash equivalents less loans and borrowings plus lease liabilities.

Total indebtedness (£m)	HY24	HY23	Note
Cash and cash equivalents	60.4	143.1	CBS
Loans and borrowings	(48.3)	(100.0)	12
Net cash	12.1	43.1	
Lease liabilities	(398.1)	(422.8)	9
Total indebtedness	(386.0)	(379.7)	

Pre IFRS 16 leverage

Net cash (above) divided by underlying earnings before interest, taxes, depreciation and amortisation ('EBITDA') less expected rental charges pre IFRS 16. Figures have been presented on a rolling 52 week proforma basis.

Pre IFRS 16 Leverage	HY24	HY23	Note
Net cash above	12.1	43.1	
Statutory operating profit	118.0	150.9	
Underlying depreciation of property, plant and equipment	25.8	25.7	3
Underlying depreciation of right-of-use assets	66.2	66.8	3
Amortisation of intangible assets	10.3	9.8	3
Non-underlying depreciation of property, plant and equipment	3.5	-	3
Non-underlying depreciation of right-of-use assets	2.5	-	3
Other non-underlying items in EBITDA	14.0	(13.5)	3
Underlying EBITDA	240.3	239.7	
Less:			
Proforma rental charges pre IFRS 16	(81.1)	(81.9)	
Underlying EBITDA (pre IFRS 16) [1]	159.2	157.8	
Pre IFRS 16 Leverage	-0.1x	-0.3x	

Lease adjusted leverage

Total indebtedness divided by underlying EBITDA. Underlying EBITDA has been presented on a rolling 52 week proforma basis.

Lease adjusted leverage	HY24	HY23	Note
Total indebtedness (above)	(386.0)	(379.7)	
Underlying EBITDA	240.3	239.7	
Lease adjusted leverage	1.6x	1.6x	

Condensed consolidated income statement

	Note	28 week period ended 12 October 2023 Underlying trading £m	Non-underlying items (note 3) £m	Total £m	28 week period ended 13 October 2022 (reclassified)[1] Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	774.2	–	774.2	727.2	–	727.2
Cost of sales		(419.0)	–	(419.0)	(382.1)	–	(382.1)
Gross profit		355.2	–	355.2	345.1	–	345.1
Selling and distribution expenses		(239.3)	(9.3)	(248.6)	(222.3)	(4.5)	(226.8)
Administrative expenses		(68.0)	(3.7)	(71.7)	(66.2)	(1.3)	(67.5)
Other income[1]		7.0	–	7.0	9.8	–	9.8
Operating profit	2	54.9	(13.0)	41.9	66.4	(5.8)	60.6
Financial income		2.2	–	2.2	0.7	–	0.7
Financial expense		(9.3)	(0.1)	(9.4)	(7.9)	–	(7.9)
Net financing expense		(7.1)	(0.1)	(7.2)	(7.2)	–	(7.2)
Profit before tax		47.8	(13.1)	34.7	59.2	(5.8)	53.4
Taxation	5	(12.2)	2.8	(9.4)	(11.4)	1.1	(10.3)
Profit for the period		35.6	(10.3)	25.3	47.8	(4.7)	43.1

[1] See note 1 for an explanation of the prior year reclassification.
All activities relate to continuing operations.

Basic and diluted earnings per share attributable to equity shareholders of the Company:

	Note	28 week period ended 12 October 2023	28 week period ended 13 October 2022
Equity holders of the parent – basic	4	5.2p	8.7p
Equity holders of the parent – diluted	4	5.2p	8.6p

Dividends paid and proposed are disclosed in note 6.

Condensed consolidated statement of comprehensive income

	28 week period ended 12 October 2023 £m	28 week period ended 13 October 2022 £m
Profit for the period	25.3	43.1
Other comprehensive income		
Items that are or may be recycled subsequently into profit or loss:		
Foreign exchange translation differences	–	(0.1)
Effective portion of changes in fair value of cash flow hedges	3.1	0.9
Other comprehensive income for the period, before income tax	3.1	0.8
Income tax on other comprehensive income (note 5)	(0.7)	(1.2)
Other comprehensive income for the period, net of income tax	2.4	(0.4)
Total comprehensive income for the period	27.7	42.7

The notes on pages 23 to 43 form an integral part of these consolidated interim financial statements.

Condensed consolidated balance sheet

	Note	At 12 October 2023	At 13 October 2022	At 30 March 2023
		£m	£m	£m
Non-current assets				
Property, plant and equipment	8	**147.0**	127.5	146.9
Right-of-use assets	9	**337.0**	382.3	359.6
Intangible assets	10	**984.2**	988.7	989.5
Deferred tax asset		-	–	1.9
Other non-current assets		**9.7**	11.7	10.9
		1,477.9	1,510.2	1,508.8
Current assets				
Inventories	11	**116.9**	99.8	108.6
Other financial assets		**1.3**	9.9	2.2
Trade and other receivables		**55.5**	64.0	51.8
Corporation tax receivable		**4.8**	-	-
Cash and cash equivalents		**60.4**	143.1	178.0
		238.9	316.8	340.6
Total assets		**1,716.8**	1,827.0	1,849.4
Current liabilities				
Trade and other payables		**(279.4)**	(268.7)	(261.5)
Other interest-bearing loans and borrowings	12	**(1.4)**	–	(1.2)
Lease liabilities	9	**(82.6)**	(71.3)	(83.3)
Provisions		**(2.6)**	(5.1)	(3.9)
Other financial liabilities		**(0.4)**	(0.2)	(3.7)
		(366.4)	(345.3)	(353.6)
Non-current liabilities				
Other interest-bearing loans and borrowings	12	**(43.7)**	(97.4)	(119.3)
Lease liabilities	9	**(315.5)**	(351.5)	(338.1)
Provisions		**(10.8)**	(11.7)	(12.9)
Deferred tax liabilities		**(1.4)**	(2.6)	–
Other financial liabilities		-	–	(0.4)
		(371.4)	(463.2)	(470.7)
Total liabilities		**(737.8)**	(808.5)	(824.3)
Net assets		**979.0**	1,018.5	1,025.1
Equity attributable to equity holders of the parent				
Ordinary share capital		**4.8**	4.9	4.8
Treasury shares		-	(1.1)	–
Consolidation reserve		**(372.0)**	(372.0)	(372.0)
Merger reserve		**113.3**	113.3	113.3
Translation reserve		**(0.1)**	(0.1)	(0.1)
Cash flow hedging reserve		**0.5**	7.4	(1.6)
Capital redemption reserve		**0.2**	0.1	0.2
Retained earnings		**1,232.3**	1,266.0	1,280.5
Total equity		**979.0**	1,018.5	1,025.1

The notes on pages 23 to 43 form an integral part of these consolidated interim financial statements.

