Pets at Home Group Plc
Annual Report and Accounts 2016

More specialist, most loved

Our mission is to be the best pet shop in the world.

Pets are the heartbeat of our business. We aim to share our knowledge and passion to help pets and their owners live long and happy lives together.

To achieve our mission we must be:

More specialist

Maintaining and enhancing our specialist credentials gives pet owners more reasons to shop with us. We can do this by providing our customers with inspirational retail and services, expert advice, unmatched range and seamless omni-channel convenience.

Most loved

As pet owners too, we can understand and help support our customers through all the moments they share with their pet. Sharing our love and passion for pets strengthens the bond with our customers and their trust in our colleagues and brands.

With responsibility at the heart of our business

Putting Pets Before Profit is our number one value. Responsible retailing is critical to maintaining our reputation and ongoing business success.

Throughout this report you will see the above icons which represent our approach to being the most specialist, loved and responsible pet retailer.

Visit our online Annual Report 2016:
petsathome.annualreport2016.com

Pets at Home is the UK's leading specialist retailer of pet food, pet products and pet-related services.

Our omni-channel retailing business operates from a UK wide Pets at Home store network and website. We run the UK's largest small animal veterinary practice network under the Vets4Pets brand, together with a number of specialist veterinary referral centres. We are also the leading operator of dog and cat grooming services through our Groom Room salons.

Revenue (£m)

£777.8m +6.7%

2012	544.3
2013	598.3
2014	665.4
2015	729.1
2016	777.8

Like-for-like growth (%)

2.2%

2012	1.4
2013	2.6
2014	2.4
2015	4.2
2016	2.2

Gross margin (%)

54.5% +31bps

2012	53.7
2013	54.1
2014	53.8
2015	54.2
2016	54.5

EBITDA (£m)[1]

£124.7m +4.2%

2012	88.9
2013	97.2
2014	109.4
2015	119.6
2016	124.7

EBITDA margin (%)[1]

16.0% -38bps

2012	16.3
2013	16.2
2014	16.4
2015	16.4
2016	16.0

Free cash flow (£m)[1]

£77.8m +8.1%

2012	39.8
2013	67.8
2014	50.1
2015	72.0
2016	77.8

Basic Earnings Per Share[1]

15.1p
+11.2%

Dividend Per Share

7.5p
+38.9%

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

1 Excludes exceptional costs.

Strategic report

Overview

Strategy

Performance

Governance report

Financial statements

Delivering a seamless pet shopping experience

A snapshot of our progress

Delivered our rollout targets for both stores and services

Made our entry into the specialist referral veterinary care market

Grew our VIP loyalty club to more than 4.5m members, with more than 13.5m pets

Significantly expanded our online product range and leveraged our UK wide store network, with 50% of online orders now collected in-store

New openings

20
new Pets at Home superstores (net).
Total portfolio 419

50
new veterinary practices.
Total portfolio 388

60
new grooming salons.
Total portfolio 240

Exciting trial retail formats

Opened six new Barkers stores, our High Street based specialist dog shop and grooming spa.

Opened one Whiskers 'n Paws, our High Street based convenience store, focused on core Pets at Home dog and cat customers, with a Groom Room salon.

Specialist referral veterinary care market

We made our entry into the specialist referral market through the acquisition of two centres, Northwest Surgeons and Anderson Moores.

Product and innovation

Grew our online range to 12,000 products, over 4,000 greater than the range in-store.

Expanded our private label Wainwright's into frozen dog food.

UK exclusive launch of Wellness Advanced Nutrition, the number one independent, family owned brand of natural pet food in the US market.

12,000
products available in stores and online

Read more on page 34

Responsibility at the heart of our business

Industry leading colleague retention and engagement

Passionate and expert colleagues are central to our success, creating more reasons for customers to come into store and engage with us. Maintaining industry leading retention and engagement rates is vital to retaining our specialist edge. Our colleague training has been endorsed by City & Guilds, providing a stamp of approval that demonstrates the value of colleague expertise.

79%
colleague retention

7th
place in Great Place to Work survey

VIP loyalty card lifelines

We award lifelines for every purchase our loyalty card members make. Lifelines convert into donations for our VIP members' chosen animal charities. This year we have raised over £1.8m for animal charities throughout the UK, and since inception have raised £4.2m.

£1.8m
raised by our VIP club members

Read more on page 44

Celebrating 25 years at the forefront of pet retailing

1991

Pets at Home founded; first store opens in Chester.

1 store

15 colleagues

1999

First in-store veterinary practice opens.

Pets at Home acquires PetSmart in the UK.

144 stores

2003

National Distribution Centre opens in Stoke-on-Trent.

2,600 colleagues

2006

Support Adoption For Pets founded, a charity dedicated to rehoming pets.

Wainwright's private label food brand launched.

2007

In-store pet adoption scheme launched with Support Adoption For Pets.

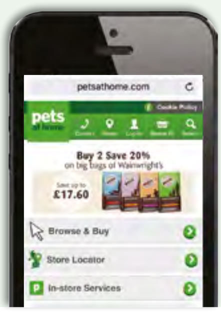
200 stores

2008

Launch of new e-commerce website.

Voted Employer of the Year in Retail Week's 'people in retail' awards.

4,100 colleagues



We're part of a growing family where pets come first. Our number one value is 'Pets Before Profit'

427 stores

2009

Groom Room services launched in seven stores.

2012

Launch of VIP ("Very Important Pet") loyalty scheme.

Direct product sourcing operation opened in Asia.

2013

Acquired Vets4Pets to create network of 236 first opinion vet practices.

Voted The Sunday Times best big company to work for.

6,500 colleagues

360 stores

2014

First trial Barkers store opened in Wilmslow.

Initial Public Offering – Pets at Home lists on London Stock Exchange.

2015

First acquisitions in the specialist veterinary referrals market.

2016

388 vet practices

240 grooming salons

4.5m VIP members

7,900 colleagues

Delivering an amazing pet experience through an integrated retail and services offer

Merchandise

Pets at Home

Pets at Home offers a range of food and accessories through a UK wide network of 419 stores; 59% of stores have a vet practice and 56% have a grooming salon.

419
stores and PetsAtHome.com

Barkers

A trial format, dog focused High Street store. Offering premium products and grooming services targeted at highly engaged dog owners.

7
stores and Barkersfordogs.com

Whiskers 'n Paws by Pets at Home

A trial High Street based convenience format, focused on core Pets at Home dog and cat customers, with a Groom Room salon.

1
store

Read more on page 34

Services

Veterinary care

Vets4Pets

Our network of primary opinion small animal veterinary practices, operated in conjunction with our Joint Venture vet partners.

388
practices both in-store and standalone

Specialist referral division

Specialist referral centres

Northwest Surgeons in Cheshire and Anderson Moores in Winchester provide specialist referral services to primary opinion practices.

2
referral centres

Read more on page 36

Business model on page 10

Ride-away

A specialist retailer of equestrian supplies with a website, catalogue and superstore in York.

1
store and Rideaway.co.uk

The Groom Room

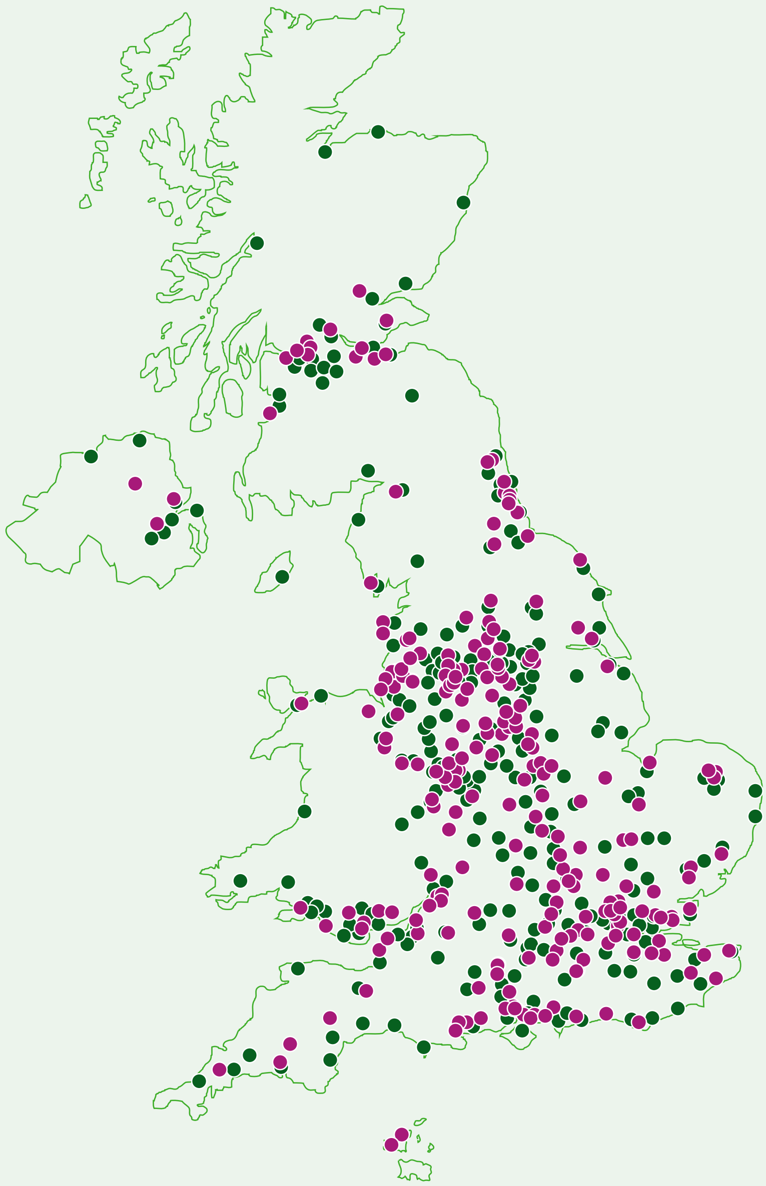
Our dog and cat grooming salons, located predominantly in-store.

240
salons

Extensive UK stores and services

427
stores with 240 groomers

388
vet practices



Pets at Home is the clear leader in the UK pet market

Competitive backdrop

- Pet market has shown resilience and premium growth to that of the UK general retail market
- Advanced Nutrition and services are the fastest growing areas
- Channel shift to online is slow but steady
- Pets at Home has more stores than the six closest competitors combined
- The UK's largest branded vet and grooming salon network
- We have consistently grown our market share across all segments

9m
dogs in the UK

9m
cats in the UK

Key market drivers

Pet population

- Stable UK pet population of around 9m dogs and 9m cats
- Shift in dog breeds towards specialist and cross-breeds, which often require grooming, are more likely to be fed on Advanced Nutrition and whose owners purchase higher levels of accessories

Humanisation of pets

- Treating pets as part of the family creates a resilient market spend, with trends towards premiumisation in both products and services

Shift to Advanced Nutrition

- Switching to premium pet foods is driven by their superior nutritional value and resultant health benefits to pets
- The UK lags the US market in regard to this trend, with 11% of the UK pet food market penetrated by Advanced Nutrition products, compared with 25% in the US

Use of vet and grooming services

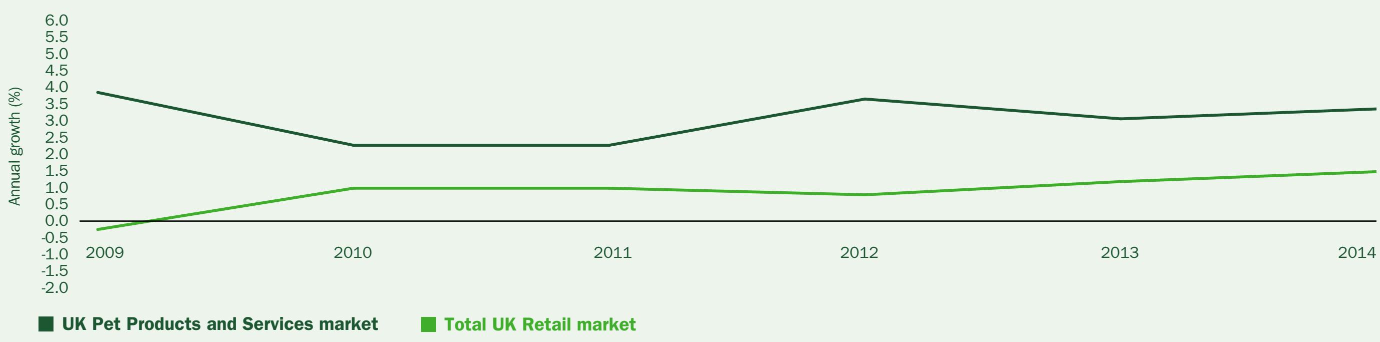
- Vet services will be driven by the increased availability of complex procedures, widening insurance coverage and a desire by owners to treat their pets' health as they would their own
- Grooming will be driven by both the pet humanisation trend, as well as the increasing popularity of specialist dog breeds that often require grooming
- The UK market lags the US market in regard to grooming popularity. In the UK, 4% of dogs are groomed, compared with 10% in the US

Specialist veterinary referrals market

Our in-store and standalone Vets4Pets practices offer primary opinion and some specialist services for the small animal pet market. Specialist referral centres provide the most advanced services in veterinary medicine, including oncology, neurology, orthopaedics, cardiology and other procedures that are too specialist to be offered within any type of primary opinion practice.

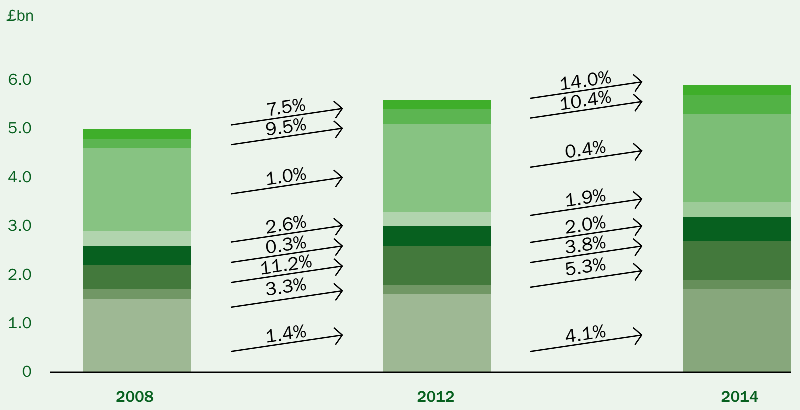
Moving into specialist referrals gives us access to an additional area of the veterinary market. We also believe further growth in this market will allow us to increase our share of wallet with customers who require specialist services that cannot be satisfied by our primary opinion practices, and build the reputation of our brand with both vets and customers.

The pet market has consistently grown ahead of UK general retail



Mission and strategy on page 18

Pet market has shown resilient growth, even through recession



Source: OC&C data

Food
Advanced Nutrition
Treats
Other food

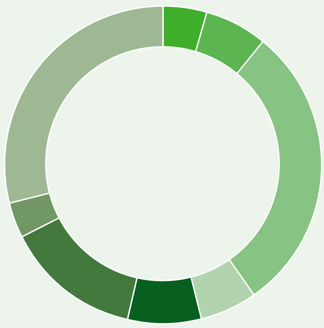
Accessories
Health & Hygiene
Other accessories

Services
Insurance
Grooming
Vet services

UK pet care market value £6.1bn (2014)

Food	
Advanced Nutrition	£0.27bn
Treats	£0.40bn
Other food	£1.77bn
Accessories	
Health & Hygiene	£0.35bn
Other accessories	£0.46bn
Services	
Insurance	£0.84bn
Grooming	£0.22bn
Vet services	£1.74bn

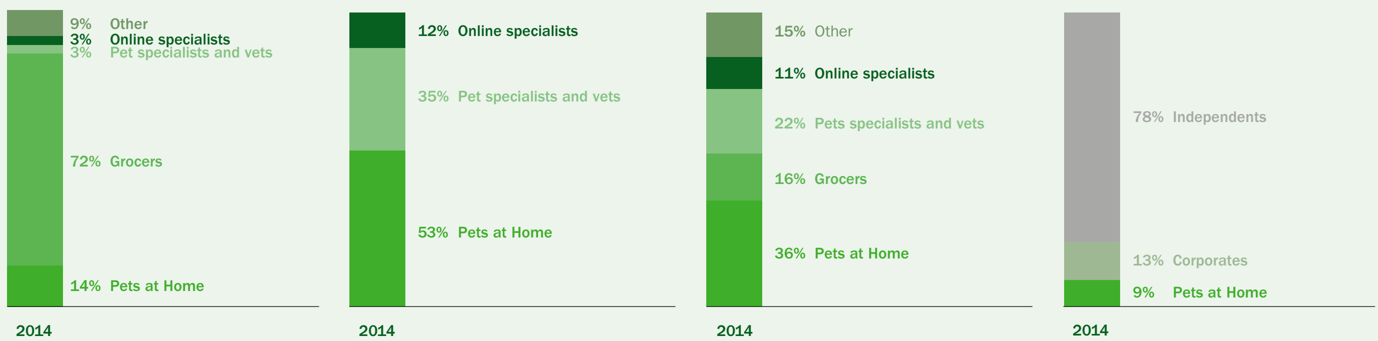
Source: 2014 data, OC&C consultants



8.6%
online value of the total pet market

Leading UK pet care and vet market shares

Food and treats
Advanced Nutrition
Accessories
Vet services



Source: OC&C data. Vet corporates include CVS, Medivet and Independent Vet Care

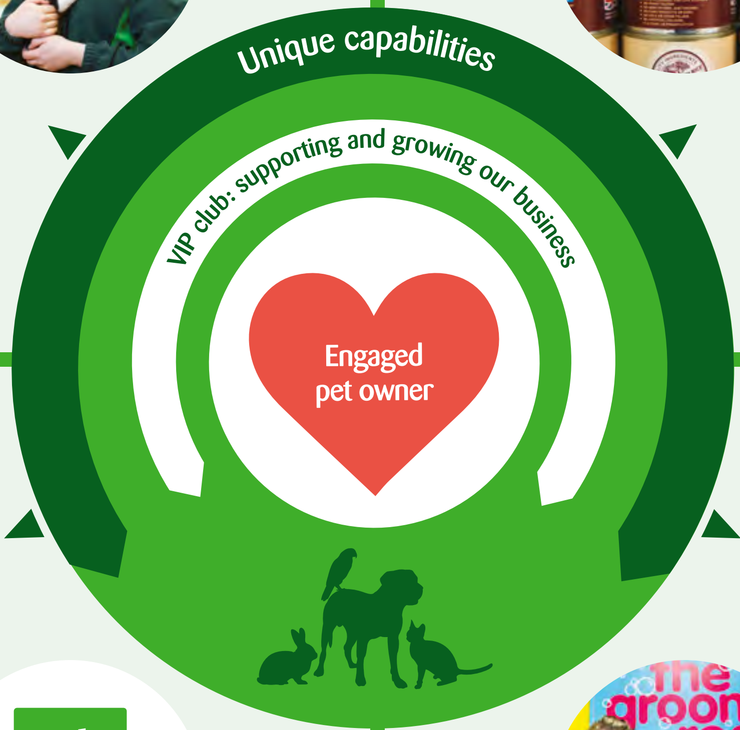
Delivering the ultimate specialist pet shopping experience

Seamless shopping experience

Passionate and expert colleagues

As pet owners too, our store, vet and grooming colleagues can understand and help support our customers through all the moments they share. An industry leading colleague retention rate and externally accredited training courses ensure we can share our knowledge as well as our passion.

93%
of store colleagues own a pet



In-house innovation and global sourcing

By liaising directly with our suppliers, our teams can ensure better quality, improved pricing, unique design, and greater speed to market with our products.

40%
of products were refreshed during the year

pets at home 寵樂居
where pets come first
以寵物為先

Responsibility at the heart of our business

Our Pets People

Heart of the Community

Drives revenue streams

Leading private brands and exclusives

Our private labels, across both food and accessories, deliver high quality products at value prices. Exclusive product launches ensure we are always delivering something new and different to our customers.

Wainwright's
is our largest private label brand

One stop shop for retail and services

We have the only branded vet and grooming chains of scale in the UK. Our stores offer UK pet owners the only destination where they can shop for product and participate in pet services, all under one roof.

46%
of our stores contain both a vet practice and a grooming salon

Merchandise

Revenue
£696.5m
+4.6%

Food
- Advanced Nutrition
- Grocery food
- Treats
- Other pet foods

Accessories
- Pet homes and habitats
- Toys, collars, leads, clothing and other accessories
- Health and Hygiene products

Merchandise on page 34

Services

Revenue
£81.3m
+29.2%

Services & Other
- Vet practices
- Veterinary specialist referral centres
- Grooming salons
- Insurance
- Pets

Services on page 36

Our Pets Environment

Sourcing with Integrity

Corporate Social Responsibility on page 44

Our progress throughout the year has ensured we have retained our place as the leaders in the UK pet market

"I am pleased to report another year of good progress for the Group. We have continued to deliver on our strategic goals and have improved shareholder returns."

Tony DeNunzio
Non-Executive Chairman

This year marked a number of key milestones in the Group's development. We created a divisional operating structure based around Retail and Services, each headed by its own divisional CEO to help focus resources and better manage our future growth; we made our entry into the Specialist referrals area of the veterinary market with the acquisitions of Northwest Surgeons and Anderson Moores; and we continued to innovate in terms of new retail store formats with the expansion of Barkers for dogs and the introduction of our Whiskers 'n Paws concept.

In line with our strategic objectives, we have grown like-for-like sales, improved gross margin and expanded our footprint. In the year as a whole, revenue increased 6.7% to £777.8 million, with like-for-like growth of 2.2% supported by the rollout of new stores and the expansion of services. Our growth was underpinned by our strength in Advanced Nutrition, our award-winning VIP customer loyalty programme, where we have seen membership grow to 4.5 million, and the development of our seamless approach to shopping, with traffic to our website www.PetsAtHome.com growing strongly. These factors offset the weakness in our Health & Hygiene ranges where seasonal factors induced a revenue decline compared to a particularly strong prior year. We expanded gross margin by 31bps to 54.5% and pre-exceptional basic EPS grew by 11.2% to 15.1 pence. We also expanded our core business further with net openings of 20 Pets at Home Superstores, 60 grooming salons and 50 veterinary practices.

Shareholder returns

Pets at Home is a growing business with consistently strong cash generation. Recognising the importance of dividends to shareholders, the Board intends to increase the target for ordinary dividend payments from 40% to around 50% of earnings. Accordingly, for the financial year 2016, the Board has recommended a final dividend of 5.5 pence per share, resulting in a total dividend of 7.5 pence per share.

With significant opportunities for expansion, particularly in the veterinary market, our priority remains to invest to support our future profitable growth. Since the year end we have acquired two further specialist referral centres, Dick White Referrals and Eye-Vet Referrals, and we anticipate further bolt-on acquisitions in the UK veterinary market. Should we not foresee appropriate investment opportunities in the future, then we will return surplus capital to shareholders.

Management changes

At the end of the financial year we announced the appointment of Ian Kellett as Group Chief Executive Officer. Ian has been a member of the Group's Board for ten years as Chief Financial Officer and more recently as Chief Executive Officer of the Retail Division. Ian's appointment follows the resignation of Nick Wood who wishes to return to London to be with his family after a period of more than eight years based in the North West of England. Nick will remain in an advisory role until 1 July 2016 to ensure a smooth transition of responsibilities.

A search is underway to identify a Group Chief Financial Officer. Until a permanent appointment is made, Mark Adams has been appointed as Interim CFO.

As a consequence of Ian's appointment to Group CEO, Peter Pritchard has been promoted to the role of Chief Executive Officer of the Retail Division following his successful tenure as Chief Operating Officer in that division. Completing the executive management team, Sally Hopson remains as Chief Executive Officer of the Services Division and Louise Stonier as Group Legal Director and Company Secretary.

These appointments are consistent with the Board's succession plan. Ian has demonstrated a strong vision for the Group and I am sure he will continue to provide excellent leadership. I would also like to welcome Mark to the Group as Interim CFO and to thank Nick for steering the business so capably over the last four years, particularly in overseeing the Group's Initial Public Offering in 2014. I believe we have an excellent executive team to provide strong leadership to the business in the period ahead.

Colleagues

As we enter our 26th anniversary year I would like to thank our colleagues throughout the business for their loyalty and enthusiasm. It is their knowledge and passion that creates the bond we share with our customers – the love of pets. The Government's introduction of the National Living Wage from April provides a cost challenge for all retailers. The Board believes it is vital that we stay true to our core values if we aim to retain our market leading colleague retention levels. Consequently, we have decided that all colleagues, irrespective of their age, should receive the National Living Wage rather than only those aged 25 or over. And we have decided to retain our 'Learn to Earn' model that allows colleagues to increase their hourly rate in increments as they complete additional specialist training.

Looking ahead

We remain confident that growth in the UK pet market will continue to support our growth ambitions for the business. With a strategy that is working, a strong leadership team in place and an organisational structure that focuses on the potential for profitable growth in both retail and services, we remain confident in the outlook for the Group.

Tony DeNunzio
Non-Executive Chairman
25 May 2016

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Board of Directors

Read more about the Board and our governance on page 60.

Tony DeNunzio CBE
Non-Executive Chairman

Dennis Millard
Deputy Chairman and Senior Independent Non-Executive Director

Ian Kellett
Group Chief Executive Officer

Amy Stirling
Independent Non-Executive Director

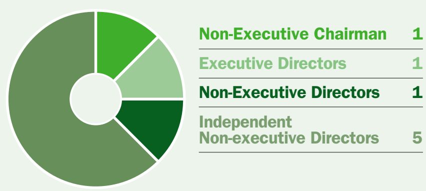
Paul Coby
Independent Non-Executive Director

Tessa Green CBE
Independent Non-Executive Director

Paul Moody
Independent Non-Executive Director

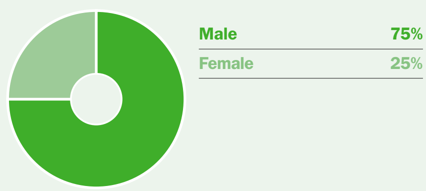
Brian Carroll
Non-Executive Director

Membership of the Board



Gender breakdown

Board of Directors



Governance overview on page 60

I am pleased to report on another good year of progress and look forward to my first full year as Group Chief Executive

"We enter our 26th year confident in the future. The pet market has proved over time to be more resilient than general retail, so whilst consumer confidence may be more fragile, we believe our drive to become more specialist and most loved by customers will deliver further progress."

Ian Kellet
Group Chief Executive Officer

Mission and strategy on page 18

Strategic update

Strategic pillar: Expanding like-for-like growth

Growing loyalty from our VIP club members

Our loyalty scheme has continued to provide support to like-for-like growth this year, through tailored offers on both products and services, alongside achieving an increased level of engagement with our members.

The VIP club has reached over 4.5m members with over 13.5m pets registered on our database. The scheme is now over three years old, which has enabled us to take an initial view of the active customer base, as well as total membership. The number of VIP members who have actively used their card over the past 12 months is 3.3m. The active member participation rises for those customers who are multi-brand users, whether that be through our vet practices, grooming salons or online, reflecting the increased loyalty of such customers. We will therefore continue with our strategy to introduce vet and grooming services to our members through active marketing, as well as the rollout of services within the store estate, which remains a significant opportunity for us.

Our swipe rate of the card in stores reached 64% in Q4. We expect to see further progression in the swipe rate this year, but at a slower rate than we have seen previously, which is a normal trend reflective of the club's maturity.

Positively, we are seeing an increasing revenue contribution from our earliest enrolled members, which reaffirms our view that we are successfully using the club to drive incremental spend from customers.

4.5m
VIP club members

13.5m
pets registered on our database

Providing value for our customers

Our approach is to provide value for our customers, reflecting innovation, quality, expertise and customer service, as well as price.

As part of this, we have continued to refresh our range, with 40% of total products changed during the year. Growing Advanced Nutrition revenue remains core to our strategy and this year we extended Wainwright's into the frozen category, added Lily's Kitchen to our range and exclusively launched Wellness, which is the leading independent natural food brand in the US. We are also adding brands to assist customers with bridging the gap to the top tiers of Advanced Nutrition, which we believe is encouraging customers to trade out of the grocery food segment.

In March, we launched our Brandmatch promise for customers. Brandmatch compares the price of the branded products in our customers' baskets against both Tesco and Jollyes, and if there is a difference, generates a money back voucher for their next shop. This is automatically emailed to the customer if they are a VIP member. Brandmatch is still very new, but initial results indicate the vouchers are encouraging incremental spend from customers when they next purchase.

Delivering results from our seamless shopping investment

We have invested further in our seamless shopping strategy this year, through optimising our website, upgrading systems and expanding our colleague teams to deliver the plan. This has resulted in good traffic growth to our website, enhanced conversion rates and an improved customer experience.

As we have highlighted previously, customers are increasingly opting to collect their online orders in store. This method of pickup represented around 50% of our online revenues in the second half of the year, up from just over 40% in the prior year. This increase has been achieved through improving our collection service in-store and continual optimisation of the product range.

The VIP App is now in its final stages of development, ahead of a colleague, and then customer, launch. The App will give further benefits to our customers, making it simpler to both swipe without the need for a card and redeem offers without presenting a voucher.

Strategic initiatives in our veterinary business

Within our primary opinion vet practice network we are rolling out new practices, but at the same time, we have focused on strategies to deliver extra growth to our more mature practices. We have achieved this through space expansions to eight existing practices and trialling 24/7 or extended opening hours in six practices. Both space and opening hours extensions are bringing even greater convenience to our customers and are delivering additional revenue to these practices.

We have also built a presence in the specialist referrals market through acquisition. Specialist referral represents the premier tier of veterinary medicine, and by acquiring such centres, we gain access to an additional area of customer spend in the market, whilst improving the retention of customer revenue from our primary opinion practice network.

We now have four specialist referral centres and have focused on acquiring those with the best reputations for clinical excellence and service, in locations which are complementary to our primary practice network. We continue to explore opportunities in the wider veterinary services market that will deliver growth to our business, at an acceptable rate of return on our investment.

Engagement with our customers

Alongside our ongoing customer engagement through our colleagues in-store and the VIP club, we have continued with television advertising during the year, both with the Pets at Home and Vets4Pets brands. We are the only branded veterinary services business in the UK with the scale to advertise nationally.

Our customer engagement and advocacy levels are indicated through a net promoter score, which is collected though an online customer survey. Our net promoter score for the year was 88%, up from 86% in the prior year, having risen from 75% in FY11.

Strategic pillar: Space rollout and footprint development

We executed our rollout strategy successfully during the year, having achieved our store and services opening targets.

Our Pets at Home estate now numbers 419 superstores and we plan to open between 15 and 20 superstores in FY17. As we come closer to reaching our UK target of around 500 superstores, our location options narrow, and as we are mainly dependent upon space from new retail park openings, we are seeing an impact on our opening rate. During the year we continued with the rollout trial of our premium Barkers dog stores. We also commenced a new trial format, with a High Street based convenience store, branded 'Whiskers 'n Paws by Pets at Home'.

In Services, we ended the year with 388 veterinary practices, having opened 39 in new and existing stores, and 11 in standalone locations. Nearly 60% of our store estate now has a vet practice and we remain committed to working towards our target of 90% of stores with a practice. Grooming salon openings progressed strongly, with 60 new salons in both new and existing stores, taking the total number to 240. In the coming year, we expect to open 45–55 new veterinary practices and 50–60 grooming salons.

The performance and returns of new stores, vet practices and grooming salons remain in line with our expectations.

419
Pets at Home superstores

60
new grooming salons in both new and existing stores

Strategic pillar: Growing margins

We have seen a strong progression in the Group gross margin this financial year, growing by 31bps to 54.5%. Merchandise margin benefitted from our Advanced Nutrition growth and improved terms negotiations with suppliers. In Services, we saw positive support from the maturation of our vet practices, although this was partially offset by the number of immature grooming salons and the addition of lower margin specialist referral centres.

Our pre-exceptional EBITDA margin declined by 38bps to 16.0%, also reflecting the mix impact of specialist referral centres, alongside our commitment to strategic investment in seamless shopping and our colleagues, investments which we maintained despite some of the top line challenges we saw during the year.

Looking forward, we expect to see support to our Group gross margin from further Advanced Nutrition growth and services maturity, but this will be more than offset in the current financial year by the impact of weaker sterling. The National Living Wage ("NLW") will be incorporated into our colleague cost base this financial year and as we have previously highlighted, alongside our ongoing investment in seamless shopping, will cause some EBITDA margin dilution. Whilst the progression in NLW over the coming years is an ongoing cost pressure, we expect the maturity profile of our vet and grooming businesses to generate EBITDA margin expansion in the medium to long term.

Ian Kellett
Group Chief Executive Officer
25 May 2016

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Targeting new areas of the veterinary market through specialist referral centres

Our recent acquisitions have allowed us to access the most advanced tier of the veterinary market and will build the reputation of our brand with both vets and customers.

Specialist referral centres provide veterinary services that are too complex for primary opinion practice, through the advanced qualifications of the practising surgeons, state of the art operating theatres and diagnostic equipment.

We acquired two referral centres during the year:

- Northwest Surgeons, based in Cheshire, has ten veterinary specialists and acts as a referral centre for practices in the North West of England. It specialises in orthopaedic, soft tissue and spinal surgery and internal medicine with support in anaesthesia, pain management and diagnostic imaging.
- Anderson Moores veterinary specialists, based near Winchester, has 25 referral clinicians and provides referral expertise in internal medicine, soft tissue surgery, orthopaedic surgery, cardiology, neurology and neurosurgery, diagnostic imaging, dermatology and anaesthesia. Anderson Moores is equipped with dedicated MRI and CT scanners, state of the art operating theatres and a range of other specialist facilities.

Delivery of our strategy across the PawPrint supports growth in like-for-like, space and margins

Our mission and strategy

To be the best pet shop in the world

The PawPrint is the articulation of our strategy

Levers of growth

To expand upon our leading position in the UK pet care market

Grow like-for-like sales

We have multiple levers through which we can grow like-for-like sales, creating diversified, sustained and resilient top line growth.

- Product innovation
- VIP club
- Marketing
- Omni-channel
- Services
- Engagement
- Pricing

Grow space and optimise footprint

Rollout of new stores, vets and groomers across the UK will enable us to grow market share.

- Optimised store rollout
- Services rollout of vet practices and grooming salons
- Adjacent veterinary market growth

Grow margins

Focus on the areas that will enable long term gross margin and operating margin improvements.

- Services
- Product mix and own brands
- Sourcing and terms

Product innovation
Continually refreshed product range, own brands and private labels, bringing something new and innovative to customers.

VIP club
Grow our loyalty club, which delivers targeted offers to customers and increases our share of their spend.

Marketing
Customer brand engagement through a focus on the emotional relationships we have with our pets.

Omni-channel
Enable a seamless shopping experience, where products can be delivered to home or picked up in store. Create an online community for pet owners to engage with us.

Services
Vet practices and grooming salons make us a one stop shop for pet owners, increasing customer visit frequency and loyalty.

Engagement
Maintain leading levels of customer engagement with our highly trained colleagues, which is essential to our success.

Pricing
Deliver value for money, reflecting product range, exclusivity, convenience, quality, service and price.

Read more on page 20

Optimised store rollout
Open Pets at Home stores in optimal locations to access unmet market spend and consider smaller formats targeted at market subsegments.

Services rollout of vet practices and grooming salons
Opening services within all new stores, as well as retrofitting services into the existing estate, driving customer loyalty and visit frequency.

Adjacent veterinary market growth
Into areas complimentary to our first opionion practices.

Read more on page 22

Services
Growth and maturity of our higher margin vets and groomers.

Product mix and own brands
Create an optimal balance of higher margin Advanced Nutrition, own brand and private label products.

Sourcing and terms
Build closer and improved relationships with suppliers to leverage our market reach.

Read more on page 24

CSR strategy

Putting responsibility at the heart of our business

Our Pets People
Be a great place to work

Heart of the Community
At the heart of every local community

Sourcing with Integrity
Ensuring we maintain our number one value, putting Pets Before Profit

Our Pets Environment
Efficiently using and respecting all resources

Read more on page 44

Grow like-for-like sales

Sharing our knowledge and passion for pets, to help you make the most of your lives together.

We're here to help – friendly, accessible experts helping customers to feed their pets better diets.

Graham Johnson is a Nutrition Consultant in our Salford store

Graham joined Pets at Home two years ago…

"Having completed the initial Steps training, I was keen to develop my expertise further, so I decided to enrol on the Nutrition course. It takes around six months to complete and it gave me a huge understanding of how important an appropriate diet is for both dogs' and cats' health and wellbeing. In fact, I enjoyed the course so much that I've gone on to become a trainer myself!

I find a lot of customers are quite surprised by the level of knowledge our colleagues have. Our in-store vet partner even refers his customers to me when they want to have a discussion around diet, as the Nutrition course gives us a depth of knowledge that is really quite unique.

I want to see our customers giving their pets the best diet they can, but always within a budget that's appropriate. It won't always be right to advise a customer to go for a top tier Advanced Nutrition diet, if they are starting from Economy dry food. Instead, I will advise on a food that positions in the middle. Ultimately, it's about what is best for the pet, to meet their allergy or dietary requirements, and not favouring a particular brand.

I think that having such important conversations with customers about their pets allows me to develop a relationship and bond that's really special. It's incredibly satisfying to see the positive transformation in their pet after having suggested some nutrition changes. My regulars will often plan their store visits to make sure I'm around!"

Strategic link:
Sales of Advanced Nutrition were a key support to like-for-like growth during the year.

What we did in 2016

Product innovation
- Refreshed 40% of our total product range
- Over half of new products were own brand or private labels
- Launched new brands in Advanced Nutrition

VIP club
- VIP reached 4.5m members, adding 1.3m during the year
- 13.5m registered pets on the database
- Swipe rate of the VIP card at our tills accounted for 64% of store revenues
- Increased our share of VIP customers' pet spend

Marketing
- Launched first Wainwright's advertising campaign
- TV sponsorship of 'For The Love Of Dogs', one of ITV's highest rated programmes

Omni-channel
- Expanded the online product range to 12,000, around 4,000 more than in-store
- Leveraged our store base: c50% of online revenues now derived from a collect in-store delivery method

Services
- Retrofitted 16 vet practices and 30 grooming salons back into our existing estate

Engagement
- Colleague retention rate remained strong at 79%
- Customer feedback net promoter score improved to 88%

Pricing
- Invested in competitive pricing across accessories
- Widened our entry price range points in some product categories

Future plans

Continue to refresh our product mix, with new private label and own brand launches, as well as exclusive and innovative products that reflect the latest trends, in order to improve customer loyalty and visit frequency.

Grow loyalty and our share of VIPs pet spend by promoting vet practice and grooming salon services and targeted product offers.

Focus on new customer acquisition and brand engagement through our understanding of the love and emotional bond that owners have with their pets.

Develop the link between our online and store based offerings to give customers a seamless shopping experience.

Refurbish and retrofit the existing estate to accommodate further vet practices and grooming salons.

Maintain our industry leading colleague retention and engagement rates, in order to deliver customers outstanding service and advice.

Deliver value for money pricing, which is reflective of product range, exclusivity, convenience, service, price and quality.

Relevant KPIs

2.2%
Group like-for-like growth

1.5%
Merchandise like-for-like growth

10.4%
Services like-for-like growth

KPIs on page 26

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems and information security
- Supply chain/sourcing
- Store and services expansion
- Regulatory and compliance
- Extreme weather

Risk management on page 38

Grow space and optimise footprint

We are bringing an amazing pet experience to more pet owners across the UK.

Creating a cohesive team through the store, vet practice and grooming salon builds colleague engagement and outstanding customer service.

Adam Wolstenholme is the store manager at Prestwich, which opened in January 2016…

"I've been working at Pets at Home for more than 14 years and Prestwich is my fourth store as a manager. Having been with the business for such a long period, I know how important a happy, talented team is to building our success.

I helped to handpick the new store team and made sure we achieved a good balance of experienced colleagues alongside new talent. Between my assistant managers and myself, we have more than 31 years' tenure at Pets!

To develop the team bond, and knowledge, we spent a month training together at the nearby Salford store. One of my favourite aspects about Pets is that the learning and training just doesn't stop, no matter how long you have been here. It's a continual process, and the more knowledge and expertise we have, the more our customers can benefit, which in turn keeps my team engaged and drives our business forward.

I'm really pleased that we will have the full services offer at Prestwich. It's my job to ensure that all three elements of the store, vet and grooming offer knit together, which means keeping all the teams engaged as a solid unit.

Strategic link:
Recruiting and training talented colleague teams is crucial in supporting our space rollout strategy.

More specialist | Most loved | A responsible pet retailer

What we did in 2016

Optimised store rollout

- Opened 20 new Pets at Home superstores (net)
- Total portfolio of 419 superstores
- Trial formats: Opened six Barkers stores and one Whiskers 'n Paws

Vet practice and grooming salon rollout

- Opened 50 new vet practices, 39 in-store and 11 standalone
- Total vet practice portfolio of 388 practices
- 59% of stores have a vet practice
- Opened 60 new grooming salons
- Total portfolio of 240 grooming salons
- 56% of stores have a grooming salon

Adjacent veterinary market growth

- Acquired two specialist referral centres

Future plans

Target UK portfolio is 500 Pets at Home superstores. We will continue to open new stores in optimal locations that are not currently served by Pets at Home.

Trialling new formats:

Barkers, our dog focused, premium High Street store, and Whiskers' n Paws, a smaller convenience store targeted at the core Pets at Home customer.

Target UK portfolio of 700 vet practices, comprised of 450 in-stores and 250 standalones.

Target UK portfolio of 350 grooming salons.

We aim to open every new store with both a vet and grooming salon and retrofit services back into the existing estate.

Expand further in the specialist referrals space and in areas complimentary to our first opinion practices.

Since the financial year end we have acquired two further veterinary specialist referral centres.

Relevant KPIs

20
new Pets at Home superstores (net)

50
new vet practices

60
new grooming salons

KPIs on page 26

Key risks associated

- Brand and reputation
- Competition
- Our people
- Store and services expansion
- Liquidity and credit risk

Risk management on page 38

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Grow margins

We are the pet experts, with the widest product range, vets and groomers, all under one roof.

What we did in 2016

Services
- Services gross margin expanded by 35 bps to reach 33.0%
- Services revenues grew to 10.5% of Group revenue, compared with 8.6% in the prior year
- Fee income from Joint Venture vet practices up 22.3% to £34.5m

Product mix and own brands
- 42% of store revenues are own brand/private label, compared with 43% last year
- Advanced Nutrition revenues grew by 12.3% to £163.2m
- Wainwright's revenues grew by 17.4% to £47.0m

Sourcing and terms
- Refreshed >1,500 own brand or private label products during the year
- Terms and working capital efficiencies progressing in-line with our expectations

Future plans

Continue to rollout new vet practices and grooming salons, which generate a higher operating margin than the Group. As these pet services mature, margin leverage translates into support for Group profitability.

