pets at home
Group plc

Becoming the best pet care business in the world

Pets at Home Group Plc
Annual Report and Accounts 2019

pets at home
Group plc

Overview

The year in review 2
At a glance 4
Chairman's statement 6
Market overview 8

Strategy

Chief Executive's statement 10
Strategy 14
Pet care in action 16

Performance

Key performance indicators 22
Business model 24
Chief Financial Officer's review 26
Operating review 30
Risk management 38
Risks and uncertainties 40
Corporate Social Responsibility 46

Governance report

Governance report 58
Board and Executive Management 68
Directors' Report 72
Statement of Directors' Responsibilities 79
Audit and Risk Committee Report 80
Nomination and Corporate Governance Committee Report 85
Corporate Social Responsibility and Pets Come First Committee 89
Directors' Remuneration Report 90

Financial statements

Independent Auditor's report 108
Consolidated income statement 116
Consolidated statement of comprehensive income 116
Consolidated balance sheet 117
Consolidated statement of changes in equity as at 28 March 2019 118
Consolidated statement of changes in equity as at 29 March 2018 118
Consolidated statement of cash flows 119
Company balance sheet 120
Company statement of changes in equity as at 28 March 2019 121
Company statement of changes in equity as at 29 March 2018 121
Company income statement 121
Company statement of cash flows 122
Notes (forming part of the financial statements) 123
Glossary – Alternative Performance Measures 191
Advisors and contacts 194

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

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

The year in review

Our performance in the year was ahead of expectations. The pet care market remains in solid growth and we are taking share. Our Retail business returned to profit growth faster than anticipated and the Vet Group core business is performing well.

Financial highlights

Revenue (£m)

£961.0m +6.9%

Underlying PBT[1] (£m)

£89.7m +6.1%

Statutory PBT (£m)

£49.6m -37.7%

Underlying free cashflow[1] (m)

£63.6m +14.0%

Statutory basic EPS (pence)

6.1p -51.5%

Dividend per share (pence)

7.5p

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Operational highlights

Acceleration of omnichannel performance

Omnichannel[1] revenue growth of 43.0%, driven by continued popularity of Order-in-Store and flea product subscription plans, together with new convenience initiatives such as Easy Repeat and Collect-in-Practice, underpinned by an altogether slicker online shopping experience.

Launch of our new pet care strategy

Our strategy has evolved to meet the changing needs of customers and our ambitions. We have a clearly defined plan to become the best pet care business in the world, and are already delivering strong progress.

Even better value for customers

Like-for-like[1] revenue growth of 5.1% in the Retail business represents an exceptional performance, made possible through remaining competitive where it really matters, and rewarding our most loyal customers with even better prices.

First Opinion practices growing ahead of the market

Our mature vet practices continue to grow ahead of the market, proving the value of our unique shared ownership Joint Venture model, and leading to greater returns for both Joint Venture Partners and Pets at Home.

Recalibration of vet business on track

Our plans to recalibrate the wider First Opinion vet business are well underway and, when complete, will return the Group to sustainable profit and free cashflow growth.

Delivering complete pet care like nobody else can

Retail

A range of pet products are available both online or from our stores, which offer far more to the pet owner than just a place to buy food and accessories. Through our in-store experience and award winning VIP loyalty club, we aim to make the pet owning experience as rewarding as possible.

Operating review
Page 30

Vet Group

We provide the full spectrum of veterinary services through a network of First Opinion practices which deal with all aspects of general veterinary care, and Specialist Referral centres which provide highly specialist services to pets referred from across the entire First Opinion market.

Operating review
Page 34

A pet care destination

In addition to pet products, our stores also allow customers to benefit from a range of pet care services, such as dog and cat grooming, a range of subscription packages, workshops and access to expert pet knowledge and advice through our well-trained colleagues.

452
Stores

67%
Of stores have a grooming salon

Omnichannel capabilities

Our extended range of food and accessories is available for customers to shop online 24/7 and choose from a range of convenient delivery options, including collection in-store. Alternatively, colleagues can also place a customer order from our extended range whilst in-store using a dedicated PetPad app.