Condensed consolidated statement of changes in equity

	Share capital £m	Treasury shares £m	Consolidation reserve £m	Merger reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 30 March 2023	4.8	–	(372.0)	113.3	(1.5)	(0.1)	0.2	1,280.5	1,025.1
Total comprehensive income for the period									
Profit for the period	–	–	–	–	–	–	–	25.3	25.3
Other comprehensive income	–	–	–	–	2.4	–	–	–	2.4
Total comprehensive income for the period	–	–	–	–	2.4	–	–	25.3	27.7
Hedging gains & losses reclassified to inventory	–	–	–	–	(0.4)	–	–	–	(0.4)
Total hedging gains & losses reclassified to inventory	–	–	–	–	(0.4)	–	–	–	(0.4)
Transactions with owners, recorded directly in equity									
Equity dividends paid	–	–	–	–	–	–	–	(39.5)	(39.5)
Share based payment charge	–	–	–	–	–	–	–	3.1	3.1
Deferred tax movement on IFRS 2 reserve	–	–	–	–	–	–	–	(0.6)	(0.6)
Share buyback	–	–	–	–	–	–	–	(25.1)	(25.1)
Purchase of own shares	–	–	–	–	–	–	–	(11.4)	(11.4)
Total contributions by and distributions to owners	–	–	–	–	-	–	–	(73.5)	(73.5)
Balance at 12 October 2023	**4.8**	**0.0**	**(372.0)**	**113.3**	**0.5**	**(0.1)**	**0.2**	**1,232.3**	**979.0**

	Share capital £m	Treasury shares £m	Consolidation reserve £m	Merger reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 31 March 2022	5.0	–	(372.0)	113.3	3.4	(0.0)	–	1,300.0	1,049.7
Total comprehensive income for the period									
Profit for the period	–	–	–	–	–	–	–	43.1	43.1
Other comprehensive income	–	–	–	–	(0.3)	(0.1)	–	–	(0.4)
Total comprehensive income for the period	–	–	–	–	(0.3)	(0.1)	–	43.1	42.7
Hedging gains & losses reclassified to inventory	–	–	–	–	4.3	–	–	–	4.3
Total hedging gains & losses reclassified to inventory	–	–	–	–	4.3	–	–	–	4.3
Transactions with owners, recorded directly in equity									
Equity dividends paid	–	–	–	–	–	–	–	(37.0)	(37.0)
Share based payment charge	–	–	–	–	–	–	–	2.8	2.8
Deferred tax movement on IFRS 2 reserve	–	–	–	–	–	–	–	(1.9)	(1.9)
Share buyback	(0.1)	(1.1)	–	–	–	–	0.1	(26.2)	(27.3)
Purchase of own shares	–	–	–	–	–	–	–	(14.8)	(14.8)
Total contributions by and distributions to owners	(0.1)	(1.1)	–	–	–	–	0.1	(77.1)	(78.2)
Balance at 13 October 2022	4.9	(1.1)	(372.0)	113.3	7.4	(0.1)	0.1	1,266.0	1,018.5

The notes on pages 23 to 43 form an integral part of these consolidated interim financial statements.

Condensed consolidated statement of cash flows

	28 week period ended 12 October 2023	28 week period ended 13 October 2022
	£m	£m
Cash flows from operating activities		
Profit for the period	25.3	43.1
Adjustments for:		
Depreciation and amortisation	60.1	55.2
Financial income	(2.2)	(0.7)
Financial expense	9.4	7.9
Share based payment charges	3.1	2.8
Taxation	9.4	10.3
	105.1	118.6
Increase in trade and other receivables	(1.8)	(3.0)
Increase in inventories	(8.3)	(15.3)
Increase in trade and other payables	24.0	46.0
(Decrease)/increase in provisions	(3.4)	3.6
	10.5	31.3
Tax paid	(12.5)	(7.0)
Net cash flow from operating activities	103.1	142.9
Cash flows from investing activities		
Interest received	2.2	0.7
Acquisition of other investments	(1.0)	–
Costs to acquire right-of-use assets	-	(1.4)
Acquisition of subsidiaries, net of cash acquired (underlying)	(0.1)	(0.1)
Disposal of subsidiaries, net of cash acquired	0.4	
Acquisition of property, plant and equipment and other intangible assets	(22.8)	(41.0)
Net cash used in investing activities	(21.3)	(41.8)
Cash flows from financing activities		
Equity dividends paid	(39.5)	(37.0)
Repayment of borrowings	(75.0)	–
Cash payments for the principal portion of the right-of-use liability	(38.1)	(37.2)
Purchase of own shares	(11.8)	(14.8)
Share buyback	(25.1)	(27.2)
Debt issue costs	(0.9)	–
Bank and loan interest paid	(1.7)	(2.1)
Interest paid on lease obligations	(7.3)	(5.7)
Net cash used in financing activities	(199.4)	(124.0)
Net increase in cash and cash equivalents	(117.6)	(22.9)
Cash and cash equivalents at beginning of period	178.0	166.0
Cash and cash equivalents at end of period	60.4	143.1

The notes on pages 23 to 43 form an integral part of these consolidated interim financial statements.

Notes (forming part of the condensed consolidated interim financial statements)

1 Accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated interim financial statements.

Basis of preparation

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. The Company is listed on the London Stock Exchange.

The condensed consolidated interim financial statements as at and for the 28 week period ended 12 October 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements of the Group as at and for the 52 week period ended 30 March 2023 are available on request from the Company's registered office and via the Company's website.

The interim 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 group has assessed the impact of IFRS 17 (Insurance Contracts) which is effective for annual reporting periods beginning on or after 1 January 2023. The group has deemed the standard as unlikely to have a material impact on the Group due to the income in relation to insurance contracts being immaterial.