Generate the right balance between high margin and lower margin products by maintaining the participation of own brands and private labels, with a focus on Advanced Nutrition food. Our flagship brand, Wainwright's Advanced Nutrition, provides an opportunity to enhance both revenues and margins.

Build closer relationships with suppliers and improve contractual terms, improve product quality and access innovative new products. Continue to leverage our dedicated sourcing office in Hong Kong, Pets at Home Asia, to develop relationships with existing and new suppliers overseas.

Improve buying terms by driving economies through increased quantities, providing financial support for TV and marketing campaigns and negotiating on working capital terms.

Relevant KPIs

54.5%
Group gross margin, +31bps

57.0%
Merchandise gross margin, +79bps

33.0%
Services gross margin, +35bps

16.0%
pre-exceptional EBITDA margin, -38bps

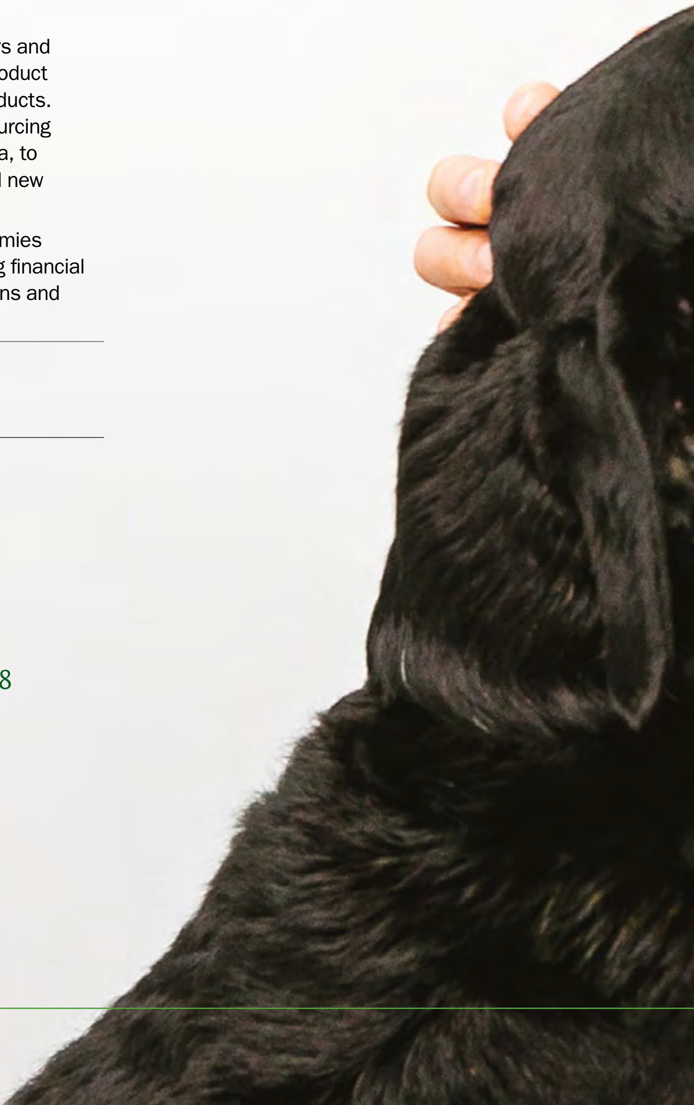
KPIs on page 26

All 2016 financials refer to the 52 week proforma period to 24 March 2016.

Key risks associated

- Brand and reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion
- Regulatory and compliance

Risk management on page 38



The success of our veterinary model is based on the talent of our entrepreneurial Joint Venture partners.

Huw Morgan Jones has been a Joint Venture Partner for eight years and is a partner in three Vets4Pets practices. . .

“I joined the group in 2008, investing as the sole Joint Venture partner at the in-store practice in Milton Keynes. Previously, I had been practising as an employed vet for 12 years and was looking for the route to running my own practice and being able to share in the profits. The JV partnership gave me a much simpler route to financing the practice and comes with the business support that I needed.

The practice at Milton Keynes has performed very well and we have added extra consulting rooms, theatre and ward space over the years, including a first floor extension which was finished at Christmas. On my journey, I also invested in two other nearby practices, where I can bring my orthopaedic expertise to the surgery.

One of the biggest benefits in being part of a larger group is the learnings I can gain from the other vet partners. The JV network provides us with opportunities to share, as we all have an interest in the success of the brand. Being part of Vets4Pets also allows me to benefit from the nationwide advertising and the increasing brand recognition amongst the public.

Looking forward, I still see further opportunities. I’ll be considering a move to extended hours, or even 24/7 at the Milton Keynes practice in the future, which will bring even more convenience to my clients and their pets.”

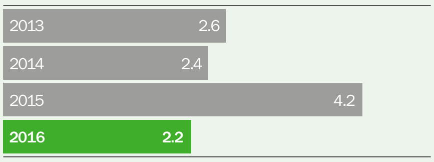
Strategic link:
By working in partnership with our Joint Venture veterinarians we can develop successful practices that grow ahead of the market.

Our performance is measured against KPIs across each of our three strategic pillars

Grow like-for-like sales

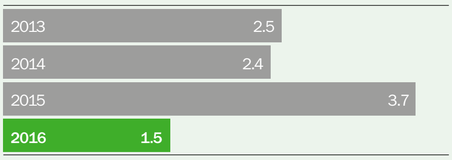
2.2%

Group like-for-like growth (%)



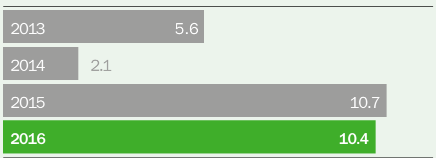
1.5%

Merchandise like-for-like growth (%)



10.4%

Services like-for-like growth (%)



Performance in 2016

Group like-for-like growth impacted by lower Merchandise like-for-like, where a poor season in Health & Hygiene products across the market offset strong growth in the strategic contributors of Advanced Nutrition, VIP loyalty club and omni-channel. Increased Services like-for-like growth was driven by the growing maturity of our vet practices and grooming salons.

Priorities for 2017

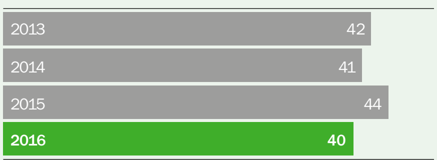
To drive like-for-like growth ahead of the market in both Merchandise and Services.

Key risks associated

- Brand and reputation
- Competition
- Our people
- Business systems & information security
- Supply chain/sourcing
- Store and services expansion
- Regulatory and compliance
- Extreme weather

40%

Products refreshed or changed (%)



Performance in 2016

In line with our aim to broadly maintain the product refreshment rate, we changed more than 3,000 products in the year, representing 40% of the total range.

Priorities for 2017

Maintain our rate of refreshment, to ensure our engaged pet customers are seeing something new and different each time they visit.

Key risks associated

- Our people
- Supply chain/sourcing

All 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

4.5m

VIP club members (m)

2013	0.5
2014	2.0
2015	3.2
2016	**4.5**

64%

VIP card swipe rate in-store* (%)

2013	17
2014	52
2015	65
2016	**64**

* swipe rate represents the final quarter period in each year.

Performance in 2016
VIP club members grew by 1.3m during the year and our database now contains the details of over 13.5m pets. Swipe rate of the card at tills has been maintained and represents 64% of our store revenues.

Priorities for 2017
To enrol further new VIP club members and continue to expand the club. As we enter our fourth year post launch of the club, we expect to see a modest improvement in the swipe rate at store tills.

Growing the club membership and swipe rate allows us to support like-for-like sales with targeted marketing offers to our customers.

Key risks associated
- Brand and reputation
- Our people
- Business systems and information security

79%

Colleague retention (%)

2013	83
2014	81
2015	81
2016	**79**

Performance in 2016
In line with our aim, we broadly maintained our colleague retention rate, which is underpinned by the high levels of satisfaction and engagement colleagues have with the business.

Priorities for 2017
Our aim is to maintain the colleague retention rate, which already ranks as leading in the industry. Alongside our specialised Steps training programme, this will be key to ensuring our colleagues can deliver friendly expertise to customers and their pets.

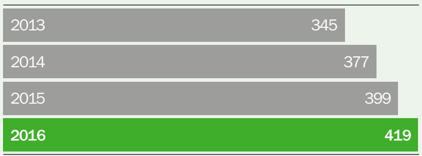
Key risks associated
- Brand and reputation
- Our people
- Competition
- Store and services expansion

All 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

Grow space and optimise footprint

419

Pets at Home superstores



Performance in 2016

We opened a total number of 21 new superstores during the year, in line with our target of 20–25, alongside the closure of one store. We also opened new trial formats: six Barkers and one Whiskers 'n Paws by Pets at Home.

Priorities for 2017

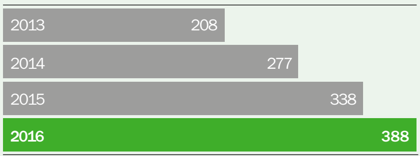
We will open 15–20 new Pets At Home superstores in the coming year, taking us closer to our target of 500 stores across the UK.

Key risks associated

- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

388

Vet practices



Performance in 2016

We opened 50 new vet practices during the year, in line with our target of 50–55. We now have 250 in-store and 138 standalone practices, with 59% of our stores containing a vet practice.

Priorities for 2017

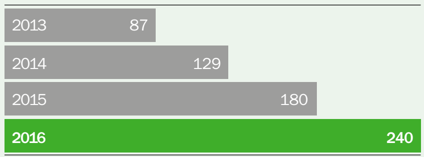
We will open 45–55 new vet practices in the coming year, taking us closer to our target of 700 practices across the UK and 90% of stores with a vet practice.

Key risks associated

- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

240

Grooming salons



Performance in 2016

We opened 60 new salons during the year, in line with our target of 55–60.

Priorities for 2017

We will open 55–60 new grooming salons in the coming year, taking us closer to our target of 350 grooming salons in stores across the UK.

Key risks associated

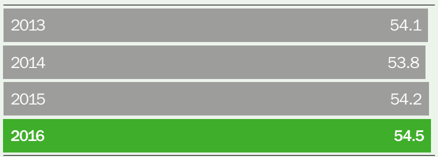
- Store and services expansion
- Competition
- Brand and reputation
- Our people
- Liquidity and credit risk

All 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

Grow margins

54.5%

Group gross margin (%)

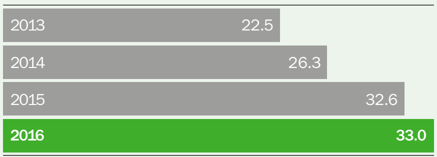


57.0%

Merchandise gross margin (%)

33.0%

Services gross margin (%)



Performance in 2016

Group gross margin benefitted from expansion in both the Merchandise and Services businesses. Merchandise gross margin contributors were improved terms negotiations with suppliers, alongside customer switching to Advanced Nutrition foods, particularly Wainwright's. Services gross margin benefitted from the growing maturity of our vet practices.

Priorities for 2017

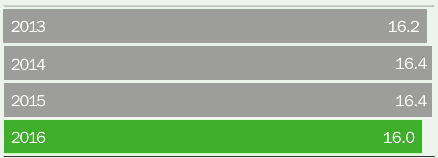
Looking forward, we will continue to see support to our Group gross margin from Advanced Nutrition growth and Services maturity, but this is expected to be more than offset in the current financial year by the impact of weaker sterling.

Key risks associated

- Reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion

16.0%

Group pre-exceptional EBITDA margin (%)



Performance in 2016

Group pre-exceptional EBITDA margin declined versus the prior year, reflecting the mix impact of specialist referral centres, alongside our commitment to strategic investment in seamless shopping and our colleagues, despite some of the top line challenges we saw during the year.

Priorities for 2017

The National Living Wage ("NLW") will be incorporated into our colleague cost base in 2017 and, as we have previously highlighted, alongside our ongoing investment in seamless shopping, will cause some EBITDA margin dilution.

Whilst the progression in NLW over the coming years is an ongoing cost pressure, we expect the maturity profile of our Services business to generate EBITDA margin expansion in the medium to long term.

Key risks associated

- Reputation
- Competition
- Supply chain/sourcing
- Treasury and financial risk
- Store and services expansion

All 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

Finance review

Despite some seasonal challenges to our Health & Hygiene sales, we have seen excellent performance in our strategic growth drivers of Advanced Nutrition, vet and grooming services. Together with refinancing benefits, this has contributed to our earnings growth of 11.2%. Our strong cash flow has enabled us to increase the ordinary dividend to shareholders, to a payout ratio of 50%, whilst also investing for growth through the acquisitions of specialist referral centres.

Financial highlights

The FY16 accounting period represents the 53 week period from 27 March 2015 to 31 March 2016. The comparative FY15 period represents the 52 week period from 28 March 2014 to 26 March 2015. Throughout the Chief Financial Officer's review, unless otherwise stated, FY16 commentary will refer to the unaudited 52 week period to 24 March 2016, to better reflect the underlying performance of the business.

		2016	2016	2015	Change
		Audited 53 weeks to 31 March 2016	Proforma 52 weeks to 24 March 2016	Audited 52 weeks to 26 March 2015	Proforma 52 weeks to 24 March 2016
Revenue	Food	390.0	382.5	359.3	6.4%
	Accessories	320.2	314.0	306.8	2.4%
	Total Merchandise revenue[1]	710.2	696.5	666.1	4.6%
	Services & Other revenue[2]	82.9	81.3	63.0	29.2%
	Total Group revenue	793.1	777.8	729.1	6.7%
	Like-for-like growth[3]	2.1%	2.2%	4.2%	
	Merchandise LFL growth	1.4%	1.5%	3.7%	
	Services LFL growth	10.0%	10.4%	10.7%	
Gross margin	Merchandise gross margin	57.0%	57.0%	56.3%	79 bps
	Services & Other gross margin	32.9%	33.0%	32.6%	35 bps
	Total gross margin	54.5%	54.5%	54.2%	31 bps
EBITDA	Pre-exceptional EBITDA (£m)	127.4[4]	124.7[4]	119.6	4.2%
	Pre-exceptional EBITDA margin	16.1%[4]	16.0%[4]	16.4%	(38) bps
Other income statement	Pre-exceptional profit before tax (£m)	97.3[5]	95.3[5]	87.0	9.6%
	Statutory profit before tax (£m)	92.1	90.2	87.0	3.7%
	Pre-exceptional basic EPS (pence)	15.4[5]	15.1[5]	13.5[6]	11.2%
Cash flow and leverage	FCF (£m)	71.6	77.8	72.0	8.1%
	Leverage (Net Debt/EBITDA)	1.3x[4]	1.2x[4]	1.6x	(0.4)x

1 Includes Food and Accessories revenue from our store and online operations.

2 Includes veterinary Joint Venture fees and other income, Groom Room revenue, revenue from live pet sales and insurance commission.

3 'Like-for-Like' sales growth comprises total sales/fee revenue in a financial period compared to revenue achieved in a prior period, post cannibalisation, for stores, online operations, grooming salons and vet practices. "52 weeks" represents LFL sales for the 52 week period to 24 March 2016 compared with the 52 week period to 26 March 2015. "53 weeks" represents LFL sales for the 53 week period to 31 March 2016, compared with the 53 week period to 2 April 2015.

4 Excludes £0.8m of M&A related exceptional expenses.

5 Excludes £0.8m of M&A related exceptional expenses and an exceptional finance expense of £4.3m associated with the amortisation of capitalised fees from the previous finance facility.

6 Excludes exceptional tax credit of £4.3m.

Merchandise revenue

£696.5m

+4.6%

(2015: £666.1m)

Services revenue

£81.3m

+29.2%

(2015: £63.0m)

Sales and revenue

Total revenue grew by 6.7% to £777.8m (FY15: £729.1m), with particularly strong performance in Services, alongside good growth in our Food business. Like-for-like sales grew by 2.2%, driven by strength in Advanced Nutrition, VIP club momentum and growth in fee income from our veterinary practices and grooming salons. This was partially offset by the seasonal challenge to Health & Hygiene products, which was a negative contributor to like-for-like performance.

Total Merchandise revenue, which includes Food and Accessories, grew by 4.6% to £696.5m (FY15: £666.1m).

Food revenue grew strongly by 6.4% to £382.5m (FY15: £359.3m), reflective of excellent performance in dog food and treats, and both dog and cat Advanced Nutrition. Advanced Nutrition revenue grew by 12.3% to £163.2m (FY15: £145.4m), with our flagship private label Wainwright's a key contributor, growing by 17.4% to £47.0m (FY15: £40.1m). Grocery dog and cat food performance was weaker, where we are seeing the impacts of our space reduction and the ongoing competitive market environment in this category.

Accessories revenue grew by 2.4% to £314.0m (FY15: £306.8m). Revenue growth was significantly impacted by weakness in Health & Hygiene products, which saw particularly strong growth in the prior year and weather related challenges in the current year. We also saw a weaker performance in aquatics accessories, reflecting our space reallocations when we retrofit services into existing stores. Offsetting this to some degree was good performance in dog accessories across toys, bedding and training, where we have reinvigorated ranges this year.

Services revenue grew 29.2% to £81.3m (FY15: £63.0m), increasing participation to 10.5% of Group revenue (FY15: 8.6%). This reflects both new openings and another year of excellent growth in our vet practices and grooming salons. Growth in our Joint Venture veterinary practices was strong, generating fee income of £34.5m (FY15: £28.2m), up 22.3% compared with the prior year. Within our mature vet practices, revenue continued to grow ahead of the market.

Gross margin

Group gross margin expanded by 31bps to 54.5% (FY15: 54.2%), attributable to significant expansion in our Merchandise margin, as well as progression in Services margin.

Gross margin within Merchandise was 57.0%, an expansion of 79 bps on the prior year (FY15: 56.3%). This has primarily been achieved through improvements in terms with suppliers, alongside the mix shift from grocery to Advanced Nutrition foods, particularly the margin benefit from our private label Wainwright's. These positive movements more than offset the faster growth of food versus accessories.

Services gross margin, which was 33.0% in FY16 (FY15: 32.6%), expanded by 35 bps through the growing maturity of our veterinary practices. This positive benefit was partially offset by the increasing number of immature grooming salons in the portfolio, our ongoing investment in pet welfare and our acquisition of two veterinary referral centres during the period. The referral centres are operated as wholly owned businesses and therefore have lower margins than that of the Joint Venture fee income model.

Unless otherwise stated, all 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

Operating costs
Selling and distribution expenses of £274.7m were broadly constant as a percentage of Group revenue at 35.3% (FY15: 35.4%). Occupation costs once again declined as a percentage of revenue as we benefit from a benign rental market and the offset to rental costs from the retrofitting of vet practices to stores. Colleague costs of £156.2m (FY15: £136.5m) increased as a result of our new store rollout and 'learn to earn' Steps training programme, alongside moving to an improved holiday pay scheme for our store colleagues. We also expanded our omni-channel colleague team to deliver the seamless shopping strategy.

Pre-exceptional administration expenses of £50.1m were 6.4% of revenue (FY15: 5.6%). The increase mainly reflects investment in the systems software and hardware to deliver our seamless strategy, and an increase in IFRS2 share based payment charges to £3.0m (FY15: £1.7m).

EBITDA
Pre-exceptional EBITDA of £124.7m, which excludes £0.8m of M&A related exceptional expenses, represented a 4.2% increase on the previous year (FY15: £119.6m).

Pre-exceptional EBITDA margin declined by 38 bps when compared with the prior year. This reflects our commitment to strategic investment in the business, despite some of the top line challenges we saw from the seasonally impacted Health & Hygiene category. There was also a dilutive mix impact from the addition of our newly acquired speciality referral centres during the year.

Finance expense
Pre-exceptional net finance expense was £4.8m, a significant decline from the prior year (FY15: £9.8m) as a result of our refinancing in April 2015. An exceptional non cash finance expense of £4.3m relates to the amortisation of capitalised fees associated with the previous financing facility.

Taxation, trading profit & EPS
Underlying total tax expense for the period was £19.8m, an effective rate of 21% on pre tax profit.

Pre-exceptional trading profit for the period was £75.5m (FY15: £67.9m) which excludes £0.8m of M&A related exceptional expenses, the exceptional finance expense of £4.3m and their taxation impacts. Pre-exceptional basic earnings per share were 15.1 pence (FY15: 13.5 pence), showing strong growth of 11.2%, which reflects our operational expansion, the positive impact of refinancing and a lower corporation tax rate this year.

Working capital
The cash movement in working capital for the 53 week period was an outflow of £3.6m, comprised of a £3.6m increase in inventory, an increase in receivables of £6.8m, offset by an increase in trade and other payables of £6.8m. The 53rd trading week caused an overall adverse movement in working capital of £8.6m, comprised of £6.1m in trade receivables and £2.5m in trade and other payables. We therefore saw an underlying improvement in our working capital position of £5.0m on a 52 week basis.

Capital investment
Capital investment in the 53 week period totalled £41.5m (FY15: £33.2m). The majority of our capital investment relates to the rollout of new stores and services, alongside the retrofitting of vet and grooming practices to the existing estate. When compared with the prior year, we have seen greater investment in systems to support the seamless shopping strategy and an increase in the number of wholly owned vet practices, where the Group incurs the full capital cost of build and fitout. We utilise wholly owned vet practices as a trial for potential new JV partners, and cycle around 50% of those opened into Joint Venture models during the year, recovering our initial capital investment.

On a cash basis, capital expenditure in the period was £36.8m (FY15: £30.4m).

Pre-exceptional EBITDA

£124.7m

+4.2%

(2015: £119.6m)

Unless otherwise stated, all 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

£m	FY16 Proforma 52 weeks to 24 March 2016	FY16 Audited 53 weeks to 31 March 2016	FY15 Audited 52 weeks to 26 March 2015
Opening net debt	(192.0)	(192.0)	(259.4)
Free cashflow[1]	77.8	71.6	72.0
Ordinary dividends paid	(27.9)	(27.9)	(8.9)
Acquisitions	(8.1)	(8.1)	–
Other	(5.6)	(5.6)	4.3
Closing net debt	(155.8)	(162.0)	(192.0)
Leverage (ND/pre-exceptional EBITDA)	1.2x	1.3x	1.6x

1 FCF is defined as net cash from operating activities, less net cash used in investing activities, interest paid, debt issue costs and tax paid. FCF is stated before cash flows for exceptional costs and acquisitions of subsidiaries.

Capital structure and cash flow

Pets at Home is a growing, cash generative business. Our leverage position at 31 March 2016 was 1.3x net debt/pre-exceptional EBITDA, reflecting a reduction of 0.3x during the course of the year, despite the £8.6m negative working capital impact of the 53rd trading week.

We have deleveraged by 1.0x in the two financial years since our stock market listing, generating a total of £150m in free cashflow[1], returning £37m to shareholders in dividends and investing £8m in bolt-on acquisitions.

Our priority is to invest in areas that will expand the Group and deliver appropriate returns. Since the year end, we have acquired two veterinary specialist referral centres for a total consideration of £14.9m and we will continue to explore bolt-on opportunities in the wider veterinary services market.

Going forward, we intend to maintain a leverage position of around 1.5x net debt/EBITDA under normal circumstances, moving to a maximum of around 1.75x in the event suitable investment or acquisition opportunities arise. We believe this maintains appropriate flexibility for our business, operating in a resilient market with strong cash generation capabilities.

Dependent upon our acquisition outlook and if we do not foresee investment uses, it is our intention to return surplus free cashflow to shareholders through a combination of ordinary and special dividends.

Dividend

The Board has recommended a final dividend of 5.5 pence per share, giving a total dividend of 7.5 pence per share in respect of the 2016 financial year, up 39% on the prior year. The Board has increased the dividend payment policy to around 50% of earnings, reflective of the cash generative abilities of the business and the positive long term growth outlook.

The final dividend will be proposed by the Directors at the 2016 AGM and is in addition to the interim dividend of 2.0 pence per share, paid to shareholders on 8 January 2016. The ex-dividend date will be 18 August 2016 and, if approved at the Company's forthcoming AGM, will be paid to shareholders on 19 September 2016 to those shareholders on the register at the close of business on 19 August 2016.

Mark Adams
Interim Chief Financial Officer
25 May 2016

Unless otherwise stated, all 2016 financials refer to the 52 weeks proforma period to 24 March 2016.

Merchandise

Our Merchandise segment is comprised of Food and Accessories across both our store and online businesses.

Food
Advanced Nutrition
Grocery food
Treats
Other food

Accessories
Pet homes and habitats
Toys, collars, leads, clothing and other accessories
Health & Hygiene products

Our Merchandise brands

Merchandise revenue

Revenue split		Growth
Food	£382.5m	+6.4%
Accessories	£314.0m	+2.4%

Merchandise revenue

£696.5m

+4.6%

Food

Pet food represents the largest segment of our Merchandise revenues. We sell food for all major pet categories – dogs, cats, small mammals, fish, reptiles, birds and horses. In 2016, revenues from food were £382.5m, representing 54.9% of total Merchandise revenues.

Our growth in food is driven by Advanced Nutrition, premium ranges offering significant health and wellbeing benefits to dogs and cats. Advanced Nutrition revenues of £163.2m, which grew by 12.3%, accounted for 43% of our food revenues in 2016. The health benefits of Advanced Nutrition are best communicated by well-trained colleagues who can discuss the specific requirements for an individual pet and advise customers of the most appropriate diet. For this reason, the distribution channels for Advanced Nutrition are restricted to pet specialists. Pets at Home has been responsible for much of the growth in this segment of the market and holds a 53% market share.

Grocery pet food, which is sold by pet specialists and supermarkets, and pet treats, form the other major segments of our food offer.

Our Pets at Home brand and private labels, such as Wainwright's, account for 32% of our total food revenues. Our flagship Wainwright's brand alone has sales of £47m. Over the year we added unique new ranges such as Pure, which uses dehydration to preserve the quality of its fresh ingredients, and Wellness, one of the leading Advanced Nutrition ranges in the US which is exclusive to Pets at Home in the UK.

We continue to innovate in this growing category and are investing in the development of new ranges that extend choice for customers and provide additional opportunities for growth.

Accessories

Revenues in accessories, which account for 45.1% of Merchandise revenues, grew 2.4% to £314.0 million in 2016.

Our ranges include bedding, collars and leads, feeding bowls, clothing, toys, grooming products, training and behavioural products, and travel accessories for dogs and cats in addition to small animal homes and bedding, equestrian accessories, and Health and Hygiene products. In accessories, our own brands and private labels represent 51% of store revenues.

Progress in accessories is supported by success in designs that mirror human trends in home furnishings and fashion, and over the peak Christmas trading period, advent calendars for dogs and cats sold well. We expect these trends towards a 'humanisation' of pet accessories to continue.

Innovation is a critical factor in our success in both food and accessories. We continue to invest in the development of new and innovative products that are both attractive and fun, and yet always contribute positively to the welfare of pets and represent good value for our customers. In the past year we refreshed 40% of our store range.

A seamless approach

Our in-store range is supported by an expanded offer of 12,000 products available online. We have continued to invest in providing our customers with a seamless approach to shopping which allows them to engage with us where they want, when they want and how they want. This will be enhanced by new developments which will allow colleagues to place orders for customers from our extended range while they are in store, using our Pet Pads, and the launch of our VIP App.

Strategy in action: VIP club exclusive offers

Case study:

VIP club driving customer purchasing into Advanced Nutrition

Our loyalty scheme, VIP club, allows us to engage with our customers through exclusive offers on both products and services, based upon our understanding of their pet ownership and purchasing behaviour.

By communicating with our VIPs about the benefits of better pet diets, both through our colleagues in-store, as well as mailers and online communications, we have successfully increased our VIP's participation in Advanced Nutrition foods. Over 50% of our longest serving VIP members purchased Advanced Nutrition foods, compared to 40% across the whole VIP club, where many customers have been members for only a short period of time.

4.5m
VIP members

64%
Swipe rate of VIP card at store tills

Services

Our Services segment is comprised of our vet practice, grooming salon and insurance businesses, as well as our pet sales.

Services & Other
First opinion veterinary practice services
Specialist referral veterinary centre services
Grooming salons
Insurance
Pets

Our Services brands

Services revenue

Revenue split		Growth
Vet practice fee income	£34.5m	+22.3%
Other services	£46.8m	+34.8%

Services revenue

£81.3m

+29.2%

Not only are pet services profitable in their own right, they are an important driver of both increased footfall and additional merchandise sales in our stores. They also create additional expertise within our stores, contribute to their appeal and enhance brand loyalty.

Veterinary practices

Pets at Home operates the largest branded network of first opinion veterinary practices in the UK, trading mainly under the Vets4Pets brand name. During the year, the Group also entered the market for veterinary referrals with the acquisitions of Northwest Surgeons and Anderson Moores veterinary specialists and, since the year end, we have acquired Eye Vet and Dick White Referrals.

First opinion practices

Our first opinion practices represent the only large scale joint venture veterinary services business in the UK. Practices operate both within our stores and in standalone locations.

The joint venture model provides opportunities for individual vets to own their own practice together with Pets at Home. Each joint venture is constituted as an independent business which is funded by small loans into the new business from the vet and from Pets at Home, and a larger independent bank loan, which together provide for the fit out of the practice and the initial working capital requirements. Pets at Home receives a percentage of fee income from the JV in return for the administrative and back-office services we provide. If the practice is located in one of our stores a service charge is also levied on the practice, reflecting the space it occupies. The JV partner has access to all the profits in the business once the loans are repaid, and is entitled to the increase in value on the business if it is sold to a new JV partner.

We also operate a number of practices that are wholly owned by Pets at Home which provide vets with opportunities to trial working with us before committing to a JV partnership.

Veterinary referral centres

Based on the success of our JV model in first opinion practices, we have developed a shared ownership model for our veterinary referral centres. This allows Directors to remain with a significant interest in the business, it provides support for future growth and development, and creates a platform for new clinicians to become business partners in the future.

Looking forward, we see further opportunities to grow our business in veterinary referrals through organic growth, bolt-on acquisitions and we will continue to explore additional products and services for clients of our first opinion practices, including extended opening hours and the development of innovative care packages.

Grooming salons

In a highly fragmented UK market we provide grooming services under two brands; The Groom Room, which is the largest branded chain of pet grooming salons in the UK; and within our Barkers premium dog stores where the spa and bath house is a major element of the total offer.

Groom Room salons are primarily located within our stores, with a small number being trialled alongside standalone vet practices. Colleagues working in our salons receive extensive training and education which takes more than 1,400 hours to complete. Our highly skilled stylists provide grooming services for dogs and cats including bathing, clipping, coat cutting and nail trimming.

Pet insurance in our stores

We offer Pets at Home branded insurance in our stores and online, which provides cover for dogs, cats and rabbits. We operate on an introducer basis, with the insurance product issued and underwritten by a third party.

Strategy in action: Increasing customer footfall

Case study:

Adding vet practices and grooming salons to our stores increases overall profitability

Adding veterinary practice and grooming salon services to our stores creates the ultimate pet shopping experience for our customers, all under one roof. Services create more reasons for pet owners to shop with us and increase footfall and customer loyalty.

In addition to increasing customer footfall and loyalty, services generate additional revenue and profit streams for the business, providing margin support to the Group.

In a fully mature store with vet and groomer, the operating profitability is 24% higher than that of a store alone, which reflects the additional profit streams of those businesses, operating at a higher margin to the store, as well as the service charge paid by the veterinary practice for the space occupied in-store.

Our overall estate is still very immature, with only 20% of our vet practices and 15% of our grooming salons having reached maturity. Opening more vet practices and grooming salons, alongside our services maturing, brings margin support to our business over the longer term.

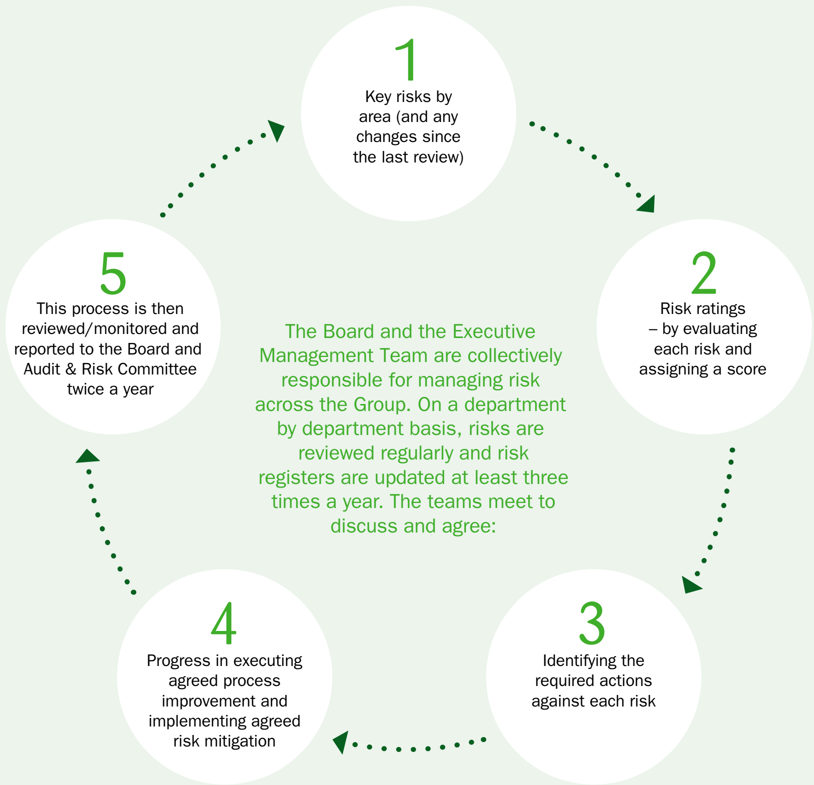
59%
of stores have a vet practice

56%
of stores have a grooming salon

An effective risk management process has been adopted to help the Group achieve its strategic objectives and enjoy long term success.

Like all businesses, we face risks and uncertainties that could impact the achievement of our strategy. These risks are accepted as part of doing business. The Board recognises that the nature and scope of these risks can change and so regularly reviews them as well as the systems and processes to mitigate them.

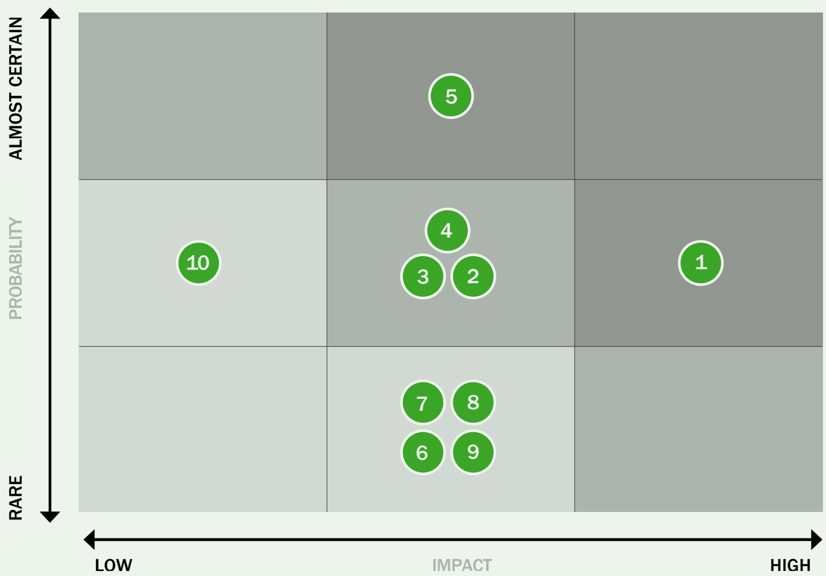
Our risk management process



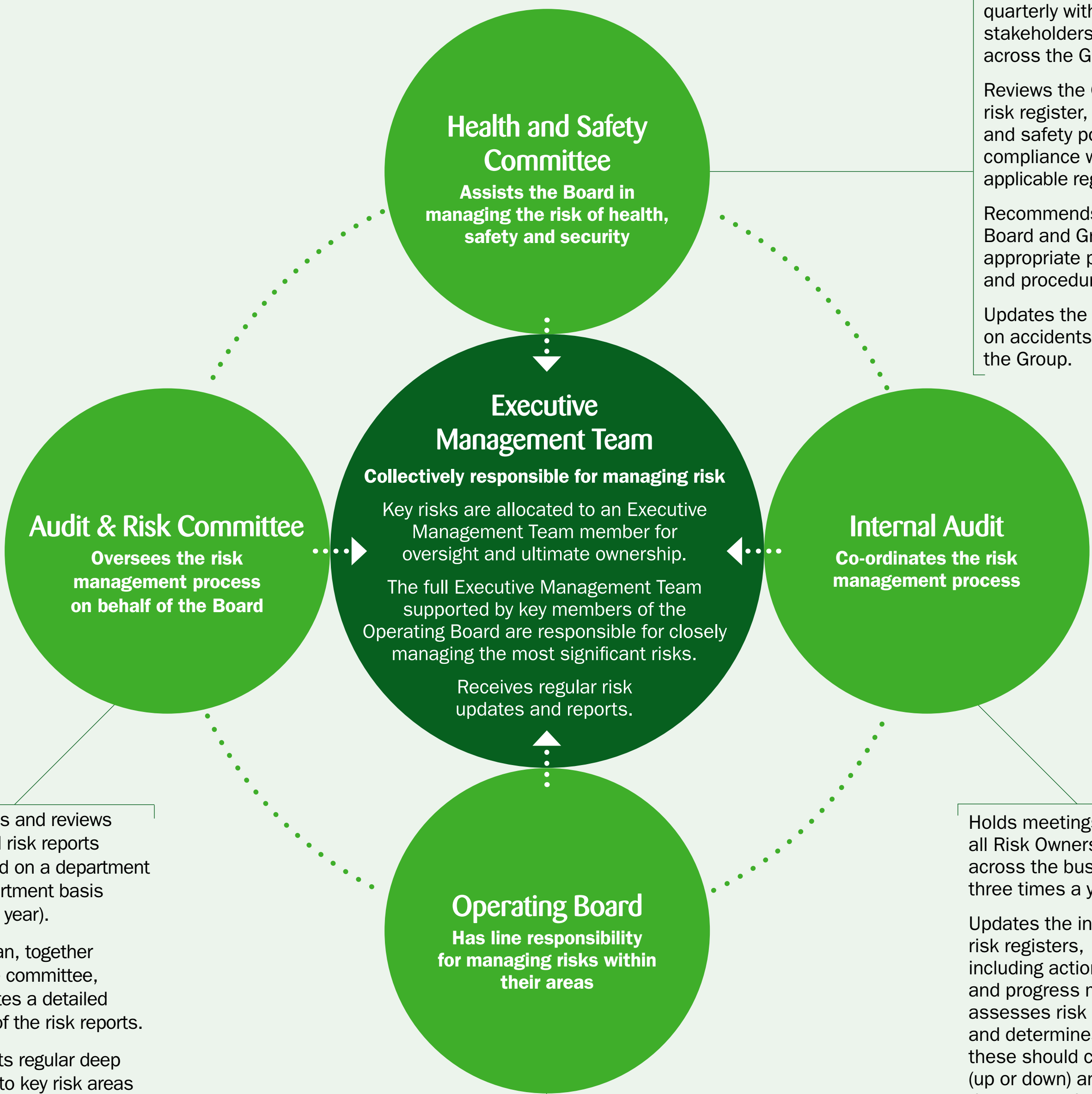
Principal risk rating matrix

Top principal risks

1. Brand and reputation
2. Competition
3. Stores and service expansion
4. Our people
5. Business systems and information security
6. Supply chain/sourcing
7. Liquidity and credit risk
8. Treasury and financial risk
9. Regulatory and compliance
10. Extreme weather



Risk management responsibilities are allocated as follows:



Health and Safety Committee

Holds meetings quarterly with stakeholders from across the Group.

Reviews the Group's risk register, health and safety policy and compliance with applicable regulations.

Recommends to the Board and Group appropriate policies and procedures.

Updates the Board on accidents across the Group.

Audit & Risk Committee

Receives and reviews detailed risk reports prepared on a department by department basis (twice a year).

Chairman, together with the committee, completes a detailed review of the risk reports.

Conducts regular deep dives into key risk areas with relevant Executive Board members to understand the nature of the risks and adequacy of the mitigations and controls that are in place.

Internal Audit

Holds meetings with all Risk Owners across the business three times a year.

Updates the individual risk registers, including actions and progress made, assesses risk ratings and determines if these should change (up or down) and documents the controls in place that help mitigate each risk.

Operating Board

Reviews risk registers periodically (three times a year).

Takes action, as agreed and documented in the risk registers.

Identifies new risks for inclusion in the registers.

Risks and uncertainties

Key risk

Brand and reputation

Description and impact

The Group places pet welfare as its highest priority and its number one value, Pets Before Profit, reflects this. It also recognises the need to protect its brand and reputation. Failure to do so could result in a loss of trust and confidence by both customers and colleagues.

Mitigation

As a retailer of small pets across a large number of stores, the highest possible welfare standards must be maintained at all times and we have rigorous processes in place to ensure this. This also extends into the supply chain with our pet suppliers. We operate a comprehensive pet welfare audit process, utilising internal and external resources, where all stores receive unannounced visits on a regular basis. This helps ensure our high standards are maintained across the chain. With our suppliers, we expect the same high standards of welfare and all suppliers are visited regularly by vets, third party assessors, our field pet team and an animal welfare organisation and are assessed against a comprehensive set of welfare and standards criteria. As an example of our prioritising of pet welfare, during Easter 2016 we temporarily halted the sale of rabbits in response to concerns over the welfare of rabbits bought at Easter.

The Group also deals with customers' pets on a daily basis through its veterinary practices, grooming salons and Support Adoption centres, with a consequent risk of the death or injury of pets whilst in our care. We have a clear set of operational protocols, with the veterinary practices subject to the professional standards mandated by the Royal College of Veterinary Surgeons. We also have highly visible field operations teams in respect of in-store pets, grooming and veterinary surgeries. Each area has specific colleagues focused on ensuring the highest pet welfare standards are maintained.

We operate a confidential 'Pet Promise Line' where colleagues are able to raise concerns about pet care directly with our Head of Pets. Any calls to this line result in appropriate action to address the concerns raised.

Pet welfare across the Group is overseen by the 'Pets Before Profit' Board committee. This meets regularly to review pet welfare and check that appropriate processes are in place to ensure we maintain our high welfare standards.

Outlook

As we continue to increase our size and scale, we must work to ensure that pet welfare standards continue to be maintained at a high level across the Group. We will continue to monitor welfare standards closely and take appropriate steps where required to maintain them.

Strategic priorities

- Grow like-for-like
- Grow space and optimise footprint
- Grow margins

Change: ↔

Competition

Description and impact

The Group competes with a wide variety of retailers and vet practices, including other pet specialists, supermarkets and discounters. Online competition is also a risk, as large, well-known internet businesses expand into pet products and the established pet product sites improve and expand their offer.

Failure to keep abreast of, and respond to, developments by our competition in the areas of price, range, quality and service could have an adverse impact on the Group's financial performance and impact opportunities for growth.