>10,100
Products in our extended online range

58%
Of omnichannel[1] revenues are assisted by a colleague

First Opinion practices

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

420
First Opinion Joint Venture practices

50
First Opinion company managed practices

Specialist Referral centres

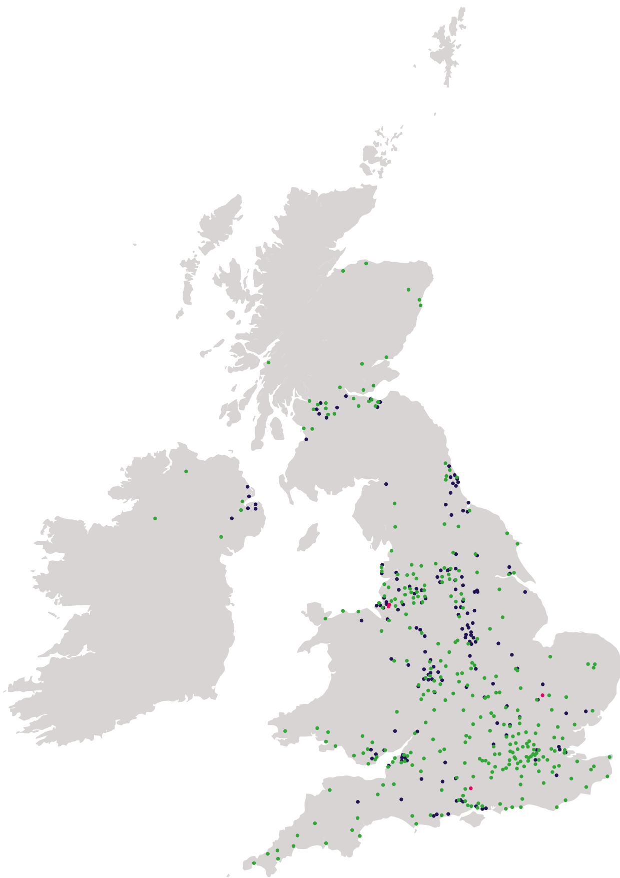
Our Specialist Referral centres represent the cutting edge of veterinary care. They provide medicine and surgery for the most complex cases, including orthopaedic surgery, neurosurgery, oncology and state of the art diagnostic imaging.

4
Specialist Referral centres

>16,800
Cases treated by our specialists

Our locations

Our stores, pet grooming salons, First Opinion vet practices and Specialist Referral centres are located nationwide, allowing us to offer convenient pet care to customers everywhere.



"The Group has made substantial progress. We have returned our Retail business to profit growth ahead of expectations and we are making the necessary decisions to recalibrate our vet business. I am confident that as we make further progress with our new pet care strategy, we will return the business to sustainable free cashflow growth."

Tony DeNunzio
Non-Executive Chairman

We finished the financial year in a positive position. The business launched a new pet care strategy under the leadership of Peter Pritchard, our Retail business returned to profit growth ahead of plan and our Vet Group is underway with a recalibration programme that will generate positive free cashflow growth. Overall, we generated revenue growth of 6.9%, to £961.0m, within which like-for-like sales[1] grew 5.7%. Underlying profit before tax[1] grew by 6.1% to £89.7m and the Board proposes to maintain the ordinary dividend at 7.5 pence per share.

We are particularly pleased with this outcome, considering the challenges presented by the tough retail climate and the general uncertainty created by a Brexit process that has impacted both consumer and business behaviour.

One of the key supporting factors for our business is the ongoing resilience and growth of the UK pet market. We have always believed that during times of uncertainty, pets continue to receive the very best care from their owners, and our customers are testament to this belief – the UK is a nation of pet lovers.

Strategy

There are a number of important areas that I would bring to shareholders' attention this year.