The Group receives rental and other occupancy income from Joint Venture veterinary practices which are located within the Group's retail stores, and that income has increased as this part of the Group's business has grown. Therefore, the Directors concluded that this income should be separately presented on the face of the income statement for the 52 week period ended 30 March 2023. Following the change in presentation and to aid comparability, the Directors have also reclassified the comparative amounts for the 28 week period ended 13 October 2022 and so £9.8m has been reclassified from selling and distribution expenses to other income. There is no impact on profit, net assets, or the cash flow statement.

The Directors have restated the presentation of the segmental reporting disclosures in Note 2 to reflect the fact that the veterinary telehealth business is now reported within the Vet Group reporting segment. In the 28 week period ended 13 October 2022 the telehealth business was reported within the Central segment. As a result, £1.9m of revenue, £1.0m of gross profit and £0.6m at an operating profit level have been reclassified from Central to the Vet Group segment.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the UK. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 52 week period ended 30 March 2023.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the 'Act'). The statutory accounts for the 52 weeks ended 30 March 2023 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (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.

Notes *(continued)*

1 Accounting policies *(continued)*

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 of the Annual Report for the 52 week period ended 30 March 2023. 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 12 and 13 to these interim financial statements includes the Company's policies and processes for managing its capital; 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 interim 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 consumer confidence, climate change, geopolitical tensions, and the actual and potential impact on supply chains, energy cost inflation and foreign exchange volatility on liquidity and future performance.

The Group has access to a revolving facility of £300m, which expires in September 2028, with £25.0m drawn down on 12 October 2023 and a £26.0m asset backed loan, with £23.3m drawn down which expires on 27 March 2030. The Group also has cash balances of £60.4m. The lowest level of liquidity headroom forecast over the next 12 months from the date of signing of the financial statements is in January 2024 and is in excess of £301m in the base case scenario. Under the most severe but plausible downside scenario described below, the lowest level of headroom forecast over the next 12 months from the date of approving of the financial statements is £290m.

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 sales growth assumptions of 1% in each year throughout the forecast period, but ordinary dividends continue to be paid.

Scenario 2: Using scenario 1 outcomes and further impacted by a conflated risk impact of £26.5m on sales and £13.25m on PBT per annum (using specific financial risks taken from Group risk register with sales and PBT financial impact quantified), with dividends held at 12.8p per share per annum.

Scenario 3: Group like-for-like sales growth declines to 0% in each year and a conflated risk impact of £79.0m on sales and £39.3m on PBT is applied (using the top risks from Group risk register with sales and PBT impact quantified), with dividends cut to nil to conserve cash.

Against these negative scenarios, adjusted projections showed no breach of covenants. Further mitigating actions could also be taken in such scenarios should it be required, including reducing capital expenditure.

Despite net current liabilities of £127.5m in the Group, the Directors of Pets at Home Group Plc having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements as at and for the 28 weeks ended 12 October 2023.

Notes *(continued)*

1 Accounting policies *(continued)*

Significant accounting policies

The accounting policies adopted in preparation of the condensed consolidated interim financial statements as at and for the 28 week period ended 12 October 2023 are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 week period ended 30 March 2023, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgments 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 on-going basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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 veterinary General Practices and the veterinary telehealth business. In the 28 week period ended 13 October 2022 the veterinary telehealth business was reported within the Central segment and these figures have been restated below to aid comparison. Central includes group costs and finance expenses. Revenue and costs are allocated to a segment where reasonably possible.

The following summary describes the operations in each of the Group's reportable segments. Performance is measured based on segment underlying operating profit, as included in the management reports that are reviewed by the Executive Directors. These internal reports are prepared in accordance with IFRS accounting policies consistent with these interim financial statements. All material operations of the reportable segments are carried out in the UK and all revenue is from external customers.

Notes *(continued)*

2 Segmental reporting *(continued)*

	28 week period ended 12 October 2023			
	Retail	Vet Group	Central	Total
Income statement	£m	£m	£m	£m
Revenue	696.0	78.2	0.0	774.2
Underlying gross profit	313.4	41.8	0.0	355.2
Underlying operating profit/(loss)	30.8	32.7	(8.6)	54.9
Non-underlying items	(10.4)	(2.6)	0.0	(13.0)
Segment operating profit/(loss)	**20.4**	**30.1**	**(8.6)**	**41.9**
Net financing expenses underlying	(7.0)	0.1	(0.2)	(7.1)
Net financing expenses non-underlying	(0.1)	0.0	0.0	(0.1)
Profit/(loss) before tax	**13.3**	**30.2**	**(8.8)**	**34.7**
Total non-underlying items	10.5	2.6	0.0	13.1
Underlying profit/(loss) before tax	23.8	32.8	(8.8)	47.8

	28 week period ended 13 October 2022 (restated) [1]			
	Retail	Vet Group	Central	Total
Income statement	£m	£m	£m	£m
Revenue	661.5	65.7	-	727.2
Underlying gross profit	308.8	36.3	-	345.1
Underlying operating profit/(loss)	45.0	28.7	(7.3)	66.4
Non-underlying items	(4.5)	–	(1.3)	(5.8)
Segment operating profit/(loss)	40.5	28.7	(8.6)	60.6
Net financing expenses	(5.5)	(0.3)	(1.4)	(7.2)
Profit/(loss) before tax	35.0	28.4	(10.0)	53.4
Total non-underlying items	4.5	–	1.3	5.8
Underlying profit/(loss) before tax	39.5	28.4	(8.7)	59.2

	28 week period ended 12 October 2023			
	Retail	Vet Group	Central	Total
Segmental revenue analysis by revenue stream	£m	£m	£m	£m
Retail – Food	427.5	-	-	427.5
Retail – Accessories	241.6	-	-	241.6
Retail – Services	26.9	-	-	26.9
Vet Group – First Opinion fee income	-	47.7	-	47.7
Vet Group – Company managed practices	-	24.0	-	24.0
Vet Group – Other income	-	5.0	-	5.0
Vet Group - Veterinary telehealth services	-	1.5	-	1.5
Total	696.0	78.2	-	774.2

	28 week period ended 13 October 2022(restated) [1]			
	Retail	Vet Group	Central	Total
Segmental revenue analysis by revenue stream	£m	£m	£m	£m
Retail – Food	387.6	–	–	387.6
Retail – Accessories	248.8	–	–	248.8
Retail – Services	25.1	–	–	25.1
Vet Group – First Opinion fee income	–	40.7	–	40.7
Vet Group – Company managed practices	–	19.2	–	19.2
Vet Group – Other income	–	3.9	–	3.9
Central – Veterinary telehealth services	–	1.9	-	1.9
Total	661.5	65.7	-	727.2

[1] See note 1 for an explanation of the prior year restatement.