Mitigation

We continue to evolve our proposition through the ongoing addition of vets and groomers into our existing store estate whilst continuing to innovate with the regular introduction of new and exclusive products into our food and accessory ranges. We continue to open new stores, vet practices and grooming salons and other trial formats. As a specialist retailer, the delivery of friendly expertise through our highly engaged/trained store colleagues is a key element of our proposition and we continue to invest to ensure our service standards, as measured by our customers through Fish4opinion, are continually improved. Further enhancements are being made to the Pets at Home website to ensure that it is an optimal experience for customers.

The VIP club was launched in November 2012 and has been very successful – attracting 4.5m members at financial year-end. This customer and pet database enables more targeted marketing, which helps drive up basket values and enables us to build a stronger sense of engagement with our customers and their pets.

In February 2016, we launched Brand Match where customers are able to check the prices of their branded purchases from Pets at Home against Tesco.com and Jollyes.com. If the customer's shopping would have been cheaper at Tesco.com or Jollyes.com, a money back voucher is issued. This helps to give customers the confidence that, as well as choosing the best store to shop for their Very Important Pets they can now be assured that they do not need to look around to make sure they are paying the best prices.

Beyond Brand Match, we track and respond to competitor pricing movements where appropriate. Continuous market research is carried out to review the pet market both at home and abroad and understand what our competitors are doing worldwide. This helps identify further changes/initiatives that need to be implemented to help keep Pets at Home ahead of the competition here in the UK and remain a leader in the market.

Outlook

Vacancy levels for existing store space have decreased leading to more competition for physical store space. There has been some increase in the number of pure play online competitors but this is not expected to have a significant impact on our business. Competitor pricing strategies could become more competitive.

Strategic priorities

- Grow like-for-like
- Grow space and optimise footprint
- Grow margins

Change: ↔

Key risk

Stores and services expansion

Description and impact

A key part of the Group's growth strategy is to increase the number of stores and to grow its in-store and standalone veterinary practices and grooming salons.

If we are unable to deliver the number of sites necessary to fulfil the stores and services expansion laid out in our strategy and maintain our existing numbers of sites, our expected financial performance could be adversely impacted.

Mitigation

To open a new store successfully, we have to, in the first instance, identify an appropriate location with a store size appropriate to the local market and with lease terms that are acceptable. We have the ability, with smaller footprint stores, to utilise mezzanine space to deploy Vet and Groom Room offerings, maximising the opportunity to open the majority of stores with a full service proposition. Any proposed new store investment has to deliver an appropriate financial return after taking into account any financial impact on the existing store portfolio. These processes are equally applicable when the Group looks to open a Barkers for Dogs store or a standalone veterinary practice. However, in common with our in-store veterinary practice-opening programme, we also need to recruit a joint venture veterinary partner with the ability to fund their investment into the joint venture and with the ability to provide the personal guarantee to the bank providing the third party financing to the joint venture veterinary practice.

The business maintains new store and new joint venture partner pipelines, which identify potential locations and potential partners at each stage of our process. This enables the Board to monitor progress in delivering the expected number of new stores, veterinary practices and groom rooms. Certain geographical areas (for example, within the M25) represent a particular risk as suitable space for new stores, Groom Rooms, vet practices and Barkers for Dogs is limited and existing sites may be redeveloped. Where existing sites are at risk of redevelopment or where leases may not be renewed, specific measures are taken to maximise the opportunity for the Group including considering purchasing the freehold if appropriate.

Outlook

An increased proportion of our new stores will be located on newly developed retail parks and park extensions. Whilst this can create greater timing uncertainties, we do not expect any challenges in the short term. However, new developments are very much dependent on tenant demand and the overall economy.

Strategic priorities

- Grow like-for-like
- Grow space and optimise footprint
- Grow margins

Change: ↔

Our people

Description and impact

As a specialist retailer, retaining highly trained and engaged colleagues is fundamental to our continued success and the delivery of our future growth.

A significant number of colleagues in certain areas of our business are EU nationals. If the referendum in June 2016 results in a vote to leave the EU, then retention and further recruitment of EU nationals may be at risk.

If we do not retain and train our colleagues, it is unlikely that we will be able to deliver outstanding customer service, which is a key element of our proposition.

Our growth plans and future success are at risk if we do not recruit and retain high calibre, talented senior management.

Mitigation

We continue to invest in training to broaden the skill base of colleagues across the business. We also closely monitor colleague retention rates and engagement, the latter through our annual 'We're All Ears' engagement survey which is followed up by 'We're All Action' to ensure the business responds appropriately to opportunities for improvement raised by colleagues. We also have a rolling programme of listening groups across the business to ensure we are addressing issues on an ongoing basis and we are participating in the 'Great Place to Work' programme.

Our Remuneration Policy, as set out on pages 97 to 107, is designed to ensure executives of the necessary calibre are attracted and retained and that through our Long term Incentive Plans and Company Share Option Plan, colleagues across the business can share in our success. Similarly, we continually review the remuneration and benefits packages available to all colleagues to ensure our colleagues are appropriately rewarded for the substantial contribution they make to our growth and success. Succession plans are in place for key roles and the Board and senior management regularly review these.

Outlook

The outcome of the EU referendum in June may have an impact on our employment of EU nationals. We need to ensure that the Group continues to be an attractive place to work, particularly if employment levels continue to increase nationally and there is more competition in the job market.

Strategic priorities

- Grow like-for-like
- Grow space and optimise footprint

Change: ↑

Key risk

Business systems and information security

Description and impact

We are aware of the need to keep core business systems up to date, with the capability to support the Group's growth plans.

If our investments in both systems and infrastructure do not keep pace with the growth of the business there may be a consequent limitation to our ability to trade and expand. In addition, the scale of system and infrastructure change is currently significant and this may affect our ability to deliver IT services to the business.

We hold a significant amount of customer data and recognise the need to keep this secure. Any information security breach could adversely affect our reputation and the take up of our customer loyalty scheme.

Mitigation

In recent years, we have made significant upgrades to our business critical systems including the implementation of SAP Financials and HR along with SAP HANA and BPC.

Our warehouse management system has been replaced with JDA and core enterprise applications have been upgraded as well as the main retail website. We continue to monitor the level of activity within the Business Systems function and will respond appropriately should IT project or service delivery be at risk.

Disaster recovery is a key part of our systems strategy, enabling us to continue to trade in the event of a system outage. Disaster recovery plans have been reviewed and updated and a schedule for regular testing is now in place. The business also undertakes regular system penetration testing.

An information security project is ongoing to ensure that we have a good understanding of information security threats and that we have appropriate measures in place to mitigate the associated risks. Our customer loyalty scheme data is held by a specialist third party who has industry standard information security accreditations and is regularly audited. Encryption is used to protect the transmission of customer data.

Outlook

Our systems stability and reliability will continue to improve as upgrades and enhancements are implemented and new systems are adopted.

Information security risks are likely to continue to increase. We monitor this risk and will strengthen our controls as required.

Strategic priorities

- Grow like-for-like

Change: ↑

Supply chain/sourcing

Description and impact

During the financial year, approximately 18% of the Group's merchandise cost of goods was globally sourced, and therefore we are exposed to the risks associated with international trade, such as inflation, changing regulatory frameworks and currency exposure. We are also exposed to the risks associated with the quality and safety of products produced globally on behalf of the Group, many of which are own branded or exclusive private labels.

A failure to manage this risk adequately could lead to reputational damage, reflected in a lack of confidence by customers and colleagues in the Group brands.

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

Mitigation

Having Pets at Home colleagues on the ground working collaboratively with suppliers enables us to monitor closely compliance with the Group's Code of Ethics and Business Conduct policy, as well as compliance with our Supplier Quality Manual. In addition, an independent third party undertakes unannounced visits to further monitor compliance with Group policies. During the year we have undertaken a Group wide risk assessment to highlight any areas where we may be vulnerable to the risk of modern slavery and will strengthen our processes in the areas highlighted.

Exposure to foreign currency movements is partially mitigated through our hedging strategy. More detail on this can be found on page 146.

Business continuity plans are in place for the Distribution Centres and plans are in place to mitigate the impact of any disaster by servicing all stores from a single distribution centre.

Outlook

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

Strategic priorities

- Grow like-for-like
- Grow margins

Change: ↔

Key risk

Liquidity and credit risk

Description and impact

The business requires adequate cash resources to enable it to fund its growth plans through its capital projects and/or an expansion of the Group's working capital requirement.

Without adequate cash resources, the Group may be unable to deliver its growth plans, with a consequent impact on future financial performance.

Mitigation

The Group's finances are continually monitored in the context of its growth plans and a re-financing arrangement was made during the year. As a result, the Group is confident that it has adequate revolving facilities in place, with a broad syndicate of ten banks.

The Group's growth plans in respect of joint venture veterinary practices is predicated on the availability of finance for new joint venture veterinary partners to fund both the capital cost and working capital requirement for each new practice opening. The Group has two revolving and two non-revolving facilities in place with major high street lenders that give us confidence that our medium-term joint venture partner growth plans are financed adequately.

The Group ensures that all cash surpluses are invested with banks that have credit ratings and investment criteria that meet the requirements set out in the Group Treasury policy, which has been approved by the Board.

The Group's key suppliers are exposed to credit risk and, as part of the Group's overall risk management programme, the business has identified alternative suppliers where appropriate and developed contingency plans, particularly in respect of own label and private label food products.

Outlook

We will continue to monitor our finances and build relationships with our finance providers. We do not anticipate any significant macroeconomic changes in the short to medium term that may affect this risk area although the outcome of the EU referendum may have some bearing.

Strategic priorities

- Grow space and optimise footprint

Change:

Treasury and financial risk

Description and impact

The Group has an exposure to exchange rate risk in respect of the US dollar which is the principal purchase currency for goods sourced from the Far East. The EU referendum in June has increased currency pressures and, dependent upon the outcome of the referendum, we may see this continue for some time. The Group also faces risks from changes to interest rates and compliance with taxation legislation. If we do not adequately manage this exposure there could be an impact on the Group's financial performance with a consequential impact on operational and growth plans.

Mitigation

This exposure to FX fluctuation is managed via forward foreign currency contracts that are designated as cash flow hedges. The Group has borrowings with floating interest rates linked to LIBOR, thereby exposing the Group to fluctuations in LIBOR and the consequent impact on interest cost. To manage this risk the Group has interest rate swaps in place that fix the interest rate on a significant proportion of the Group borrowings. Further details can be found on page 147.

All hedging activity is undertaken by the Group Treasury function in accordance with the Group Treasury policy which sets out the criteria for counterparties with whom the Group can transact and clearly states that all hedging activities are undertaken in the context of known and forecast cashflows, with speculative transactions specifically prohibited. Dedicated tax resource is in place and specialist tax advisors are retained to assist in this area.

Outlook

Ongoing currency movements between the US dollar and GBP may result in further exchange risk, particularly in light of the forthcoming referendum. We will continue to monitor this and adjust our approach to hedging where necessary.

Strategic priorities

- Grow margin

Change:

Regulatory and Compliance

Description and impact

Many of the Group's activities are regulated by legislation and standards including, but not limited to, trading, advertising, product quality, health and safety, pet shop licensing, carbon emission reporting, bribery act and data protection. Failure to comply with these may result in financial or reputational damage.

Mitigation

We actively monitor compliance with our existing obligations and we have internal policies and standards to ensure compliance where appropriate. We also provide training for colleagues where required and operate a confidential hotline for colleagues to raise concerns in confidence.

Our suppliers commit to adhering to relevant regulations and standards as outlined in our Quality Manual. We carry out a rolling programme of supplier audits to check for compliance with our requirements.

Outlook

We welcome the Government's recent animal establishments licensing consultation and the proposed improvements to the pet shop licensing regime. We continue to monitor this and other regulatory developments such as the new European Data Protection regulations and to plan accordingly.

Strategic priorities

- Grow like-for-like

Change:

Extreme Weather

Description and impact

Prolonged extreme or unseasonal weather conditions may reduce footfall in our stores, resulting in weak sales, leading to adverse impacts on profit and inventory.

Mitigation

We actively monitor and forecast demand and, should this risk occur, we would review planned and tactical promotional activity to determine whether strengthening this would drive sales.

Outlook

Further improvements to our omni-channel offering will continue to improve our resilience to reduced store footfall during periods of extreme weather.

Strategic priorities

- Grow like-for-like

Change:

Responsible retailing is at the heart of our business

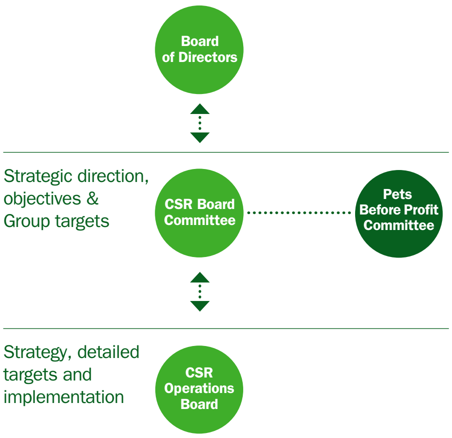
Green Paws

Responsible Retailing people • pet • planet

Our vision

Our vision is “to be the best pet shop in the world” and we use our “Green Paws” PawPrint to highlight the four pillars of our strategy which will help us to achieve this.

Behaving responsibly is integral to how our business operates and fundamental to delivering across our PawPrint.



Overview
Responsible retailing is at the heart of our business. Living our values to the full provides our customers with the consistent experience they expect from us whether they visit our stores, transact online, or engage the services of our vets or groomers. It is our values that drive us to provide ever higher standards of pet welfare and inspire our colleagues to help support local animal charities. And, of course, our values underpin our business model and the investment case we present to shareholders.

This year has seen us make further progress. Our governance structure is now well established and ensures that our Corporate Social Responsibility objectives are aligned with and supportive of our broader business strategy.

Over the course of the year:

- We maintained our excellent record of colleague engagement at 94%;
- Our Santa Paws campaign raised £770,000 to provide meals for pets in rescue centres over Christmas;
- Over the Easter weekend we suspended the sale of rabbits to lessen the pressure for impulse purchases; and
- We are on track to achieve our target of zero waste to landfill.

We are proud of these achievements, but with "we get better every day" as one of our values we recognise there is still further to go. We look forward to reporting progress in the years ahead.

Tessa Green
Chairman of the Corporate Social Responsibility Committee and Pets Before Profit Committee
25 May 2016

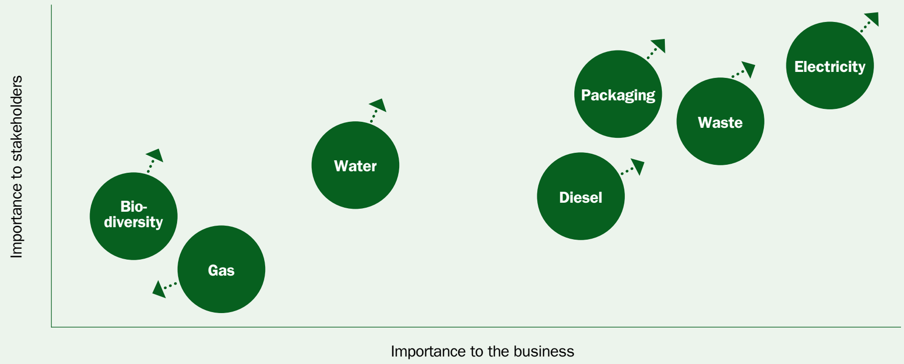
Visualising our CSR strategy:
Our CSR strategy has been developed over time, with its key objectives driven by the feedback we have received from a wide range of stakeholders, as well as aligning with our broader business objectives.

Our pillars	1 Our Pets People	2 Heart of the Community	3 Sourcing with Integrity	4 Our Pets Environment
Our vision	**To be a great place to work**	**Being at the heart of every community**	**Always putting Pets Before Profit**	**Respecting and using resources efficiently**
Our objectives	• Exceptional colleague engagement • World class training • Keeping Our Pets People healthy and safe	• Leading the way in responsible pet ownership • Rehoming pets in need of new families • Providing lifelines to local and national charitable causes	• Driving standards in the pet industry • Promoting the highest possible animal welfare standards	• Eliminating waste sent to landfill • Using less energy • Rethinking our packaging • Becoming more fuel efficient
Progress	• Colleague engagement maintained; improved ranking in Great Place to Work survey • Steps 1 and 2 training received external accreditation • Colleague and customer accident rates reduced	• Online booking platform introduced for My Pet Pals pet care workshops • In-store rehoming centres provide safe haven for small animals until new homes can be found • VIP loyalty scheme provides 'lifelines' from every purchase	• All suppliers confirmed in compliance with our animal testing policy • Pet food with rabbit ingredient phased out on welfare grounds; replaced with more sustainable alternatives • Pet care leaflets updated in conjunction with RSPCA • Gold standard incorporated into quarterly store pet audits	• Retendered waste contract to achieve goal in year 1 • Successful pilot to reduce energy being rolled out to all stores • Single-use carrier bags upgraded and now manufactured in the UK • Ongoing fleet upgrades to Euro 6 emissions standards

Stakeholder engagement

Over the past year we have consulted widely to ensure that our programme for CSR is not only integrated within our business objectives but is also relevant to our stakeholders. This has helped confirm our priorities and the allocation of resources to ensure that our activity is focused on areas where we can achieve the greatest impact socially, environmentally and financially.

Environmental materiality assessment



Customers	Regular surveys of our 4.5m VIP club members
Colleagues	Annual 'We're All Ears' opinion survey. Regular meetings and informal engagement to gather views
Shareholders	Regular engagement with major shareholders, including active membership of KKR Green Portfolio Programme
Suppliers	Regular conferences and dialogue with UK and Asia suppliers
Animal welfare organisations	Collaboration and dialogue on issues that are important to them and us
Policy makers	Developing dialogue with organisations involved in the administration of public policy

In addition to maintaining a regular communication with our customers through MyVIP magazine and newsletters, this year we undertook a representative survey of customers from our VIP club database to gauge their views. When asked what CSR meant to them, 'ethics, honesty and responsibility' was chosen by 52% of respondents, followed by 'giving back to society and helping people', which was chosen by 38% of respondents. When asked to rank the most important issues for a pet retailer, pet welfare and ethical sourcing overwhelmingly came out top, chosen by 83% and 64% of respondents respectively.

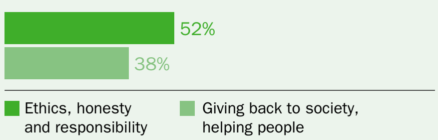
Given the importance of pet welfare, it was pleasing that customers were most aware of the donations we make to pet rescue centres and the care we take of the pets in our stores.

We also conducted a formal environmental materiality assessment with stakeholders. Through the feedback we obtained from investors, management and our store colleagues, we have been able to identify, understand and quantify the areas of our operation that have the most significant impact on the environment and to assess how they are likely to change in the years ahead. The results of this analysis will help direct our actions to mitigate these impacts and reduce our costs.

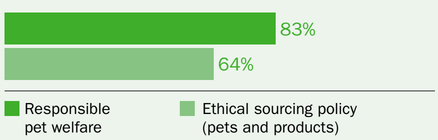
Over the year, and following the appointment of a specialist Energy Manager, we have made good progress in the areas we prioritised – energy consumption, waste management and packaging and transport.

In this report we present the progress we have made against the objectives set last year and the targets we have set to make further progress in the years ahead.

What does CSR mean to you?

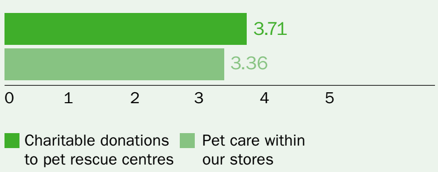


What are the CSR issues most important to a pet retailer?



Awareness of CSR initiatives

5 point scale – totally unaware to fully aware



Representative sample of 1,038 VIP members surveyed, September 2015.

1 Our Pets People

Our commitment

At Pets at Home, the role that highly trained and engaged colleagues play is fundamental to becoming 'the best pet shop in the world'.

	2016 Targets & objectives		2016 Achievements	2017 Targets
Exceptional colleague engagement	Maintain colleague engagement at 94% and increase 'strongly agree' measure to 80%.	✓	Colleague engagement maintained at 94%. 'Strongly agree' measure maintained at 77%.	Maintain colleague engagement at 94% and increase 'strongly agree' measure to 80%.
	Maintain top 20 place in Great Place to Work survey.	✓	Improved to 7th place overall, the highest ranked retailer.	Maintain top 10 place in Great Place to Work survey.
World-class training	Steps 1 and 2 to achieve external accreditation.	✓	Steps 1 and 2 training programme endorsed by City & Guilds.	Re-launch and re-brand Steps 1 to 3. Make Steps 1 and 2 available online. Develop integrated approach for Step 3.
	Every Groom Room to have a Level 3 City & Guilds certified colleague.	✓	44 completed; 128 studying this year-long programme.	Every Groom Room to have a Level 3 City & Guilds certified colleague. Recruit and train 100 Grooming apprentices.
Keeping our Pets People healthy and safe	Reduce number of accidents by 5% to below eight accidents per 1,000 colleagues.	✓	Achieved 8% reduction in colleague accident rates – now 7.48 per 1,000 colleagues.	Achieve a 5% reduction in colleague accident rates per 1,000 colleagues and a reduction in RIDDOR reportable accidents.
	Achieve distinction in the British Safety Council's International Safety Awards.	✓	Both Distribution Centres awarded merit for second successive year.	Re-apply for the Safety awards and aim to achieve a distinction for both centres.

Exceptional colleague engagement

94%
colleague engagement

In April 2016 we celebrated 25 years since the Company was founded and our first store opened in Chester. Over that time we have expanded our business significantly but we have stayed true to our core values and we celebrated this milestone with our colleagues. We also celebrate key moments in the careers of individual colleagues.

Being a specialist retailer the expertise that our colleagues accumulate over time and share with our customers is a significant factor in our success. Even before they start with Pets at Home, every new store colleague is provided with a log-in to our online welcome portal called In'duck'tion where they are introduced to our vision and values and get to see what life will be like at Pets at Home. On a colleague's first day they receive a 'We're glad you are joining' card which is signed by everyone in the team they will be working with. Our rigorous approach to recruitment and induction is reflected in our colleague turnover within the first three months of only 1.9%. New Store Managers, Support Office colleagues, Grooming Salon Managers and Distribution Centre Managers all attend a WOW ("Welcome to Our World") induction day at our Support Office. In addition, once colleagues are with us we continue to mark their service anniversaries, or 'Pets Birthdays', for one, three, five, ten, 15 and 20 years' service.

While we have a track record of providing rewarding flexible working patterns for our store colleagues, based around our contracted minimum of 16 hours per week, we have recognised that there is more to be done to promote flexible working among management categories. We have agreed to become a launch partner with Timewise in order to promote flexible working as part of our management recruitment and promotion strategies. We have changed our approach to recruitment, succession planning and flexible working to ensure we attract and grow the best talent who are able to find a career that works alongside their home life.

We have conducted our annual employee survey 'We're All Ears' for nine years, with questions based on our values, vision and culture.

We have maintained our excellent record of colleague engagement; this year it was 94% and, within that, 89% of colleagues believe ‘My work has special meaning – this is not just a job’.

In addition to our regular internal benchmarking exercises we have again taken part in the external Great Places to Work survey. This gives colleagues further opportunities to provide feedback on what they like about working at Pets at Home and how we can improve. Having achieved 15th position last year among larger companies, we were pleased to have been ranked 7th overall in 2016, and the highest placed retailer. We were also shortlisted in the Most Trusted Leadership award in the large companies category.

World-class training

4,937
colleagues completed Steps 1 and 2 training

We believe it is essential that our colleagues are highly trained and able to offer the best and most up to date advice on pet care and all aspects of pet ownership. At the heart of this training is our STEPS programme which has been developed to take account of the latest thinking, and draw on the experience and resources of our own expert Pet Team and internationally respected consultants.

This year our compulsory Steps 1 and 2 training programmes have been endorsed by City & Guilds, providing a stamp of approval that demonstrates the value of our training to our colleagues, our customers and other stakeholders, including welfare organisations. We have 4,937 colleagues who had completed their compulsory Steps 1 and 2 training at the year end.

Having completed Step 2, colleagues receive additional training every year to ensure their knowledge of pet care is up to date and we provide additional Steps for colleagues to develop their knowledge further. Step 3 provides more specialist knowledge in areas, such as aquatics, small animals, reptiles, dogs and cats. Our Step 3 nutrition programme is also endorsed by City & Guilds. We have 471 colleagues within the Group who have achieved Step 3. Our ‘Learn to Earn’ model allows colleagues to increase their hourly rate in increments as they complete each Step 3 specialism.

Step 4 was introduced in 2013 for colleagues who wanted to develop their careers but didn’t want to move into store management. Step 4 colleagues are experts, not only in their chosen specialist categories, but also in how Pets at Home manages these categories. They are rewarded at the same level as Assistant Store Managers and provide additional support for new store openings in their local area.

For colleagues who want to develop management careers we have specific programmes for each stage that prepare them for their promotion. Our flagship programme is Fast Track, a six-month programme that provides a route to store management. More than 50% of our store managers are Fast Track graduates.

Having worked hard over a long period to establish our leading level of colleague retention we aim to maintain this in the future. So, with the introduction of the new National Living Wage from April 2016 we will not differentiate our rates for colleagues under 25 and we will continue to invest in our training and maintain the principle of ‘Learn to Earn’.

Supporting our growth in grooming

240
salon and spa locations

We have grown our grooming business rapidly from 129 ‘Groom Room’ grooming salons in 2014 to 240 salons and spas in our stores or in standalone locations today. Our Groom Room customers trust us to care properly for their pets, to treat them with respect and to return them safely. This is a huge responsibility which is why we invest so heavily in training for our Groom Room colleagues and why we have worked closely with the RSPCA to have our procedures endorsed by them.

Training for our Groom Room colleagues incorporates all the practical and theoretical knowledge of the City & Guilds level 3 diploma in dog grooming. We deliver this training in a three step programme – ‘Prep it’, ‘Snip-it’ and ‘Clip-it’ – which takes nine months to complete. At each step our colleagues have to present a portfolio, with written accounts and photographs, of their work in the salon in addition to practical assessments and online tests. In total our colleagues have 1,400 hours of formal training.

We also provide regular professional development programmes to maintain their knowledge and skills at a high level.

During the year we launched our Grooming apprenticeship scheme. We currently have 14 apprentices working in our Groom Rooms and plan to offer a further 100 apprenticeships in the current financial year. The apprenticeship programme runs for one year, at the end of which we hope to offer the apprentices permanent positions as fully trained stylists.

Power To Your Paws

Amy Owen is a newly qualified stylist in the Altrincham Groom Room.

"I joined Pets at Home as a store colleague in April 2015. I'd always had an interest in grooming. When I was 15 I had a Saturday job bathing dogs with an independent groomer.

When I left school I studied for a diploma in animal management at Myerscough College in Preston. From there I knew I wanted to work with animals so Pets at Home was my dream job. The training was excellent. I completed Steps 1 and 2 which gave me the skills I needed to advise customers about caring for their pet and the best diets to feed them. But my ambition was always to work my way up to grooming.

Power To Your Paws was fantastic. It's the scheme Pets at Home has for store colleagues to learn about grooming and become a member of the Groom Room team. I learned so much about different coat types and different breeds of dog, it really built my confidence.

After Power To Your Paws I became an Assistant Stylist and followed the Groom Room's three step training programme – Prep it, Clip it and Snip it – and qualified as a stylist in June 2016. I love learning how to groom different dogs. My favourites are the double-coated breeds like Labradors and German Shepherds. When you've removed the dead coat they look great and our clients can really see the difference you've made when their dogs have been groomed."

Clinical Governance Framework

Supporting our vets through Clinical Governance

Clinical Governance is a system for improving the standard of clinical practice, which incorporates existing activities such as clinical audit, education and training, research and development and risk management. The concept of Clinical Governance is not yet widely recognised within the veterinary profession, which has no equivalent of the organisational structure that the NHS provides to medicine. So while we rely on the professional responsibility of the joint venture partners and their employed vets to comply with RCVS guidance and to practise to a high standard, as the largest, fastest growing small animal veterinary group in the UK, we have an unprecedented opportunity to lead the way in shaping the landscape of clinical practice and to provide an environment conducive to improving our clinical knowledge, standards and decision making. The measures we will adopt are based on the clinical governance recommendations found in the RCVS Guide to Professional Conduct.

Keeping our Pets People healthy and safe

8%

reduction in the colleague accident rate

We are committed to providing a safe and healthy environment for all our colleagues, customers and third party contractors. We encourage a positive health and safety culture throughout our operations and have robust control measures in place to minimise the risk of incidents. The Group Health & Safety Committee meets quarterly and our two Distribution Centres also host their own Health and Safety Committees, each meeting seven times per year.

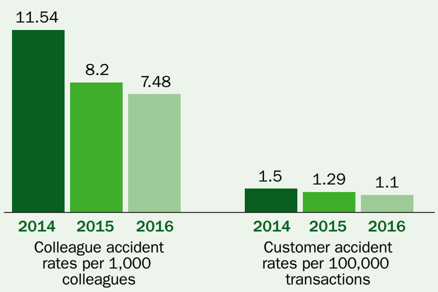
We continue to benchmark accident rates across the Group. These include any accidents that have taken place in our joint venture veterinary surgeries. We report all work related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations ("RIDDOR"). We also classify all incidents where we are aware a customer intends to go to hospital as RIDDOR reportable, which will result in some over reporting of RIDDORs.

During the 2016 financial year, while total accidents across the Group decreased by 1.5%, we saw a significant reduction in the colleague accident rate from 8.17 to 7.48 accidents per 1,000 colleagues, and a reduction in customer accidents from 1.29 to 1.10 per 100,000 transactions. The number of RIDDOR accidents remained similar to the previous year in our stores and veterinary practices. In the Distribution Centres, there was a slight decrease of 0.01 accidents per 100,000 hours worked and a 0.26 decrease in RIDDOR accidents in the year.

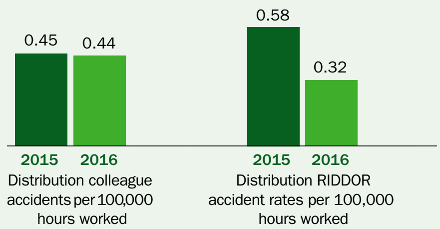
For the second consecutive year, both our Distribution Centres received the British Safety Council's International Safety Awards with Merit.

BRITISH SAFETY COUNCIL
International Safety Awards 2016 Merit

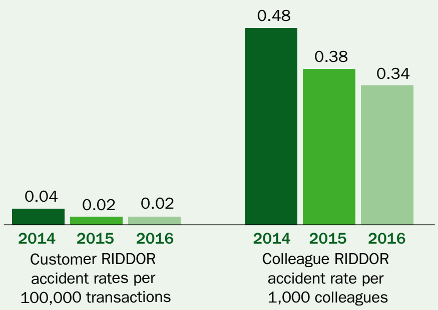
Accident rates – stores/practices



Distribution accident rates

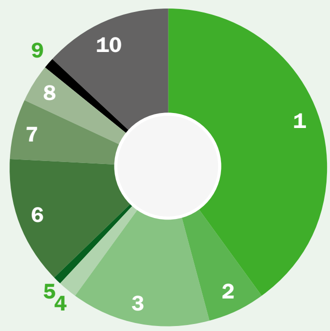


Group RIDDOR rates



Causes of accidents

1.	Minor animal bites	40%
2.	Animal scratches/stings	6%
3.	Cut or scratch due to sharp object	14%
4.	Exposed to or in contact with a harmful substance	2%
5.	Fell from a height	1%
6.	Hit by a moving, flying or falling object	13%
7.	Hit something fixed or stationary	6%
8.	Injured due to handling, lifting or carrying	4%
9.	Injured while using knives/ hand operated equipment	1%
10.	Slipped, tripped or fell on the same level	13%



2 Heart of the Community

Our commitment

Being at the heart of every community is one of the core values we live by. With 427 stores and 388 vet practices serving neighbourhoods the length and breadth of the UK we believe that we have a responsibility to contribute positively towards the wellbeing of our local communities.

	2016 Targets & objectives	2016 Achievements	2017 Targets
Leading the way on responsible pet ownership	Roll out the pet workshop online booking tool for every pet event.	86,602 attendees at pet workshops.	More than 100,000 attendees at 'My Pet Pals' pet care workshops.
	Support our local communities by providing at least 1,000 work inspiration days.	Achieved.	Ongoing – continue to provide placements.
Rehoming pets in need of new families	Rehome more than 70,000 pets through in-store rehoming centres.	80,000 pets rehomed.	Continue to provide opportunities to rehome pets in 400 stores.
	Raise £1.9m in stores for Support Adoption For Pets with an overall fundraising target of £3,148,950.	Colleagues raised £1.8m with one fewer national fundraising campaign, within which Santa Paws alone raised £770,000. Total raised by Support Adoption For Pets was £3.6m.	Stores to raise more than last year through Santa Paws to provide meals for pets in rescue centres.
Providing lifelines to local and national charities	Donate over £1.4m worth of VIP lifelines to charities chosen by our customers.	£1.8m donated.	Donate over £2m worth of lifelines.
	Provide further £600,000 worth of Wainwright's dog food to the Dogs Trust.	We support the Dogs Trust with food for the dogs they rehome. This year £540,000 worth of food was requested by the Dogs Trust.	Continue to support the Dogs Trust with donations of Wainwright's dog food for the dogs they rehome.
	Continue to provide a charity leave day for every colleague.	Every colleague can take a day's leave for charitable work.	Ongoing.

Leading the way on responsible pet ownership

86,602
attendees at pet workshops

Pets are our passion as well as our business. Having worked consistently over the past 25 years, often in partnership with respected animal welfare organisations, to raise the standards of pet welfare in our stores, through our supply chains and for our customers, we have lots to be proud of. We celebrate responsible pet ownership. We believe pets are good for people and, in return, we go to significant lengths to ensure that prospective pet owners understand the responsibility that comes with pet ownership.

Educating the next generation of responsible pet owners

Over recent years we have established a reputation for providing young people from Cubs, Brownies and Beavers with opportunities to learn more about the responsibilities of pet ownership. Building on the success of this approach with youth organisations, during the year we rolled out an online booking platform which enabled parents to book children onto one of our "My Pet Pals" events which we ran during the school holidays. Over the course of the year 86,602 people attended one of these events to learn about what is needed to care for small mammals, fish and reptiles.

Over the Easter weekend alone some 2,700 young people booked to attend one of our My Pet Pals workshops to learn more about caring properly for pets. At the same time, we suspended the sale of rabbits, recognising the close association of bunnies with Easter and the increased pressure on parents to buy a new family pet at this time of year.

My Pet Pals is one of a number of education events that stores hold for organisations in their local communities to promote responsible pet ownership. To recognise their commitment and reward their achievements these events contribute to our internal programme called 'My Pond League' which aims to reward the work colleagues do in their local community. This reflects the importance we place on community involvement. This year our colleagues took the message of responsible pet ownership to more than 450 schools, nursing homes and local fetes and engaged with some 650 groups of scouts, brownies and beavers.

Rehoming pets in need of new loving homes

80,000

pets were found new loving homes through our adoption centres

When selling a new pet we make great efforts to find the right match between the pet and its prospective owner and provide it with a loving forever home. However, owners can find that, for a variety of reasons, they may be unable to continue to care for their pets. This is where our partnership with the charity Support Adoption For Pets becomes so important. We work closely with Support Adoption For Pets, providing facilities and support in stores for more than 400 pet rehoming centres which provide a safe haven for rabbits, guinea pigs, hamsters, gerbils, rats, and chinchillas until a new home can be found. Support Adoption For Pets will also rehome rabbits that are handed to the RSPCA if the microchip identifies the pet to have been sold by Pets at Home. Last year more than 80,000 pets were found new loving homes through the adoption centres in our stores.

Support Adoption For Pets

Support Adoption For Pets is a registered independent charity (number 1104152) established by the Company, which exists to help give abandoned and homeless small animals a second chance at happiness. Support Adoption For Pets is also the UK's number one grant giving trust to national and local animal welfare charities and, since the charity was established in 2006, has supported more than 1,000 animal charities across the country. To support this important work, our stores and colleagues raised £1.8m for Support Adoption For Pets which last year made grants of approximately £2m to charities around the UK to help them look after the pets in their care while new homes are found.

Selling pets responsibly

Pet ownership is a long term commitment and before a sale takes place we first find out about the customer to help them choose a pet that is right for them. Colleagues are required to follow a series of questions that are pre-loaded into a Pet Pad, our proprietary iPad based application, developed to standardise and record every pet sale. These questions are specific to the types of pet offered for sale in our stores. We address the following areas:

- **The customer and their home**
  - We don't sell pets to anyone under the age of 18
  - We check that the customer is the homeowner or has the landlord's consent
- **The suitability of the pet they wish to buy**
  - We discuss the life expectancy and size of the pet when fully grown
  - We discuss compatibility with children and other pets
  - We discuss dietary requirements and how these may change over the life of the pet
  - We discuss requirements for housing, handling and enrichment
- **Transition to permanent home**
  - We won't sell a pet unless the customer confirms they are going straight home
  - We don't sell fish at the same time as the aquarium, or reptiles at the same time as the vivarium. We require these to be set up and running properly in advance of the pet being purchased

We ask every customer to sign electronically to confirm they have been provided with advice and a care leaflet for the pet they are buying. Every colleague is empowered to refuse to sell a pet if they have any doubts about the suitability of its forever home. Only when our colleagues are satisfied that the pet will enjoy a happy and healthy life in its new home will they proceed with the sale. We apply the same principles to pets that are adopted from the in-store adoption centres.

We aim to follow up every sale or adoption after a few days with a call to the customer to check all is well and provide any additional advice that may be necessary.

Santa Paws

Christmas is a special time of year for families – including family pets. However, not every pet is lucky enough to spend Christmas with a loving, caring family. For many pets, through no fault of their own, Christmas is spent in a rescue or rehoming centre and it is with these pets in mind that we developed our annual Santa Paws campaign with Support Adoption For Pets. The concept is very simple. Throughout December we ask customers if they would like to add 50p to their purchases which we donate to Support Adoption For Pets to buy Christmas meals for pets in rescue. At Christmas 2014 we raised enough from these donations to provide 880,000 meals and set ourselves a target of 1 million meals in 2015. Through the commitment of our colleagues and the generosity of our customers we beat this target substantially, with more than 1.5 million meals donated from the £770,000 raised.

Supporting local and national charities

£1.78m
donated to local animal charities

Our stores and colleagues have developed strong relationships with local animal rescues and rehoming centres. They offer opportunities for their charity partners to promote their work in stores, the pets they are seeking to rehome, and to support their fundraising activities.

Customers too can make a huge difference to local animal charities through our VIP loyalty scheme which awards points to customers for every purchase made. These points are converted to VIP 'lifelines' which customers can then donate to their local animal charities. In the past year, our VIP members have raised £1.78m through this scheme and supported more than 600 animal charities nationally.

Using the proceeds from carrier bag sales

On 5 October 2015 the Government introduced a compulsory 5p charge for single use carrier bags in England. Companies affected by the new legislation were required to donate the profits from this charge to good causes. We identified Dogs for Good and Pets As Therapy as recipients of our donation and by the end of the year £28,294 had been raised for each charity from the sale of carrier bags.

Dogs for Good explores ways dogs can help people overcome specific challenges and enrich and improve lives and communities. They look for sociable and confident, well-reared puppies and train them to help children and adults with physical disabilities and families affected by autism, or work in schools and residential care settings. Their PAWS Family Dog service brings together the parents and carers of children with autism to explore the helping potential that a pet dog might have within the family. The donation from Pets at Home will help Dogs for Good reach more families who can benefit from having a well-trained dog in the family.

Pets As Therapy provides community based Animal Assisted Therapy through its volunteers who visit residential homes, hospitals, hospices, schools, day care centres and prisons with their own pets to bring comfort and companionship to individuals who appreciate having contact with a friendly animal. However, requests for private visits, which are often to alleviate loneliness for elderly people or housebound people of all ages, make up 90% of PAT's daily enquiries but they do not have the resources to invest in the infrastructure to make these requests a reality. The funding from Pets at Home will enable Pets as Therapy to establish a 6–12 month pilot programme in 2016.

3 Sourcing with Integrity

Our commitment

Pets are both our business and our passion and 'Pets Before Profit' has always been our number one core value. Advocating the ethical and responsible treatment of pets is incredibly important to us and we believe the best way to do this is to lead by example, so we keep every aspect of our pet operations under regular scrutiny.

	2016 Targets & objectives		2016 Achievements	2017 Targets
Driving standards in the pet industry	Deliver the re-audit programme we have put in place across our Asian registered branded and PAH branded suppliers.	✓	Delivered as planned. Audits extended to all suppliers of PAH branded/private branded products.	Deliver all planned re-audits and corrective action plans, ensuring all own brand and private branded suppliers comply with our audit requirements.
	All UK/EU PAH branded and registered food suppliers to be either BRC (or equivalent quality management standard) accredited or to have been visited by a member of the food technical team.	✓	Achieved.	Completed.
	Re-visit and revise our testing protocols across all categories to ensure relevant and up to date with the latest developments/industry practice.	✓	Agreement reached with major US retailer on shared protocols across a number of product categories to enable suppliers to reduce costs and deliver better value.	Rollout new and updated testing protocols across our global vendor base, in line with required legislation as a minimum.
Promoting the highest possible animal welfare standards	Continue to audit primary pet suppliers with at least eight audits per annum per supplier.	✓	All primary pet suppliers receive four independent audits in addition to four audits from our pet supply manager.	Develop Gold Standard pet supplier audit with enhanced welfare stand.
	Incorporate a gold standard into the quarterly store pet audit.	✓	Implemented.	Ongoing.
	Roll out new aquatics water test.	✓	Implemented and working effectively.	Formalise overseas and UK audits.
	Review code of practice for pet suppliers.	✓	Code of practice reviewed and updated.	Completed.

Driving the standards in the pet industry

100%

of suppliers in compliance with our testing policy

Pets are our passion as well as our business. It is the love of pets that creates the unique bond between our business, our colleagues and our customers, and we have worked consistently over the past 25 years, often in partnership with respected animal welfare organisations, to raise the standards of pet welfare in our stores, through our supply chains and for our customers.

In December 2015, the Department for Environment, Food and Rural Affairs ("DEFRA") issued a formal consultation on its proposals to review animal establishment licensing in England. The proposals would update and consolidate the animal licensing system into a single piece of legislation, simplify the administrative process and reflect up-to-date knowledge on animal health and welfare. We welcome this review and have provided a detailed response to the consultation, supporting many of the recommendations.

With stores around the UK, Pets at Home deals with 300 different licensing authorities, each with their own approach. Because we seek the highest standards in every store, we have instigated a number of additional initiatives including an independent annual audit of all our stores. Each store is audited by SAI Global, the respected international organisation, which also provides the Red Tractor Farm Assurance certification scheme, to their exacting SAI Excellence Assured Pet Retailer Scheme standard.