Notes *(continued)*

3 Expenses

Included in operating profit are the following:

	28 week period ended 12 October 2023 £m	28 week period ended 13 October 2022 £m
Non-underlying items		
Costs relating to the Implementation of the new Distribution centre		
Provisions for voluntary redundancies for colleagues at existing Distribution Centres	–	2.1
Provisions for retention and relocation bonuses for colleagues at existing Distribution Centres	0.7	1.2
Pre-opening costs for new Distribution Centre	–	1.2
Project management costs of opening new Distribution Centre	1.3	–
Dual running costs of operating new and existing Distribution Centre	2.7	–
Depreciation of property plant and equipment at legacy sites	2.3	–
Depreciation of right-of-use assets (dual running costs)	1.2	–
Transitional costs of opening a new Distribution Centre	1.1	–
	9.3	4.5
Other Non-underlying items		
Group restructure costs	1.2	1.3
Depreciation of property plant and equipment (Group restructure costs)	0.8	–
Depreciation of right-of-use assets (Group restructure costs)	0.6	–
Impairment of investment	1.1	–
	3.7	1.3
Total non-underlying cost/(income) within operating profit	**13.0**	5.8
Interest expense on the lease liabilities of the Distribution Centres	0.1	–
Total non-underlying items	**13.1**	5.8
Underlying items		
Software as a service (SaaS) expense	15.1	16.8
Depreciation of property, plant and equipment	13.8	13.7
Amortisation of intangible assets	5.8	5.3
Depreciation of right-of-use assets	35.6	36.2
Rentals under operating leases:		
Expenses relating to short-term leases	0.1	–
Other income		
Rental income from sub-leasing right-of-use assets to third parties	(0.1)	(0.1)
Rental and other occupancy income from related parties	(3.9)	(3.9)
Share based payment charges	3.1	2.8

Non-underlying items in operating profit

New Distribution Centre

During the period the Group has incurred a number of costs in relation to the process of bringing into operation a new Distribution Centre to replace the existing Distribution Centres. The process is a significant operational change for the Group, outside of the ordinary course of business. As part of the transition, the Group has incurred operational and payroll costs which it has classified as non-underlying. The items are split out as follows:

3 Expenses (continued)

New Distribution Centre (continued)

£0.7m of non-underlying charges relate to a provision for retention bonuses for colleagues at the existing Distribution Centres to remain employed by the Group until the point at which the sites close.

£1.3m of non-underlying charges relate to project management costs of opening the new Distribution Centre, including the transfer of inventory from the existing Distribution Centres.

£6.2m of non-underlying charges relate to costs incurred whilst the existing Distribution Centres and the new Distribution Centre are both in operation. These costs incurred are temporary and will not continue after the closure of the existing Distribution Centres. Included within this cost is £2.3m in relation to accelerated depreciation on legacy assets and 1.2m in relation to depreciation of the right-of-use assets. A further £0.1m of dual running costs relates to the interest expense on the lease liabilities of the Distribution Centres. This is shown within finance expenses below operating profit on the consolidated income statement.

£1.1m of non-underlying charges relate to costs incurred to transition the operations over to the new site. These costs incurred are temporary and will not continue after the new Distribution Centre is fully operational.

In FY23 the Group incurred costs in relation to the building of the new Distribution Centre, in the period before it became operational. As part of the transition, the Group incurred operational and payroll costs which it classified as non-underlying. The items are split out as follows:

£2.1m of non-underlying charges relate to a provision for voluntary redundancies for colleagues employed within the existing Distribution Centres.

£1.2m of non-underlying charges relate to a provision for retention bonuses for colleagues at the existing Distribution Centres to remain employed by the Group until the point at which the sites close.

£1.2m of non-underlying charges relate to pre-opening costs for the new Distribution Centre such as rent and utilities which had been incurred despite the site not yet being operational.

The remaining non-underlying items relate to:

£2.6m of non-underlying charges for a restructure within the Vet Group. Included within this cost is £0.8m in relation to accelerated depreciation of premises no longer required and 0.6m in relation to depreciation of the associated right-of-use assets. In FY23 the Group incurred £1.3m of non-underlying charges relating to Group restructure within the Central segment.

£1.1m of non-underlying charges relate to the impairment of the Group's investment in Dog Stay Limited (‘Tailster’).

Underlying items

The rentals under short-term leases disclosed in relation to the 28 week period ended 12 October 2023 and the 28 week period ended 13 October 2022 relate to leases under short term agreements. These fall under the short-term exemption so are excluded from the requirements of IFRS 16 on the basis that the lease terms are 12 months or less.

Notes *(continued)*

4 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.

	28 week period ended 12 October 2023		28 week period ended 13 October 2022	
	Underlying trading	After non-underlying items	Underlying trading	After non-underlying items
Profit attributable to equity shareholders of the parent (£m)	35.6	25.3	47.8	43.1
Basic weighted average number of shares (m)	481.4	481.4	497.2	497.2
Dilutive potential ordinary shares (m)	5.6	5.6	5.6	5.6
Diluted weighted average number of shares	487.0	487.0	502.8	502.8
Basic earnings per share	7.4p	5.2p	9.6p	8.7p
Diluted earnings per share	7.3p	5.2p	9.5p	8.6p

5 Taxation

Recognised in the income statement

	28 week period ended 12 October 2023 £m	28 week period ended 13 October 2022 £m
Current tax expense		
Current period	7.3	10.1
Current tax expense	7.3	10.1
Deferred tax expense		
Origination and reversal of temporary differences	2.1	0.1
Impact of difference between deferred and current tax rates	–	0.1
Deferred tax expense	2.1	0.2
Total tax expense	9.4	10.3

The UK corporation tax standard rate for the period was 25% (2022: 19%). Deferred tax at 12 October 2023 is calculated based on the rate of 25% apart from deferred tax on derivatives which is calculated at the rate the 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

	28 week period ended 12 October 2023 £m	28 week period ended 13 October 2022 £m
Effective portion of changes in fair value of cash flow hedges	0.7	1.2

Notes *(continued)*

5 Taxation *(continued)*

Reconciliation of effective tax rate

	28 week period ended 12 October 2023			28 week period ended 13 October 2022		
	Underlying trading £m	**Non-underlying items £m**	**Total £m**	Underlying trading £m	Non-underlying items £m	Total £m
Profit for the period	35.6	(10.3)	25.3	47.8	(4.7)	43.1
Total tax expense	12.2	(2.8)	9.4	11.4	(1.1)	10.3
Profit excluding taxation	47.8	(13.1)	34.7	59.2	(5.8)	53.4
Tax using the UK corporation tax rate for the period of 25% (28 week period ended 13 October 2022:19%)	11.9	(3.3)	8.6	11.2	(1.1)	10.1
Impact of change in tax rate on deferred tax balances	–	–	–	0.2	–	0.2
Depreciation on expenditure not eligible for tax relief	–	–	–	0.2	–	0.2
Adjustments in respect of prior periods	–	–	–	–	–	–
Capital allowances super deduction	–	–	–	(0.7)	–	(0.7)
Income not taxable	–	–	–	0.5	–	0.5
Expenditure not eligible for tax relief	0.3	0.5	0.8	–	–	–
Total tax expense	12.2	(2.8)	9.4	11.4	(1.1)	10.3

The UK corporation tax standard rate for the period was 25% (2022: 19%). The effective tax rate before non-underlying items for the 28 week period ended 12 October 2023 was 25.6% (28 week period ended 13 October 2022: 19.3%).

6 Dividends paid and proposed

	28 week period ended 12 October 2023 £m	28 week period ended 13 October 2022 £m
Declared and paid during the period		
Final dividend of 8.3p per share (2023: 7.5p per share)	**39.5**	37.0
Proposed for approval by shareholders at the AGM		
Interim dividend of 4.5p per share (2023 4.5p per share)	**21.4**	22.1

The trustees of the following holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trusts have waived or otherwise foregone any and all dividends paid in relation to the period ended 12 October 2023 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 12 October 2023 6,683,643 shares, holding at 13 October 2022: 5,766,243 shares).

Notes *(continued)*

7 Business combinations

Acquisition of Joint Venture veterinary practices

In the 28 week period ended 12 October 2023, the Group has acquired 100% of the 'A' shares of two 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 of the annual consolidated financial statements for the 52 week period ended 30 March 2023.

In the 28 week period ended 12 October 2023, £0.4m of operating loans relating to these practices were written off in advance of the acquisitions.

Up to the date of acquisition and in the 52 week period ending 30 March 2023, the 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 control and consolidation of these practices on the dates below, leading to control from the date of acquisition and consolidation from that date forward.

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £m
Companion Care (Telford) Limited	Veterinary practice	07/07/2023	50%	100%	0.1
Leigh Vets4pets Limited	Veterinary practice	22/06/2023	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.

Goodwill arising on acquisition of veterinary practice subsidiaries in 28 week period ended 12 October 2023

	£m
Consideration	(0.1)
Less: Fair value of liabilities acquired	0.1
Goodwill arising on acquisition	–
Impairment of goodwill	–
Carrying value of goodwill	–

In line with IFRS3, the right-of-use asset has been brought on at a value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices.

Notes *(continued)*

8 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 30 March 2023	2.4	78.0	296.4	28.5	405.3
Additions	–	2.8	11.4	3.7	17.9
On acquisition	–	0.1	0.1	–	0.2
Brought into use	–	–	4.9	(4.9)	–
Disposals	–	(1.0)	(0.9)	–	(1.9)
Balance at 12 October 2023	2.4	79.9	311.9	27.3	421.5
Depreciation					
Balance at 30 March 2023	0.4	36.7	221.3	–	258.4
Depreciation charge for the period	–	2.8	14.1	–	16.9
Disposals	–	(0.2)	(0.6)	–	(0.8)
Balance at 12 October 2023	0.4	39.3	234.8	–	274.5
Net book value					
At 30 March 2023	2.0	41.3	75.1	28.5	146.9
At 12 October 2023	2.0	40.6	77.1	27.3	147.0

	Freehold property £m	Leasehold improvements £m	Fixtures, fittings, tools and equipment £m	Assets under construction £m	Total £m
Cost					
Balance at 31 March 2022	2.4	65.7	261.6	12.7	342.4
Additions	–	3.6	9.7	18.8	32.1
On acquisition	–	0.1	0.1	–	0.2
Disposals	–	(0.1)	(0.1)	–	(0.2)
Balance at 13 October 2022	2.4	69.3	271.3	31.5	374.5
Depreciation					
Balance at 31 March 2022	0.4	32.9	200.2	–	233.5
Depreciation charge for the period	–	2.4	11.3	–	13.7
Disposals	–	(0.1)	(0.1)	–	(0.2)
Balance at 13 October 2022	0.4	35.2	211.4	–	247.0
Net book value					
At 31 March 2022	2.0	32.8	61.4	12.7	108.9
At 13 October 2022	2.0	34.1	59.9	31.5	127.5

Notes *(continued)*

9 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 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 30 March 2023	614.8	20.3	635.1
Additions	14.9	1.3	16.2
Disposals	(1.3)	(0.3)	(1.6)
Balance at 12 October 2023	**628.4**	**21.3**	**649.7**
Depreciation			
Balance at 30 March 2023	263.5	12.0	275.5
Depreciation charge for the period	35.1	2.3	37.4
Disposals	-	(0.2)	(0.2)
Balance at 12 October 2023	**298.6**	**14.1**	**312.7**
Net book value			
At 30 March 2023	351.3	8.3	359.6
At 12 October 2023	**329.8**	**7.2**	**337.0**

	Property £m	Equipment £m	Total £m
Cost			
Balance at 31 March 2022	531.6	16.6	548.2
Additions	76.9	1.7	78.6
Reallocation of accumulated amortisation[1]	(0.1)	–	(0.1)
Balance at 13 October 2022	608.4	18.3	626.7
Depreciation			
Balance at 31 March 2022	199.2	8.9	208.1
Depreciation charge for the period	34.5	1.7	36.2
Reallocation of accumulated amortisation[1]	0.1	–	0.1
Balance at 13 October 2022	233.8	10.6	244.4
Net book value			
At 31 March 2022	332.4	7.7	340.1
At 13 October 2022	374.6	7.7	382.3

[1] Included within the cost of property right-of use assets brought forward at 31 March 2022 was (£0.2m) which related to accumulated amortisation. This has been reallocated to accumulated amortisation and has no impact on net book value.