If we are to sell healthy pets we believe they must be bred responsibly so we also undertake unannounced quarterly inspections of all primary pet suppliers and an annual, externally led audit is undertaken by a consultant vet. Twice a year we commission independent audits by SAI Global to make sure that our suppliers are maintaining the highest standards. Most recently we have also introduced an annual health audit by an RCVS Lab Specialist Vet.

The results of these audits are carefully monitored and acted upon by our expert in-house pet team who ensure procedures are followed and standards maintained consistently across all our stores. Our pet team can also call on the specialist knowledge of internationally respected consultants.

Ensuring the quality of our products

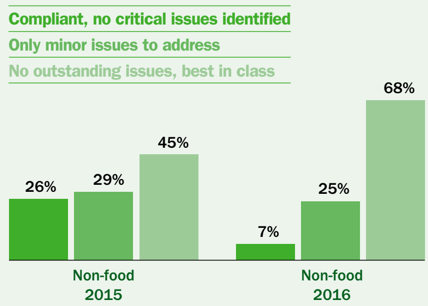
Pets at Home is the only UK pet retailer to have a dedicated sourcing office in the Far East. Working from our regional base in Hong Kong, which opened in 2012, we have a team of product technologists who support our buyers, oversee our suppliers and monitor production to make sure our strict standards are met.

Our audits, which extend to all vendors manufacturing Pets at Home branded and private branded products, are designed to ensure compliance with our Ethical Trading Policy and cover labour practices and working conditions, hours of work and wages, on site accommodation, health & safety, environment and supply chain management. They are equally applicable to home workers and subcontractors. This year we also ensured 100% of our suppliers are in compliance with our animal testing policy.

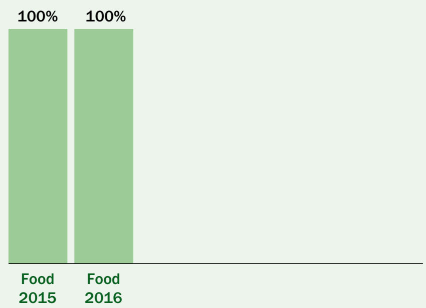
We have continued to work with all suppliers to implement and improve both quality management systems ("QMS") and ethical and environmental ("E&E") grading within their factories. We have stopped sourcing from five factories who did not want to work with us on an improvement plan.

During the year we reached agreement with a leading US pet retailer to collaborate in Asia across a number of important product categories such as collars and leads, creating common testing protocols that enable suppliers to reduce costs and thereby create better value for customers.

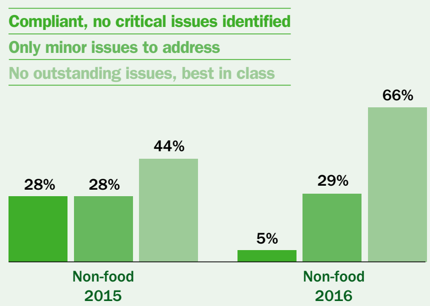
QMS Grading – Non-food (%)



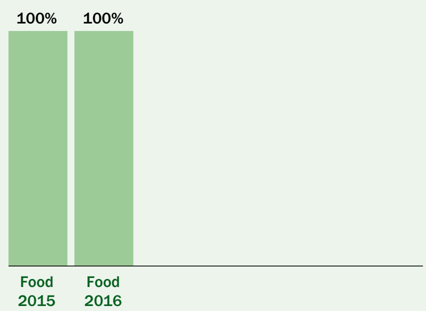
QMS Grading – Food (%)



E&E Grading – Non-food (%)



E&E Grading – Food (%)



Promoting the highest possible animal welfare standards

The welfare of pets is at the heart of everything we do. We have our own dedicated team of experts who are central to our approach. Our Head of Pets, a Veterinary Surgeon with over 20 years' experience, is supported by two qualified veterinary nurses. They are responsible for the health and wellbeing of our pets and we rely on their experience to determine which pets we sell and how they should be cared for in stores. If they have concerns over any aspect of pet welfare they have the autonomy to act immediately in the interest of our pets.

Working alongside the veterinary team is our pet operations team which is responsible for the consistent implementation of policy and achievement of standards in our stores. This team is led by our Head of Pet Operations, who is an experienced retail manager with almost 20 years' experience at Pets at Home. He is supported by an aquatics operations manager, with more than 20 years' experience in freshwater and marine biology, a pet and reptile operations manager, with over 15 years' experience in pet and reptile welfare, and nine Field Pet Managers, who are regionally based and provide the vital link with individual stores and colleagues.

In addition to our own experts, we take advice from external consultants who have dedicated their careers to and built international reputations in animal welfare.

We believe that up-to-date information is key to helping customers understand what responsible pet ownership will entail and the welfare standards they should provide for their pets. In addition to the training we provide for all colleagues, who are always on hand to advise our customers, we maintain a full range of up-to-date care leaflets on display permanently in our stores and via our website. Many of these have been produced in conjunction with the RSPCA and are co-branded to highlight this endorsement of the welfare standards they promote.

Removal of rabbit from pet food

During the year we decided to stop buying pet food with flavour variants that include rabbit. This was due to concerns over the conditions in which the rabbits are kept on farms in Europe. The rabbit used as an ingredient in pet food comes from animals that are bred for human consumption, and comprises the material that is not appropriate or wanted for human food use. Only at this point does it become part of the pet food chain.

Whilst no rabbits are farmed exclusively for use in pet foods, the welfare standards of the animals being farmed for use in the human food chain fall far short of what we would accept for the rabbits sold as pets in our stores. Because of this we decided that we could not continue to buy flavour variants that include rabbit and encouraged the branded pet food manufacturers to follow suit.

4 Our Pets Environment

Our commitment

To deliver on our aim to minimise the environmental impact of our operations we have plans in place to minimise our consumption of core resources and maximise efficiency.

	2016 Targets & objectives		2016 Achievements	2017 Targets
Eliminating waste sent to landfill	Eliminating waste sent to landfill.	✓	Retendered waste contract and diverted 98% of waste from landfill.	Send zero waste direct to landfill.
Using less electricity	Reduce electricity consumption per sq ft by 6% compared to 2012 baseline.	✓	Achieved a 5.66% reduction despite expansion of in-store grooming and veterinary practices which are more energy intensive than retail.	Reduce electricity consumption per sq ft by 7% compared to 2012 baseline.
Becoming more fuel efficient	Achieve a 1% improvement in km travelled per litre of diesel across the fleet.	✓	km per litre remained broadly level at 2.85Kpl. Driver training continues.	Increase km travelled per litre of diesel to 2.91kpl, a 2% improvement.
	Reduce to 128.4 km run per 1,000 cases shipped.	✓	Achieved 127.8 km run per 1,000 cases, a reduction of 1% year-on-year	Reduce to 126.5 km/1,000 cases shipped.
Rethinking our packaging	Continue to engage with WRAP (Waste and Resources Action Programme).	✓	Developed and published Sustainable Packaging Strategy. Added WRAP logos to a further 100 lines.	Continue working positively with WRAP.

Eliminating waste sent to landfill

98%
of waste being diverted from landfill

Having achieved 90% of our retail waste being diverted from landfill a year ago, we set a target of diverting 92% as a further step towards our aspiration to ultimately divert 100% of waste from landfill.

During the year our waste contract was retendered. Following this competitive process a new supplier has been appointed, bringing our aspiration of zero waste to landfill within our reach in the current financial year. Against our target of diverting 92% of waste from our retail operations, we achieved 97% in the past year.

We continue to challenge the use of packaging materials across our business and remain committed to implement WRAP's OPRL recycling information on our own brand and private brand consumer packaging.

Following the implementation in England of the 5p charge for single use carrier bags on 5 October 2015 we have seen carrier bag usage reduce by 74%.

Water

Having established a baseline for our water consumption, we are reviewing opportunities that will arise from the opening up of the water market to competition. From April 2017, we will be able to choose who supplies our water and wastewater retail services, giving us an opportunity to negotiate the best package to suit our needs. The benefits of this open market are estimated by the Government to be worth £200 million to customers and the UK economy through the Open Water programme.

Becoming more fuel efficient

23 tractor units
now conform to Euro 6 standards

We monitor fuel efficiency in detail across our delivery fleet and have a programme in place to replace the least fuel efficient vehicles in the fleet. All new tractor units entering our delivery fleet conform to Euro 6 emission standards with significantly reduced CO_2 emissions. More than half of our fleet of 43 tractor units now conforms to Euro 6 standards and the remainder will convert upon replacement by 2019.

We have also updated our fleet with 14 new trailers that have been designed with improved aerodynamic features to improve fuel efficiency.

We are also undertaking an ongoing programme of driver training to promote both defensive driving and fuel-efficient driving techniques.

Reducing our energy usage

The introduction of the Energy Savings Opportunity Scheme ("ESOS") Regulations 2014, which brought into force Article 8 of the EU Energy Efficiency Directive, made it mandatory for all large businesses in the UK to undertake comprehensive assessments of energy use and energy efficiency opportunities at least once every four years. To comply with these regulations, qualifying companies are required to appoint a qualified 'Lead Assessor' and conduct a number of assessments:

- Measure their total energy consumption for buildings, industrial processes and transport;
- Identify areas of significant energy consumption, accounting for at least 90% of total energy consumption;
- Identify cost-effective energy efficiency recommendations for areas of significant energy consumption; and
- Report compliance to the Environment Agency.

In completing our assessment of total energy consumption, we identified energy use in buildings in the form of gas and electricity, and fleet diesel as the areas with the potential to achieve significant savings.

More detailed analysis showed that whilst 63% of the energy use in a store could be correlated to its size, a significant proportion was driven by other, potentially controllable, factors such as equipment efficiency and the control of the equipment installed. Through pilot studies in stores, we now have a clear understanding of how we can effect savings. Based on this we have begun to implement a range of energy-saving measures.

Creating a well controlled, efficiently lit retail environment

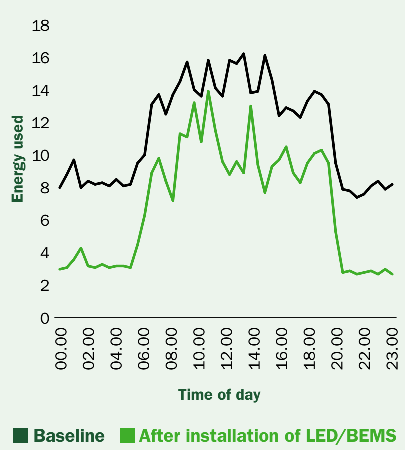
We have piloted a Building Energy Management System ("BEMS") in three stores to identify the most efficient way to maintain an appropriate environment through the day for customers, colleagues and the pets in our stores in the most energy efficient way. Results from these stores have been encouraging with a 35–40% reduction in the daily energy load.

We have installed LED lighting across the sales floors and back-stage areas in ten stores, including the three stores with BEMS. From the results of these trials we have decided to instigate a programme that will convert all stores to LED lighting with BEMS by 2018. We have established a new standard for the installation of LED light in the lightboxes over our fish tanks.

We now install LED lighting in all new pet villages and aquatics systems. In addition to consuming less energy, LED lights emit less heat and, in aquatics systems, encourage less algae growth. Both these effects improve pet welfare.

External store signage is also being converted to LED.

Impact of Energy Pack Installation



Minimising our carbon footprint

5.34%
reduction in electricity consumption

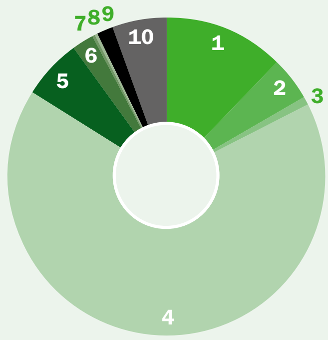
We continue to monitor the CO_2 emissions from our business activities and to challenge areas where reductions can be made without compromising the welfare of our pets or the comfort and safety of our colleagues and customers.

Our electricity consumption over the year[1] has been reduced modestly. However, the expansion of in-store vet practices and Groom Rooms, both of which have inherently higher energy consumption than our retail environment, have largely offset the gains made elsewhere. To maintain a suitable temperature for our colleagues, customers and pets we have also installed air-conditioning in 13 stores where there was none previously. Measured per square foot of store space, our electricity consumption[1] has been reduced by 5.34% compared to our 2012 baseline. The rollout of LED lighting and BEMS is expected to make significant reductions in the years ahead.

Total diesel usage increased due to our decision to bring pet deliveries in-house to improve the welfare of our pets.

Carbon footprint summary

1.	Diesel (Core Fleet)	**12%**
2.	Gas	**4%**
3.	Red Diesel	**1%**
4.	Electricity	**67%**
5.	Diesel (3rd Party)	**6%**
6.	Fuel Used company cars (fuel cards)	**2%**
7.	Personal business travel (Rail)	**0%**
8.	Personal business travel (Air)	**0%**
9.	Personal business travel (Car)	**2%**
10.	Electricity T&D losses	**5%**



Fuel source (Tonnes of CO_2e emissions)	**2016**	**2015**
Diesel (Core Fleet)	5,942	5,272
Gas	2,091	2,400
Red Diesel	314	286
Electricity	31,680	32,424
Diesel (3rd Party)	2,817	2,806
Fuel Used company cars (fuel cards)	1,151	1,012
Personal Business Travel (Rail)	12	19
Personal Business Travel (Air)	194	197
Personal Business Travel (Car)	754	769
Electricity T&D losses	2,616	2,835
	47,570	**48,021**

- Pets at Home CO_2e footprint has been calculated using the 2016 DEFRA emissions factor and based on a Financial Control approach.
- In line with DEFRA methodology, electricity emissions have been split out into scope 2 indirect consumption and scope 3 for transmission and distribution losses.
- 2015 saw the inclusion of limited scope 3 emissions including outsourced transportation and business travel (car, rail and air), and this scope of reporting has been maintained for FY16.
- The contractors who maintain Pets at Home air-conditioning units do not have the systems in place to provide the volume of F-Gas used each year. Due to the small volumes involved, this is considered to be de minimis.
- During 2016 Pets at Home purchased a small number of Vet referral hospitals, these are currently being transitioned to the Group energy supply contracts as they are currently on separate standalone contracts. Once these are amalgamated on the Group supply they will be added to the carbon footprint for 2017. Due to the scale of building relative to the existing estate this is considered to be de minimis.
- 2016 was a 53 week year. To ensure that the above CO_2e footprint is comparable across different years, the data has been normalised to reflect a standard 52 week year.

1 Refers to the 52 weeks proforma period to 24 March 2016.

Governance overview

Tony DeNunzio
Non-Executive Chairman

"We continue to review our governance framework and processes to enhance the way we operate as a Board and deepen our strategic debate."

Chairman's introduction

Our governance framework is reviewed and benchmarked against best practice every year. My role is to ensure that we have in place strong and effective governance practices, that the Board is well managed and has the correct balance of skills, diversity and experience to successfully execute the Group's long term strategy.

We have recently welcomed the appointment of Ian Kellett as Group Chief Executive Officer to the Board, following the resignation of Nick Wood. Ian has been a member of the Group's Board for the last ten years fulfilling the roles of Chief Financial Officer and latterly the role of Chief Executive Officer of the Retail Division. Over this time, Ian has steered the business through continuous growth, played a pivotal role in the IPO and also the expansion of our veterinary services with the acquisition of Vets4Pets. His skills and experience build on our existing talent, standing us in good stead for the year ahead. We very much look forward to supporting him and the Executive Management Team in setting and executing our strategic priorities to deliver the long term success of the Group.

Board activities in 2016

- Approved full year results, report and accounts and recommended the final dividend.
- Received reports on, and reviewed the effectiveness of, the Group's risk and control processes to support its strategy and objectives, and approved the Company's risk appetite statements.
- Approved the Q1 Trading Statement.
- Annual Strategy Meeting.
- Succession planning.
- Approved interim results and resolved to pay interim dividend.
- Approved the Q3 Trading Statement.
- Presentations on strategic priorities throughout the year.
- Approved the appointment of Ian Kellett as the Group CEO following the resignation of Nick Wood.
- Reviewed the annual performance evaluation of the Board and its committees.
- Approved the Q4 Trading Statement.

Our search for Ian's replacement continues and in the interim we have appointed Mark Adams who will oversee the finance department during the intervening period. Mark has demonstrated leadership in a number of business to consumer and publicly listed companies.

As well as succession planning, the Board, supported by the Audit & Risk Committee also spent time on risk management which involved reviewing the risk appetite across the Group alongside the Group's key risks. Whilst this process remains ongoing, we believe that gaining a further understanding of our risk profile will help support the implementation of our strategic programmes.

We conducted a further external evaluation on Board effectiveness in 2016. During the year, we also progressed the actions that were highlighted from the 2015 external evaluation, which enabled us to further enhance our Board processes. This year's review is described in detail on page 81 and we are now working through an action plan to build on our strong foundations together with strengthening our culture and values which underpin our strategy for the future.

The following Governance Report provides an additional overview of the work of the Board during the year, our governance framework and the key controls we have in place together with details of how we have complied with the UK Corporate Governance Code 2014.

Tony DeNunzio
Non-Executive Chairman, Pets at Home Group Plc
25 May 2015

The overall governance structure of the Group:

Pets at Home Group Plc Board

The Company is led and controlled by the Board. The Board has delegated certain responsibilities to Board Committees and the day to day management to the Executive Management Team. Further details can be found on pages 77 to 79.

Board Committees

Audit & Risk Committee

Members
Amy Stirling (Chairman)
Dennis Millard
Paul Coby
Paul Moody

Nomination & Corporate Governance Committee

Members
Tony DeNunzio (Chairman)
Dennis Millard
Tessa Green
Amy Stirling
Paul Coby
Brian Carroll
Paul Moody

Remuneration Committee

Members
Paul Moody (Chairman)
Amy Stirling
Dennis Millard
Tessa Green

Corporate Social Responsibility Committee and Pets Before Profit Committee

Members
Tessa Green (Chairman)
Dennis Millard
Paul Coby
Tony DeNunzio

Executive Management Team

Investment Committee

Health & Safety Committee

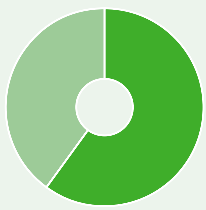
Executive Team and Operating Board

Board composition

Membership of the Board

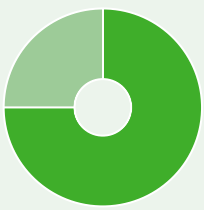
Non-Executive Chairman	1
Executive Directors	1
Non-Executive Directors	1
Independent Non-Executive Directors	5

Gender breakdown
Executive Management



Male	60%
Female	40%

Gender breakdown
Board of Directors



Male	75%
Female	25%

Gender breakdown
Group

Male	60%
Female	40%

Board of Directors

Tony DeNunzio CBE
Non-Executive Chairman

Appointment to the Board
2014

Committees
Nomination & Governance, Pets Before Profit, CSR

Meetings attended
10/10

Current roles
Senior Independent Director at Dixons Carphone plc

Non Executive Director of PrimaPrix SL.

Non Executive Director of DeNunzio Associates Ltd

Senior Advisor to Kohlberg, Kravis, Roberts & Co. L.P.

Past roles
Non-Executive Chairman of Maxeda

Non-Executive Director of Alliance Boots

President and Chief Executive Officer of Asda from 2002–2005

Deputy Chairman of Galiform Plc (now Howdens Plc)

Chairman of the advisory board of Manchester Business School

Brings to the Board
Vast retail and financial experience. Tony was also awarded a CBE for services to retail in 2005.

Dennis Millard
Deputy Chairman and Senior Independent Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance, Audit & Risk, Remuneration, Pets Before Profit, CSR

Meetings attended
10/10

Current roles
Chairman of Halfords Group Plc

Non-Executive Director at Debenhams Plc

Chairman of Trustees of the charity The Holy Cross Children's Trust

Past roles
Chairman of Connect Group Plc

Senior Independent Director at Premier Farnell Plc

Senior Independent Director of Xchanging Plc from 2005–2012

Brings to the Board
Wide ranging public company experience and retail and financial expertise. Dennis is also a Chartered Accountant.

Pets

Ian Kellett
Group Chief Executive Officer

Appointment to the Board
2014

Meetings attended
10/10

Current roles
Group Chief Executive Officer since April 2016

Joined Pets at Home as Chief Financial Officer in 2006

Appointed as Chief Executive Officer of the Retail Division in 2015

Past roles
Finance Director of Staples retail business from 2004–2006

Deputy Finance Director of JD Wetherspoon from 1999–2004

Brings to the Board
Significant strategic and operational expertise through time spent at Pets at Home.

Pets

Amy Stirling
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance, Audit & Risk, Remuneration

Meetings attended
10/10

Current roles
Non-Executive member of the Cabinet Office Board and Chair of Audit and Risk Committee

Non-Executive Director at RIT Capital Partners Plc

Trustee of the Prince's Trust

Past roles
Chief Financial Officer of the Prince's Trust

Chief Financial Officer of TalkTalk Telecom Group Plc from 2010–2013

Chief Financial Officer Telecoms Division – Carphone Warehouse Group Plc from 2007–2010

Brings to the Board
Financial, accounting and public company experience. Amy is also a Chartered Accountant.

Pets

Paul Coby
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance, Audit & Risk, Pets Before Profit, CSR

Meetings attended
9/10

Current roles
IT Director at John Lewis

Board Member of SITA (Societe Internationale de Telecommunications Aeronautique)

Board member of Clydesdale and Yorkshire Banking Group

Past roles
Board member of P&O Ferries

CIO at British Airways from 2001–2011

Civil Servant in the Departments of Transport and Environment

IT Director of Randalls Cottages Ltd

Brings to the Board
Significant ecommerce, international and systems technology experience.

Pets

Tessa Green CBE
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Remuneration, Nomination & Governance, Pets Before Profit, CSR

Meetings attended
10/10

Current roles
Trustee of the Royal Foundation of the Duke and Duchess of Cambridge

Past roles
Non-Executive Director of Barts Health NHS Trust

Chairman of The Royal Marsden NHS Foundation Trust from 1998–2010

Chairman of The Royal Marsden Cancer Campaign

Head of Corporate Affairs at Carlton Communications Plc

Trustee of the Royal Botanical Gardens, Kew

Brings to the Board
Considerable background in the not-for-profit and charitable sectors.

Pets

Paul Moody
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Audit & Risk, Remuneration, Nomination & Governance

Meetings attended
10/10

Current roles
Non-Executive Chairman of Johnson Service Group

Non-Executive Director of 4imprint Group Plc

Past roles
Chief Executive Officer of Food Freshness Technology

Over 17 years at Britvic Plc, with the last eight years as Chief Executive Officer until 2013

Brings to the Board
Deep consumer goods and public company experience.

Brian Carroll
Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance

Meetings attended
10/10

Current roles
Non-Executive Director of Pets at Home since 2011

Member of Kohlberg Kravis Roberts & Co. Partners LLP and joined the firm in 1995. Heads their consumer and retail teams in Europe and a member of the European investment committee

Board Director at Laureate Education International, Cognita Holdings Limited, SMCP SAS, Northgate Information Solutions Limited and Afriflora

Past roles
Corporate finance and merchant banking team member at Donaldson, Lufkin & Jenrette

Brings to the Board
Strategic business, financial and corporate finance expertise.

Louise Stonier
Group Company Secretary and Legal Director

Appointment to the Board
2014

Meetings attended
10/10

Current roles
Company Secretary and Legal Director of Pets at Home Group since 2004

Chair and Trustee of the charity Support Adoption For Pets

Past roles
Associate in the corporate team at DLA Piper LLP from 2000–2004

Solicitor at CMS Cameron McKenna from 1997–2000

Brings to the Board
Legal knowledge and expertise.

Pets

Executive Management Team

The Board is supported by a highly experienced management team. Operational day-to-day matters are delegated to the Group Chief Executive Officer together with the rest of the Executive Management Team.

Ian Kellett
Group Chief Executive Officer

Joined Pets at Home
2006

Biography
Ian joined Pets at Home as Chief Financial Officer in April 2006, was appointed as Chief Executive Officer of the Retail Division in June 2015 and moved to the role of Group Chief Executive Officer in April 2016.

During his ten years at Pets at Home, Ian was involved in the sale of the business to KKR in 2010, the acquisition of Vets4Pets in 2013 and the IPO of the Group in 2014. As well as focusing primarily on his role as CFO and more recently as Chief Executive Officer of Retail Division, Ian has previously held responsibility for distribution and logistics, and the strategic development of the business across both Merchandise and Services. In addition, Ian has been a member of the Vet Group Board for the last ten years.

Previous to his time at Pets at Home, Ian was Finance Director of Staples' retail business in the UK between 2004–2006 and Deputy Finance Director of JD Wetherspoon plc between 1999–2004.

Pets

Mark Adams
Interim Group Chief Financial Officer

Joined Pets at Home
2016

Biography
Mark joined Pets at Home in March 2016 as Interim Chief Financial Officer.

Mark is a graduate Chartered Accountant with over 20 years' experience operating at a senior level across a number of different sectors with a focus on consumer facing businesses. His recent career includes CFO roles at Cognita Schools, easyJet plc, Alpha Airports Group plc and STA Travel Group.

Over recent years, Mark has been keen to use his skills and experience in the charitable sector.

He currently serves as a board member of Development Media International, a UK-based non-profit organisation that specialises in running evidence-based media campaigns to change behaviours and improve lives in developing countries.

Sally Hopson MBE
Chief Executive Officer of Services

Joined Pets at Home
2008

Biography
Sally joined Pets at Home in 2008 as the Customer, People and Development Director and became Chief Executive Officer of Services in June 2015.

Sally joined Pets at Home in December 2008 from Asda where she held a number of senior roles over 14 years. After graduating from the School of Oriental and African Studies at the University of London with a degree in Middle Eastern History, Sally joined the graduate scheme at Habitat and began a long and enjoyable career in retailing.

Sally is also a Non-Executive Director for the Retail Trust and for Jardiland, a French garden centre chain. A particular interest in diversity led to a four year period as a commissioner on The Women in Work Commission and the Learning and Skills Council which was recognised in an MBE awarded in 2006.

Pets

Peter Pritchard
Chief Executive Officer of Retail

Joined Pets at Home
2011

Biography
Peter joined Pets at Home in January 2011 as Commercial Director and moved to the role of Chief Executive Officer of Retail in March 2016.

Peter has worked in retail for 25 years in various senior operational and commercial roles. Previous companies include Asda, Sainsbury's, Iceland, Marks and Spencer and Wilkinson Hardware Stores. Peter has a Masters Degree in Business Administration from Stirling University.

Peter is a Trustee of Community Integrated Care, one of the UK's largest health and social care charities. They work in the community delivering life enhancing support to people with learning difficulties, mental health concerns, autism, age related needs and dementia.

Pets

Louise Stonier
Group Company Secretary and Legal Director

Joined Pets at Home
2004

Biography
Louise joined Pets at Home in 2004 as Head of Legal and Company Secretary and was promoted to Group Legal Director and Company Secretary in 2008. Louise is also the Chair and Trustee of the charity, Support Adoption For Pets.

Louise graduated from Nottingham University with an LLB (Hons) and joined CMS Cameron McKenna as a trainee solicitor. After qualifying as a Corporate solicitor in 1999, Louise moved to DLA Piper LLP and as an associate in the Corporate Team, acted on a number of corporate finance and M&A transactions.

Pets

Directors' Report

This section of the Annual Report includes additional information required to be disclosed under the Companies Act 2006 ("Companies Act"), the UK Corporate Governance Code 2014 ("Code"), the Disclosure and Transparency Rules ("DTRs") and the Listing Rules ("LRs") of the Financial Conduct Authority ("FCA").

Pets at Home Group Plc

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

Statutory information

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

Disclosures required under Listing Rule 9.8.4R

The information required by LR 9.8.4R is disclosed on the following pages of this Annual Report:

Disclosure	Page
Long term incentive schemes	99–101
Significant contracts	70
Dividend waivers	Note 9 to the consolidated financial statements 134

Principal activities

The principal activity of the Group is that of a specialist retailer of pet food, pet related products and pet accessories. The Group is also the operator of a small animal veterinary business and pet grooming salons and the multi-channel equestrian retailer, Ride-away. The Group has also opened a new format, dog focused high street store called Barkers, which offers premium products and services targeted at highly engaged dog owners. The principal activity of the Company is that of a holding company. The Company's registrar is Computershare Investor Services Plc situated at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

Research and development

The Strategic Report sets out on pages 3, 10 and 21, the innovation carried out by the Group in relation to product development.

In addition, the Group also funds a number of research projects and this year we have continued to co-fund a Doctor of Philosophy ("PhD") at Exeter University which is looking at how to reduce the stress suffered by fish when they are transported. The PhD is being co-funded with an executive agency called CEFAS ("Centre for Environment Fisheries and Aquaculture Science") which is sponsored by DEFRA ("Department for Environment, Food & Rural Affairs") and advises DEFRA, as well as other public and private sector customers, on issues connected to the aquatic environment.

Colleague involvement

The Group places significant emphasis on colleague engagement at all levels. Colleagues are kept informed of issues affecting the Group through formal and informal meetings and through the Group's internal written communications. Further information on colleague engagement is included in the CSR Report on page 47. Details of the Group's employee share plans are contained in the Directors' Remuneration Report.

Colleague diversity and disabled persons

The Group's policy for colleagues and all applicants for employment is to match the capabilities and talents of each individual to the appropriate job. We are committed to ensuring that equality of opportunity in all colleague relations. We aim to ensure that no colleague, potential colleague, customer, visitor or contractor will receive less favourable treatment on the grounds of:

- Sex
- Pregnancy and maternity
- Disability
- Religious beliefs
- Marital status
- Race
- Ethnic origin
- Nationality
- Age
- Sexual orientation or following gender reassignment
- Colour

Applications for employment by disabled persons are given full and fair consideration for all vacancies, and are assessed in accordance with their particular skills and abilities. The Group does all that is practicable to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all colleagues.

The Group makes every effort to provide continuity of employment where current employees become disabled. Attempts are made in every circumstance to provide employment, whether this involves adapting the current job role and remaining in the same job, or moving to a more appropriate job role.

Directors

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

Name	Date of appointment	Date of resignation
Tony DeNunzio	18 February 2014	n/a
Nick Wood	11 February 2014	4 April 2016
Ian Kellett	11 February 2014	n/a
Dennis Millard	18 February 2014	n/a
Brian Carroll	18 February 2014	n/a
Tessa Green	18 February 2014	n/a
Paul Coby	18 February 2014	n/a
Amy Stirling	18 February 2014	n/a
Paul Moody	25 March 2014	n/a

Nick Wood resigned from his position as Chief Executive Officer of the Group on 4 April 2016 although he will remain as an employee of the Company until 1 July 2016. Nick Wood was succeeded by Ian Kellett on 4 April 2016.

Appointment and removal of a Director

A Director may be appointed by an ordinary resolution of shareholders in a general meeting following recommendation by the Nomination & Corporate Governance Committee in accordance with its terms of reference as approved by the Board or by a member (or members) entitled to vote at such a meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting.

In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM. A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by a special resolution of the Company.

Specific details relating to the Principal Shareholder, KKR My Best Friend Limited, an affiliate of Kohlberg Kravis Roberts & Co. L.P., and their right to appoint Directors are set out in the Governance Report on page 75.

All Directors will stand for re-election on an annual basis, in line with the recommendations of the Code.

Powers of the Directors

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

Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are also included within the Articles and such authorities are submitted for approval by the shareholders at the AGM each year. The authorities conferred on the Directors at the 2015 AGM, held on 9 September 2015, will expire on the date of the 2016 AGM.

Since the date of the 2015 AGM, the Directors have not exercised any of their powers to issue, or purchase, ordinary shares in the share capital of the Company.

Directors' interests

The Directors' interests in and options over, ordinary shares in the Company are shown in the Directors' Remuneration Report on page 93.

Since the end of the financial year and the date of this report, there have been no changes to such interests.

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

Directors' indemnities

Each Director of the Company has the benefit of a qualifying indemnity, as defined by section 236 of the Companies Act, and as permitted by the Articles, as well as prospectus liability insurance which provides cover for liabilities incurred by Directors in the performance of their duties or powers in connection with the issue of the Company's prospectus dated 28 February 2014 in relation to the Listing. In addition, all directors and officers of Group companies are covered by Directors & Officers liability insurance.

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

Share capital

The issued share capital of the Company as at 31 March 2016 and 25 May 2016, being the latest practicable date prior to the date of this Annual Report, comprises 500,000,000 ordinary shares of 1 pence each. Further information regarding the Company's issued share capital can be found in note 21 of the Group's financial statements.

There have been no movements in the Company's issued share capital in the 2016 reporting period.

Details of employee share schemes are provided in note 23 to the Group's financial statements.

Shareholder's voting rights

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

Restrictions on transfer of ordinary shares

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this Annual Report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the LRs whereby Directors and certain employees of the Company require Board approval to deal in the Company's securities.

For a period of one year following the date of the Company's Listing, each of the Executive Directors, the Chairman and the Senior Executives (excluding the Group Company Secretary) (each, a "Restricted Shareholder") agreed, on the terms and subject to the conditions of the Underwriting Agreement, not to dispose of any of the ordinary shares they hold in the Company (the "Initial Lock-Up Period"). Although the Initial Lock-Up Period expired on 16 March 2015, each Restricted Shareholder also entered into a lock-up deed dated 12 March 2014 with the Company. On the terms of each lock-up deed, each Restricted Shareholder undertook, for an additional period of 365 days (commencing on the termination of the Initial Lock-Up Period), not to dispose of more than a specified number of ordinary shares in the Company (in each case, approximately 50% of the relevant Restricted Shareholder's holding of ordinary shares). The additional lock-up periods expired on 16 March 2016.

All of the above arrangements are subject to certain customary exceptions.

Significant shareholdings

As at 31 March 2016 and 25 May 2016, being the latest practicable date prior to the date of this Annual Report, the Company has been notified pursuant to DTR5 of the following interests representing 3% or more of the issued ordinary share capital of the Company:

Name of shareholder	Number of ordinary shares as at 31.03.16	% of issued share capital	Number of ordinary shares as at 25.05.16	% of issued share capital	Nature of holding (direct/indirect)
KKR My Best Friend Limited[1]	99,372,190	19.9%	99,372,190	19.9%	Direct
MBF Co-Invest L.P.[1]	23,640,896	4.7%	23,640,896	4.7%	Direct
Schroders Investment Management	35,584,330	7.12%	35,584,330	7.12 %	Direct
Old Mutual Plc	65,381,183	13.08%	70,836,503	14.17%	Direct
Kames Capital Plc	15,012,970	3.00%	14,888,768	3.00%	Direct
GIC Private Ltd	24,966,634	4.9933%	24,966,634	4.99%	Direct

1 an affiliate of Kohlberg Kravis Roberts & Co. L.P.

Transactions with related parties

The only subsisting material transactions which the Company has entered into with related parties are:

- **Relationship Agreement:** The Relationship Agreement was entered into on 28 February 2014 and regulates the relationship between KKR My Best Friend Limited (the "Principal Shareholder") and the Company following Listing. Subject to a certain minimum shareholding, the Relationship Agreement details the rights the Principal Shareholder has to representation on the Board and Nomination & Corporate Governance Committee; appoint observers to the Remuneration, Audit & Risk and the Pets Before Profit/CSR Committees and certain anti-dilution rights. The Company has also undertaken to cooperate with the Principal Shareholder in the event of a sale of the ordinary shares by the Principal Shareholder at any time.

  The Relationship Agreement complies with the requirements of the LRs, including LR 9.2.2AR(2)(a), which came into effect on 16 May 2014, and LR 6.1.4DR.

  In accordance with the requirements of LR 9.8.4(14), the Board confirms that the Company has complied with its obligations under the Relationship Agreement, including in respect of the independence provisions set out therein, at all times since it was entered into, including throughout the period under review, and, so far as the Company is aware, KKR My Best Friend Limited and its associates have complied with the provisions of the Relationship Agreement (including the independence provisions set out therein), at all times since it was entered into, including throughout the period under review.

- **Senior Facilities Agreement:** KKR Capital Markets Limited ("KCM"), an affiliate of the Principal Shareholder, was entitled to receive a syndication agent fee equal to 0.50% of the total commitments under the terms of a senior facilities agreement dated 18 February 2014 ("Senior Facilities Agreement") entered into in connection with the Listing.

- **Amendment to the Senior Facilities Agreement:** On 14 April 2015, the Company and certain of its subsidiaries entered into an amendment agreement (the "Amendment Agreement") to the Senior Facilities Agreement. KCM received fees of £500,000 (period to 26 March 2015: £nil), relating to professional services associated with debt financing following the refinancing of the Pets at Home Group in April 2015.

Further details of the Group's banking facilities are shown in note 18 on page 142 of the financial statements. Certain of the payments made under the Amendment to the Senior Facilities Agreement have been made this financial year.

Amendment of the Articles

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

Profits and dividend (before exceptional items)

The consolidated profit for the year after taxation was £77,079,000 (FY15: £67,876,000). The results are discussed in greater detail in the finance review on pages 30 to 33.

A final dividend of 5.5 pence per share (FY15: 3.6 pence per share) will be recommended to the Company's shareholders in respect of the 2016 financial year. The final dividend will be proposed by the Directors at the AGM on 14 September 2016 in respect of the year ended 31 March 2016 to add to an interim dividend of 2.0 pence per share paid on 8 January 2016 (FY15: 1.8 pence per share).

The Directors' proposed final dividend of 5.5 pence per share takes the total dividend payable in respect of the 2016 financial year to 7.5 pence per share. The ex-dividend date will be 18 August 2016 and, subject to shareholder approval at the 2016 AGM, the final dividend of 5.5 pence per share will be paid to shareholders on the register at the close of business on 19 August 2016.

Compensation for loss of office and change of control

There are no agreements between the Company and its Directors or colleagues providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs because of a takeover bid.

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

- The Relationship Agreement with the Principal Shareholder contains a provision allowing the Principal Shareholder to terminate the agreement with immediate effect if any person acquires control of the Company (namely holding and/or ownership of the beneficial interest in and/or the ability to exercise the voting rights applicable to ordinary shares or other securities in the Company which confer, in aggregate on the holders, whether directly or indirectly, more than fifty per cent. of the voting rights exercisable at general meetings of the Company) or the Company ceases to be Listed.

- The Senior Facilities Agreement and the Amendment Agreement contain customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Political donations
The Group made no political donations and incurred no political expenditure during the year (FY15: nil). It remains the Company's policy not to make political donations or to incur political expenditure, however the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities, although the Board has no intention of using this authority.

Suppliers
The Group understands the importance of maintaining good relationships with suppliers and it is Group policy to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations. Average trade creditors of the Group's UK operations for FY16 were 46 days (FY15: 42 days).

Post balance sheet events
The Group acquired two veterinary specialist referral centres post year end. These are:

- Dick White Referrals, based in Cambridgeshire, and which is one of the UK's largest small animal specialist veterinary referral centres, treating over 5,000 cases each year and employing 31 veterinary specialists across a wide range of areas. A 76% ownership stake was acquired. It will operate as a shared venture model through which the founder, Professor Dick White, and the key clinicians, will retain 24% equity ownership.
- Eye Vet Referrals, a dedicated Opthalmology centre with six veterinary specialists, which is based in Cheshire and already provides services to one of our referral centres, NorthWest Surgeons as well as to other primary opinion veterinary practices. Eye Vet Referrals will also operate as a shared venture, with the founders retaining 10% equity ownership.

Going concern
On the basis of current financial projections and facilities available, the Directors are satisfied that the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group have adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

Viability statement
The Group has developed a detailed strategic and business planning ("SBP") process, which comprises a strategic plan ("Plan") containing financial projections for a number of future years and a business plan which forms a detailed near term one year plan for the current financial year. The SBP process produces standard outputs in respect of the key financial performance metrics of the Group which deliver consolidated financial plans at both Group level and at a number of levels within the Group. The Plan is reviewed each year by the Board as part of the strategy review process. Once approved by the Board, the Plan is cascaded across the Group and provides the basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance.

The SBP process covers a three year period. The three year plan provides a robust planning tool against which strategic decisions can be made. In making their viability assessment, the Board has taken into consideration that financing facilities are maintained for the duration of the Plan. The Directors have considered a combination of risks and uncertainties and the mitigating controls operated by the Group as detailed on pages 38 to 43 that may impact on the Group's reputation and its ability to trade. These risks include issues on pet welfare, competitor activity and broader macro-economic risks and their impact on the Strategic Plan on an individual and combined level.

On this basis and in conjunction with other matters considered and reviewed by the Board during the year, the Board has reasonable expectations that the Group will be able to continue in operation and meet its liabilities as they fall due over the three financial years used for their assessment. In making this assessment, the Board have assumed that there is no material change in the legislative environment in relation to the sale of small animals and the practice of veterinary medicine. It is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore future outcomes cannot be guaranteed or predicted with certainty.

Human rights and modern slavery statement

Pets at Home is the UK's leading specialist retailer of pets, pet related products and services. We run the UK's largest small animal veterinary and grooming businesses through our vets and services brands.

Our mission is to be the best pet shop in the world. We therefore take great care in operating our business and in selecting our business partners and suppliers. The products we sell are sourced from a broad range of suppliers, both national and international. We are the only UK pet retailer to have a dedicated sourcing office in the Far East. From our regional base in Hong Kong, which opened in 2012, we have a team of product technologists who support our buyers, oversee our suppliers and monitor production.

Our suppliers are required to comply with our Ethical Trading Policy and we undertake ethical audits which cover: hours of work, labour practices, working conditions, onsite accommodation, health & safety, environment, supply chain management and wages. We also require compliance with the Pets at Home Group's Code of Business Ethics and Conduct.

We have undertaken a Group wide risk assessment to highlight any areas where we may be vulnerable to the risk of modern slavery and, where necessary, will strengthen our processes in the areas highlighted. We are also reviewing our supplier due diligence and audit processes to ensure compliance with the Modern Slavery Act 2015 ("Act"). In addition, we are updating our supplier trading terms and Ethical Trading Policy in relation to the Act.

Should any instances of non-compliance with the Act arise in relation to any of our suppliers then this will be reviewed and appropriate action taken.

The Pets at Home Group Plc Board of Directors approved this statement at a meeting of the Board on 20 April 2016.

Branches outside the UK

The Company has no branches outside the UK.

Auditor

So far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps which they ought to have taken as Directors to make themselves aware of any relevant audit information (being information that is needed by the Company's Auditor in connection with preparing its report) and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act.

At the AGM on 9 September 2015, KPMG LLP was appointed as the Company's Auditor. During the 2015 financial year, a competitive tender process of audit services was completed in accordance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, made by the Competition & Markets Authority.

A resolution is to be proposed at the 2016 AGM for the reappointment of KPMG LLP as the Auditor of the Group.

Approval of Annual Report

The Strategic Report, Corporate Governance Statement and the Corporate Governance Report were approved by the Board on 25 May 2016.