Notes *(continued)*

9 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:

Lease liability maturity analysis – contractual undiscounted cash flows

	At 12 October 2023 £m	At 13 October 2022 £m	At 30 March 2023 £m
Less than one year	82.6	71.3	83.3
Between one and three years	142.2	144.8	145.3
Between three and five years	91.6	103.8	99.5
Between five and ten years	94.0	105.3	103.9
More than ten years	55.1	59.4	59.4
Total undiscounted lease liabilities	465.5	484.6	491.4
Carrying value of lease liabilities in the statement of financial position	398.1	422.8	421.4
Current	82.6	71.3	83.3
Non-current	315.5	351.5	338.1

For lease liabilities at 12 October 2023, a 0.1% reduction in the discount rate would have increased the carrying value of lease liabilities by £2.1m.

Following increases in Bank of England interest rates in the 52 week period ended 30 March 2023, the Group has reviewed and subsequently revised the interest rates implicit in new leases and lease extensions in line with IFRS 16. The revised rates used are between 4.8% and 5.4% and vary according to the length of the lease.

In line with IAS36, the carrying value of the right-of-use asset will be assessed for indicators of impairment and an impairment charge will be recognised if necessary. An onerous lease provision has been 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.

Surplus leases

The Group has a small number of leases on properties from which it no longer trades. A small number of these properties are currently vacant or the sublet is not for the full term of the lease and there is deemed to be a risk on the sublet. These leases are included within the lease balances disclosed on the face of the balance sheet and a related provision has been made for other property costs relating to these properties.

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.

Notes *(continued)*

10 Intangible assets

	Goodwill £m	Customer list £m	Software £m	Software under construction £m	Total £m
Cost					
Balance at 30 March 2023	959.3	7.0	71.7	8.3	1046.3
Additions	–	–	0.5	–	0.5
On acquisition	–	–	–	–	–
Transfer	–	–	–	–	–
Balance at 12 October 2023	**959.3**	**7.0**	**72.2**	**8.3**	**1,046.8**
Amortisation					
Balance at 30 March 2023	0.1	1.7	55.0	–	56.8
Amortisation charge for the period	–	0.4	5.4	–	5.8
Disposals	–	–	-	–	-
Balance at 12 October 2023	**0.1**	**2.1**	**60.4**	**–**	**62.6**
Net book value					
At 30 March 2023	959.2	5.3	16.7	8.3	989.5
At 12 October 2023	**959.2**	**4.9**	**11.8**	**8.3**	**984.2**

	Goodwill £m	Customer list £m	'Know how' - call scripts £m	Software £m	Total £m
Cost					
Balance at 31 March 2022	959.1	4.1	2.6	68.3	1,034.1
Additions	–	–	–	6.8	6.8
On acquisition	–	0.2	–	–	0.2
Disposals	–	(0.1)	–	–	(0.1)
Balance at 13 October 2022	959.1	4.2	2.6	75.1	1,041.0
Amortisation					
Balance at 31 March 2022	0.1	0.7	0.3	45.9	47.0
Amortisation charge for the period	–	0.2	0.1	5.0	5.3
Balance at 13 October 2022	0.1	0.9	0.4	50.9	52.3
Net book value					
At 31 March 2022	959.0	3.4	2.3	22.4	987.1
At 13 October 2022	959.0	3.3	2.2	24.2	988.7

1 Included within the cost of assets under construction in fixed assets brought forward at 31 March 2022 was £ 1.7m which related to software assets under construction. These have been reallocated to intangible assets as at 30 March 2023. A further £ 4.0m of software assets under construction were classified as software assets in use at 31 March 2022. These have been reallocated to software assets under construction.

Amortisation

The amortisation charge is recognised in total in operating expenses within the income statement.

Notes *(continued)*

11 Inventories

	At 12 October 2023 £m	At 13 October 2022 £m	At 30 March 2023 £m
Finished goods	**116.9**	99.8	108.6

The cost of inventories recognised as an expense and included in 'cost of sales' is £409.8m (period ended 13 October 2022: £334.6m).

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 12 October 2023 the inventory provision amounted to £4.3m (13 October 2022: £4.9m). 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 £7.4m (13 October 2022: £10.3m).

In the 28 week period ended 12 October 2023, the value of inventory written off to the income statement amounted to £3.4m (28 week period ended 13 October 2022: £4.8m).

12 Other interest-bearing loans and borrowings

	At 12 October 2023 £m	At 13 October 2022 £m	At 30 March 2023 £m
Non-current liabilities			
Unsecured bank loans	21.8	97.4	97.3
Asset backed loans	21.9	-	22.0
	43.7	97.4	119.3
Current liabilities			
Asset backed loans	1.4	-	1.2

Terms and debt repayment schedule

				At 12 October 2023		At 13 October 2022	
	Currency	Nominal interest rate	Year of maturity	Face value £m	Carrying amount £m	Face value £m	Carrying amount £m
Revolving credit facility	GBP	SONIA +1.30%	2028	25.0	21.8	100.0	97.4
Asset backed loan	GBP	SONIA +1.50%	2030	23.3	23.3	-	-
				48.3	45.1	100.0	97.4

The drawn amount on the revolving credit facility of £300.0m was £25.0m at 12 October 2023 (£100.0m at 13 October 2022) and this amount is reviewed each month. Interest is charged at SONIA plus a margin based on leverage on a pre-IFRS 16 basis (net debt: EBITDA). The loan also has environmental, social, and corporate governance (ESG) linked metrics which are reflected in the margin payable, which is +/- 5bps. Face value represents the principal value of the revolving credit facility. The facility is unsecured. In September 2023 the facility was extended from 28 March 2027 to 28 September 2028.

On 27 March 2023, the Group entered into a loan agreement to fund the purchase of capital items. The drawn amount on the £26.0m facility at 12 October 2023 was £23.3m. Interest is charged on the amount drawn at SONIA plus 1.5%. The Group will make monthly repayments until the loan matures on 27 March 2030. The repayments do not begin until the full facility has been drawn.

Interest-bearing borrowings are recognised initially at fair value, being the principal value of the loan net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at a carrying value, which represents the amortised cost of the loans using the effective interest method.