Approved by the Board and signed on its behalf by

Louise Stonier
Group Company Secretary
25 May 2016

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

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

Company law requires the Directors to prepare the Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group's financial statements in accordance with International Financial Reporting Standards ("IFRS") (as adopted by the European Union ("EU")) and applicable law and they have elected to prepare the parent company financial statements on the same basis. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss of the Group for that period. In preparing each of the Group and parent company financial statements for each financial year, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

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

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

Approved by the Board and signed on its behalf by

Ian Kellett
Group Chief Executive Officer
25 May 2016

Corporate governance

Statement of Compliance with UK Corporate Governance Code

The following Corporate Governance Report outlines how the Board has applied the main principles of good governance as required by the UK Corporate Governance Code 2014 published in September 2014 by the Financial Reporting Council (the "Code"). The Board is committed to the highest standards of corporate governance. Except as noted under the heading Chairman on page 75, the Board has complied with and intends to continue to comply with the requirements of the Code.

The Company is reporting to its shareholders on its compliance with the Code in accordance with the Listing Rules made by the United Kingdom Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (as amended from time to time) ("LRs").

The role of the Board

Division of responsibilities

The Company is led and controlled by the Board which is collectively responsible for the long term and sustainable performance of the Group. The roles of Chairman and Group Chief Executive Officer are separate and clearly defined, with the division of responsibilities set out in writing and agreed by the Board. The definitions of the roles are published on the Group's website (http://investors.petsathome.com/investors/shareholder-information/governance/our-committees).

The Board has delegated certain responsibilities to Committees to assist in discharging its duties and the implementation of matters approved by the Board as summarised below. The reports of each of the Committees are set out on pages 82 to 85, 86 to 87 and 88 to 107.

Detailed implementation of matters approved by the Board and operational day-to-day matters are delegated to the Group Chief Executive Officer together with the rest of the Executive Management Team.

Matters reserved for Board approval

A formal schedule of matters is reserved to the Board for its approval, which includes:

- Agreement of the Group's strategy;
- Changes to the structure and capital of the Group;
- Approval of any decisions to cease to operate all or any material part of the Group's business;
- Approval of extension of activities into new businesses or geographical areas;
- Reviewing the effectiveness of internal controls;
- Approval of financial statements and results announcements;
- Approval of shareholder communications, circulars and Notices of Meetings;
- Approving significant expenditure, material transactions and contracts;
- Reviewing and agreeing Group tax and treasury policy;
- Delegation of authority to the Group Chief Executive Officer;
- Board and Senior Management appointments, arrangements and succession planning;
- Setting of Board Committees' Terms of Reference; and
- Review of the Group's overall corporate governance matters.

The separation of responsibilities between the Chairman and the Group Chief Executive Officer, coupled with the reserved matters described above, ensures that no individual has unfettered powers of decision-making.

Board composition

Board balance and independence

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

The Board currently consists of five Independent Non-Executive Directors, one Non-Executive Chairman, one non-Independent Non-Executive Director appointed by the Principal Shareholder and one Executive Director. The Directors' biographies are contained on pages 62 to 63. The Board considers that all of its Non-Executive Directors are independent in character and judgement and that both individually and collectively, the Directors have the range of skills, knowledge, diversity of experience and dedication necessary to lead the Group and also contribute significantly to the work of the Board together with the requisite strategic and commercial experience. More than half of the Directors excluding the Chairman and the non-Independent Non Executive Director are considered to be independent in accordance with the Code.

Chairman

The Code recommends that, on appointment, the chairman of a company with a premium listing on the Official List should meet the independence criteria set out in the Code. Tony DeNunzio joined Pets at Home in 2010 and has been Non-Executive Chairman of the Group since March 2010. Notwithstanding that the Board did not consider at the time of listing, and continue to believe that Tony DeNunzio does not meet the independence criteria set out in the Code, the Board believes that Tony should remain as Non-Executive Chairman of the Group since he brings vast retail experience and knowledge to the Pets at Home team. The Directors consider that he exercises his role as Chairman independently of management and exercises his judgement in the interests of all shareholders.

Group Chief Executive Officer

The Group Chief Executive Officer ("Group CEO") is responsible for the day-to-day management of the Company, and, together with the Executive Management Team, for executing the strategy, once it has been agreed by the Board. The Group CEO creates a framework that optimises resource allocation to deliver the Group's agreed strategic objectives over varying timeframes and to ensure the successful delivery against the financial business plan and other key business objectives, allocating decision making and responsibilities accordingly. The Group CEO together with the Executive Management Team identifies and executes new business opportunities and potential acquisitions or disposals. The Group CEO manages the Group with reference to its risk profile in the context of the Board's risk appetite. Ian Kellett has recently been appointed to the role of Group CEO as successor to Nick Wood.

Senior Independent Director

The Code recommends that the board of directors of a company with a premium listing should appoint one of the Independent Non-Executive Directors as a Senior Independent Director to provide a sounding board for the Chairman and to serve as an intermediary for the other directors when necessary. The role of Senior Independent Director includes being available to shareholders if they have concerns, which contact through the normal channels of the Group CEO has failed to resolve, or for which such contact is inappropriate. Dennis Millard has been appointed Deputy Chairman as well as Senior Independent Director and has considerable experience of acting as an independent non-executive director on plc boards.

Appointment of Directors by the Principal Shareholder

Pursuant to the Relationship Agreement, the Company has agreed with the Principal Shareholder that it may appoint two Non-Executive Directors to the Board for so long as the Principal Shareholder (and/or any of its associates, when taken together) holds 20% or more of the voting rights over the Company's Shares and one Non-Executive Director to the Board for so long as it (and/or any of its associates, when taken together) holds 10% or more but less than 20% over the voting rights in respect of the Company's shares. The Principal Shareholder has appointed Brian Carroll as a Non-Executive Director of the Board. The Chairman, Tony DeNunzio, is a senior advisor to affiliates of the Principal Shareholder and therefore is not deemed to be independent of the Principal Shareholder. Although he has not been appointed as a Director by the Principal Shareholder, the Principal Shareholder has agreed that for so long as it has the right to appoint two Directors to the Board and Tony is a Director, the Principal Shareholder will not exercise its right to appoint a second Director to the Board. For further details of the Relationship Agreement and confirmation of compliance with the provisions set out in the Relationship Agreement, see page 70 of the Directors' Report.

Board observers

Each of the Chief Executive Officer of the Retail Division and the Chief Executive Officer of the Services Division has been appointed as Board observer with rights to receive notice of (including all Board papers), attend and speak at, Board meetings. The Principal Shareholder also has the right to appoint, and has appointed, one Board observer for so long as it holds voting rights over more than 10% of the Company's shares. Such Board observers have the right to receive notice of, attend and speak at, Board meetings. No Board observer is entitled to vote on any matter requiring a resolution of the Board.

Appointments

2016 saw changes to the Board in relation to the appointment of Ian Kellett as Group CEO. The Nomination & Corporate Governance Committee is utilising independent recruitment consultants to identify a suitable successor to Ian Kellett as Chief Financial Officer.

Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report on pages 103 to 104. As announced at the time of his appointment, the terms of Ian Kellett's service agreement was amended, upon his appointment as Group CEO, to include a notice period of six months from the individual and 12 months from the Company. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours.

At each AGM of the Company all Directors will stand for re-election in accordance with the Code.

Effectiveness

Directors induction and ongoing training

It is important to the Board that Non-Executive Directors have the ability to influence and challenge appropriately. New Directors receive a full, formal and tailored induction on joining the Board, including meeting with the Executive Team and other members of the Group's Operating Board and advisors. The induction includes visits to the Group's stores, veterinary surgeries and other operational locations together with training on the Group's core values including environmental, social and governance issues.

Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All Directors receive frequent updates on a variety of issues relevant to the Group's business, including regulatory and governance issues.

Considering diversity

The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background and experience. Whilst the Board believes that appointments should be made solely on merit, we seek to ensure that the Board maintains an appropriate balance through a diverse mix of experience, backgrounds, skills, knowledge and insight, to further strengthen the diversity of gender and experience already on the Board. Notably, two of the five Independent Non-Executive Directors, Tessa Green and Amy Stirling, are female together with the Group Company Secretary, Louise Stonier and the CEO of the Services division, Sally Hopson. These appointments were made on merit, and not on the basis of gender, the appointees being by far the strongest candidates for the positions with their skill sets and overall experience fitting the objective role description approved by the Board at the outset of the recruitment process.

This policy applies equally to all appointments in the Company and so, the most recent appointment to the board of the Pets at Home Vets Group is female, Fiona Briault.

Board meetings and attendance

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

Topics for the Board meetings are determined at the beginning of the year and new items are added to this as and when appropriate.

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

- Strategy;
- Succession planning;
- Performance overall of individual businesses and functions in the Group;
- Budgets and long term plans for the Group;
- Financial statements and announcements;
- Reviewing reports from the Committees, notably on audit strategy, remuneration, succession planning, the Group's corporate social responsibility strategy and measures in place to ensure that Pets Before Profit is maintained as the Company's number one value;
- Approving significant items of capital expenditure and contracts, investments, treasury and dividend policy;
- Approving new acquisitions;
- Shareholder feedback and reports from brokers and analysts;
- Risk management and controls in the Group including reputational risks; and
- Delegated authorities.

All Directors receive papers in advance of Board meetings via an electronic board paper system which enables the fast dissemination of quality information in a safe and secure manner. These include a monthly Board report with updates from each of the Executive Team and the Operating Board, which monitors the achievements of the Group's key performance indicators, both financial and strategic. Performance against budget is reported to the Board monthly and any substantial variances are explained. Forecasts for each half year are revised and reviewed monthly.

The Group's Operating Board are also invited to present at Board meetings so that Non-Executive Directors keep abreast of developments in the Group.

The Chairman meets regularly with the Non-Executive Directors, without the Executive Directors present and this practice will continue in the future. The Senior Independent Director also attended these sessions.

It is important to the Group that all Directors understand external views of the Group. Throughout the year, regular reporting is provided to the Board by the Company's Head of Investor Relations, covering broker reports and the output of meetings with significant shareholders.

Number of meetings attended

Attendance for all scheduled Board and Board Committee meetings is given in the table below.

	Board	Remuneration Committee	Audit & Risk Committee	Nomination & Corporate Governance Committee	Corporate Social Responsibility Committee	Pets Before Profit Committee
Number of meetings[1]	10	5	4	4	2	2
Director[2]						
Tony DeNunzio (Chairman)	10	–	–	4	2	2
Dennis Millard (Deputy Chairman)	10	5	4	4	2	2
Nick Wood	9	–	–	–	–	–
Ian Kellett	10	–	–	–	–	–
Amy Stirling	10	5	4	4	–	–
Tessa Green	10	5	–	4	2	2
Paul Coby	9	–	3	4	2	2
Paul Moody	10	5	4	4	–	–
Brian Carroll[3]	10	–	–	3	–	–

1 Excludes the strategy day which all Directors attended.
2 Only attendance of formal members of the meetings is included. Attendance as an observer is not included.
3 Includes attendance either in person or via his alternate, Nicolas Gheysens, appointed under the Relationship Agreement.

Board Committees

The Board has established three Board Committees: an Audit & Risk Committee, a Nomination & Corporate Governance Committee, and a Remuneration Committee. In addition, the Board has also established the Pets Before Profit Committee and the Corporate Social Responsibility ("CSR") Committee which comprise both Non-Executive Directors and colleagues and the Investment Committee which comprises Executive Directors and colleagues (including a Senior Executive). If the need should arise, the Board may set up additional committees as appropriate.

Each Committee has written terms of reference which are approved by the Board and subject to review each year. These are available on request from the Group Company Secretary and are published on the Group's website (http://investors.petsathome.com).

Audit & Risk Committee

The Audit & Risk Committee gives due consideration to laws and regulations, the provisions of the Code and the requirements of the LRs.

The Code recommends that an audit committee should comprise at least three members who are Independent Non-Executive Directors and that at least one member should have recent and relevant financial experience. The Audit & Risk Committee is chaired by Amy Stirling, and its other members are Dennis Millard, Paul Coby and Paul Moody, all of whom are Independent Non-Executive Directors. As a former chief financial officer of TalkTalk Telecom Group Plc, the Directors consider that Amy Stirling fulfills the requirement under the UK Corporate Governance Code that one member of the Committee has recent and relevant financial experience.

The Audit & Risk Committee meets not less than three times a year.

Only Committee members have the right to attend and vote at its meetings but the Principal Shareholder has a right to appoint an observer to attend meetings of the Audit & Risk Committee for so long as it (and/or any of its associates, when taken together) holds 10% or more of the voting rights in respect of the Company's Shares.

The Audit & Risk Committee chair will be available at the 2016 AGM to respond to questions from shareholders on the activities of the Audit & Risk Committee.

The Audit & Risk Committee has taken appropriate steps to ensure that the Company's Auditors are independent of the Company and obtained written confirmation from the Company's Auditors that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

The Audit & Risk Committee has access to sufficient resources to carry out its duties, including the services of the Group Legal Director and Group Company Secretary and the Group's internal audit function. Independent external legal and professional advice can also be taken by the Audit & Risk Committee if it believes it necessary to do so.

The Audit & Risk Committee Report on pages 82 to 85 describes the role and activities of the Committee.

Remuneration Committee

The Remuneration Committee assists the Board in determining its responsibilities in relation to Directors' remuneration.

The Code provides that a remuneration committee should comprise at least three members who are Independent Non-Executive Directors (other than the chairman). The Remuneration Committee is chaired by Paul Moody, and its other members are Tessa Green, Amy Stirling and Dennis Millard, all of whom are Independent Non-Executive Directors. The Remuneration Committee meets not less than twice a year. Non-Executive Directors' and the Chairman's fees are determined by the full Board.

Only Committee members have the right to attend and vote at its meetings, but the Principal Shareholder has a right to appoint an observer to attend meetings of the Remuneration Committee for so long as it (and/or any of its associates, when taken together) holds 10% or more of the voting rights in respect of the Company's shares.

The Remuneration Committee has access to sufficient resources to carry out its duties, including the services of the Group Legal Director and Group Company Secretary. Independent external legal and professional advice can also be taken by the Remuneration Committee if it believes it necessary to do so.

Pages 88 to 107 of the Annual Report on Remuneration summarise the role and activities of the Committee.

Nomination & Corporate Governance Committee

The Nomination & Corporate Governance Committee assists the Board in considering the structure, size and composition of the Board whilst advising on succession planning.

The Code recommends that a majority of the members of a nomination committee should be Independent Non-Executive Directors. The Nomination & Corporate Governance Committee is chaired by Tony DeNunzio, and its other members are Dennis Millard, Paul Coby, Tessa Green, Amy Stirling (each of whom is an Independent Non-Executive Director), and Brian Carroll. The Nomination & Corporate Governance Committee meets not less than once a year.

The Nomination & Corporate Governance Committee has access to sufficient resources to carry out its duties, including the services of the Group Legal Director and Group Company Secretary. Independent external legal and professional advice can also be taken by the Nomination & Corporate Governance Committee if it believes it necessary to do so.

Further details of the role of and the activities of the Committee can be found on pages 86 to 87.

Other Pets at Home Committees

Pets Before Profit Committee and Corporate Social Responsibility Committee

The Pets Before Profit Committee and the Corporate Social Responsibility ("CSR") Committee advise the Board on the Group's corporate responsibility objectives and strategy. Further details of the work carried out by these Committees is contained in the CSR Committee Report on pages 44 to 59. CSR is embedded in the Group's strategy with the number one value being Pets Before Profit.

The Pets Before Profit Committee and the CSR Committee are chaired by Tessa Green, and its other members are Tony DeNunzio, Dennis Millard and Paul Coby. A number of the Group's colleagues (including members of the Executive Management Team) are also regularly invited to attend meetings of the Pets Before Profit and CSR Committee.

The Pets Before Profit Committee and the CSR Committee meet formally at least twice a year and otherwise as may be required.

Only Committee members have the right to attend and vote at its meetings but the Principal Shareholder has a right to appoint an observer to attend meetings of the Pets Before Profit Committee and CSR Committee for so long as it (and/or any of its associates, when taken together) holds 10% or more of the voting rights in respect of the Company's shares.

Management Committees

Details of our management committees are set out below:

Investment Committee

The Investment Committee assists the Board with the Group's store and veterinary surgery rollout process to ensure the Group's investment process is managed effectively and rigorously throughout the Group. The Investment Committee is chaired by Ian Kellett and its other members are Sally Hopson and Peter Pritchard. A number of the Group's colleagues are entitled to attend meetings of the Investment Committee as observers including the Director of Property, the Group Development Director and the Vet Group Partner Recruitment, Property and People Director.

The Investment Committee meets formally at least ten times a year and otherwise as may be required. Duties of the Investment Committee include reviewing and considering all proposals presented for new store and standalone surgery acquisitions by a Group company, approving all material variations to proposed new stores and standalone surgery acquisitions, periodically reviewing proposed changes to the reporting and presentation of new store investment criteria; reviewing all proposals presented for lease renewals and reviewing alternative strategies for new store investment, formats and geographical markets and reporting on such strategies to the Board for final approval on the terms of any such matter, and reviewing all proposals for the dispositions of all or part of any of the lease on stores including any sub-letting, assignments, surrenders or relocations and approve or reject any such proposals as appropriate. Each of the matters approved by the Investment Committee is subject to the further approval of the Board where it falls within the level of expenditure requiring full Board approval. The Investment Committee formally updates the Board at least once a year in addition to regular updates on matters approved within the monthly Board packs.

Senior Executive and Operating Board

In addition to the Board, the Group has both the Executive Management Team as detailed in the Governance Report on pages 64 and 65 and the Operating Board (the "Operating Board") for which respective roles are clearly defined. The Operating Board meets frequently to discuss the following:

- Current trading;
- New developments;
- Operational issues;
- Marketing;
- People; and
- Execution of strategic programmes.

Health and safety

Health and safety is a key priority for the Board and senior management and is an item for review and discussion at each Board meeting. The Board has established a health and safety committee that meets at least on a quarterly basis and is chaired by the Group Legal Director and Company Secretary with the agenda led by the Group Head of Health and Safety. The committee is attended by key individuals in the business that are responsible for certain areas of health and safety including the veterinary business, retail and grooming and the committee is tasked with reviewing the Group's overall health and safety performance. A health and safety policy is in place for the Group which is reviewed on a regular basis.

The Distribution centres have their own dedicated health and safety manager and a separate health and safety sub-committee which also meets on a regular basis. The veterinary business also has a designated health and safety manager and two health and safety assessors.

Further details of the work of the health and safety committee are contained on page 50 of our CSR Report.

Internal control and risk management

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness and has carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity as detailed on pages 38 to 43 of the Strategic Report. The Board delegates to the Executive Team the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing key risks and include the risk management processes set out on pages 38 to 43 of the Strategic Report and page 84 of the Audit & Risk Committee Report.

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

- The annual Group wide strategic review of the business took place in October and November 2015 culminating in the preparation of a detailed three year strategic plan which was reviewed and approved by the Board. Following this approval, the business carried out its annual budget cycle, again culminating in formal review and approval by the Board.
- Management accounts have been reviewed at meetings of the Board. These reviews covered the comparison of actual performance against budget in the period end management accounts and consideration of outturn for the year. The period end accounts are prepared by the management accounts team and reviewed by the Chief Financial Officer and the Finance Director.
- All capital investments during the year have been approved by the Chief Financial Officer; an authority framework is in place which details the approvals required for specific levels of capital spend including those capital projects requiring full Board approval. In line with delegation by the Board, the Investment Committee, chaired by the Group CEO, has reviewed and approved investments in respect of the acquisition and fit-out of new stores and new standalone veterinary practices; see page 23 for further details.
- The business plans for each new company acquisition namely the acquisition of Northwest Surgeons Limited, Anderson Moores Veterinary Specialists Limited, Eye Vet Limited and Dick White Referrals Limited have been reviewed and approved by the Board prior to acquisition following internal review and approval.
- There is an internal audit department in place that has its scope agreed with the Audit & Risk Committee and has reported at each Audit & Risk committee throughout the year. All internal audit reports are presented to the Audit & Risk Committee for review and consideration of any material findings. Where audit findings have been raised, management have agreed appropriate actions and these are prioritised based on risk. Further details of the areas covered in the internal audit reports can be found in the Audit & Risk Committee report on page 84.
- A clearly articulated delegated authority framework in respect of all purchasing activity is in place across the Group. This is complemented by systemic controls including a contract approval policy that reflect the agreed authority framework and clear segregation of duties between relevant functions and departments.
- A schedule of matters reserved for the Board is in place for approving significant transactions and strategic and organisational change.
- Board discussion of the key risks and uncertainties facing the Group and the risk management system together with deep dives on a number of key risk areas. Further details are contained in the Audit & Risk Committee report on page 84.

Directors' conflicts of interest

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

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

Two potential conflicts of interest were reported in the year ended 31 March 2016 in circumstances where the Non-Executive concerned was neither directly nor indirectly involved in any potential dealings between the Group and the company concerned. The conflicts were authorised by the Board with appropriate safeguards being put in place.

Whistleblowing Policy

The Company has a duty to conduct its affairs in an open and responsible way. We are committed to high standards of corporate governance and compliance with legislation and appropriate codes of practice. By knowing about any wrong doing or malpractice at an early stage, we stand a good chance of taking the necessary steps to stop it. We have a policy in place that is designed to encourage colleagues to identify such situations and report them without fear of repercussions or recriminations provided that they are acting in good faith. The policy sets out how any concerns may be raised and when a response can be expected from the Company and in what timescales. A copy of the Group's Code of Ethics and Business Conduct is published on the Group's website (http://investors.petsathome.com/investors/shareholder-information/governance/code-of-ethics-and-business-conduct). This policy and the procedures in place to deal with concerns raised under the policy were reviewed by the Audit & Risk Committee during the year.

Share dealing code

The Company has adopted a share dealing code in relation to its shares that is based on, and is at least as rigorous as, the Model Code as published in the LRs. The share dealing code applies to the Company's Directors, its other PDMRs and certain employees of Group companies and they are responsible for procuring the compliance of their respective connected persons with the Company's share dealing code.

Board evaluation and effectiveness

Process

Despite undertaking an external review in 2015, since the Company is still undergoing the transition from a private company to a public limited company, the Board decided to repeat the external evaluation exercise and engaged Lintstock Limited ("Lintstock") to undertake an independent evaluation of Board and Board committee performance and to identify areas where the performance and procedures of the Board might be further improved. Lintstock is a specialist corporate governance consultancy and has no commercial dealings or other connection with the Group.

The assessment included the completion of a short form online questionnaire that considered topics covered in the 2015 evaluation under the headings:

- Board Composition Expertise and Dynamics;
- Time Management and Board Support;
- Board Committees;
- Strategic and Operational Oversight;
- Risk Management and Internal Control;
- Succession Planning and Human Resource Management; and
- Priorities for Change.

All respondents were then interviewed by Lintstock during which their responses to the questionnaire were reviewed. The anonymity of all respondents was ensured throughout the process in order to promote the open and frank exchange of views.

Outputs of the evaluation

At a dedicated Board session, a report of the findings of the evaluation and its recommendations were discussed and specific actions agreed. Overall, the areas highlighted from last year's evaluation were seen to have improved considerably since the last review and the top priorities for the Board over the coming year were identified as:

- The Non-Executive Directors continuing to engage with the business and develop the Board's understanding of Pets at Home;
- Supporting the new management structure and those in new roles;
- Reducing and focusing the meeting agendas;
- Improving the quality of the Board packs; and
- Ensuring that the people strategy is brought to the Board.

Beyond the annual evaluation, the performance of the Group CEO is continuously monitored throughout the year by the Chairman and the Senior Independent Director.

Relations with shareholders

The Board's primary role is to promote the success of the Company and the interests of shareholders. The Board is accountable to shareholders for the performance and activities of the Group.

The Board believes it is important to explain business developments and financial results to the Company's shareholders and to understand any shareholder concerns. We communicate with shareholders on a regular basis.

The Board communicates with its shareholders in respect of the Group's business activities through its Annual Report, yearly and half yearly announcements, interim management statements and other regular trading statements. This information is also made publicly available via the Company's website.

During the year, the Company met regularly with analysts and institutional investors and such meetings will continue. The Group CEO and Chief Financial Officer have lead responsibility for investor relations. They are supported by a dedicated Head of Investor Relations who, amongst other matters, organises presentations for analysts and institutional investors and ensures that procedures are in place to keep the Board regularly informed of such investors' views.

All the Non-Executive Directors are available to meet with major shareholders if they wish to raise issues separately from the arrangements as described above and, during the year, the Chairman and Senior Independent Director held such meetings and reported back to the Board.

The CSR Committee Report on page 46 also details the materiality assessment survey that was carried out during the year with investors and customers in relation to environment, social and governance issues.

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

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held on Wednesday, 14 September 2016 at Macdonald Manchester Hotel & Spa, London Road, Piccadilly, Manchester, Greater Manchester, United Kingdom, M1 2PG. Full details of the meeting are set out in the Notice of Annual General Meeting sent with this Annual Report and Accounts. The AGM provides all shareholders with the opportunity to attend and vote on the resolutions put to shareholders and those shareholders unable to attend are encouraged to vote using the proxy card enclosed with this Annual Report and Accounts or electronically by following the instructions set out in the Notice of Meeting (whether personally or by proxy). All resolutions proposed at the AGM will be taken on a poll vote. This follows best practice guidelines and enables the Company to count all votes, not just those of shareholders who attend the meeting. Information relating to votes cast will, following the AGM, be available on the Company's website (http://investors.petsathome.com).

Audit & Risk Committee Report

Amy Stirling
Chairman of the Audit & Risk Committee

Who is on the Audit & Risk Committee?

Member	No. of meetings
Amy Stirling (Chairman)	4/4
Dennis Millard	4/4
Paul Coby	3/4
Paul Moody	4/4

What we did in 2016

Reviewed updates to the financial accounting framework in which the Group operates and how this may affect the financial statements.

Received a whistleblowing and code of ethics update.

In addition to our work ensuring that the going concern basis is appropriate, we have this year reviewed and challenged the Longer Term Viability Statement ("LTVS") in advance of its approval by the Board. As part of this work, the carrying value of the goodwill balance has been reviewed.

All businesses continue to be exposed to cyber and information security risks and this has been a key focus of the Committee this year.

We have performed 'deep dives' on a number of key risks together with management to ensure that all possible mitigating actions are identified and implemented.

Reviewed the Terms of Reference for the Committee.

What we will do in 2017

Continue to carry out our responsibilities as set out in the Terms of Reference, including monitoring the integrity of the Group's financial statements, challenging the judgemental areas contained within the financial statements and advising the Board on whether external reporting is fair, balanced and reasonable.

As the Group moves forward with further investment in systems, we will continue to monitor the controls around the investment in and delivery of key IT initiatives, as well as continuing to review controls around cyber security in this increasingly complex area.

We will continue to monitor the effectiveness of the Group's Internal Audit function. We will agree an Internal Audit strategy for FY17 and beyond, defining ways of working as well as specific projects. We expect to review each of the top risks in a 'deep dive' during the year.

We will document in further detail the controls and processes within the Vets Group, focusing in particular on the integration of the recent acquisitions.

Introduction

I am pleased to present the Audit & Risk Committee's Report for the year. Our primary function is to assist the Board in fulfilling its responsibilities to protect the interests of the shareholders with regard to the integrity of the financial reporting, the adequacy and effectiveness of the risk management systems and internal controls, the effectiveness of the internal audit function and the relationship with the external auditors.

During the year the Committee met four times with our agenda covering financial reporting considerations, progress against the internal audit plan and the external audit process. We have considered risk regularly throughout the year, reviewing updates to the Group risk register and conducting 'deep dives' with management into specific key risks.

In addition to our regular agenda, this year we have considered financial reporting control processes, reviewed and challenged the LTVS before its assessment by the Board, and discussed external audit effectiveness following the tender process conducted last year. With management, we have conducted 'deep dives' into key business risks, such as the implementation of a new payroll and HR system to improve support provided to our colleagues in Health and Safety, in understanding and improving the working environment, and in Information Security, given the increased awareness of the challenges all businesses face in keeping data safe.

Committee members

The Audit & Risk Committee ("the Committee") members have been selected to provide a wide range of financial and commercial experience necessary to fulfil the duties and responsibilities of the Committee. The Board considers the Committee members' financial experience to be recent and relevant for the purpose of the Code. Further details of the members can be found in the Board of Directors on pages 62 to 63.

The Chief Financial Officer, the Group Chief Executive Officer, the Head of Internal Audit and an observer appointed by the Principal Shareholder also attend Committee meetings by invitation, together with representatives from KPMG. In addition, this year, as the Chief Financial Officer's responsibilities expanded to include the Chief Executive Officer of Retail role, the Director of Finance and the Chief Financial Officer of the Vets Group have also attended the Committee meetings. The Group Company Secretary acts as secretary to the Audit & Risk Committee.

> We have devoted significant time during the year to reviewing the Group's risk management systems."

The Chairman of the Committee also meets throughout the year with the Chief Financial Officer, Director of Finance, Chief Financial Officer of the Vets Group and the Head of Internal Audit to discuss ongoing matters.

The Committee meets separately with the Head of Internal Audit and the Group's external auditors without management present during the year.

Financial Reporting

As part of our ongoing work to ensure the integrity of financial reporting, during the year, we have focused on the following:

- Reviewed the appropriateness of the Annual Report for the year ended 31 March 2016 (which is a 53 week period), and the interim financial statements for the 28 week period ended 8 October 2015 with a focus on, amongst other matters, the quality and acceptability of accounting policies and procedures, material areas where judgement has been applied and clarity of disclosures in accordance with financial reporting standards. Following these reviews we believe that the Annual Report is fair, balanced and understandable.
- Revisited and refreshed work undertaken in 2014 to ensure that our financial procedures and controls are adequate for the size and complexity of the business. Although there are no significant changes in the financial control framework since the work was originally completed, the Vets Group business has become a larger part of the Group and is therefore subject to incremental controls.

Financial statement reporting issues

The Committee has carefully considered the key judgements applied in the preparation of the consolidated financial statements. The Committee considers the key risks within the financial statements to be the carrying value of goodwill and the carrying value of inventory. KPMG have also identified these areas as key audit risks when planning their audit.

During the year the Committee has:

- Reviewed management's work on testing the goodwill balance for impairment and reviewed and challenged the forecasts, assumptions, sensitivities and stress tests used in this work;
- Gained confidence regarding the valuation of inventory through our work on financial control processes and the implementation of the new JDA warehouse management system together with the review each period of the management information regarding inventory balances.

To further monitor the integrity of the financial statements and results we have also:

- Received an update from management as to the process for recognising income from suppliers. As reported last year, this is recognised in a prudent manner reflecting the activity performed by suppliers and the level of confidence in any performance related criteria. As a result, we consider supplier income to be recognised appropriately in the financial statements;
- Reviewed the Group's policies on tax and treasury. The treasury policy, which has not changed significantly in the year, covers our transactions with banks and other financial institutions and includes the level of hedging that the Group has in place, particularly on interest rates and foreign currencies. The tax policy, which outlines the Group's attitude to tax and risk, our relationship with HMRC and relationships with external tax advisors, have not changed significantly in the year, however, we receive frequent updates on each of corporate tax, VAT and employment taxes across the Group;
- Reviewed and discussed with management changes in the financial reporting landscape currently being considered, in particular, leasing, revenue recognition and financial instruments. The proposed standard IFRS 16 "Leases" will have the greatest impact on the presented financial position of the Group and an initial impact assessment has been carried out.

Going concern and longer term viability

Our work expanded this year in line with the requirements of the 2014 UK Corporate Governance Code to incorporate a comprehensive review of the process to underpin the longer term viability statement in addition to our regular review on going concern. In considering viability overall, the Committee reviewed the Group's three year Strategic Plan with particular focus on the key assumptions in relation to revenue and our store and service expansion plans. Sensitivities to these key assumptions were also reviewed based on the impact of the Group's key risks, individually and conflated, as set out on pages 38 to 43.

Following an iterative process of review of the detailed considerations set out above by the Committee and the Executive Management team, the Committee is satisfied that it is appropriate for the Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group and, further, that the longer term viability statement on page 71 of the Directors' Report is appropriate.

Risk management and internal controls

Risk management and the system of internal control are the responsibility of the Board. It ensures that there is a process in place to identify, assess and manage significant risks that may affect achievement of the Group's objectives and that the level and profile of such risks is acceptable. The Committee provides oversight and challenge to the assessment of principal risks as set out on pages 38 to 39. The Group's key risks and uncertainties are set out on pages 40 to 43.

Following the review of risk management processes last year, the Committee now performs regular 'deep dives' into the Group's key risks. Members of the Executive Management Team attend the Committee and set out the background and nature of the specific risk area along with the mitigations that are in place, any planned future actions and an assessment of the remaining level of risk. During the year, reviews were conducted on Information Security, Health and Safety and the implementation process of a new Group HR and Payroll system.

Internal audit

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

The Head of Internal Audit and Risk has attended each Committee meeting, updating on progress against the audit plan throughout the year, and reporting on findings from the reviews carried out and progress against any mitigating actions.

Specific work performed during the year in our key risk areas included an audit of pet welfare processes as part of Brand and Reputation, under Business Systems and Information Security, internal audit carried out work on the implementation of a new Group HR & payroll system, a review of VIP management information and a post implementation review of the new JDA warehouse management system. Under our Regulatory and Compliance risk, work was conducted through a review of Customs Duty and VAT disclosures.

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

External audit

KPMG presents their Audit Plan, Risk Assessment and audit findings to the Committee, identifying their consideration of the key audit risks for the year and the scope of their work. These reports are discussed throughout the audit cycle. As in the prior year, these risks were considered to be the carrying value of goodwill and the carrying value of inventory. In their reports presented to the Committee at both the half year and full year, the auditors considered these risks to be appropriately addressed and raised no significant areas of concern in these or any other areas of their review.

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

Audit tendering

The Statutory Audit Service Order 2014 (The Order) requires that audit firms are rotated every ten years unless there is a tender, in which case, the audit firm can remain in position for 20 years. We are in compliance with The Order and performed a tender process which concluded in January 2015. Following this tender process KPMG, who have audited the Group since 2000, were reappointed as auditors at the 2015 Annual General Meeting.

External auditor's effectiveness

During the year, the Committee considered the effectiveness, independence and objectivity of the external auditors through the review of all reports provided, regular contact and dialogue both during Committee meetings and separately without management. In addition, this year, we conducted an audit effectiveness review through a questionnaire to Committee members, the results of which were discussed with KPMG.

Maintaining the objectivity and independence of the external auditors is essential. Additional non-audit services provided by the auditors may impair their independence or give rise to a perception that their independence may be impaired. Accordingly, a formal policy, based on the Auditing Practices Board's Ethical Standard No. 5 'Non-audit services provided to audited entities', has been adopted to provide clarity over the type of work that is acceptable for the external auditors to carry out and the process required for approval.

Audit and non-audit fees paid to KPMG in the year total £231,000 and an analysis is presented in note 3 to the consolidated financial statements on page 130. Audit fees across the Group were £173,000, with KPMG also receiving £35,000 for the review of the interim financial statements and an additional £23,000 for tax compliance and advisory services.

In addition to the above KPMG provide audit and non-audit services to the joint venture practices and received £365,000 in respect of audit fees and £154,000 in respect of tax compliance fees.

Following the audit tender process in the previous financial year, we appointed Ernst & Young LLP as tax advisors to the Group, while KPMG continue to provide tax support services to the Joint Venture partners.

Resolutions to re-appoint KPMG as auditors and to authorise the Directors to agree their remuneration will be put to shareholders at the Annual General Meeting that will take place on 14 September 2016.

Amy Stirling
Chairman, Audit & Risk Committee
25 May 2016

Nomination & Corporate Governance Committee Report

Tony DeNunzio
Chairman of the Nomination & Corporate Governance Committee

Who is on the Nomination & Corporate Governance Committee?

Member	No. of meetings
Tony DeNunzio (Chairman)	4/4
Dennis Millard	4/4
Tessa Green	4/4
Amy Stirling	4/4
Paul Coby	4/4
Brian Carroll	3/4

What we did in 2016

- Reviewed succession plans for executive appointments.
- Considered and recommended to the Board a number of appointments including the appointment of Ian Kellett as Group Chief Executive Officer following the resignation of Nick Wood.
- Reviewed the Board Evaluation and Effectiveness survey.
- Considered Directors' conflicts of interest.

What we will do in 2017

- Continue to assess the Board composition and how it may be enhanced.
- Continue the recruitment of a replacement Chief Financial Officer and recommend an appointment to the Board.
- Implement further reviews and assessment of succession planning.

Introduction

As Chairman of the Nomination & Corporate Governance Committee (the Committee), I am pleased to present the report of the Committee for the year ended 31 March 2016.

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

We are also tasked with ensuring that succession plans are in place for the Directors, the Executive Management Team and the Group's Operating Board taking into consideration the current Board structure, the leadership requirements of the Group and the wider commercial and market environment within which the Group operates.

How the Committee discharged its responsibilities in FY16

Succession planning

We reviewed the succession plans for both executive appointments to the Board and the Executive Management Team, taking into account the strategic objectives of the Group. The process included consideration of the anticipated demands of the business and the skills required to successfully deliver against these. With the assistance of the Committee, the Board also discussed succession planning for the Group's Operating Board. The Board recognises that effective succession planning is fundamental to the success of the Company and that ensuring the continued development of talented colleagues helps to mitigate the risks associated with unforeseen events, such as key individuals leaving the business. Considerable progress has been made on succession planning in this area, however, the Board recognises that more work is required and further reviews will take place this year.

As a result of the review, at the start of the financial year, the Company created a divisional operating structure based around Retail and Services and to support the changes, the Committee considered and recommended to the Board the appointment of Ian Kellett as Chief Executive Officer (Group CEO) of the Retail Division and Sally Hopson as Chief Executive Officer of the Services Division. The Board approved the appointments with effect from 4 June 2015.

> Keeping the composition and structure of the Board and its Committees under review to ensure it has an appropriate balance of skills, experience and independence."

Following the resignation of Nick Wood in March this year, the Committee further reviewed and recommended to the Board the appointment of Ian Kellett as Group Chief Executive Officer (Group CEO). As a consequence of Ian's appointment as Group CEO, Peter Pritchard was recommended to the Board for promotion to the role of Chief Executive Officer of the Retail Division following his successful tenure as Chief Operating Officer in that division. The appointments were in line with the succession plan that the Committee had been considering for some time and were approved by the Board from 4 April 2016. Sally Hopson remains Chief Executive Officer of the Services Division and Louise Stonier as Group Legal Director and Company Secretary.

The search for a Chief Financial Officer continues following the mutual agreement that the original candidate would not be joining the Company and we have engaged external recruitment consultants. In the interim, we have considered and recommended to the Board that Mark Adams be appointed as interim Chief Financial Officer for the Group. Mark has significant public company experience as a Chief Financial Officer at Easyjet Plc, Helphire plc and Alpha Airports Group Plc and more recently has fulfilled the CFO role at Cognita. He was appointed on 18 April 2016 and will attend Board meetings as an observer.

Board evaluation and effectiveness

The Company is still undergoing the transition from a private company to a public limited company, and the Board therefore decided to repeat the external evaluation exercise and engaged Lintstock Limited ("Lintstock"). Lintstock performed an independent evaluation of Board and Board committee performance and identified areas where the performance and procedures of the Board might be further improved. Lintstock is a specialist corporate governance consultancy and has no commercial dealings or other connection with the Group.

The assessment included the completion of a short form online questionnaire that considered topics covered in the 2015 evaluation.

A report on the performance of the Board and each of the principal committees was compiled by Lintstock and presented to the Board and each relevant committee as a basis for discussing and agreeing appropriate actions for the forthcoming year. The Chairman and the Non-Executive Directors also meet in the absence of the Executive Directors.

The Board and individual committees considered the output from the review in April 2016 and concluded that the performance of the Board, its committees and individual Directors was effective. Any areas for improvement have been agreed by the Board and are detailed on page 81 of the Governance Report.

Diversity

We take into account a variety of factors before recommending any new appointment to the Board, including relevant skills to perform the role, experience, knowledge, ethnicity and gender. The most important priority of the Committee, however, is ensuring that the best candidate is selected to join the Board. Further details on Board diversity can be found on page 76 of the Governance Report.

Conflicts of interest

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

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

I will be available at the AGM to answer any questions on the work of the Nomination & Corporate Governance Committee.

Tony DeNunzio
Chairman
Nomination & Corporate Governance Committee
25 May 2016

Paul Moody
Chairman of the Remuneration Committee

Who is on the Remuneration Committee?

Member	No. of meetings
Paul Moody (Chairman)	4/4
Dennis Millard	4/4
Tessa Green	4/4
Amy Stirling	4/4

What we did in 2016

Carried out a review of the Group's remuneration practice to ensure in line with best practice.

Made recommendations to the Board on the remuneration for each of the Group Chief Executive Officer, Chief Executive Officers of the Retail Division and the Services Division and the Group Legal Director and Company Secretary and approved any resulting changes to service agreements.

Reviewed the performance of the Group's long term incentive plans and approved awards to colleagues in the Group.

Made recommendations to the Board on the remuneration for a replacement Chief Financial Officer; and the interim Chief Financial Officer.

Agreed the annual bonus targets for the Executive Management Team for FY16 and measured performance against them.

What we will do in 2017

Review and approve the vesting of any Matching Awards under the Co-Investment Plan for Early Leavers.

Approve the granting of awards under the Group's Long Term Incentive Plans.

Review the Remuneration Policy for approval at the 2017 Annual General Meeting of the Company.

Agree the annual bonus targets for the Executive Management Team for FY17 and measure performance against them.

Review the remuneration for each of the Executive Management Team.

Make recommendations on the remuneration for a replacement Chief Financial Officer.

Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2016. The Remuneration Policy was approved by our shareholders at our 2014 AGM. There are no changes to the Policy approved in 2014, however, for ease of reference, this is set out in full for shareholders' information on pages 98 to 107. The report is therefore split into two parts.

- Our Annual Report on Remuneration, outlining how our Remuneration Policy was implemented in FY16 and how we intend to apply it for FY17. This will be subject to an advisory vote at our 2016 AGM.
- A recap of our Remuneration Policy, as approved by shareholders at the 2014 AGM. No changes have been made to our Remuneration Policy this year and as such there will be no resolution on our Remuneration Policy at the 2016 AGM.

Remuneration principles

Our Remuneration Policy recognises the importance of attracting and retaining high-quality talent with the skills and expertise necessary to support, deliver and drive our strategy. The Remuneration Committee ("Committee") remains focused on paying for performance and aligning rewards of the Executive Management Team with the interests of long term shareholders, whilst staying true to our Company values and recognising the importance of widespread colleague share ownership.