The analysis of repayments on the loans is as follows:

	At 12 October 2023 £m	At 13 October 2022 £m	At 30 March 2023 £m
Within one year or repayable on demand	1.4	–	1.2
Between one and two years	4.1	–	3.7
Between two and five years	37.2	100.0	111.2
Greater than 5 years	5.6	–	7.2
	48.3	100.0	123.3

The £25.0m revolving credit facility at 12 October 2023 is held by the Company. The £23.3m asset backed loan is held by Pets at Home Limited, a 100% owned subsidiary company.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. On 25 September 2023 the Group entered new fixed interest rate swap agreements covering £50.0m of borrowing at a blended fixed rate of 5.058%. The hedges are structured to hedge at least 70% of the forecast outstanding debt for the next 12 months.

Notes *(continued)*

13 Financial instruments

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)

At 12 October 2023

Carrying amount	Fair value - hedging instruments £m	FVOCI - equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Other investments	-	2.0	-	-	2.0
Forward exchange contracts used for hedging	0.9	-	-	-	0.9
Fuel forward contract used for hedging	0.1	-	-	-	0.1
Interest rate swaps used for hedging	0.1	-	-	-	0.1
	1.1	**2.0**	**-**	**-**	**3.1**
Financial assets not measured at fair value					
Investments in Joint Venture veterinary practices			0.4		0.4
Current trade and other receivables			34.5	-	34.5
Amounts owed by Joint Venture veterinary practices - funding, trading and operating loans	-	-	8.1	-	8.1
Cash and cash equivalents	-	-	60.4	-	60.4
Loans to Joint Venture veterinary practices – initial set up loans	-	-	6.1	-	6.1
Loans to Joint Venture veterinary practices – other loans	-	-	0.7	-	0.7
Other receivables	-	-	0.6	-	0.6
	-	**-**	**110.8**	**-**	**110.8**
Financial liabilities measured at fair value					
Fuel forward contract used for hedging	(0.0)	-	-	-	(0.0)
Forward exchange contracts used for hedging	(0.4)	-	-	-	(0.4)
Interest rate swaps used for hedging	0.0	-	-	-	0.0
	(0.4)	**-**	**-**	**-**	**(0.4)**
Financial liabilities not measured at fair value					
Current lease liabilities (note 9)	-	-	(82.6)	-	(82.6)
Non-current lease liabilities (note 9)	-	-	(315.5)	-	(315.5)
Trade payables	-	-	(157.4)	-	(157.4)
Amounts owed to Joint Venture veterinary practices	-	-	0.0	-	0.0
Other interest-bearing loans and borrowings (note 12)	-	-	(45.1)	-	(45.1)
	-	**-**	**(600.6)**	**-**	**(600.6)**

13 Financial instruments *(continued)*

At 12 October 2023

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Other investments	-	-	2.0	2.0
Forward exchange contracts used for hedging	-	0.9	-	0.9
Fuel forward contract used for hedging	-	0.1	-	0.1
Interest rate swaps used for hedging	-	0.1	-	0.1
Financial assets not measured at fair value				
Investments in Joint Venture veterinary practices	-	-	0.4	0.4
Amounts owed by Joint Venture veterinary practices - funding, trading and operating loans	-	-	8.1	8.1
Loans to Joint Venture veterinary practices – initial set up loans	-	-	6.1	6.1
Loans to Joint Venture veterinary practices – other loans	-	-	0.7	0.7
Other receivables	-	-	0.6	0.6
Financial liabilities not measured at fair value				
Other interest-bearing loans and borrowings (note 12)	-	(45.1)	-	(45.1)

At 13 October 2022

Carrying amount	Fair value - hedging instruments £m	FVOCI - equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Other investments	–	1.2	–	–	1.2
Forward exchange contracts used for hedging	5.5	–	–	–	5.5
Fuel forward contract used for hedging	0.5	–	–	–	0.5
Interest rate swaps used for hedging	3.7	–	–	–	3.7
	9.7	1.2	–	–	10.9
Financial assets not measured at fair value					
Investments in Joint Venture veterinary practices	–	-	0.2	–	0.2
Current trade and other receivables	–	–	41.4	–	41.4
Amounts owed by Joint Venture veterinary practices - funding, trading and operating loans	–	–	10.9	–	10.9
Cash and cash equivalents	–	–	143.1	–	143.1
Loans to Joint Venture veterinary practices – initial set up loans	–	–	7.1	–	7.1
Loans to Joint Venture veterinary practices – other loans	–	–	1.7	–	1.7
Other receivables	–	–	1.8	–	1.8
	–	–	206.2	–	206.2
Financial liabilities measured at fair value					
Fuel forward contract used for hedging	(0.0)	–	–	–	(0.0)
Forward exchange contracts used for hedging	(0.2)	–	–	–	(0.2)
Interest rate swaps used for hedging	–	–	–	–	–
	(0.2)	–	–	–	(0.2)
Financial liabilities not measured at fair value					
Current lease liabilities (note 9)	–	–	–	(71.3)	(71.3)
Non-current lease liabilities (note 9)	–	–	–	(351.5)	(351.5)
Trade payables	–	–	–	(113.7)	(113.7)
Amounts owed to Joint Venture veterinary practices	–	–	–	(22.6)	(22.6)
Other interest-bearing loans and borrowings (note 12)	–	–	–	(97.4)	(97.4)
	–	–	–	(656.5)	(656.5)

Notes *(continued)*

13 Financial instruments *(continued)*

At 13 October 2022

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Other investments	–	–	1.2	1.2
Financial assets not measured at fair value				
Investments in Joint Venture veterinary practices	–	–	0.2	0.2
Amounts owed by Joint Venture veterinary practices - funding, trading and operating loans	–	–	10.9	10.9
Loans to Joint Venture veterinary practices – initial set up loans	–	–	7.1	7.1
Loans to Joint Venture veterinary practices – other loans	–	–	1.7	1.7
Other receivables	–	–	1.8	1.8
Financial liabilities not measured at fair value				
Other interest-bearing loans and borrowings (note 12)	–	(100.0)	–	(100.0)

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 value 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 contingent consideration in relation to acquisitions. 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 12 October 2023 and 13 October 2022, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