Overview of the work of the Committee in FY16

The past year has been a significant and busy year for the Group with a number of key changes including:

- the creation of a divisional operating structure based around Retail and Services, with the appointment of Ian Kellett as Chief Executive Officer of the Retail Division and Sally Hopson as Chief Executive Officer of the Services Division;
- the subsequent appointment of Ian Kellett as Group Chief Executive Officer ("Group CEO") following the resignation of Nick Wood;
- the subsequent promotion of Peter Pritchard to the role of Chief Executive Officer of the Retail Division following his successful tenure as Chief Operating Officer in that division; and
- the search for a replacement Chief Financial Officer ("CFO") together with the appointment of Mark Adams as interim CFO following the mutual agreement that the original candidate would not be joining the Company.

Each of these changes has required support and recommendations from the Committee in setting an appropriate level of remuneration in line with the Group's remuneration principles. As part of this, we undertook a detailed review of our remuneration framework to ensure that it remained aligned with best practice, whilst at the same time preserving the core values of our business. We summarise below the key decisions that were made on bonus structure, salary reviews and the performance conditions for the Performance Share Plan ("PSP") and Company Share Plan ("CSOP") to be granted to the Executive Directors for the first time in FY17.

> “We value the views of our Shareholders and we actively welcome any feedback on our Remuneration Policy and its implementation.”

Performance related pay

The Committee reviewed the performance of both the business and each Executive Director against targets set at the beginning of the year for the annual bonus scheme. For FY16 the annual bonus was based on EBITDA (75%) and free cash flow (25%) measured over the 53 week period. Detailed information on the targets can be found on pages 90 and 91 of the Annual Report on Remuneration.

Both EBITDA at £127.4m and free cash flow of £71.6m with a 56% cash flow conversion were above the minimum thresholds levels at which payments against these financial targets were triggered for Directors.

As a result, the EBITDA portion of the annual bonus paid out at 47% of maximum (equal to 35% of salary) and the free cash flow element paid out at 100% of maximum (equal to 25% of salary). The overall bonus out-turns for our Executive Directors were 60% of maximum/salary. The Committee considers that this fairly reflects the results for the year.

Further information can be found on pages 90 and 91 of our Annual Report on Remuneration.

Remuneration proposals for FY17

Nick Wood resigned as Group CEO with effect from 4 April 2016, although he will remain with the Group in an advisory role until 1 July 2016 to provide support and ensure a smooth transition. His leaving arrangements will be in line with our Policy and further details are provided on page 92 of our Annual Report on Remuneration.

The Committee also gave consideration to the remuneration arrangements for Ian Kellett following his appointment to the role of Group CEO. There are no changes proposed to his variable pay framework, whilst the Committee has taken the opportunity to reflect the promotion and significantly increased scope of his responsibilities at this time by repositioning his salary to £475,000. Further details are provided on page 95.

There will be no change in pension provision or benefit entitlement for Executive Directors.

As set out in our Policy in 2014, Executive Directors will participate in the PSP and the CSOP for the first time at the start of FY17. The main long term incentive plan for Executive Directors is the PSP, although in line with the approach for all our employee participants, we deliver an element of this under the CSOP to take advantage of HMRC-approved tax savings. These plans have been operated for below Board employees each year since IPO and the Committee considers that it is appropriate to retain the current EPS and TSR performance measures for this year, along with their respective weightings of 75% and 25%.

Taking into account internal forecasts for business performance over the next three years, as well as external expectations of performance, the Committee proposes the following targets for the FY17 awards:

- 10% of the total award will vest for earnings per share ("EPS") growth of 5% per annum, rising to 75% for EPS growth of 12.5% per annum; and
- 6.25% of the total award will vest for median TSR performance against the FTSE 350 UK General Retail Index, rising to 25% for upper quartile TSR performance against the Index.

The Committee considers that the proposed targets are fully stretching and will ensure that significant reward is only available for delivery of strong performance.

Malus and clawback

Last year, in response to its review of the UK Corporate Governance Code, the Committee introduced clawback provisions into both the Executive Directors’ annual bonus plan for the FY16 performance year and PSP awards from FY16 onwards. Clawback provisions will continue to apply to any bonus awards in FY17 and beyond and under any of the Company’s executive share schemes going forward from 2016 onwards. Details of this are provided on page 95.

Along with the malus provisions already contained on the PSP, these provisions provide the Committee with the ability to reduce unvested share awards or take back bonus amounts or share awards which had already been paid or vested under certain circumstances, including misconduct and misstatement of results. Given the importance of protecting against payments for failure, these provisions apply to the Executive Directors, the Executive Management Team and the Operating Board.

Our colleagues

We have always recognised the importance of widespread share ownership and it remains an integral part of our culture. This reflects the principle that our colleagues are central to the achievement of our strategy and we believe that share ownership enhances loyalty and engagement. In keeping with this ethos, the Committee approved the grant of a discretionary share award to every colleague in the Group in June 2015 (excluding the Executive Directors) and it is the intention that these grants will be repeated this year.

Following on from the successful launch of the Company’s Sharesave plan in 2014, for the 2015 plan the Committee also doubled the monthly sum that colleagues are permitted to save from £250 to £500 and this will continue at this level in 2016.

Chairman

During the year under review, Dennis Millard stepped down as Chairman of the Remuneration Committee and I was appointed to replace him. Dennis was appointed as chair of the Committee during the IPO process and I would like to thank him for his contribution as we transitioned into the public company environment.

Shareholder engagement

We value the views of our shareholders and we actively welcome any feedback on our remuneration policy and its implementation. We hope you find this report helpful and informative and we hope to receive your support for our Annual Report on Remuneration at our AGM on 14 September 2016.

Yours faithfully

Paul Moody
Chairman of the Remuneration Committee
25 May 2016

Annual Report on Remuneration

a) Directors' remuneration – report on implementation for the year ended 31 March 2016
This section of the report sets out how the Directors' Remuneration Policy ("Policy"), approved by shareholders at the Company's Annual General Meeting ("AGM") on 9 September 2014 and set out in the Appendix, has been applied in the financial year being reported on, and how it will be applied in the coming year. The information presented from this section up until the relevant note on page 93 represents the audited section of this report.

b) Single total figure of remuneration for Executive Directors for the year ended 31 March 2016
The following table sets out the total remuneration for Executive Directors for the year ended 31 March 2016 based on a 53 week year. All payments are in line with the Policy set out in the Appendix.

	Base salary (£)		Benefits (£)		Pension (£)		Annual bonus (£)		Long term incentives (£)		Total (£)	
Director	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**
Nick Wood	446,165	425,000	11,721	11,500	43,905	38,250	262,650	315,711	218,152	n/a	982,593[1]	790,461
Ian Kellett	394,424	320,000	11,721	11,500	35,498	28,800	240,000	250,512	n/a	n/a	681,643	610,812

1 The change in Nick Wood's total remuneration between FY15 and FY16 is due to the inclusion of the 19.2% of the total Matching Award that Nick Wood will receive under the Co-Investment Plan equal to £218,152 as detailed below.

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

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

Pension – corresponds to either the amount contributed to personal pension plans or the cash value of the salary supplement received during the relevant financial year. Executive Directors receive a Company pension contribution worth 9% of their salary or a cash allowance where the Annual Allowance has been reached.

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

Long term incentives – corresponds to the amount earned by Nick Wood in respect of the relevant financial year. Details of how this was calculated are set out below.

Performance outcomes
The maximum annual bonus opportunity for Executive Directors in respect of FY16 was 100% of base salary.

The targets for the annual bonus for the financial year ended 31 March 2016, and the extent to which they were achieved, are as set out below. For FY16, the annual bonus was based on EBITDA (75%) and free cash flow (25%) and measured over a 53 week period.

The achievement of the EBITDA target is calculated on a straight-line basis between Minimum and Maximum EBITDA.

The Committee considered that the targets were stretching and required Executive Directors to deliver performance which significantly exceeded business expectations to achieve full pay-out.

Financial measures	Minimum/% base salary	Maximum/% base salary	Actual/% base salary
EBITDA	127m/35%	£134.5m/75%	£127.4m/35%
Free cash flow[1]	£54.7m with a minimum 40% cash conversion metric/15%	£54.7m with a 50% cash conversion/25%	£71.6m with 56% cash conversion/25%

1 Free cash flow is defined as net cash from operating activities, less net cash used in investing activities, interest paid and finance lease commitments. Free cash flow is stated before loans issued, exceptional costs and acquisitions of subsidiaries.

The resultant percentages against each of the bonus measures achieved by each Executive Director are shown below:

	Nick Wood	Ian Kellett
Measure	% of performance target achieved	% of performance target achieved
EBITDA	35%/75%	35%/75%
Free cash flow	25%/25%	25%/25%
Total	60%/100%	60%/100%

Long term incentives

Nick Wood tendered his resignation on 4 April 2016 and accordingly, in line with the early leaver provisions of the plan rules, up to 20% of his total Matching Award under the Co-Investment Plan will be eligible to vest on his leaving date of 1 July 2016, subject to EPS performance measured up to the end of FY16. Specifically, if EPS growth over the period from the FY14 base year to the end of FY16 (measured over the 52 week period) is:

- Below 10% per annum, none of the total Matching Award will vest;
- 10% p.a., 10% of the total Matching Award will vest;
- Between 10% p.a. and 17.5% p.a., between 10% and 20% of the total Matching Award will vest (on a straight-line basis); and
- Above 17.5% p.a., 20% of the total Matching Award will vest.

Diluted EPS on underlying trading for FY16 is 15.0p based on a profit after tax before exceptional items of £75,518,000 for the 52 week period. As a result, EPS growth over this period is 16.9% p.a. and as a result 19.2% of Nick Wood's Matching Award will vest on 1 July 2016.

This equates to 83,264 shares with a value of £218,152, based on the average share price over the last three months of the performance period being the period from 1 January to 31 March 2016 which was 262p.

c) Single total figure of remuneration for Non-Executive Directors for the year ended 31 March 2016

The following table sets out the total remuneration for Non-Executive Directors and the Chairman of the Board for the year ended 31 March 2016.

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chairman (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chairman (£)	Pets Before Profit/CSR Committee Chair (£)	Total single figure 2016 (£)[1]	Total single figure 2015 (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	203,846	200,000
Dennis Millard	50,000	20,000[2]	3,846[3]	n/a	n/a	n/a	75,192	80,000
Brian Carroll	50,000	n/a	n/a	n/a	n/a	n/a	50,962	50,000
Paul Coby	50,000	n/a	n/a	n/a	n/a	n/a	50,962	50,000
Tessa Green	50,000	n/a	n/a	n/a	n/a	10,000	61,154	60,000
Amy Stirling	50,000	n/a	n/a	10,000	n/a	n/a	61,154	60,000
Paul Moody	50,000	n/a	6,154[4]	n/a	n/a	n/a	57,308	50,000

1 FY16 was a 53 week year and so the total single figure for FY16 contains the additional payment over and above the basic fees for the 53rd week.
2 The additional fee paid to Dennis Millard is in respect to his position as Deputy Chairman of the Board.
3 The fee paid to Dennis Millard as Chairman of the Remuneration Committee relates to the period from the commencement of the year 27 March 2015 until his resignation on 9 September 2015.
4 The fee paid to Paul Moody as Chairman of the Remuneration Committee relates to the period from his appointment on 9 September 2015 until the year ended 31 March 2016.

d) Scheme interests awarded during the financial year

No long term incentive awards were made to the Executive Directors during the financial year.

During the year, the Company repeated the Sharesave plan, providing eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings was doubled from £250 to £500 per month. The Executive Directors elected to participate in the Sharesave, along with 13% of eligible colleagues.

Annual Report on Remuneration continued

The Options are, in normal circumstances, not exercisable until completion of a three years savings period, beginning on 1 December 2015 and will then be exercisable for a period of six months. The exercise period will, therefore, in normal circumstances, be from 1 December 2018 to 31 May 2019.

The Options were granted in the following amounts:

Executive Director	Number of shares over which Sharesave Option was granted	Face value of shares over which Sharesave Option was granted (£)
Ian Kellett	3,913	9,000
Nick Wood	3,913	9,000

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

Leaving arrangements for Nick Wood
Nick Wood resigned from the Board with effect from 4 April 2016. To ensure a smooth transition and provide support to the new CEO, the intention is that he will remain with the Group in an advisory role until 1 July 2016.

All payments made to him in respect of FY16 are reported in the single figure of remuneration.

Nick Wood's service contract has a 12-month notice period and includes a provision for a termination payment in lieu of notice of up to 12 months' base salary and contractual benefits only. During the period of his notice that he is working full-time, Nick will continue to receive his current salary and contractual benefits. Upon leaving the Company's service on 1 July 2016, he will not be entitled to any further salary and contractual benefits for any period of notice which is remaining.

He will not be entitled to an annual bonus in respect of FY17.

Nick's Matching Award under the Co-Investment Plan will be treated in line with the early leaver provisions of the plan rules. Under these, time pro-rating is applied such that a maximum of 20% of Nick's Matching Award is eligible to vest, subject to the satisfaction of the EPS performance targets at the end of FY16. As set out on page 91, performance against these targets as at the end of FY16 was such that 19.2% of the total award will vest on Nick's leaving the Company's service being 1 July 2016.

f) Payments to past directors
No payments were made to past directors during the year.

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

The interests of the Executive Directors are closely aligned with those of other shareholders in this regard, through the operation of the Co-Investment Plan, which required participants to commit a significant amount of their IPO proceeds. This was a one off award.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. A similar policy applies to the Executive Management Team. The Committee reviews share ownership levels annually.

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

Director	Shareholding requirement as a % of salary (Target – % achieved[1])	Number of shares: Shares owned outright at 31 March 2016	Interests in share incentive schemes, awarded without performance conditions at 31 March 2016	Interests in share incentive schemes, awarded subject to performance conditions at 31 March 2016	Shares owned outright at 26 March 2015
Nick Wood	200% (3384%)	5,505,571	10,341	433,673[2]	5,505,571
Ian Kellett	200% (2723%)	4,047,056	10,341	326,530	4,047,056
Tony DeNunzio	–	3,158,026	–	–	3,158,026
Dennis Millard	–	16,327	–	–	16,327
Brian Carroll	–	40,816	–	–	40,816
Paul Coby	–	4,082	–	–	4,082
Tessa Green	–	40,816	–	–	40,816
Amy Stirling	–	16,327	–	–	16,327
Paul Moody	–	27,470	–	–	27,470

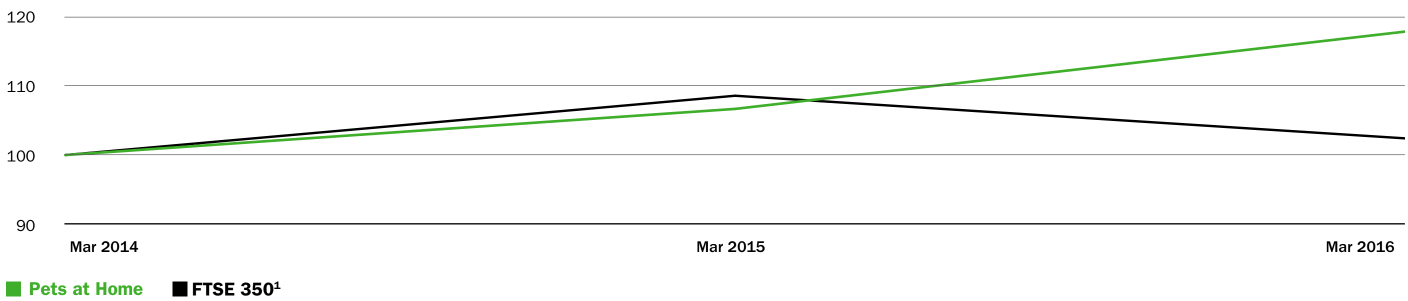
1 For the purposes of determining the target shareholding achieved, we have used the individual's salary, the closing share price as at 31 March 2016 (269.1 pence) and the shares owned outright at the same date.

2 Nick Wood tendered his resignation on 4 April 2016 and accordingly, his Matching Award under the Co-Investment Plan will be treated in line with the early leaver provisions of the plan rules. Under these, time pro-rating is applied such that a maximum of 20% of Nick's Matching Award is eligible to vest, subject to the satisfaction of the EPS performance targets. As set out on page 91, performance against these targets as at the end of FY16 was such that 19.2% of the total award will vest on Nick's leaving the service of the Company being 1 July 2016.

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

h) TSR performance chart

The Company's shares were admitted to the premium listing segment of the Official List maintained by the UK Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities on 17 March 2014. The chart below shows performance from that date until the end of FY16. This disclosure will be expanded in subsequent years in line with the regulations.



1 The comparator group has been changed from the FTSE 250 index to the FTSE 350 since it is considered to present a more rounded picture of the performance of the UK listed market as a whole.

CEO	2009/10	2010/11	2011/12	2012/13	2013/14[1]	2014/15	2015/16
CEO single figure of remuneration	n/a	n/a	n/a	n/a	19,460	790,461	982,593[2]
Annual bonus payout (as % of maximum opportunity)	n/a	n/a	n/a	n/a	73%	75%	60%
Long term incentive vesting (as % of maximum opportunity)	n/a	n/a	n/a	n/a	n/a	n/a	96%[2]

1 In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.

2 Under the early leaver provisions of the plan rules, Nick Wood received 19.2% of his total Matching Award under the Co-Investment Plan, as shown in the single figure table. Given that this included time pro rating, with performance against the performance conditions being at 96% of maximum, the latter is shown here and the value of £218,152 for the Matching Awards (as calculated under paragraph b above) is included in the single figure of remuneration.

Annual Report on Remuneration continued

i) Percentage change in remuneration of the Group CEO
The table below sets out the increase in total remuneration of the CEO and that of all colleagues:

	% change in base salary FY15 to FY16	% change in base salary FY15 to FY16	% change in benefits FY15 to FY16
Chief Executive	3	(17)%	0
All colleagues[1]	3	(8)%	0

1 All colleague information is presented by comparing the average colleague information in FY15 to the average colleague information in FY16.

j) Relative importance of the spend on pay
The following table shows the relationship between the Group's EBITDA, distributions to shareholders and the total remuneration paid to all colleagues.

	FY16 (£)	FY15 (£)
EBITDA[1]	127.4m	119.6m
Returned to shareholders:		
Dividend	27.9m	8.9m
Payments to colleagues:		
Wages & salaries	143.6m	122.5m

1 The Committee considers that EBITDA is an important KPI for the Company and provides shareholders with additional context as to how the business has performed financially in the last two years. The figures for FY16 are based on a 53 week period to 31 March 2016 and the figures for FY15 are based on a 52 week period to 26 March 2015.

k) Dilution limits
In accordance with the ABI Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to maximum of 10% of its issued share capital in a rolling ten year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans.

l) External appointments
Executive Directors are entitled to accept one external appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director.

As at the date of this report, neither of the Executive Directors held an external appointment for which they receive a fee.

m) Non-Executive Directors – letters of appointment
A summary of the Non-Executive Directors' letters of appointment is contained on page 105 of the Policy contained in the Appendix. Each of the Non-Executive's letters of appointment expires on 17 February 2017 apart from Paul Moody whose letter of appointment expires on 24 March 2017.

Statement of implementation for FY17

This section provides an overview of how the Committee is proposing to implement our Policy in FY17.

Base salary

As previously disclosed, to reflect his promotion to the role of Group CEO, Ian Kellett will receive a salary of £475,000, effective 4 April 2016. The Committee considers that this is appropriate given the significantly increased scope of his responsibilities at this time, and taking into account a number of internal and external factors, including consistency with pay principles applied to the rest of the organisation.

Nick Wood resigned from his position on the Board as Group CEO with effect from 4 April 2016. His salary for the period of FY17 up to this date was £437,750 (paid on a pro rata basis for the period from 1 April 2016 to 4 April 2016).

Benefits

The Committee sets benefits in line with the policy set out on page 98 of the Appendix. There are no changes proposed to the benefit framework in FY17.

Pensions

There is no increase proposed to salary supplement levels for the Executive Directors in FY17. The table below shows salary supplements for FY17.

Executive Director	% of salary
Ian Kellett	9%

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY17 will remain at 100% of base salary.

The annual bonus framework will be in line with that presented in the policy table on page 98. As highlighted in the Chairman's letter, during the year the Committee reviewed the annual bonus framework for FY16, with a view to ensuring that it remains appropriate for the business.

The Committee considers that it is appropriate at this time to retain the framework that was put in place for FY16, so for FY17 the annual bonus will continue to be based on EBITDA (75%) and free cash flow (25%).

Although the targets remain commercially sensitive at this time, we will provide shareholders with full disclosure of the EBITDA and free cash flow targets in next year's report.

As for FY16, the annual bonus will be subject to clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Long term incentive awards

It is proposed that PSP awards will be made in June 2016 at 125% of salary for Executive Directors (with the first portion of the award granted under the CSOP, as set out in our Policy):

For 2016 awards, performance will be based on EPS (75% of the award) and TSR (25% of the award):

- 10% of the total award will vest for EPS growth of 5% per annum, rising to 75% for EPS growth of 12.5% per annum; and
- 6.25% of the total award will vest for median TSR performance against the FTSE 350 UK General Retail Index, rising to 25% for upper quartile TSR performance against the Index.

The Committee considers that the performance measures are fully aligned with our strategy. The Committee has set the targets to be appropriately stretching, with regard to a number of internal and external reference points, and considers that delivery of these targets should create sustainable value creation for shareholders.

Unvested and unexercised awards are subject to malus and clawback in case of misconduct or misstatement.

Annual Report on Remuneration continued

Sharesave
The Company intends to operate the Sharesave scheme again for FY17. The maximum monthly savings will be retained at £500 per month. Executive Directors are eligible to participate.

Non-Executive Director remuneration
The table below shows the Non-Executive Director fee structure for 2016/17:

	2016/17
Chairman of the Board (all-inclusive fee)	£200,000
Basic Non-Executive Director fee	£50,000
Board Committee Chairman fee	£10,000
Deputy Chairman	£20,000

There are no fees paid for membership of Board Committees.

The Remuneration Committee
Shareholder context for the Committee's activities
During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP ("Deloitte").

Deloitte is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by Deloitte during the year and is comfortable that it has been objective and independent. Total fees received by Deloitte in relation to the remuneration advice provided to the Committee during FY16 amounted to £29,350, excluding VAT, based on the required time commitment.

In addition, other practices at Deloitte, separate from the executive remuneration practice, have provided general tax advice to the Group during the year.

During FY16 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all colleague share plans.

Committee membership and meetings
The Directors listed below in the table served on the Committee during the year. The Committee met five times during FY16 and the Committee members' attendance is also shown in the table below.

Member	Period from:	To:	Meetings attended
Paul Moody (Chairman)	27 March 2015	To date	5
Dennis Millard	27 March 2015	To date	5
Tessa Green	27 March 2015	To date	5
Amy Stirling	27 March 2015	To date	5

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

Attendee	Position
Tony DeNunzio	Chairman of the Board
Brian Carroll	Non-Executive Director
Paul Coby	Non-Executive Director
Nick Wood	Group CEO
Ian Kellett	CFO and CEO of Retail
Nicolas Gheysens	Board Observer
Louise Stonier	Group Company Secretary and Legal Director

None of the individuals attended part of any meeting in which their own compensation was discussed.

Directors' Remuneration Policy

Governance
The Board and the Committee consider that, throughout FY16 and up to the date of this report, the Company has complied with the provisions of the UK Corporate Governance Code relating to Directors' remuneration.

Shareholder voting
At the Annual General Meeting on 9 September 2015, the total number of shares in issue with voting rights was 500,000,000. The resolution to approve the Remuneration Policy and the Remuneration Report received the following votes from shareholders:

Ordinary resolutions	Votes for[1]	%[2]	Votes against	%	Votes total	% of ISC[3]	Votes withheld[4]
To approve the Directors' Remuneration Report for the year ended 26 March 2015	396,348,408	99.88	460,066	0.12	396,808,474	79.36	176,710

Notes
1 Votes "for" include discretionary votes.
2 Percentages above are rounded to two decimal places.
3 Issued share capital at meeting date: 500,000,000.
4 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes "for" and "against" a resolution.

Annual General Meeting
As set out in my statement on page 88, our Annual Report on Remuneration will be subject to an advisory vote at our AGM to be held on 14 September 2016.

On behalf of the Board

Paul Moody
Chairman of the Remuneration Committee
25 May 2016

Directors' Remuneration Policy continued

a) Policy Report

The following section on pages 98 to 107 sets out our Directors' Remuneration Policy, in accordance with section 439A of the Companies Act 2006. This Policy was approved by shareholders at our AGM on 9 September 2014 and applies from that date. It is currently intended that the Policy will apply for three years.

Overall remuneration is structured and set at levels to enable the recruitment and retention of high calibre executives and encourage them to enhance the Company's performance, in a responsible manner, in line with the business's strategy and shareholders' interests.

A significant portion of the package is performance related. Remuneration has been set taking into account practice within the FTSE 250 and practice at other retail companies.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Fixed elements – base salary		
Core element of remuneration, recognising the role and responsibilities of the role.	• Paid in cash and are pensionable. • The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group. • In FY15, basic salaries will be reviewed at the June Remuneration Committee meeting. Subsequent reviews will take place annually at the March Remuneration Committee annually thereafter. Any change will usually be effective from the first period of the following financial year.	• Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population within the relevant geographic area. • Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – Increase in the scope and/or responsibility of the individual's role; and – Development of the individual within the role. • Annual base salaries for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – benefits		
To provide colleagues with market competitive benefits.	• The Company provides a range of benefits, which may include: – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance. • These benefits are not pensionable. • Other benefits may be considered by the Committee, if considered appropriate. • The Company may also meet certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses, in line with the prevailing mobility policy and practice for other senior executives. • Executive Directors are eligible to participate in any tax-approved all colleague share plans operated by the Company on the same basis as other eligible colleagues. Whilst it does not currently operate such a plan, the Company intends to introduce a Sharesave scheme during the term of this Policy.	• The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits. • The Committee keeps the level of benefit provision under regular review. • Details of current benefit provision for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – pensions		
To provide colleagues with an allowance for retirement planning.	• Pension contributions are made to either the Group Pension Plan, to personal pension schemes or cash allowances in lieu of contributions are paid.	• The contribution level for an individual Executive Director is capped at 9% of base salary per annum for employer contributions. • Details of current pension provision for the Executive Directors are set out in Part 3(a) of this report.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Short term elements – annual bonus		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy.	• Delivery will normally be in cash and is not pensionable. • Performance measures are set annually and pay-out levels are determined by the Committee after the year-end, based on performance against those targets during the relevant financial year. • Each year, the Committee determines the measures and weightings within the following parameters: – At least 75% of the annual bonus will be based on financial performance measures; and – No more than 25% of the annual bonus will be based on performance against non-financial measures, including for example, individual and strategic objectives. • The Committee ensures that targets are appropriately stretching in the context of the business plan and that there is an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific non-financial goals. This balance allows the Committee to effectively reward performance against the key elements of our strategy. • The Company may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. • There is no provision for recovery.	• The maximum bonus opportunity is 100% of base salary. • 20% is payable for threshold performance

Long term incentives – overview

At the time of IPO, the Committee wished to put in place long term incentive arrangements which would provide for the continued alignment of Executive Directors with our shareholders. As such, the Committee approved three long term incentive plans: the Co-Investment Plan ("CIP"), the Performance Share Plan ("PSP") and the Company Share Option Plan ("CSOP").

- **CIP** – a one-off arrangement, tailored to our post-IPO position. It requires Executive Directors to make a significant personal investment in order to be eligible to receive a Company match providing that stretching performance conditions are reached. Awards were made on IPO and there is no intention to make any further awards to current Executive Directors under the Plan.
- **PSP** – intended to be our regular, ongoing long term incentive plan in future years. Given that Executive Directors were made awards under the CIP in 2014, there is no intention for current Executive Directors to receive awards under the PSP until 2016.
- **CSOP** – for Executive Directors, this plan is used to allow the Company and participant to benefit from HMRC-approved option tax treatment in respect of the initial part of a PSP award (currently up to £30,000). As such, in line with the PSP above, it is not intended for current Executive Directors to receive awards under the CSOP until 2016.

Directors' Remuneration Policy continued

In addition, the Committee intend to introduce a Sharesave plan during the term of this Policy, in which all colleagues will be eligible to participate (including Executive Directors).

Although we do not intend to make any further awards under the CIP to current Executive Directors following IPO, we have provided details of the Plan in the Policy Table below for clarity. No individual will be eligible to receive two awards under the CIP. The Committee may consider granting a new Executive Director a CIP award if it considers it to be appropriate to promote alignment across the executive team.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long term elements – Co-Investment Plan ("CIP")[1]		
To promote continued alignment between Executive Directors and shareholders in the years following IPO. Current Executive Directors will not receive any further awards under the CIP.	• Matching Awards vest after three, four and five years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any Matching Awards which vest, which would have been paid during the vesting period. • The performance measures under the CIP are: – 75% EPS growth – to reflect the financial performance of our business and a direct and focused measure of Company success. 10% of the total Marching Award will vest for EPS growth of 10% per annum, rising to 75% of the total Matching Award will vest for EPS growth of 17.5% per annum. – 25% Relative TSR against the UK General Retail Index – a measure of the ultimate delivery of shareholder returns, promoting alignment between Executive Director remuneration and the shareholder experience. 6.25% of the total Marching Award will vest for median TSR performance against the Index, and 25% of the total Matching Award will vest for upper quartile TSR performance against the Index. • The Committee considers that the performance measures are fully aligned with our corporate strategy. The Committee has set the targets to be appropriately stretching, with regard to a number of internal and external reference points, and considers that delivery of these targets should create sustainable value creation for shareholders. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the Remuneration Report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • Invested shares may also be forfeited in case of fraud, misconduct or negligence. • Under the terms of CIP, the treatment of leavers depends on the length of the period between grant and cessation with Invested Shares being forfeited in the event of Early Leavers. See page 104 for further details.	• Executive Directors invested 250% of base salary in the CIP at IPO (Invested Shares) • Subject to performance, Invested Shares may be eligible for up to a 1:1 Company match on this amount (Matching Award).

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long term elements – Performance Share Plan ("PSP")[1]		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy. The intention is that current Executive Directors will not receive awards under the PSP until 2016.	• Awards vest after three years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any shares which vest, which would have been paid during the vesting period. • Share awards are normally made in the form of conditional share awards, but may be awarded in other forms if appropriate (such as nil cost options). The plan rules specify that awards may also be satisfied in cash although this is unlikely to apply to Directors. • The ultimate goal of the Company's strategy is to provide long term sustainable returns to shareholders. The Committee strives to do this by aligning the performance measures under the PSP with the long term strategy of the Company and considers that strong performance under the chosen measures should result in sustainable value creation: – Financial measure – to reflect the financial performance of our business and a direct and focused measure of Company success. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference points. – Share price performance measure – a measure of the ultimate delivery of shareholder returns. This promotes alignment between Executive Director reward and the shareholder experience. Targets are set with reference to wider market practice and positioned at a level which the Committee considers represent stretching performance. • The Committee sets targets each year, achievement of which it considers would represent stretching performance in the context of the business plan. • Normally the weighting would be split equally across these two measures, although the Committee may vary this as appropriate to reflect strategic priorities. • For 'threshold' levels of performance, 25% of the maximum award vests, increasing to 100% of the award for maximum performance. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the Remuneration Report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • The Committee may at its discretion structure awards as Approved Company Share Option Plan ("CSOP") awards. CSOP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. CSOP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a "linked award" to fund the exercise price of the approved option, or as an approved option and a PSP award, with the vesting of the PSP award scaled back to take account of any gain made on exercise of the approved option.	• The maximum award opportunity under the PSP is normally 150% of base salary (or 200% of salary in circumstances which the Committee considers to be exceptional).
SAYE[1]		
An all-colleague plan, which encourages long term shareholding and to align the interests of UK colleagues with shareholders. Executive Directors are eligible to participate.	• SAYE is a HMRC-approved scheme where eligible colleagues are granted savings-related share options to subscribe for ordinary shares in the Company. It is intended that the plan will be implemented during 2014. • Options are granted to be exercisable in conjunction with either a three-year or five-year savings contract with a monthly savings limit of £500. • Options are normally granted at a discount of 20% to market price at the time of invitation. • There are no performance measures attached to awards under the SAYE.	• The market value of the shares under option at the date of maturity of the Sharesave savings contract, less the grant price of the option at the contract start date.

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

Directors' Remuneration Policy continued

b) Chairman and Non-Executive Director remuneration policy

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Overall remuneration		
To attract and retain high calibre individuals by offering market competitive fee arrangements.	• Non-Executive Directors receive a basic fee in respect of their Board duties. • Further fees are paid to Non-Executive Directors in respect of Deputy Chairman of the Board and/or chairmanship of Board committees. • The Non-Executive Chairman receives an all-inclusive fee for the role. • The remuneration of the Non-Executive Chairman is set by the Remuneration Committee, whilst the Board as a whole is responsible for determining Non-Executive Director fees. These fees are the sole element of Non-Executive remuneration and they are not eligible for incentive awards, pensions or other benefits. • Fees are typically reviewed annually. • Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.	• Current fee levels can be found on page 91. • Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. • The Company's Articles of Association provide that the total aggregate remuneration paid to the Non-Executive Chairman and the NED's will be within the limits set by shareholders.

Legacy matters

The Committee will honour remuneration related commitments to current and former Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to the approval and implementation of the Remuneration Policy detailed in this report (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company).

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Remuneration arrangements throughout the Company

The Remuneration Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company.

All our reward arrangements are built around the common objectives and principles outlined below:

- **Performance driven** – The Company intentionally places significant focus on variable remuneration, ensuring that a meaningful proportion of remuneration is based on performance. Performance targets are typically aligned with those of the Executive Directors. As a result, individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- **Colleagues as shareholders** – The Committee intends to put in place a Sharesave plan during the term of this Policy, to allow our wider colleague population to build up a shareholding in the Company. In addition, under the terms of our IPO, colleagues were permitted to buy shares in our IPO and over 2,700 colleagues took up this opportunity.

c) Recruitment policy

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

Element	Policy and operation
Overall	• The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and to not pay more than necessary to facilitate the recruitment of the individual. • Where an Executive Director is appointed from within the business, in addition to considering the matters detailed above for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions.
Fixed elements (Base salary, benefits and other benefits)	• We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. • The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time. • The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short term incentives	• The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time. • The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 100% of base salary).
Long term incentives	• The individual will be eligible to participate in the Performance Share Plan (and the associated Company Share Option Plan), in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 200% of base salary). • Alternatively, whilst not currently envisaged at this time, the Committee may consider the individual eligible to participate in the Co-Investment Plan, which would operate under the same terms as for current participants. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. a maximum Matching Award of 250% of base salary), and would be pro-rated to reflect the length of the performance period which the individual was due to serve.
Buy-out awards	• The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. • The Committee will seek to structure any buy-out awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. • In determining the quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of the awards forfeited. • Buy-out awards, if used, will be granted using the Company's existing long term incentive plans to the extent possible, although awards may also be granted outside of this plan if necessary and as permitted under the Listing Rules. • In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms. • If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

d) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is set out below. On principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules.

Directors' Remuneration Policy continued

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

Area	Policy
Notice period	• The service contracts for Nick Wood and Ian Kellett provide for a notice period from both the Company and the individual of 12 months for Nick Wood, and six months for Ian Kellett. • New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Company and the individual. • The Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination.
Contractual payments	• Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice ("PILON"), at the Company's discretion. Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for their full notice period. • Neither notice nor PILON will be given in the event of gross misconduct. • Payment in lieu of notice will be limited to base salary and contractual benefits for the relevant notice period. • There is no contractual entitlement to a payment under the annual bonus in respect of the notice period. • Service contracts allow for mitigation if the individual finds alternative employment.
Short term incentives	• The Committee's policy is not to award an annual incentive for any portion of the notice period not served. • Where an Executive Director leaves office after the end of a performance year but before the payment is made, the executive will remain eligible for an annual bonus for that performance year, subject to the normal assessment of performance achieved over the period. • Where an Executive Director leaves office during a performance year, any bonus would be at the Committee's absolute discretion and would take into account performance and the time served during the period. • No bonus will be paid in the event of gross misconduct.
Long term incentives	The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan. **CIP** Treatment under the CIP is dependent on the period elapsed since the IPO. a) Within the first 24 months following admission – Where an individual with a six month notice period voluntarily resigns less than 18 months following the date of admission, they will forfeit their Invested Shares and their Matching Awards. b) Between 24 months and 36 months following admission – Where an individual with a six month notice period voluntarily resigns between 18 months and 30 months following the date of admission (and completes at least two years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and may retain a portion of their Matching Award subject to achievement of performance targets measured over the first two years of the performance period. c) On or after 36 months following admission – Where an individual with a six month notice period voluntarily resigns on or after 30 months following the date of admission (and completes at least three years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and, if a good leaver (defined as under the PSP) also their Matching Award, unless the Committee determines otherwise. Any participant who is dismissed for reasons of fraud or negligence will forfeit their Invested Shares and Matching Awards in full. **PSP** • Under the PSP, the default position is for unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good" leaver (which includes for reasons of death, illness, injury, disability, retirement or any other reason at the discretion of the Committee) the Committee may allow unvested awards to subsist until the relevant vesting date, subject to satisfaction of the performance conditions and pro-rated for time served. • Alternatively, the Committee may, at its discretion, allow awards to vest at an earlier date, having regard to the achievement of performance conditions to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances.
Change in control	• The Committee's policy is that service contracts should not provide for additional compensation on severance as a result of a change in control. • Under the PSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders. • Under the CIP, participants will be eligible to retain their full Invested Shares and all restrictions on them will be lifted. The Committee will determine whether and to what extent Matching Awards shall vest, taking into account Company performance, and the period of time elapsed since the date of grant.

External appointments

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

Chairman and Non-Executive Directors

The Non-Executive Directors, including the Chairman of the Board, have letters of appointment which set out their duties and responsibilities. They do not have service contracts.

The key terms of the appointments are set out in the table below:

Provision	Policy
Period	• Initially appointed for a period of three years, subject to annual review and notice. • In line with the UK Code, all Directors will seek annual re-appointment by shareholders at the AGM.
Loss of office	• Three months' notice by either the Company or the Non-Executive Director. • Non-Executive Directors and the Chairman of the Board are not entitled to compensation on leaving the Board.
Fees	• As set out on page 96.
Expiry of current term	• See page 94 for details of the expiry of the current term of Non-Executive Directors' letters of appointment.

Availability of documentation

Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Handforth, Cheshire. They will also be available for inspection during the 30 minutes prior to the start of our AGM to be held in Manchester on 9 September 2014.

e) Illustration of the Remuneration Policy

Our remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

The charts below provide illustrative values of the remuneration package for Executive Directors under three assumed performance scenarios.

Scenario	Assumptions
Fixed pay	
All performance scenarios	• Consists of total fixed pay, including base salary, benefits and pension. – Base salary – salary effective as at 17 March 2014. – Benefits – amount estimated to be received by each Executive Director in 2014/15. – Pension – salary supplement effective as at 17 March 2014.
Variable pay	
Minimum performance	• No payout under the annual bonus. • No vesting under the Performance Share Plan.
On-target performance	• 50% of the maximum pay-out under the annual bonus (i.e. 50% of salary). • 16% vesting under the Performance Share Plan (i.e. 24% of salary).
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 100% of salary). • 100% vesting under the Performance Share Plan (i.e. 150% of salary).

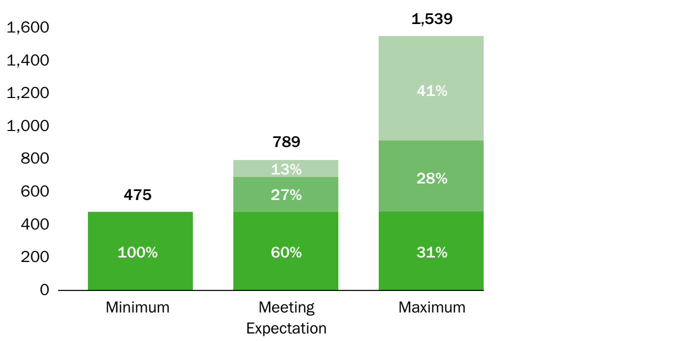
Notes

- The Co-Investment Plan has not been included in the scenarios shown, as this plan is not intended to be an ongoing remuneration element under our Policy.
- Under the PSP, the normal maximum limit of 150% of salary has been shown, rather than the exceptional limit of 200% of salary.
- All-colleague share plans have been excluded.
- Any legacy awards which Executive Directors hold have been excluded.

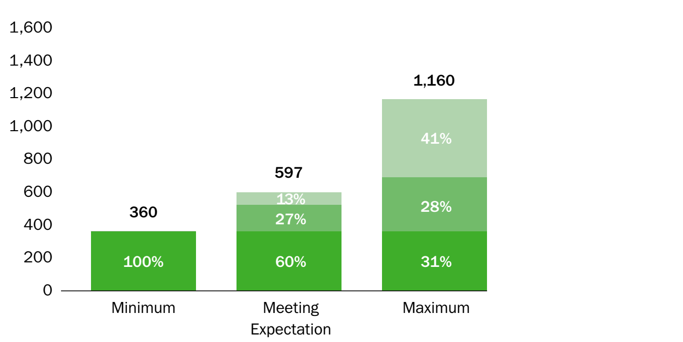
Directors' Remuneration Policy continued

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

Chief Executive – Nick Wood



Chief Financial Officer – Ian Kellett



Fixed pay Annual bonus PSP

	Chief Executive	Chief Financial Officer
Base salary	£425,000	£320,000
Benefits	£11,500	£11,500
Pension	£38,250	£28,800
Total fixed pay	£474,750	£360,300

f) Consideration of conditions elsewhere in the Company

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

The remuneration package for all colleagues (including the Executive Directors) is reviewed on an annual basis and a consistent approach is applied at all levels. As part of the annual salary and benefits review, the Company takes into account industry standards, future legislative framework (including the national minimum wage) and the financial and economic environment of the Group both internally and externally. The annual salary and benefits review is presented to the Committee with recommendations on remuneration throughout the colleague base, including a proposed salary increase to be applied to all colleagues' wages, including the Executive Directors. As such, the Committee has regard to this Group-wide annual review process when setting its Remuneration Policy for Executive Directors.

Whilst our colleagues are not directly consulted as part of the process of determining pay, the output from colleague surveys, including our internal "We're All Ears" survey, is considered when carrying out the annual salary and benefits review.

A significant number of our colleagues are also shareholders and so are able to express their views in the same way as other shareholders.

g) Consideration of shareholder views

Although we have only recently become a public listed company, the Committee recognises the importance of building a good relationship with our new shareholders. This reflects our commitment to follow the highest standards of practice in relation to remuneration and governance at Pets at Home.

In reviewing the remuneration arrangements which were put in place at the time of our IPO, the Committee evaluated current best practice in the listed environment. In particular, the Committee was keen to promote alignment, motivate our executive team and retain key talent to drive our business strategy. Our aim was to adopt a remuneration framework which would drive achievement of our corporate goals, whilst providing shareholders with comfort that it was appropriate, justified and did not encourage unacceptable risk management behaviour.

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

h) Minor amendments

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

Financial statements

Independent Auditor's Report to the Members of Pets at Home Group Plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Pets at Home Group Plc for the year ended 31 March 2016 set out on pages 113 to 171. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Carrying value of goodwill (£964.9m) (2015: £952.0m)
Level of risk versus 2015: Consistent
Refer to page 82 (Audit & Risk Committee Report), page 124 (accounting policy) and 134 and 139 (financial disclosures).

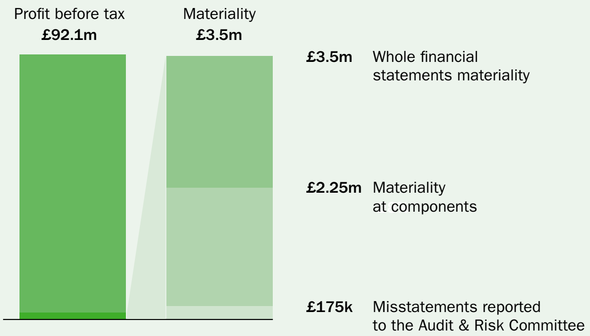
- The risk: Goodwill is a significant item within the Group's balance sheet. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, goodwill is one of the key judgemental areas within our audit.
- Our response: Our audit procedures included testing of the Group's budgeting procedures upon which the forecasts are based and the principles and integrity of the Group's discounted cash flow model. We used our own valuation specialist to assist us in evaluating the discount rate used by the Group. Assumptions and methodologies used by the Group were compared to externally derived data as well as our own assessment of key inputs such as projected economic growth, competition, cost inflation and discount rates. We performed break-even analysis to understand the sensitivity of the conclusions reached to changes in assumptions and compared the sum of projected discounted cash flows and book value to the Group's market capitalisation to assess the reasonableness of those cash flows. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Carrying value of inventory (£52.8m) (2015: £48.5m)
Level of risk versus 2015: Consistent
Refer to page 82 (Audit & Risk Committee Report), page 124 (accounting policy) and page 140 (financial disclosures).

- The risk: The Group has significant levels of inventory and a number of estimates are involved in valuing slow moving and obsolete inventories, some of which have a limited shelf life. Furthermore there is uncertainty over changes in consumer preferences and spending patterns, which are primarily driven by wider trends in the pet product industry as well as seasonality. There is a recoverability risk associated with new product launches and the judgement required in forecasting demand, including the possible change in demand between the time the inventory order is placed with the supplier and the date of sale. Given the level of judgement and estimation involved, carrying value of inventory is considered to be a key audit risk.
- Our response: Our procedures included assessing the principles and appropriateness of the Group's inventory provisioning policies based on our understanding of the business and the accuracy of previous provisioning estimates. In assessing inventory provisions our procedures included testing the Group's controls designed to identify slow moving and obsolete inventories and comparison, by product, of inventory levels to sales data to assess whether slow moving and obsolete inventories had been appropriately identified, calculated and provided for by the Group. We considered realisations of slow moving inventories during the year and compared these to the Group's expected recoveries for slow moving inventories at the year-end date. We undertook data analytics procedures to compare inventory carrying value for all individual inventory lines to recent sales prices to assess the appropriateness of provisioning for items held at less than net realisable value. We also assessed the adequacy of the disclosures in respect of amounts recognised as provision against inventory during the period.

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

The materiality for the Group financial statements as a whole was set at £3.5m (2015: £3.0m), determined with reference to a benchmark of Group profit before taxation, of £92.1m, of which it represents 3.8% (2015: 3.4%).

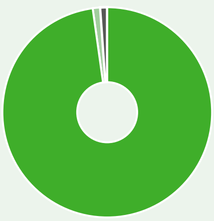


We report to the Audit & Risk Committee any corrected or uncorrected identified misstatements exceeding £175,000 (2015: £150,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We performed audits for Group reporting purposes at three of the Group's six reporting components, and a review of financial information, including enquiry, at a further component containing animal hospitals acquired within the year. The latter was not individually significant enough to require an audit for Group reporting purposes, however we performed a review of financial information due to the acquisitions having been made in the year.

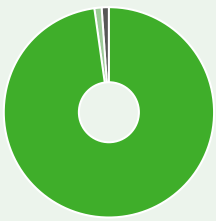
The level of coverage from audits for Group reporting purposes and review of the animal hospital component are illustrated below.

Revenue (%)



Audit for Group reporting purposes	98
Review of animal hospital component	1
Analysis at aggregated Group level	1

Total assets (%)



Audit for Group reporting purposes	98
Review of animal hospital component	1
Analysis at aggregated Group level	1

Profit before tax (%)

Audit for Group reporting purposes	99
Review of animal hospital component	1
Analysis at aggregated Group level	0

For the remaining two components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these components.

The audits of components for Group reporting purposes were performed by both the Group audit team and component auditors and the review was performed by component auditors. The Group team instructed the component auditors as to the significant areas to be covered, which included the relevant risks of material misstatement detailed above, and set out the information required to be reported back to the Group audit team. The Group audit team approved the component materiality of £2.25m, having regard to the mix of size and risk profile of the businesses within the Group.

Telephone conferences and meetings were held with component auditors which were not physically visited in order to assess the audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 74 to 81 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement, on page 71 concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Audit & Risk Committee Report does not appropriately address matters communicated by us to the Audit & Risk Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

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

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 71, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Report on pages 66 to 72 relating to the Company's compliance with the 11 provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

25 May 2016

Consolidated income statement

	Note	53 week period ended 31 March 2016 Underlying Trading £000	53 week period ended 31 March 2016 Exceptional Items (note 3,7,8) £000	53 week period ended 31 March 2016 Total £000	52 week period ended 26 March 2015 Underlying Trading £000	52 week period ended 26 March 2015 Exceptional Items (note 8) £000	52 week period ended 26 March 2015 Total £000
Revenue	2	**793,126**	**–**	**793,126**	729,086	–	729,086
Cost of sales		**(360,702)**	**–**	**(360,702)**	(333,776)	–	(333,776)
Gross profit		**432,424**	**–**	**432,424**	395,310	–	395,310
Selling and distribution expenses		**(279,293)**	**–**	**(279,293)**	(257,853)	–	(257,853)
Administrative expenses	3	**(50,868)**	**(835)**	**(51,703)**	(40,695)	–	(40,695)
Operating profit	2,3	**102,263**	**(835)**	**101,428**	96,762	–	96,762
Financial income	6	**668**	**–**	**668**	572	–	572
Financial expense	7	**(5,628)**	**(4,326)**	**(9,954)**	(10,369)	–	(10,369)
Net financing expense		**(4,960)**	**(4,326)**	**(9,286)**	(9,797)	–	(9,797)
Profit before tax		**97,303**	**(5,161)**	**92,142**	86,965	–	86,965
Taxation	8	**(20,224)**	**865**	**(19,359)**	(19,089)	4,295	(14,794)
Profit for the period		**77,079**	**(4,296)**	**72,783**	67,876	4,295	72,171

All activities relate to continuing operations.

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

	Note	53 week period ended 31 March 2016	52 week period ended 26 March 2015
Equity holders of the parent – after exceptional items – basic	5	**14.6p**	14.4p
Equity holders of the parent – after exceptional items – diluted	5	**14.5p**	14.4p

Dividends paid and proposed are disclosed in note 9.

The notes on pages 121 to 171 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Profit for the period		**72,783**	72,171
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	21	**(5)**	(4)
Cash flow hedges – reclassified to profit and loss	21	**(1,064)**	1,113
Effective portion of changes in fair value of cash flow hedges	21	**(536)**	403
Other comprehensive income for the period, before income tax		**(1,605)**	1,512
Income tax on other comprehensive income	14,21	**320**	(303)
Other comprehensive income for the period, net of income tax		**(1,285)**	1,209
Total comprehensive income for the period		**71,498**	73,380

The notes on pages 121 to 171 form an integral part of these financial statements.

Consolidated balance sheet

	Note	At 31 March 2016 £000	At 26 March 2015 £000
Non-current assets			
Property, plant and equipment	11	**114,746**	102,890
Intangible assets	12	**973,549**	955,512
Other non-current assets	15	**10,161**	8,133
		1,098,456	1,066,535
Current assets			
Inventories	13	**52,476**	48,474
Other financial assets	15	**1,947**	1,697
Trade and other receivables	16	**59,028**	51,627
Cash and cash equivalents	17	**39,998**	132,966
		153,449	234,764
Total assets		**1,251,905**	1,301,299
Current liabilities			
Other interest-bearing loans and borrowings	18	**–**	(5,000)
Trade and other payables	19	**(160,140)**	(144,754)
Provisions	20	**(436)**	(365)
Other financial liabilities	15	**(1,318)**	(632)
		(161,894)	(150,751)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	**(201,091)**	(315,674)
Other payables	19	**(33,165)**	(31,483)
Provisions	20	**(1,387)**	(1,706)
Other financial liabilities	15	**(5,999)**	–
Deferred tax liabilities	14	**(4,885)**	(4,810)
		(246,527)	(353,673)
Total liabilities		**(408,421)**	(504,424)
Net assets		**843,484**	796,875
Equity attributable to equity holders of the parent			
Ordinary share capital	21	**5,000**	5,000
Consolidation reserve		**(372,026)**	(372,026)
Merger reserve		**113,321**	113,321
Translation reserve		**(5)**	–
Cash flow hedging reserve		**(429)**	851
Retained earnings		**1,097,623**	1,049,729
Total equity		**843,484**	796,875

On behalf of the Board:

Ian Kellett
Group Chief Executive Officer
Company number: 08885072

The notes on pages 121 to 171 form an integral part of these financial statements.

Consolidated statement of changes in equity
as at 31 March 2016

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 26 March 2015	**5,000**	**(372,026)**	**113,321**	**–**	**851**	**1,049,729**	**796,875**
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	72,783	72,783
Other comprehensive income (note 21)	–	–	–	(5)	(1,280)	–	(1,285)
Total comprehensive income for the period	–	–	–	(5)	(1,280)	72,783	71,498
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(27,894)	(27,894)
Share based payment transactions	–	–	–	–	–	3,005	3,005
Total contributions by and distributions to owners	–	–	–	–	–	(24,889)	(24,889)
Balance at 31 March 2016	**5,000**	**(372,026)**	**113,321**	**(5)**	**(429)**	**1,097,623**	**843,484**

Consolidated statement of changes in equity
as at 26 March 2015

	Share capital £000	Share premium £000	Consolidation reserve £000	Merger reserve £000	Translation reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 27 March 2014	5,000	1,080,477	(372,026)	113,321	4	(362)	(95,665)	730,749
Total comprehensive income for the period								
Profit for the period	–	–	–	–	–	–	72,171	72,171
Other comprehensive income (note 21)	–	–	–	–	(4)	1,213	–	1,209
Total comprehensive income for the period	–	–	–	–	(4)	1,213	72,171	73,380
Transactions with owners, recorded directly in equity								
Cancellation of share premium[1]	–	(1,080,477)	–	–	–	–	1,080,477	–
Equity dividend paid	–	–	–	–	–	–	(8,942)	(8,942)
Share based payment transactions	–	–	–	–	–	–	1,688	1,688
Total contributions by and distributions to owners	–	(1,080,477)	–	–	–	–	1,073,223	(7,254)
Balance at 26 March 2015	**5,000**	**–**	**(372,026)**	**113,321**	**–**	**851**	**1,049,729**	**796,875**

1 As contemplated in the Pets at Home Group Plc IPO Prospectus dated 28 February 2014 and pursuant to a shareholder resolution passed on 27 February 2014, Pets at Home Group Plc completed a reduction of capital, whereby £1,080,477,000 standing to the credit of the Company's share premium account was cancelled, creating distributable reserves of an equivalent amount. The cancellation was formally approved by the High Court, and the court order was registered by the Registrar of Companies and became effective on 30 July 2014. The cancellation has no effect on the overall net asset position of the Company and/or its Group.

Consolidated statement of cash flows

		53 week period ended 31 March 2016 £000		52 week period ended 26 March 2015 £000
Cash flows from operating activities				
Profit for the period		**72,783**		72,171
Adjustments for:				
Depreciation and amortisation		**25,106**		22,838
Financial income		**(668)**		(572)
Financial expense		**9,954**		10,369
Share based payment charges		**3,005**		1,657
Taxation		**19,359**		14,794
		129,539		121,257
Increase in trade and other receivables		**(6,784)**		(9,468)
Increase in inventories		**(3,627)**		(2,358)
Increase in trade and other payables	**7,021**		16,132	
Decrease in IPO related trade and other payables[1]	**–**		(25,184)	
Total increase/(decrease) in trade and other payables		**7,021**		(9,052)
Decrease in provisions		**(248)**		(225)
		125,901		100,154
Tax paid – underlying		**(14,823)**		(12,874)
Tax received – exceptional		**–**		4,295
Net cash from operating activities		**111,078**		91,575
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		**3,082**		874
Interest received		**413**		364
Investment in other financial assets		**(1,010)**		(2,176)
Loans issued		**(1,674)**		–
Acquisition of subsidiary, net of cash acquired		**(8,113)**		–
Acquisition of property, plant and equipment, and other intangible assets		**(36,804)**		(30,361)
Net cash used in investing activities		**(44,106)**		(31,299)
Cash flows from financing activities				
Equity dividends paid		**(27,894)**		(8,942)
Proceeds from new loan		**202,000**		–
Repayment of borrowings		**(325,000)**		–
Loan repayment on acquisition		**(1,808)**		–
Finance lease obligations		**(28)**		–
Issue costs		**(1,225)**		–
Interest paid		**(5,985)**		(9,191)
Net cash used in financing activities		**(159,940)**		(18,133)
Net (decrease)/increase in cash and cash equivalents		**(92,968)**		42,143
Cash and cash equivalents at beginning of period		**132,966**		90,823
Cash and cash equivalents at end of period		**39,998**		132,966

1 The Initial Public Offering related payables of £25,184,000 at 27 March 2014 related to costs incurred as part of the IPO on 17 March 2014, which were included in accruals and other creditors at the period end date, and which were settled in full in the period ended 26 March 2015.

The notes on pages 121 to 171 form an integral part of these financial statements.

Company balance sheet

	Note	At 31 March 2016 £000	At 26 March 2015 £000
Non-current assets			
Investments in subsidiaries	29	**936,179**	936,179
Current assets			
Trade and other receivables	16	**580,493**	562,653
Cash and cash equivalents	17	**1**	1
Deferred tax asset	14	**342**	90
		580,836	562,744
Total assets		**1,517,015**	1,498,923
Current liabilities			
Other interest-bearing loans and borrowings	18	**–**	(5,000)
Trade and other payables	19	**(175,738)**	(1,343)
Other financial liabilities	15	**(843)**	(453)
		(176,581)	(6,796)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	**(201,091)**	(315,674)
Other financial liability	15	**(866)**	–
Total liabilities		**(378,538)**	(322,470)
Net assets		**1,138,477**	1,176,453
Equity attributable to equity holders of the parent			
Ordinary share capital	21	**5,000**	5,000
Merger reserve		**113,321**	113,321
Cash flow hedging reserve		**(1,368)**	(362)
Retained earnings		**1,021,524**	1,058,494
Total equity		**1,138,477**	1,176,453

On behalf of the Board:

Ian Kellett
Group Chief Executive Officer
Company number: 08885072

Company statement of changes in equity
as at 31 March 2016

	Share capital £000	Merger reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 26 March 2015	**5,000**	**113,321**	**(362)**	**1,058,494**	**1,176,453**
Total comprehensive income for the period					
Loss for the period	**–**	**–**	**–**	**(12,081)**	**(12,081)**
Other comprehensive income	**–**	**–**	**(1,006)**	**–**	**(1,006)**
Total comprehensive income for the period	**–**	**–**	**(1,006)**	**(12,081)**	**(13,087)**
Transactions with owners, recorded directly in equity					
Equity dividends paid	**–**	**–**	**–**	**(27,894)**	**(27,894)**
Share based payment transactions	**–**	**–**	**–**	**3,005**	**3,005**
Total contributions by and distributions to owners	**–**	**–**	**–**	**(24,889)**	**(24,889)**
Balance at 31 March 2016	**5,000**	**113,321**	**(1,368)**	**1,021,524**	**1,138,477**

Company statement of changes in equity
as at 26 March 2015

	Share capital £000	Share premium £000	Merger reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 27 March 2014	5,000	1,080,477	113,321	–	(9,001)	1,189,797
Total comprehensive income for the period						
Loss for the period	–	–	–	–	(5,728)	(5,728)
Other comprehensive income	–	–	–	(362)	–	(362)
Total comprehensive income for the period	–	–	–	(362)	(5,728)	(6,090)
Transactions with owners, recorded directly in equity						
Cancellation of share premium	–	(1,080,477)	–	–	1,080,477	–
Equity dividends paid	–	–	–	–	(8,942)	(8,942)
Share based payment transactions	–	–	–	–	1,688	1,688
Total contributions by and distributions to owners	–	(1,080,477)	–	–	1,073,223	7,254
Balance at 26 March 2015	**5,000**	**–**	**113,321**	**(362)**	**1,058,494**	**1,176,453**

Company income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's loss for the 53 week period ended 31 March 2016 was £12.1m (loss for the 52 week period ended 26 March 2015: £5.7m) including exceptional finance expenses of £4.3m.

Company statement of cash flows

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Cash flows from operating activities		
Loss for the period	**(12,081)**	(5,697)
Share based payment charges	**3,005**	1,657
	(9,076)	(4,040)
(Increase)/decrease in trade and other receivables	**(17,840)**	2,698
Increase/(decrease) in trade and other payables	**179,035**	(12,544)
Net cash from operating activities	**152,119**	(13,886)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**–**	–
Net cash used in investing activities	**–**	–
Cash flows from financing activities		
Equity dividends paid	**(27,894)**	(8,942)
Proceeds from new loan	**202,000**	–
Repayment of borrowings	**(325,000)**	–
Issue costs	**(1,225)**	–
Net cash used in financing activities	**(152,119)**	(8,942)
Net decrease in cash and cash equivalents	**–**	(22,828)
Cash and cash equivalents at beginning of period	**1**	22,829
Cash and cash equivalents at end of period	**1**	1

Notes (forming part of the financial statements)

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements presented in this document have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Company's financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments to fair value, and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the European Union. New standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) becoming effective during the year have not had a material impact on the Group's financial statements.

1.2 Measurement convention

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss or as available-for-sale. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review. In addition, note 22 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources and financing facilities and prepares detailed business plans that model headroom on financial covenants.

The Directors believe the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Investment in veterinary practices

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as joint venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the joint venture partner, and that do not give the Group power over decision making to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profit, losses, or any surplus on winding up or disposal of the veterinary practices, and as such no participatory interest is recognised.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1. Significant accounting policies continued

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Functional currency

The consolidated financial statements are presented in sterling which is the Company's functional currency and have been rounded to the nearest thousand.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital exclude amounts in relation to those shares.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities

Other investments in debt and equity securities held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity (in the fair value reserve), except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Contingent consideration

Contingent consideration on acquisition of a subsidiary is valued at fair value at the time of acquisition. Any subsequent change in fair value is recognised in profit or loss.

1.8 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.9 Intra-group financial instruments

Financial guarantee contracts to guarantee the indebtedness of companies within the Group are considered to be insurance arrangements and accounted for as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

1.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	50 years
Motor vehicles	3 years
Fixtures, fittings, tools and equipment	3–10 years
Leasehold improvements	the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1. Significant accounting policies continued

1.11 Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 26 March 2010

For acquisitions on or after 26 March 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

A combined put and call option over non-controlling interests is recognised at fair value at the acquisition date and included within the valuation of goodwill. Subsequent changes to fair value are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at their fair value or at their proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 26 March 2010 (date of adoption of IFRSs)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs for first time adopters. In respect of acquisitions prior to 26 March 2010, goodwill is included on the basis of its deemed cost.

1.12 Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

1.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less rebates and discounts.

1.14 Impairment excluding inventories, and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

A number of employees of the Company's subsidiaries (including Directors) receive an element of remuneration in the form of share based payments, whereby employees render services in exchange for shares or rights over shares.

Share based payments are measured at fair value at the date of grant. The fair value of transactions involving the granting of shares is determined by the share price at the date of grant. The fair value of transactions involving the granting of share options is calculated by an external valuer based on a binomial model. In valuing share based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pets at Home Group Plc ('market conditions').

The cost of share based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Company's estimate of how many of the awards will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of a share based payment award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where a share based payment award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification to the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

1. Significant accounting policies continued

1.16 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.17 Revenue and cost of sales

Revenue represents the total amount receivable for goods and services, net of discounts and excluding value added tax, sold in the ordinary course of business, and arises from activities in the United Kingdom.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the buyer, there is reasonable certainty over recovery of the consideration and the amount of revenue, associated costs and possible return of goods can be estimated reliably. Revenue is recognised when transactions are completed in store or online.

Sale of goods in store and online

Retail revenue from the sale of goods is recorded net of value added tax, colleague discounts, coupons and vouchers. Sale of goods represents food and accessories sold in store and online, with revenue recognised at the point of sale.

VIP loyalty scheme

Under the VIP loyalty scheme, points are earned by customers upon the purchase of goods and services. These points can be converted by nominated charities into gift cards for redemption against goods and services in store and online. The sales value of the points earned under the VIP scheme are treated as deferred income; the sales are only recognised once the points have been redeemed by the charities.

Provision of services

Revenue from the provision of services is recorded net of value added tax, colleague discounts, coupons and vouchers. Provision of services represents veterinary group income, grooming revenue and insurance commissions, with revenue recognised upon provision of the service.

(i) Veterinary group income

Veterinary group income represents revenue from the provision of veterinary services and income from the provision of veterinary administrative support services. Revenue received for the provision of veterinary services is recognised at the point of provision of the service and is recognised net of value added tax, colleague discounts, coupons and vouchers. Fee income received from the joint venture veterinary practice companies for administrative support services is recognised in the period the services relate to and recorded net of value added tax.

(ii) Grooming revenue

Grooming revenue is recognised net of value added tax, colleague discounts, coupons and vouchers, at the point of provision of the service.

Cost of sales

Cost of sales includes costs of goods sold and other directly attributable costs and promotional income received from suppliers, including costs to deliver administrative support services to joint venture veterinary practices and costs to deliver grooming services.

Exceptional items

Income or costs that are both material and non-recurring, whose significance is sufficient to warrant separate disclosure in the consolidated financial statements, are referred to as exceptional items. These are included and separately identified within their relevant income statement category.

Supplier income

A number of different types of supplier income are negotiated with suppliers via the joint business planning process, in connection with the purchase of goods for resale. The supplier income arrangements typically are not co-terminus with the Group's financial period, instead running alongside the calendar year. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group, and the income can be measured reliably based on the terms of the contract. This income is recognised as a credit within gross margin and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory. Supplier income comprises three main elements:

1. Fixed percentage based income: These relate largely to volumetric rebates based on the joint business plan agreements with suppliers. The income accrued is based on the Group's latest forecast volumes and the latest contract agreed with the supplier. Income is not recognised until the Group has reasonable certainty that the joint business agreement will be fulfilled, with the amount of income accrued regularly re-assessed and re-measured throughout the contractual period, based on actual performance against the joint business plan.

2. Fixed lump sum income: These are typically guaranteed lump sum payments made by the supplier and are not based on volume. Fixed lump sum income is usually predicated on confirmation of a supplier contract and typically includes performance conditions upon the Group, such as marketing and promotional campaigns. These amounts are recognised periodically based on the most recent assessment of contractual performance.

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

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

1.18 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable under the effective interest rate method, incorporating amortisation of loan arrangement fees, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

Other payables

Lease incentives are received in the form of cash contributions and rent free periods.

Cash contributions from landlords for store fit-outs are initially recognised as a liability in the balance sheet at the point the recognition criteria in the lease is met and credited to selling and distribution expenses in the consolidated income statement on a straight-line basis over the term of the lease commencing from access date. Cash contributions are not discounted.

Rent free periods received from landlords are initially recognised as a liability on the balance sheet, which is then credited to the selling and distribution expenses in the consolidated income statement over the life of the lease. The effect is to recognise a reduction in selling and distribution expenses on a straight-line basis from property access date to the end of the lease. Rent free periods are not discounted.

1.19 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1. Significant accounting policies continued

1.20 Adopted IFRS not yet applied
The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. The Group is currently assessing the effect of these standards on the financial statements.
- IFRS 15 Revenue from contracts with customers (European Union effective date 1 January 2018).
- IFRS 16 Leases (European Union effective date 1 January 2019).

The following Adopted IFRSs have also been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (European Union effective date 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (European Union effective date 1 January 2016).
- Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41 (European Union effective date 1 January 2016).
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (European Union effective date 1 January 2016).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (European Union effective date 1 January 2016).
- Investment entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28 (European Union effective date 1 January 2016).
- Disclosure Initiative – Amendments to IAS 7 (European Union effective date 1 January 2017).
- IFRS 9 Financial Instruments (European Union effective date 1 January 2018).

1.21 Accounting estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below.

Carrying value of inventories
The managers review the market value of and demand for inventories on a periodic basis to ensure inventory is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of inventories. The managers use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices.

Impairment of goodwill and other intangibles
Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of CGUs as well as further information about the assumptions made are disclosed in note 10.

Assumptions relating to tax
The Group recognises expected assets for tax based on an estimation of the likely taxes receivable, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual asset arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax assets in the period when such determination is made.

Provisions
Provisions have been made for dilapidations and for closed stores. Information about provisions and contingencies, which are considered to have a risk of material adjustment in the next financial period due to the assumptions and estimations used, are disclosed in note 20. The provisions are based on historical experience and management's best knowledge at the time and are reviewed at each balance sheet date. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

1.22 Dividends
Final dividends are recognised in the Group's financial statements as a liability in the period in which the dividends are approved by shareholders such that the Company is obliged to pay the dividend. Interim equity dividends are recognised in the period in which they are paid.

2. Segmental reporting

The Directors consider there to be one operating and reportable segment, being that of the sale of pet products and services through retail outlets, specialist vet referral services and the Group's websites. The Group's Board receives monthly financial information at this level and uses this information to monitor the performance of the store portfolio, allocate resources and make operational decisions. The internal reporting received focuses on the Group as a whole and does not identify individual segments. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segment.

Revenue	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Food	**390,041**	359,377
Accessories	**320,162**	306,754
Services and other	**82,923**	62,955
	793,126	729,086

The 'services and other' category includes veterinary group income, veterinary referral centres, grooming revenue, insurance commissions and the sale of pets.

The performance of the operating segment is primarily based on a measure of Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) before exceptional items. This can be reconciled to statutory operating profit as follows:

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Operating profit	**101,428**	96,762
Exceptional items	**835**	–
Underlying operating profit before exceptional items	**102,263**	96,762
Depreciation and amortisation	**25,106**	22,838
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**127,369**	119,600

3. Expenses and auditor's remuneration

Included in operating profit are the following:

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Exceptional operating expenses	**835**	–
Depreciation of tangible fixed assets	**21,915**	19,659
Amortisation of intangible assets	**3,191**	3,179
Rentals under operating leases:		
Hire of plant and machinery	**3,886**	3,648
Property	**70,405**	66,474
Rental income from sublets	**(10,171)**	(8,054)
Share based payment charges	**3,005**	1,657

Exceptional items in operating profit in the 53 week period ended 31 March 2016 of £835,000 represents costs incurred in relation to the acquisitions completed during the period and subsequent to the period end. There are no exceptional items included in operating profit in the 52 week period ended 26 March 2015.

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Audit of the parent company financial statements	**10**	10
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**163**	146
Review of interim financial statements	**35**	35
Taxation compliance services	**20**	20
Other tax advisory services	**3**	56
All other services	**–**	9
	231	276

4. Colleague numbers and costs

The average number of persons employed (full time equivalents) by the Group (including Directors) during the period, analysed by category, was as follows:

	53 week period ended 31 March 2016 Number	52 week period ended 26 March 2015 Number
Sales and distribution	**5,008**	4,863
Administration	**466**	397
	5,474	5,260

The aggregate payroll costs of these persons were as follows:

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Wages and salaries	**143,553**	122,510
Social security costs	**11,044**	10,051
Contributions to defined contribution plans	**4,294**	3,984
	158,891	136,545

Remuneration of Directors:	**53 week period ended 31 March 2016 £000**	52 week period ended 26 March 2015 £000
Executive Directors' emoluments including social security costs	**1,367**	1,489
Non-Executive Directors' emoluments including social security costs	**550**	550
Executive Directors' amounts receivable under share options	**218**	–
Pension contributions	**79**	67
	2,214	2,106

Included in pension contributions of £79,000 (2015: £67,000) is £33,000 (2015: £38,000) of contributions that the Group made to a money purchase scheme in relation to the qualifying services of one Executive Director.

In the opinion of the Board, the key management as defined under revised IAS 24 'Related Party Disclosures' are the Executive Directors and the Non-Executive Directors.

5. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	53 week period ended 31 March 2016		52 week period ended 26 March 2015	
	Underlying Trading	**After Exceptional Items**	Underlying Trading	After Exceptional Items
Profit attributable to equity shareholders of the parent (£000s)	**77,079**	**72,783**	67,876	72,171
Basic weighted average number of shares	**500,000,000**	**500,000,000**	500,000,000	500,000,000
Dilutive potential ordinary shares	**2,048,984**	**2,048,984**	1,109,716	1,109,716
Diluted weighted average number of shares	**502,048,984**	**502,048,984**	501,109,716	501,109,716
Basic earnings per share	**15.4p**	**14.6p**	13.5p	14.4p
Diluted earnings per share	**15.4p**	**14.5p**	13.5p	14.4p

6. Finance income

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Interest receivable	**401**	572
Other finance income	**267**	–
Total finance income	**668**	572

7. Finance expense

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Bank loans at effective interest rate	**5,628**	10,367
Other interest expense	**–**	2
Total underlying finance expense	**5,628**	10,369
Exceptional amortisation costs	**4,326**	–
Total exceptional finance expense	**4,326**	–
Total finance expense	**9,954**	10,369

Exceptional finance expenses in the 53 week period ended 31 March 2016 related to £4,326,000 of accelerated amortisation following the repayment of the senior bank facility of £325,000,000 in the period.

8. Taxation

Recognised in the income statement

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Current tax expense		
Current period	**19,441**	15,307
Adjustments in respect of prior periods	**(294)**	(5,065)
Current tax expense	**19,147**	10,242
Deferred tax expense		
Origination and reversal of temporary differences	**155**	4,319
Reduction in tax rate	**(263)**	–
Adjustments in respect of prior periods	**320**	233
Deferred tax expense	**212**	4,552
Total tax expense	**19,359**	14,794

The UK corporation tax standard rate for the period was 20% (2015: 21%). The March 2015 budget announced that the UK corporation tax rate will further reduce to 19% (effective from 1 April 2017). The March 2016 budget announced a further reduction in the corporation tax rate to 17% from 1 April 2020. The deferred tax liability has been calculated based on the rate of 19% which is the rate at which the majority of items are expected to reverse.

Deferred tax recognised in comprehensive income

	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Effective portion of changes in fair value of cash flow hedges	**(320)**	303

Reconciliation of effective tax rate

	53 week period ended 31 March 2016			52 week period ended 26 March 2015		
	Underlying Trading £000	Exceptional Items £000	Total £000	Underlying Trading £000	Exceptional Items £000	Total £000
Profit for the period	**77,079**	**(4,296)**	**72,783**	67,876	4,295	72,171
Total tax expense	**20,224**	**(865)**	**19,359**	19,089	(4,295)	14,794
Profit before tax	**97,303**	**(5,161)**	**92,142**	86,965	–	86,965
Tax using the UK corporation tax rate for the period of 20% (52 week period ended 26 March 2015: 21%)	**19,460**	**(1,032)**	**18,428**	18,263	–	18,263
Impact of reduction in tax rate on deferred tax balances	**(263)**	**–**	**(263)**	(45)	–	(45)
Depreciation on expenditure not eligible for tax relief	**862**	**–**	**862**	1,424	–	1,424
Expenditure not eligible for tax relief	**139**	**167**	**306**	217	–	217
Adjustments in respect of prior periods	**26**	**–**	**26**	(770)	(4,295)	(5,065)
Total tax expense	**20,224**	**(865)**	**19,359**	19,089	(4,295)	14,794

The UK corporation tax standard rate for the 53 week period ended 31 March 2016 was 20% (52 week period ended 26 March 2015: 21%). The effective tax rate before exceptional items for the 53 week period ended 31 March 2016 was 21%. The principal reason for the difference in rate relates to the non-deductibility of depreciation charged on certain items of capital expenditure.

9. Dividends paid and proposed

	Group and Company	
	53 week period ended 31 March 2016 £000	52 week period ended 26 March 2015 £000
Declared and paid during the period:		
Final dividend of 3.6p per share (2014: 0p per share)	**17,932**	–
Interim dividend of 2.0p per share (2015: 1.8p per share)	**9,962**	8,942
Proposed for approval by shareholders at the AGM:		
Final dividend of 5.5p per share (2015: 3.6p per share)	**27,394**	17,932

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 31 March 2016 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 as follows: Computershare Nominees (Channel Islands) Limited (holding at 31 March 2016: 1,466,540 shares, holding at 26 March 2015: 1,466,861 shares), has waived its rights to all dividends; and, Wealth Nominees Limited (holding at 31 March 2016: 434,056 shares, holding at 27 March 2015: 434,056 shares), has waived its rights to all dividends.

10. Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Cash consideration transferred £000
Anderson Moores Veterinary Specialists Ltd	Veterinary referral centre	18 January 2016	75%	7,525
Northwest Surgeons Ltd	Veterinary referral centre	15 April 2015	100%	2,600

In addition to the above acquisitions, the Group also acquired a franchised Vets4Pets veterinary practice, Leyland Vets.

Acquisition of Anderson Moores Veterinary Specialists Ltd

On 18 January 2016, the Group acquired 75% of the total share capital of Anderson Moores Veterinary Specialists Ltd in exchange for cash and contingent consideration. The remaining share capital of Anderson Moores Veterinary Specialists Ltd is held by non-controlling interests.

A put and call option, written into the Articles of Association, allows the non-controlling shareholders to require sale of their shares to the Group at an agreed pricing method at certain points in the future. The Articles also contain provision for the Group to buy the non-controlling shares under the same pricing mechanism at certain times.

As a consequence, the put and call option has been treated as a forward contract and as a result, the financial statements are prepared on the basis that the Group owns 100% of the total share capital of Anderson Moores Veterinary Specialists Ltd. Therefore no non-controlling interest is recognised. The deemed value of the put and call option is treated as a forward contract.

Consideration transferred

	Anderson Moores Veterinary Specialists Ltd £000
Cash	7,525
Contingent consideration	1,000
Forward contract	4,117
	12,642

Acquisition related costs amounting to £225,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the current period, within the 'administrative expenses' exceptional line item.

The business combination includes an element of consideration payable on satisfaction of certain performance conditions in the period to 31 March 2018. The forecast contingent consideration payable, based on the Directors' best estimate of performance at the time of acquisition, in the future period, is £1,000,000.

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Carrying amounts £000	Accounting policy adjustments £000	Fair value adjustments £000	Assets and liabilities acquired £000
Current assets				
Cash and cash equivalents	1,733	–	–	1,733
Trade and other receivables	300	–	(10)	290
Inventories	228	–	–	228
Non-current assets				
Tangible fixed assets	810	–	(3)	807
Current liabilities				
Trade and other payables	(1,051)	–	–	(1,051)
Deferred tax liabilities	(114)	–	–	(114)
	1,906	–	(13)	1,893

Provisional goodwill arising on acquisition

	Anderson Moores Veterinary Specialists Ltd £000
Consideration transferred	7,525
Contingent consideration	1,000
Forward contract	4,117
Less: fair value of net assets acquired	(1,893)
Goodwill arising on acquisition	10,749

Goodwill arose on the acquisition of Anderson Moores Veterinary Specialists Ltd because the cost of the combination included a control premium in addition to the consideration paid for the combination, effectively including amounts in relation to the benefits of expected synergies, revenue growth and future market development. Those benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill is deemed to be provisional due to the timing of the acquisition in relation to the period end. It is considered that further information could come to light that could affect the fair value of net assets acquired.

None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

10. Business combinations continued

Net cash outflow on acquisition of subsidiary

	Anderson Moores Veterinary Specialists Ltd £000
Initial cash consideration	7,525
Less: cash and cash equivalents acquired	(1,733)
Total cash paid (before contingent consideration)	5,792

Impact of acquisition on the results of the Group

Included in the operating profit for the period ended 31 March 2016 is £164,000 attributable to the additional business generated by Anderson Moores Veterinary Specialists Ltd. Revenue for the period ended 31 March 2016 includes £1,481,000 in respect of Anderson Moores Veterinary Specialists Ltd.

Had the business combination been effected at 27 March 2015, the revenue for the Group from continuing operations would have been £799,293,000 and the operating profit for the period from continuing operations would have been £102,518,000.

Acquisition of Northwest Surgeons Limited

On 15 April 2015, the Group acquired 100% of the share capital of Northwest Surgeons Limited in exchange for cash and contingent consideration.

Consideration transferred

	Northwest Surgeons Limited £000
Cash	2,600
Contingent consideration	562
	3,162

Acquisition related costs amounting to £101,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the current period, within the ‘administrative expenses’ line item.

The business combination includes an “earn out” mechanism whereby additional consideration may become payable in the financial period to 30 March 2017, subject to the EBITDA performance of Northwest Surgeons Ltd in the period from 1 April 2015 to 31 March 2016.

The forecast contingent consideration payable, based on the Directors’ best estimate of the EBITDA performance at the time of acquisition, in the "earn out" period, is £562,000. The maximum contingent consideration payable is £680,000 and the minimum contingent consideration payable is £nil.

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Carrying amounts £000	Accounting policy adjustments £000	Fair value adjustments £000	Assets and liabilities acquired £000
Current assets				
Cash and cash equivalents	190	–	–	190
Trade and other receivables	329	–	–	329
Inventories	146	–	–	146
Non-current assets				
Tangible fixed assets	2,051	–	(178)	1,873
Current liabilities				
Trade and other payables	(694)	–	–	(694)
Non-current liabilities				
Bank loans	(1,552)	–	–	(1,552)
Other payables	(56)	–	–	(56)
Deferred tax liabilities	(69)	–	–	(69)
	345	–	(178)	167

Goodwill arising on acquisition

	Northwest Surgeons Limited £000
Consideration transferred	3,162
Less: fair value of net assets acquired	(167)
Goodwill arising on acquisition	2,995

Goodwill arose on the acquisition of Northwest Surgeons Limited because the cost of the combination included a control premium in addition to the consideration paid for the combination effectively including amounts in relation to the benefits of expected synergies, revenue growth, and future market development. Those benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill identified on this acquisition is expected to be deductible for tax purposes.

10. Business combinations continued

Net cash outflow on acquisition of subsidiary

	Northwest Surgeons Limited £000
Initial cash consideration	2,600
Less: cash and cash equivalents acquired	(190)
Total cash paid (before contingent consideration)	2,410

Impact of acquisition on the results of the Group

Included in the operating profit for the period ended 31 March 2016 is £317,000 attributable to the additional business generated by Northwest Surgeons Limited. Revenue for the period ended 31 March 2016 includes £4,889,000 in respect of Northwest Surgeons Limited.

Other acquisitions

In addition to the above acquisitions, the Group also acquired a franchised Vets4Pets veterinary practice, Leyland Vets. The acquisition resulted in additional goodwill of £149,000.

11. Property, plant and equipment

	Freehold property £000	Short leasehold property £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
Balance at 26 March 2015	2,508	35,225	127,579	165,312
Additions	44	6,097	28,031	34,172
Assets acquired on acquisition	1,435	577	669	2,681
Disposals	(1,470)	(725)	(1,044)	(3,239)
Balance at 31 March 2016	**2,517**	**41,174**	**155,235**	**198,926**
Depreciation and impairment				
Balance at 26 March 2015	118	9,978	52,326	62,422
Depreciation charge for the period	71	2,684	19,160	21,915
Disposals	(31)	(54)	(72)	(157)
Balance at 31 March 2016	**158**	**12,608**	**71,414**	**84,180**
Net book value				
At 26 March 2015	2,390	25,247	75,253	102,890
At 31 March 2016	**2,359**	**28,566**	**83,821**	**114,746**

12. Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 26 March 2015	952,032	11,798	963,830
Additions	–	7,335	7,335
Assets acquired on acquisition	13,893	–	13,893
Balance at 31 March 2016	**965,925**	**19,133**	**985,058**
Amortisation			
Balance at 26 March 2015	–	8,318	8,318
Amortisation charge for the period	–	3,191	3,191
Balance at 31 March 2016	**–**	**11,509**	**11,509**
Net book value			
At 26 March 2015	952,032	3,480	955,512
At 31 March 2016	**965,925**	**7,624**	**973,549**

Amortisation and impairment charge

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

Impairment testing

Cash Generating Units ('CGUs') within the Group are considered to be the body of stores including vets practices, and the Group's websites as disclosed in note 2. The Group is deemed to have one overall group of CGUs as follows:

	Goodwill	
	At 31 March 2016 £000	At 26 March 2015 £000
Pets at Home Group	**965,925**	952,032

The recoverable amount of the CGU group has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	At 31 March 2016	At 26 March 2015
Period on which management approved forecasts are based (years)	**3**	3
Growth rate applied beyond approved forecast period	**3%**	3%
Discount rate (pre-tax)	**10%**	9%

The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on "value-in-use" calculations. These calculations use a pre-tax cash flow projection based on a three year plan approved by the Board.

The key assumptions in this business plan are like-for-like sales growth, and gross and operating profit margins. The forecast assumptions reflect continual innovation, our deep understanding of our customers and a detailed analysis of geographic opportunities that allow us to continue to grow. The projections are based on all available information and growth rates do not exceed growth rates achieved in prior periods. A different set of assumptions may be more appropriate in future years depending on changes in the macro-economic environment.

The discount rate was estimated based on past experience and industry average weighted average cost of capital. The Directors have assumed a growth rate projection beyond the three year period based on inflationary increases.

The total recoverable amount in respect of goodwill for the CGU group as assessed by the managers using the above assumptions is greater than the carrying amount and therefore no impairment charge has been booked in each period. The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

13. Inventories

	At 31 March 2016 £000	At 26 March 2015 £000
Finished goods	**52,476**	48,474

The cost of inventories recognised as an expense and included in 'cost of sales' is £381,863,000 (period ended 26 March 2015: £340,968,000).

At 31 March 2016 the inventory provision amounted to £2.0m (26 March 2015: £2.0m).

In the 53 week period ended 31 March 2016, the value of inventory written off to the income statement amounted to £8.3m (52 week period ended 26 March 2015: £7.6m).