Notes *(continued)*

13 Financial instruments *(continued)*

At 12 October 2023

	Maturity					
	1-6 months	6-12 months	More than 1 year	1-6 months	6-12 months	More than 1 year
	HY 2024	HY 2024	HY 2024	HY 2023	HY 2023	HY 2023
Foreign currency risk						
Forward exchange contracts						
Net exposure (£m)	40.1	28.9	-	35.8	29.1	–
Average GBP-USD forward contract rate	1.23	1.24	-	1.29	1.16	–
Average GBP-EUR forward contract rate	1.13	1.15	-	1.16	1.14	–
Interest rate risk						
Interest rate swaps						
Net exposure (£m)	-	50.0	-	–	100.0	–
Average fixed interest rate	-	5.058%	-	–	0.811%	–

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 30 March 2023	**120.5**	**421.4**	**541.9**
Changes from financing cash flows			
Proceeds from loans and borrowings	-	-	-
Repayment of borrowings	(75.0)	-	(75.0)
Payment of lease liabilities	-	(45.4)	(45.4)
Total changes from financing cash flows	(75.0)	(45.4)	(120.4)
Other changes			
Interest expense on lease liabilities	-	7.3	7.3
Additions to lease liabilities	-	16.2	16.2
Disposal of lease liabilities	-	(1.4)	(1.4)
Capitalisation of debt issue costs	(0.9)	-	(0.9)
Accelerated amortisation of debt issue costs	-	-	-
Amortisation of debt issue costs	0.5	-	0.5
Total other changes	(0.4)	22.1	21.7
Balance at 12 October 2023	**45.1**	**398.1**	**443.2**

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 31 March 2022	96.9	383.0	479.9
Changes from financing cash flows	–	–	–
Proceeds from loans and borrowings	–	–	–
Repayment of borrowings	–	–	–
Payment of lease liabilities	–	(44.2)	(44.2)
Total changes from financing cash flows	–	(44.2)	(44.2)
Other changes			
Interest expense on lease liabilities	–	5.7	5.7
Additions to lease liabilities	–	78.3	78.3
Disposal of lease liabilities	–	–	–
Capitalisation of debt issue costs	–	–	–
Accelerated amortisation of debt issue costs	–	–	–
Amortisation of debt issue costs	0.5	–	0.5
Total other changes	0.5	84.0	84.5
Balance at 13 October 2022	97.4	422.8	520.2

Notes *(continued)*

14 Seasonality of operations

The Group's sales can be sensitive to periods of extreme weather conditions. The Group sometimes sees a reduction in sales during periods of hot weather in the UK, due to reduced customer footfall and reduced demand as pets eat less and generally spend more time outdoors, reducing the need for essentials such as food and cat litter. If temperatures are extremely high for a prolonged period, declines in sales can be material. The number of customers visiting Pets at Home's stores also declines during periods of snow or extreme weather conditions affecting the local catchment area. In addition, the sales of certain products and services designed to address pet health needs, such as flea and tick problems, can also be seasonal, increasing in times of warm and wet weather. The financial performance in the four-week period to the end of December is stronger than in the other periods, due to Christmas purchasing. Purchasing of Accessories is also more prevalent during this season. Timing of the holiday season and any adverse weather conditions that may occur during that season impacting delivery may adversely affect sales in our stores.

15 Related parties

Joint Venture veterinary practice transactions

The Group has entered into a number of arrangements with third parties in respect of veterinary practices. 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 £4.9m (13 October 2022: £9.7m). The transactions entered into during the period, and the balances outstanding at the end of the period are as follows:

	12 October 2023 £m	13 October 2022 £m	30 March 2023 £m
Transactions			
– Fees for services provided to Joint Venture veterinary practices	47.7	40.7	77.2
– Rental and other occupancy charges to Joint Venture veterinary practices	6.7	6.4	12.2
Total income from Joint Venture veterinary practices	54.4	47.1	89.4
Acquisitions			
Consideration for Joint Venture veterinary practices acquired (note 7)	0.1	–	0.5
Balances			
Included within trade and other receivables:			
– Funding for new practices	0.7	0.4	–
– Operating loans			
– Gross value of operating loans	10.3	14.9	13.8
– Allowance for expected credit losses held for operating loans	(3.4)	(4.4)	(3.4)
Net operating loans	6.9	10.5	10.4
Trading balances	0.4	-	11.5
Included within other financial assets and liabilities:			
Loans to Joint Venture veterinary practices – initial set up loans			
– Gross value of initial set up loans	6.9	8.5	7.6
– Allowance for expected credit losses for initial set up loans	(0.8)	(1.4)	(1.0)
– Net initial set up loans	6.1	7.1	6.6
Loans to Joint Venture veterinary practices - other loans			
– Gross value of other loans	0.7	1.7	1.2
– Allowance for expected credit losses held for other loans	–	–	–
– Net other loans	0.7	1.7	1.2
Included within trade and other payables:			
– Trading balances*	(0.3)	(13.0)	(4.5)
Total amounts receivable from veterinary practices (before provisions)	18.7	12.5	29.6

* The trading balance due to veterinary practices included within trade and other payables as at 13 October 2022 has been restated to exclude amounts payable to HMRC on behalf of the Joint Venture practices which are now shown in other taxes.

Notes *(continued)*

15 Related parties *(continued)*

Fees for services provided to related party veterinary practices are included within revenue and relate to charges for support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property. In accordance with IFRS 15, revenue in the 28 week period ended 12 October 2023, the 52 week period ended 30 March 2023 and the 28 week period ended 13 October 2022 excludes irrecoverable fee income from Joint Venture veterinary practices.

Funding for new practices represents the amounts advanced by the Group to support veterinary practice opening costs. The funding is short term and the related party Joint Venture veterinary practice draws down their own bank funding to settle these amounts outstanding with the Group shortly after opening.

Trading balances represent costs incurred/income received by the Group in relation to the services provided to the 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 practice's performance against business plan. Based on the projected cash flow forecast on a practice by practice basis, the funding is often expected to be required for a number of years. As practices generate cash on a monthly basis it is applied to the repayment of brought forward operating loans. For immature practices, loan balances may increase due to operating requirements. The balances above are shown net of allowances for expected credit losses held for operating loans of £3.4m (13 October 2022: £4.4m).

In the 28 week period ended 12 October 2023, the value of loans written off recognised in the income statement amounted to £0.6m (13 October 2022: £2.0m).

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 £0.8m (13 October 2022: £1.4m).

At 12 October 2023, the Group had a commitment to increase the loan funding to Joint Venture companies of £0.4m (13 October 2022: £0.7m), 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.