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 31 March 2016			At 26 March 2015		
	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Property, plant and equipment	**–**	**(1,202)**	**(1,202)**	–	(1,545)	(1,545)
Inventories	**–**	**–**	**–**	–	–	–
Financial assets	**365**	**–**	**365**	126	–	126
Financial liabilities	**–**	**(258)**	**(258)**	–	(339)	(339)
Other	**1,349**	**(5,139)**	**(3,790)**	874	(3,926)	(3,052)
Net tax assets/(liabilities)	**1,714**	**(6,599)**	**(4,885)**	1,000	(5,810)	(4,810)

Movement in deferred tax during the period

	26 March 2015 £000	Liability acquired on acquisition £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Property, plant and equipment	(1,545)	(183)	525	–	**(1,203)**
Inventories	–	–	–	–	**–**
Net financial assets	(213)	–	–	320	**107**
Other	(3,052)	–	(737)	–	**(3,789)**
	(4,810)	(183)	(212)	320	**(4,885)**

Movement in deferred tax during the period

	27 March 2014 £000	Recognised in income £000	Recognised in equity £000	26 March 2015 £000
Property, plant and equipment	(1,592)	47	–	(1,545)
Inventories	(13)	13	–	–
Net financial assets	90	–	(303)	(213)
Other	1,560	(4,612)	–	(3,052)
	45	(4,552)	(303)	(4,810)

Company

	26 March 2015 £000	Recognised in income £000	Recognised in equity £000	31 March 2016 £000
Financial assets	90	–	252	**342**

The rate used to calculate deferred tax assets and liabilities has been disclosed in note 8.

15. Other financial assets and liabilities

	Group	
	At 31 March 2016 £000	At 26 March 2015 £000
Non-current assets		
Investments in joint ventures	**9,143**	8,133
Loans to related parties	**1,018**	–
	10,161	8,133

Investments are available for sale financial assets which represent the fair value of loans provided to, and non-equity share capital in, joint venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These investments are classified as Available For Sale and accounted for as non-derivative financial assets at fair value.

Under the terms of the loans provided to veterinary practice companies trading under the Companion Care and Vets4Pets brands, no interest is charged and there is no set date for repayment of the loans due to the Group.

The share capital of the veterinary practice companies is split into either 'A' ordinary shares and 'B' ordinary shares, or preference shares and ordinary shares. Any operational decisions require the agreement of the joint venture partner. Under the terms of the agreements between the veterinary practices and Companion Care (Services) Limited, a subsidiary of the Group, the 'B' ordinary shares/ordinary shares which are held by Companion Care (Services) Limited are not entitled to any profits, losses or dividends, or any surplus on winding up or disposal, although they are entitled to appoint directors to the board and carry the same shareholder voting rights as 'A' ordinary/preference shareholders.

Under the terms of the agreements between the veterinary practices and Vets4Pets Limited, a subsidiary of the Group, the 'B' shares which are held by Vets4Pets Limited are not entitled to any profits, losses or dividends and on winding up or other return of capital the holders of the 'B' shares are entitled (in priority to the holders of the 'A' shares) to receive £0.001 in respect of each 'B' share held but subject thereto, they are not entitled to receive any other return of capital which shall be applied for the holders of the A shares. They are entitled to appoint 'B' directors to the board and carry the same shareholder voting rights as 'A' shareholders.

Loans to related parties represent longer term funding balances to joint venture partnership businesses. These loans are unsecured, typically for seven years and attract an interest rate of LIBOR plus 2.8%. The loans are accounted for as loans and receivables and as such are recognised at amortised cost.

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Current assets				
Financial assets held for trading:				
Forward exchange contracts	**1,290**	1,697	**–**	–
Loans to related parties	**657**	–	**–**	–
	1,947	1,697	**–**	–

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Current liabilities				
Financial liabilities held for trading:				
Fuel forward contracts	**(116)**	(179)	**–**	–
Other financial liability	**(296)**	–	**–**	–
Finance lease liability	**(63)**	–	**–**	–
Interest rate swaps	**(843)**	(453)	**(843)**	(453)
	(1,318)	(632)	**(843)**	(453)

15. Other financial assets and liabilities continued

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Non-current liabilities				
Other financial liability	**(5,117)**	–	**–**	–
Finance lease liability	**(16)**	–	**–**	–
Interest rate swaps	**(866)**	–	**(866)**	–
	(5,999)	–	**(866)**	–

The non-current other financial liability includes the fair value of the put and call option over the non-controlling interest of a subsidiary undertaking and contingent consideration in relation to acquisitions. For further detail see note 10.

16. Trade and other receivables

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Trade receivables	**14,738**	10,036	**–**	–
Other receivables	**22,502**	23,655	**–**	–
Amounts owed by Group undertakings	**–**	–	**580,493**	562,653
Prepayments and accrued income	**21,131**	17,936	**–**	–
Loans to related parties	**657**	–	**–**	–
	59,028	51,627	**580,493**	562,653

All balances are included within current assets.

17. Cash and cash equivalents

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Cash and cash equivalents	**39,998**	132,966	**1**	1

18. Other interest-bearing loans and borrowings

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Non-current liabilities				
Secured bank loans	**201,091**	315,674	**201,091**	315,674
Current liabilities				
Secured bank loans	**–**	5,000	**–**	5,000
Total liabilities				
Secured bank loans	**201,091**	320,674	**201,091**	320,674

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	**Face value at 31 March 2016 £000**	**Carrying amount at 31 March 2016 £000**	Face value at 26 March 2015 £000	Carrying amount at 26 March 2015 £000
Senior Finance Bank Loans	GBP	LIBOR +1.5%	2019–2020	**202,000**	**201,091**	–	–
Senior Finance Bank Loans	GBP	LIBOR +2–2.25%	2019–2020	**–**	**–**	325,000	320,674

In April 2015, the Group's Senior Financing Facilities were amended, with the introduction of a further revolving credit facility (RCF) with a total facility amount of £260m. As part of the amendment, £325m of the Group's term loans under the previous terms of the Senior Financing Facilities were repaid via drawings under the Group's RCF along with cash from the Group's existing resources. The amended RCF expires in April 2020 and is reviewed each period. Interest is charged at LIBOR plus a margin based on leverage.

Face value represents the principal value of the Senior Finance Bank Loans.

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 less any impairment losses.

At 31 March 2016 the Group had a revolving credit facility of £260m with a drawn amount of £202m.

The analysis of repayments on the loans is as follows:

	At 31 March 2016 £000	At 26 March 2015 £000
Within one year or repayable on demand	**–**	5,000
Between one and two years	**–**	12,500
Between two and five years	**202,000**	307,500
	202,000	325,000

The combined loans at 31 March 2016 and 26 March 2015 are held by the Company.

Analysis of changes in net debt

	At 26 March 2015 £000	Cash flow £000	Non-cash movement £000	**At 31 March 2016 £000**
Cash and cash equivalents	132,966	(92,968)	–	**39,998**
Debt due within one year at face value	(5,000)	5,000	–	**–**
Debt due after one year at face value	(320,000)	118,000	–	**(202,000)**
Net debt	(192,034)	30,032	–	**(162,002)**

19. Trade and other payables

	Group		Company	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Current				
Trade payables	**79,779**	77,737	**–**	–
Accruals and deferred income	**56,578**	45,054	**187**	1,343
Other payables including tax & social security	**14,088**	16,897	**–**	–
Corporation tax	**9,695**	5,066	**–**	–
Intercompany payables	**–**	–	**175,551**	–
	160,140	144,754	**175,738**	1,343
Non-current				
Other payables	**33,165**	31,483	**–**	–

The non-current payables represent deferred income in respect of store leases where incentives are spread over the life of the lease.

The increase in the Company's intercompany payables balance is a result of the repayment of the loan from the Group's funds (note 18).

20. Provisions

	Dilapidation provision £000	Closed stores provision £000	Total £000
Balance at 26 March 2015	908	1,163	2,071
Provisions made during the period	–	137	137
Provisions used during the period	(258)	(127)	(385)
Balance at 31 March 2016	**650**	**1,173**	**1,823**

	At 31 March 2016 £000	At 26 March 2015 £000
Current	**436**	365
Non-current	**1,387**	1,706
	1,823	2,071

The closed stores provision relates to the rent and rates payable on sublet or vacant stores. A provision is made where the rent receivable on the properties is less than the rent payable, or where management consider there to be a risk on the sublet. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 10 and 15 years. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

The Company did not hold any provisions at 31 March 2016 or 26 March 2015.

21. Capital and reserves

Share capital

Group

	Share capital Number	Share capital £000	Share premium £000
At 27 March 2014	500,000,000	5,000	1,080,477
Cancellation of share premium	–	–	(1,080,477)
At 26 March 2015	500,000,000	5,000	–
At 31 March 2016	**500,000,000**	**5,000**	**–**

Company

	Share capital 31 March 2016 £000	**Share premium 31 March 2016 £000**
At beginning of period	**5,000**	**–**
On issue at period end	**5,000**	**–**

	Share Capital 26 March 2015 £000	Share Premium 26 March 2015 £000
At beginning of period	5,000	1,080,477
Cancellation of share premium	–	(1,080,477)
On issue at period end	5,000	–

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Translation reserve

The translation reserve comprises all foreign exchange differences arising since 21 November 2011, the date of incorporation of Pets at Home Asia Ltd where the functional currency differs from that of the rest of the Group.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share premium reserve

As contemplated in the Pets at Home Group Plc IPO Prospectus dated 28 February 2014 and pursuant to a shareholder resolution passed on 27 February 2014, Pets at Home Group Plc completed a reduction of capital, whereby £1,080,477,000 standing to the credit of the Company's share premium account was cancelled, creating distributable reserves of an equivalent amount. The cancellation was formally approved by the High Court and the court order was registered by the Registrar of Companies and became effective on 30 July 2014. The cancellation has no effect on the overall net asset position of the Company and/or its Group.

21. Capital and reserves continued

Other comprehensive income

31 March 2016

	Translation reserve £000	Cash flow hedging reserve £000	Total other comprehensive income £000
Other comprehensive income	**(5)**	**–**	**(5)**
Cash flow hedges – reclassified to profit and loss	**–**	**(1,064)**	**(1,064)**
Effective portion of changes in fair value of cash flow hedges	**–**	**(536)**	**(536)**
Deferred tax on changes in fair value of cash flow hedges	**–**	**320**	**320**
Total other comprehensive income	**(5)**	**(1,280)**	**(1,285)**

26 March 2015

	Translation reserve £000	Cash flow hedging reserve £000	Total other comprehensive income £000
Other comprehensive income	(4)	–	(4)
Cash flow hedges – reclassified to profit and loss	–	1,113	1,113
Effective portion of changes in fair value of cash flow hedges	–	403	403
Deferred tax on changes in fair value of cash flow hedges	–	(303)	(303)
Total other comprehensive income	(4)	1,213	1,209

22. Financial instruments

Financial risk management

The Pets at Home Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management framework

Risk management in respect of financial risk is carried out by the Pets at Home Group Treasury Function under policies approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board provides written principles, through its Group Treasury Policy, for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

The main objectives of the Pets at Home Group Treasury Function are:

- To ensure shareholder and management expectations are managed on cash flow and earnings volatility resulting from financial market movements
- To protect the expected cash flow and earnings from interest rate and foreign exchange fluctuations to within parameters acceptable to the Board and shareholders
- To control banking costs and service levels

Market risk

(i) Foreign currency risk

The Pets at Home Group sources a significant level of purchases in foreign currency, in excess of US $50 million each financial year, and monitors its foreign currency requirements through short, medium and long term cash flow forecasting. The value of purchases in US dollars continues to increase each year and the risk management policy has evolved with this increased risk.

At 31 March 2016, the Pets at Home Group's policy is to hedge between 75% and 90% of the forecast foreign exchange transactions on a rolling 10 to 12 month basis, using foreign currency bank accounts and forward foreign exchange contracts. The transactions are deemed to be 'highly probable' and are based on historical knowledge and forecast purchase and sales projections.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments, except for derivatives which are based on notional amounts:

31 March 2016

	Euro £000	US Dollar £000	HKD £000	Total £000
Cash and cash equivalents	**4**	**–**	**2**	**6**
Trade payables	**(516)**	**(2,229)**	**–**	**(2,745)**
Forward exchange contracts	**118**	**1,172**	**–**	**1,290**
Balance sheet exposure	**(394)**	**(1,057)**	**2**	**(1,449)**

26 March 2015

	Euro £000	US Dollar £000	HKD £000	Total £000
Cash and cash equivalents	293	2,523	2	2,818
Trade payables	(446)	(5,178)	–	(5,624)
Forward exchange contracts	(120)	1,817	–	1,697
Balance sheet exposure	(273)	(838)	2	(1,109)

Sensitivity analysis

A 5% weakening of the following currencies against the pound sterling at the period end date in both years would have increased/(decreased) profit or loss or equity by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	Equity		Profit or loss	
	31 March 2016 £000	26 March 2015 £000	**31 March 2016 £000**	26 March 2015 £000
US Dollar	**(59)**	(91)	**111**	133
Euro	**6**	6	**26**	(8)

A 5% strengthening of the above currencies against the pound sterling in any period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Cash flow and fair value interest rate risk

The Pets at Home Group's interest rate risk arises from long-term borrowings. As at 31 March 2016 the Group had a senior facility with a face value totalling £202.0m. The Pets at Home Group's borrowings as at 31 March 2016 incur interest at a rate of 1.5% plus LIBOR at current leverage, which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in note 18.

The Pets at Home Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Pets at Home Group has entered into two fixed rate interest rate swap agreements over a total of £150m of the senior facility borrowings at the balance sheet date at a fixed rate of 1.087%. Both swaps expire on 30 March 2017. A further swap was taken out over £85m of the borrowings to cover the year commencing 31 March 2017 at a fixed rate of 1.639%. The hedges are structured to hedge at least 70% of the forecast outstanding debt for the next year.

22. Financial instruments continued

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	Book value At 31 March 2016 £000	Book value At 26 March 2015 £000	**Book value At 31 March 2016 £000**	Book value At 26 March 2015 £000
Fixed rate instruments				
Financial liabilities	**149,091**	316,875	**149,091**	316,875
Variable rate instruments				
Financial liabilities	**52,000**	3,799	**52,000**	3,799
Total financial liabilities	**201,091**	320,674	**201,091**	320,674

All borrowings bear a variable rate of interest based on LIBOR. Pets at Home Group policy is to hedge at least 70% of the loan to ensure a fixed rate of interest. Therefore, designated above is the portion of the loan hedged by a fixed rate interest rate swap and the remaining un-hedged portion is designated as variable rate.

Sensitivity analysis

A change of 50 basis points in interest rates at the period end date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the comparative period.

	At 31 March 2016 £000	At 26 March 2015 £000
Equity		
Increase	**745**	1,584
Decrease	**(745)**	(1,584)
Profit or loss		
Increase	**260**	19
Decrease	**(260)**	(19)

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group ensures that the banks used for the financing of the loan facilities and interest rate swap agreements hold an acceptable risk rating by independent parties.

The Group has in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment. Further details of these guarantees are disclosed in note 26. The performance of the veterinary practice companies is reviewed on an ongoing basis.

Exposure to credit risk

The Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised in the table within the fair values section below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management prepares and monitors rolling forecasts of the Group's cash balances based on expected cash flows to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. Covenants are monitored on a regular basis to ensure there is no risk or breach which would lead to an 'Event of Default' and compliance certificates are issued as required to the syndicate agent.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Group
31 March 2016

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans (note 18)	**201,091**	**202,000**	**–**	**–**	**202,000**	**–**
Trade payables (note 19)	**79,779**	**79,779**	**79,779**	**–**	**–**	**–**
Finance lease liabilities	**79**	**79**	**63**	**16**	**–**	**–**
Other financial liabilities	**5,413**	**5,724**	**296**	**–**	**5,428**	**–**
Derivative financial liabilities						
Forward exchange contracts used for hedging:						
Outflow (note 15)	**–**	**–**	**–**	**–**	**–**	**–**
Interest rate swaps used for hedging:						
Outflow (note 15)	**1,709**	**1,709**	**843**	**866**	**–**	**–**
Fuel forward contracts:						
Outflow (note 15)	**116**	**116**	**116**	**–**	**–**	**–**
	288,187	**289,407**	**81,097**	**882**	**207,428**	**–**

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Group
26 March 2015

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans (note 18)	320,674	350,763	12,844	19,313	318,606	–
Trade payables (note 19)	77,737	77,737	77,737	–	–	–
Derivative financial liabilities						
Forward exchange contracts used for hedging:						
Outflow (note 15)	–	–	–	–	–	–
Interest rate swaps used for hedging:						
Outflow (note 15)	453	453	453	–	–	–
Fuel forward contracts:						
Outflow (note 15)	179	179	179	–	–	–
	399,043	429,132	91,213	19,313	318,606	–

22. Financial instruments continued

Company

31 March 2016

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans (note 18)	**201,091**	**202,000**	**–**	**–**	**202,000**	**–**
Derivative financial liabilities						
Interest rate swaps (note 15)	**1,709**	**1,709**	**843**	**866**	**–**	**–**
	202,800	**203,709**	**843**	**866**	**202,000**	**–**

26 March 2015

	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans (note 15)	320,674	350,763	12,844	19,313	318,606	–
Derivative financial liabilities						
Interest rate swaps (note 15)	453	453	453	–	–	–
	321,127	351,216	13,297	19,313	318,606	–

Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and to affect profit or loss:

Group

31 March 2016

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Interest rate swaps:						
Assets (note 15)	**–**	**–**	**–**	**–**	**–**	**–**
Liabilities (note 15)	**(1,709)**	**(1,709)**	**(843)**	**(866)**	**–**	**–**
Forward exchange contracts:						
Assets (note 15)	**1,340**	**1,340**	**1,340**	**–**	**–**	**–**
Liabilities (note 15)	**(50)**	**(50)**	**(50)**	**–**	**–**	**–**
Fuel forward contracts:						
Liabilities (note 15)	**(116)**	**(116)**	**(116)**	**–**	**–**	**–**
	(535)	**(535)**	**331**	**(866)**	**–**	**–**

Group
26 March 2015

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Interest rate swaps:						
Assets (note 15)	–	–	–	–	–	–
Liabilities (note 15)	(453)	(453)	(453)	–	–	–
Forward exchange contracts:						
Assets (note 15)	1,817	1,817	1,817	–	–	–
Liabilities (note 15)	(120)	(120)	(120)	–	–	–
Fuel forward contracts:						
Liabilities (note 15)	(179)	(179)	(179)	–	–	–
	1,065	1,065	1,065	–	–	–

Company
31 March 2016

	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2 years £000**	**2 to <5 years £000**	**5 years and over £000**
Interest rate swaps:						
Liabilities (note 15)	**(1,709)**	**(1,709)**	**(843)**	**(866)**	**–**	**–**
	(1,709)	**(1,709)**	**(843)**	**(866)**	**–**	**–**

26 March 2015

	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2 years £000	2 to <5 years £000	5 years and over £000
Interest rate swaps:						
Liabilities (note 15)	(453)	(453)	(453)	–	–	–
	(453)	(453)	(453)	–	–	–

Fair values of financial instruments

Investments

The fair value of investments is considered to be its carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

Trade and other payables and receivables

The fair value of these items is considered to be its carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand (such as term deposits), then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long-term and short-term borrowings

The fair value of bank loans and other loans approximates its carrying value as it has an interest rate based on LIBOR.

22. Financial instruments continued

Short-term deposits

The fair value of short term deposits is considered to be their carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Derivative financial instruments

The fair value of interest rate swap contracts and forward exchange contracts is calculated by management based on external valuations received from the Group's bankers and is based on forward exchange rates and anticipated future interest yield respectively.

Contingent consideration

Contingent consideration on acquisition of a subsidiary is valued at fair value at the time of acquisition. Any subsequent changes in fair values are recognised in profit or loss.

Put and call options over non-controlling interests

Put and call options over non-controlling interests are recognised at fair value at the acquisition date and included within the valuation of goodwill. Subsequent changes to fair value are recognised in profit or loss.

Fair values

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

	31 March 2016		26 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial assets held for trading (including all derivatives)				
Forward exchange contracts (note 15)	**1,290**	**1,290**	1,697	1,697
Available for sale financial assets				
Investment in non-equity share capital and loans (note 15)	**9,143**	**9,143**	8,133	8,133
Total financial assets at fair value through profit or loss	**10,433**	**10,433**	9,830	9,830
Loans and receivables				
Cash and cash equivalents (note 17)	**39,998**	**39,998**	132,966	132,966
Trade and other receivables (note 16)	**59,028**	**59,028**	51,627	51,627
Total loans and receivables	**99,026**	**99,026**	184,593	184,593
Total financial assets	**109,459**	**109,459**	194,423	194,423
Financial liabilities (including all derivatives)				
Interest rate swaps (note 15)	**(1,710)**	**(1,710)**	(453)	(453)
Fuel forward contracts (note 15)	**(116)**	**(116)**	(179)	(179)
Other financial liabilities	**(5,413)**	**(5,413)**	–	–
Total financial liabilities at fair value through profit or loss	**(7,239)**	**(7,239)**	(632)	(632)
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 18)	**(201,091)**	**(201,091)**	(320,674)	(320,674)
Trade and other payables (note 19)	**(160,140)**	**(160,140)**	(176,237)	(176,237)
Total financial liabilities measured at amortised cost	**(361,231)**	**(361,231)**	(496,911)	(496,911)
Total financial liabilities	**(368,470)**	**(368,470)**	(497,543)	(497,543)
Total financial instruments	**(259,011)**	**(259,011)**	(303,120)	(303,120)

Company

	31 March 2016		27 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables				
Cash and cash equivalents (note 17)	**1**	**1**	1	1
Trade and other receivables (note 16)	**580,493**	**580,493**	562,653	562,653
Total loans and receivables	**580,494**	**580,494**	562,654	562,654
Total financial assets	**580,494**	**580,494**	562,654	562,654
Financial assets held for trading (including all derivatives)				
Interest rate swaps (note 15)	**(1,709)**	**(1,709)**	(453)	(453)
Total financial assets at fair value through profit or loss	**(1,709)**	**(1,709)**	(453)	(453)
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 18)	**(201,091)**	**(201,091)**	(320,674)	(320,674)
Trade and other payables (note 19)	**(175,738)**	**(175,738)**	(1,343)	(1,343)
Total financial liabilities at amortised cost	**(376,829)**	**(376,829)**	(322,017)	(322,017)
Total financial liabilities	**(378,538)**	**(378,538)**	(322,017)	(322,017)
Total financial instruments	**201,956**	**201,956**	240,637	240,637

Fair value hierarchy

The table below analyses financial instruments measured at fair value into a fair value hierarchy based on the valuation technique used to determine fair value.

- 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).

Group

31 March 2016

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets				
Investments	–	–	**9,143**	**9,143**
Derivative financial assets				
Forward rate contracts	–	**1,290**	–	**1,290**
Derivative financial liabilities				
Interest rate swaps	–	**(1,709)**	–	**(1,709)**
Fuel forward contracts	–	**(116)**	–	**(116)**
Other financial liabilities	–	–	**(5,413)**	**(5,413)**

22. Financial instruments continued

26 March 2015

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets				
Investments	–	–	8,133	8,133
Derivative financial assets				
Forward rate contracts	–	1,697	–	1,697
Derivative financial liabilities				
Interest rate swaps	–	(453)	–	(453)
Fuel forward contracts	–	(179)	–	(179)

Company

31 March 2016

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Derivative financial liabilities				
Interest rate swaps	**–**	**(1,709)**	**–**	**(1,709)**

26 March 2015

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial liabilities				
Interest rate swaps	–	(453)	–	(453)

Capital management

The Group's objectives when managing capital, which is deemed to be total equity plus total debt, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom on financial covenants. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group.

The funding requirements of the Group are met by the utilisation of external borrowings together with available cash, as detailed in note 18.

A key objective of the Group's capital management is to maintain compliance with the covenants set out in the Senior Financing Facilities and to maintain a comfortable level of headroom over and above these requirements.

Management have continued to measure and monitor covenant compliance throughout the period and the Group has complied with the requirements set.

23. Share based payments

At 31 March 2016, the Group has four share award plans all of which are equity settled schemes.

1. The Co-Invest Plan (CIP)

On 25 February 2014 the Company adopted the Co-Invest Plan (CIP). Matching awards under the CIP (as described in section 1(b) below) were made on 17 March 2014 to Executive Directors and the Senior Executives by reference to corresponding investment pledges by those colleagues.

These matching awards will vest over a period of three years subject to the satisfaction of performance conditions and once vested as to performance, will become exercisable in equal one-third tranches in years three, four and five subject to continued employment with the Group. These awards were granted at nil cost.

(a) Eligibility

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

(b) Type of awards

Colleagues were invited to participate in the CIP by making an 'investment' or 'pledge' of their own shares (the "Co-Invest Shares"), which could include existing, locked-in shares or new shares acquired with cash, in return for a nil cost-matching award over shares (the "Matching Award").

Matching Awards will be granted by reference to a ratio not exceeding one matched share for every Co-Invest Share 'pledged'. Matching Awards under the CIP will not form part of a participant's pensionable earnings and are not transferable other than on death.

(c) Individual limits

The Executive Directors and the Senior Executives will pledge Co-Invest Shares with a market value equal to 2.5 times their annual salary. Other senior colleagues who elect to participate in the CIP will pledge Co-Invest Shares with a market value equal to a limit specified by the Remuneration Committee, but not exceeding 1 times their annual salary.

(d) Performance, vesting and performance adjustment

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

The performance conditions are as follows:

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

2. CSOP

On 25 February 2014 the Company adopted the CSOP. Part I of the CSOP is tax approved under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of tax approved options. Part II of the CSOP provides for the grant of unapproved options.

The tax approved options under Part I of the CSOP will be exercisable between the third and tenth anniversary of the date of grant, subject to continued employment with the Group. These awards will be granted with an exercise price equal to the market value of the shares at the grant date (as agreed with HMRC).

(a) Eligibility

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the CSOP, at the discretion of the Remuneration Committee.

(b) Grant of options

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

(c) Vesting and performance

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

(d) Exercise price

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

23. Share based payments continued

(e) Individual limits

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

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

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

(l) Part II

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

3. PSP

On 25 February 2014 the Company adopted the PSP. Awards under the PSP were made on 17 March 2014 and annually thereafter and will be exercisable between the third and tenth anniversary of this date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards were granted at nil cost.

(a) Eligibility

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

(b) Grant of awards

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

(c) Exercise price

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

(d) Scheme limits

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

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

(e) Individual limits

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

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

(f) Performance

For awards granted on, or in connection with, Admission, the performance conditions will be the same as for the CIP outlined in Section 1(d) above.

4. SAYE

On 25 February 2014, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 4 April 2015). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. In September each year, the Company issues invitations under the rules of the SAYE which provides eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings is £500 per month. The Executive Directors have elected to participate in the Sharesave, along with 21% of eligible colleagues.

The options were granted in September 2014 and September 2015 and in normal circumstances they are not exercisable until completion of a three year savings period, beginning on 1 December each year and will then be exercisable for a period of six months following completion of the relevant savings period.

(a) Eligibility

All colleagues and full-time Directors of the Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option and who are liable to UK income tax, are eligible to participate in the SAYE.

Participation may also be offered, at the discretion of the Board (taking account of the recommendations of the Remuneration Committee), to other Directors or employees who otherwise do not satisfy all of the above criteria, although Non-Executive Directors are not eligible to participate in the SAYE.

(b) Issue of invitations

Invitations to participate in the SAYE may be made during each 42 day period from (and including) (i) the date on which any amendment to the SAYE is approved or adopted by the Company's shareholders, (ii) the announcement of the Company's final or interim results for any financial period, (iii) the occurrence of an event which the Remuneration Committee considers to be an exceptional event concerning the Group or (iv) changes to the legislation affecting tax approved SAYE option schemes coming into effect. If any of the above periods is a 'close period' as a result of the application of the Model Code for Securities Transactions by Directors of Listed Companies (or as a result of the Company's equivalent internal share dealing rules) and the Company is prohibited from issuing invitations and/or granting options as a result, then invitations may be made within 42 days of the end of the close period.

Invitations may be issued by the trustee of an employee benefit trust. No invitations may be issued or options granted more than ten years after the adoption of the SAYE.

(c) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80% of the market value of a share at the time of grant and its nominal value.

(d) Savings contract

Options may be granted by the Board or the trustee of an employee benefit trust. Upon applying for an option, the colleague will be required to enter into an approved savings contract with a savings institution nominated by the Company which lasts for either three or five years. The maximum amount which an employee is permitted to contribute under SAYE contracts is £500 per month. The Board may set lower savings limits than this for different colleagues by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10). The total exercise price of the shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the colleague's related SAYE contract.

(e) Scheme limits

The number of newly issued shares over which (or in respect of which) options may be granted under the SAYE on any date of grant shall be limited so that the total number of shares issued or capable of being issued in any ten year period under all the Company's employee share schemes (including the CIP, CSOP, PSP and SIP but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time. Any options or rights to acquire shares granted before, on or in connection with Admission will be excluded from this limit, and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting.

(f) Exercisability

Options will normally be exercisable during a period of six months following the allocation of a bonus under the related SAYE contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the colleague dies or leaves employment through injury, disability, redundancy or retirement or where a colleague leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. Early exercise will also be permitted in the event of a takeover, reconstructions or voluntary winding up of the Company.

23. Share based payments continued

Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions and a Monte-Carlo simulation for the market-based (TSR element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group, or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

	CIP	PSP 2016	PSP 2015	CSOP 2016	CSOP 2015	SAYE 2016	SAYE 2015
At grant date							
Share price	£2.45	£2.75	£2.45	£2.75	£2.31	£2.88	£1.75
Exercise price	£0.00	£0.00	£0.00	£2.75	£2.31	£2.30	£1.40
Expected volatility	30%	30%	30%	32%	37%	30%	30%
Option life (years)	3	10	10	10	10	2	3
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	1.07%	1.07%	1.07%	2.25%	2.25%	1.07%	1.07%
Weighted average fair value of options granted	£2.06	£2.06	£2.06	£0.89	£0.75	£0.75	£0.47

As both the CIP and PSP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value.

Movements in awards under share based payment schemes:

	CIP '000	PSP '000	CSOP '000	SAYE '000
Outstanding at start of year	2,454	304	1,900	3,056
Granted	–	3,256	2,910	1,424
Forfeited	–	–	–	–
Exercised	–	–	–	–
Lapsed	(389)	(386)	(272)	(333)
Outstanding at end of year	**2,065**	**3,174**	**4,538**	**4,147**

The Group income statement charge recognised in respect of share based payments for the current period is £3,005,000 (2015: £1,657,000).

24. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	At 31 March 2016 £000	At 26 March 2015 £000	**At 31 March 2016 £000**	At 26 March 2015 £000
Less than one year	**73,346**	66,866	**3,738**	3,292
Between one and five years	**274,599**	256,155	**5,171**	6,507
More than five years	**234,270**	241,851	**125**	144
	582,215	564,872	**9,034**	9,943

Land and buildings relate to the hire of stores and other trading properties under operating leases. No lease is considered individually significant.

During the period ended 31 March 2016 £74,291,000 was recognised as an expense in the income statement in respect of operating leases (period ended 26 March 2015: £70,122,000).

The Company does not have any operating leases.

Sublease income

The Group has a number of leases on properties from which it no longer trades. These properties are often sublet to third parties at contracted rates. The income is recognised within selling and distribution expenses in line with the rents payable as set out in the rental agreements. Sublease income commitments set out below exclude rentals charged to veterinary practices within Pets at Home stores (see note 27).

	At 31 March 2016 £000	At 26 March 2015 £000
Less than one year	**954**	1,008
Between one and five years	**3,664**	3,652
More than five years	**548**	2,060
	5,166	6,720

25. Commitments

Capital commitments

At 31 March 2016, the Group is committed to incur capital expenditure of £978,000 (26 March 2015: £1,272,000). Capital commitments predominantly relate to the costs to fit out new Pets at Home stores and investment in new IT systems.

26. Contingencies

Veterinary practices

Provisions are maintained by the Group, where necessary, against certain balances held with the veterinary practices. During the period, the Group also had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £5,815,000 (26 March 2015: £5,845,000).

27. Related parties

Veterinary practice transactions

The Group has entered into a number of arrangements with third parties in respect of veterinary practices. These veterinary practices are deemed to be related parties due to the factors explained in note 1.4.

Commitments relating to these veterinary practices are included within notes 25 and 26.

The transactions entered into during the period, and the balances outstanding at the end of the period are as follows:

	31 March 2016 £000	26 March 2015 £000
Transactions		
– Fees for services provided to veterinary practices	**42,935**	28,249
– Rental charges to veterinary practices	**10,171**	7,056
Balances		
– Due from veterinary practice companies at end of period included within other receivables	**8,929**	17,334
– Loan due from veterinary practices at end of period	**1,674**	–

Goods and services

KKR Capital Markets Ltd received fees of £500,000 (period ended 26 March 2015: £nil), relating to professional services associated with debt financing following the refinancing of the Pets at Home Group in April 2015.

28. Subsequent events

Acquisition of Eye Vet Limited

Subsequent to the period end, on 5 April 2016 Pets at Home Veterinary Specialist Group Ltd, a subsidiary of Pets at Home Group Plc, acquired 90% of the issued share capital of Eye Vet Limited, in exchange for a cash consideration of £1.1m. Eye Vet Limited is a company registered in England and Wales and is a dedicated ophthalmology practice based in the North West of England. It has a small team of six clinicians who specialise in ophthalmology. The practice makes no contribution to these financial statements, due to the transaction completing subsequent to the period end.

The financial statements of Pets at Home Group Plc for the 52 week period to 30 March 2017, will include full disclosure in accordance with IFRS 3 of consideration paid or payable, the fair value of net assets acquired, goodwill recognised, and acquisition related costs, at such time as the initial accounting for the business combination is complete.

Acquisition of Dick White Referrals Limited

Subsequent to the period end, on 28 April 2016 Pets at Home Veterinary Specialist Group Ltd, a subsidiary of Pets at Home Group Plc, acquired 76% of the issued share capital of Dick White Referrals Limited, in exchange for a cash consideration of £13.8m. Dick White Referrals Limited is a company registered in England and Wales and is one of Europe's leading veterinary referral centres. Based near Cambridge, it is a multi-disciplinary practice founded by Professor Dick White and has 66 referral clinicians of who 31 are Specialists. The practice makes no contribution to these financial statements, due to the transaction completing subsequent to the period end. No fair value disclosure has been made in these financial statements as the acquisition balance sheet is still in the process of being compiled under the terms of the SPA.

The financial statements of Pets at Home Group Plc for the 52 week period to 30 March 2017 will include full disclosure in accordance with IFRS 3 of consideration paid or payable, the fair value of net assets acquired, goodwill recognised, and acquisition related costs, at such time as the initial accounting for the business combination is complete. No fair value disclosure has been made in this set of accounts as the acquisition balance sheet is still in the process of being compiled under the terms of the SPA.

29. Investments in subsidiaries

Company

	Investment in subsidiaries £000
At 31 March 2016 and 26 March 2015	936,179

Group

Details of the principal subsidiary undertakings are as follows:

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Anderson Moores Veterinary Specialists Ltd	Indirect	United Kingdom	Ordinary	75	–
Brand Development Limited	Indirect	Guernsey	Ordinary	100	100
Companion Care (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care Management Services Limited	Indirect	United Kingdom	Ordinary	100	100
Farm-Away Limited	Indirect	United Kingdom	Ordinary	100	100
Les Boues Limited	Indirect	Jersey	Ordinary	100	100
Northwest Surgeons Limited	Indirect	United Kingdom	Ordinary	100	–
PAH Pty Limited	Indirect	Australia	Ordinary	100	100
Pet Investments Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home (Asia) Limited	Indirect	Hong Kong	Ordinary	100	100
Pets At Home Financial Services Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home No.1 Limited	Direct	United Kingdom	Ordinary	100	100
Pets At Home Superstores Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home Veterinary Specialist Group Limited	Indirect	United Kingdom	Ordinary	100	100
Pets At Home Vets Group Limited	Indirect	United Kingdom	Ordinary	100	100
Ride-Away (York) Limited	Indirect	United Kingdom	Ordinary	100	100
Vets for Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets GB Limited	Indirect	United Kingdom	Ordinary	100	100
Kestrel Debt Recovery Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home (ESOT) Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Resources Limited	Indirect	United Kingdom	Ordinary	100	100
Vets 4 Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Holdings Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets I.P. Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Services Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Uk Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Veterinary Group Limited	Indirect	United Kingdom	Ordinary	100	100
Accrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Alsager Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Amesbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Bagshot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Bath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Bedlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bishop Auckland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bradford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Burton-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Cambridge Perne Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Canterbury Sturry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Carmarthen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Chorley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Colchester Layer Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Chester Caldy) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Ilford) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kendal) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Nottingham) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Oxford) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Thamesmead) Limited	Indirect	United Kingdom	Ordinary	100	–
Crosby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ellesmere Port Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Falkirk Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Haverfordwest Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leicester St Georges Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Leyland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Linlithgow Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Littleover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Long Eaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Melton Mowbray Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Mexborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
New Milton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newmarket Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Newtownards Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Nottingham Netherfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Rawtenstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Rhyl Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Ripon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Rugby Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Salford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Scunthorpe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Sheffield Heeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Somercotes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Stoke-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Sudbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Teesside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Telford Madeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Thamesmead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Walton On Thames Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Warminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Worthing Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–

The Group holds an indirect interest in the share capital of the following companies:

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Aberdeen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Abtw Limited	Indirect	United Kingdom	Ordinary	50	50
Airdrie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Alton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Altrincham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Andover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Wales Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnsley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Barry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Bearsden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Beeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Belfast Stormont Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Biggleswade Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Bishops Stortford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Bishopston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackheath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackpool Squires Gate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Blackpool Warbreck Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Borehamwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bramley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Emerson Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bromsgrove Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Buckingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bulwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury St Edmunds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Bury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Byfleet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Caerphilly Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Camborne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cannock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Ely Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Newport Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carlisle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carrickfergus Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Castleford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Catterick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Chadwell Heath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cheadle Hulme Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chesterfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cirencester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clevedon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Cleveleys Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clifton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clitheroe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Colne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Companion Care (Aintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Andover) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Aylesbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ayr) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ballymena) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Banbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Barnsley Cortonwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon Pipps Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basingstoke) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Beckton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bedford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Belfast) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bishopbriggs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bletchley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bolton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bournemouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Braintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brentford) Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Companion Care (Bridgend) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brislington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bristol Filton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Broadstairs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Burgess Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge Beehive) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cannock) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Canterbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cardiff) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Charlton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chatham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chelmsford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cheltenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chesterfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chichester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chingford) Limited	Indirect	United Kingdom	Ordinary	30	50
Companion Care (Chippenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Christchurch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Colchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Corstorphine) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Coventry Walsgrave) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cramlington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crawley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crayford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Croydon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby Kingsway) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Dunstable) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Eastbourne) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ely) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Enfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Exeter Marsh) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Exeter) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Falmouth) Limited	Indirect	United Kingdom	Ordinary	50	100
Companion Care (Fareham Collingwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fareham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Farnborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Farnham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Folkestone) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fort Kinnaird) Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Companion Care (Friern Barnet) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Gloucester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Harlow) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hatfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hemel Hempstead) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (High Wycombe) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hove) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huddersfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huntingdon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ipswich Martlesham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Keighley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kidderminster) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kings Lynn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kirkcaldy) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Beaumont Leys) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Fosse Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leighton Buzzard) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Linwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Lisburn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Liverpool Penny Lane) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Livingston) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Llantrisant) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Macclesfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Maidstone) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Merry Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Milton Keynes) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (New Malden) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newcastle Kingston Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newport) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Northampton Nene Valley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Hall Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Longwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Orpington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Perth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough Bretton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Plymouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Poole) Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Companion Care (Portsmouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Preston Capitol) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Pudsey) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Reading) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redditch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redhill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Romford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rotherham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rustington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Salisbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Scarborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Slough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Southampton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Southend-On-Sea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Speke) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stevenage) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stirling) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stockport) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stoke Festival Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stratford-Upon-Avon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swansea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swindon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tamworth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Taunton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Telford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Truro) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tunbridge Wells) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wakefield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Weston-Super-Mare) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winnersh) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woking) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woolwell) Limited	Indirect	United Kingdom	Ordinary	50	100
Companion Care (Worcester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wrexham Holt Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Corby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Craigavon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crewe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Croydon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Dagenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Darlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Davidsons Mains Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Denton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Doncaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	60	60
Dorchester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Drumchapel Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Dudley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dumbarton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dunfermline Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Durham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
East Kilbride South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Eastleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eastwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eccleshill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	75	50
Evesham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Filton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gamston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gateshead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Glasgow Forge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Goldenhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Grantham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Gravesend Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Greasby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Greenford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Grimsby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Guernsey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halesowen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halifax Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate New Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Harrogate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hartlepool Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hastings Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Hemel Hempstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hendon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hertford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
High Wycombe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hinckley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Huddersfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Anlaby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Stoneferry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Hull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ilkeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Ipswich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kidderminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kilmarnock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lancaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Birstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Letchworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lincoln South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lisburn Longstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Llandudno Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanelli Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanrumney Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Gipsy Lane Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lytham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maidenhead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maidstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mansfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mapperley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Marlborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Merthyr Tydfil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Middlesbrough Cleveland Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Middleton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Millhouses Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Newbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newton Abbot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Newton Mearns Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownabbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
North Tyneside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Northampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oadby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Old Kent Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oxford Cowley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Paisley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Penrith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pentland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Peterborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Poole Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portsmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prescot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Preston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pure Pet Food Ltd	Indirect	United Kingdom	Ordinary	33	–
Quinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rayleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Redditch Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Richmond Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rochdale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Rotherham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ruislip Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rushden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Selly Oak Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Sevenoaks Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Drakehouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Wadsley Bridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Shrewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sidcup Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Solihull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
South Shields Quays Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Southampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend Airport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Albans Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
St Austell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	95	–
St Helens Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Neots Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Stafford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stockton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stourbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Sutton In Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swindon Bridgemead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Sydenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Thurrock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Torquay Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trafford Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trowbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wakefield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walkden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Wallasey Bidston Moss Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Walsall Reedswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 31 March 2016 %	At 26 March 2015 %
Waltham Abbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Walton Vale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warrington Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Warrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Washington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Watford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wellingborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Weymouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Widnes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wimbledon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wokingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Wolverhampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worksop Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wrexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wsm Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Yate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Yeovil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
York Clifton Moor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
York Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100

Advisors and contacts

Registered Office

Pets at Home Group Plc
Epsom Avenue
Stanley Green Trading Estate
Handforth
Cheshire
SK9 3RN
United Kingdom

Registered Number

8885072

Investor Relations

investors.petsathome.com
investorrelations@petsathome.co.uk
+44 (0)161 486 6688

Corporate Brokers

Goldman Sachs International
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Legal Advisors

Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London
EC2Y 9HU

Auditor

KPMG
St James Square
Manchester
M2 6DS

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Printed by CPI Colour on Chorus Silk – an FSC® Mix certified grade and is produced at a mill that is certified to the ISO14001 and EMAS environmental management standards.

Designed and produced by **SampsonMay**
Telephone: 020 7403 4099
www.sampsonmay.com

Pets at Home Group Plc
Epsom Avenue
Stanley Green Trading Estate
Handforth
Cheshire
SK9 3RN

Visit our online Annual Report 2016:
petesathome.annualreport2016.com