Peter Pritchard and his team launched the Group's new pet care strategy. This is designed to bring our retail and veterinary businesses closer together, so we can deliver a more convenient suite of products and services for customers, setting us apart from competitors. The strategy aims to deliver long term profit and free cashflow growth.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Following a very successful initiative to reposition price points, our Retail business returned to profit growth. Whilst our pricing work has been an important component of this success, we have also impressed customers with the launch of convenient subscription plans, continuous product innovation and considerable investment in our website and digital channels.

In the Vet Group, we have started to recalibrate the business, following a period of fast growth and expansion. This resulted in an extraordinary financial charge in the year. We have recognised there is a need to close some practices and rebalance the Joint Venture model, as the business experiences cost pressures from the ongoing shortage of veterinarians in the UK. We believe these actions will make our vet Partners more successful and allow the business to generate improved free cashflow growth.

Management

Following Peter Pritchard's appointment as Group Chief Executive Officer (CEO) at the start of the financial year, we have also welcomed four new members to the Group Executive Management Team.

David Robinson has assumed the role of Retail Chief Operating Officer (COO), succeeding Peter. We welcomed Jane Balmain back to the business as COO of the Vet Group. Jane was responsible for establishing our Joint Venture veterinary model and retired in 2014, following 13 years of growing the business very successfully. Jane replaces Andrei Balta, who resigned as CEO of the Vet Group in October 2018. We have also introduced two entirely new roles to the Executive Management Team, appointing Robert Kent as Chief Data Officer and William Hewish as Chief Information Officer. As our customers and business become increasingly digitally and data led, these roles will be crucial in delivering our new strategy.

Colleagues

Our people are the foundation of our business. We provide a number of highly specialised services to customers through our trained grooming colleagues, veterinarians and vet nurses, and our knowledgeable store teams. As part of our new pet care strategy, we are already seeing the benefits of all our colleagues across the business working more closely together. I would like to thank them for their efforts in delivering this result, and their dedication to our business.

Outlook

We have finished the year in a positive position, but there is still much to do. In particular, completing the programme to recalibrate our veterinary business. The Board has every confidence that with our newly expanded leadership team, we will be successful in returning the Group to sustainable profit and free cashflow growth.

Tony DeNunzio
Non-Executive Chairman
22 May 2019

Introducing new members of our Executive Management Team

David Robinson
Chief Operating Officer (COO) of Retail

David has wide ranging experience in retail, including as Managing Director of Bestway Retail and 15 years at Home Retail Group (latterly as Chief Operating Officer for Argos). David succeeds Peter Pritchard as the COO of Retail, following Peter's promotion to Group CEO.

Robert Kent
Chief Data Officer (CDO)

Robert joins us from Royal Mail Group, where he was CDO for nearly eight years. The CDO is a new and strategically important appointment for Pets at Home, where Robert's wealth of expertise will help us maximise the value of our data.

William Hewish
Chief Information Officer (CIO)

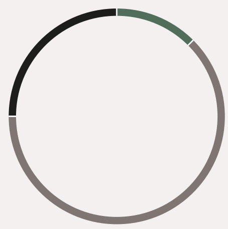
William has a wealth of experience and joins us from United Utilities, where he led the technology, data and business change teams. The CIO position is a another new role for Pets at Home and will help us deliver on the strategic IT needs of our whole Group well into the future.

Jane Balmain
Chief Operating Officer (COO) of the Vet Group

Jane rejoined the Vet Group this year, initially as interim CEO of the First Opinion division, having established the Joint Venture vet model and growing the business successfully before retiring in 2014. Jane replaces Andrei Balta who resigned during the year.

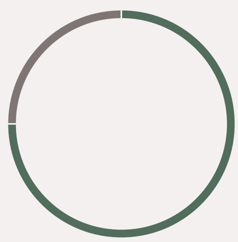
Executive Management Team
Page 70

Membership of the Board



Non-Executive Chairman	1
Independent Non-Executive Directors	5
Executive Directors	2

Gender breakdown of the Board of Directors



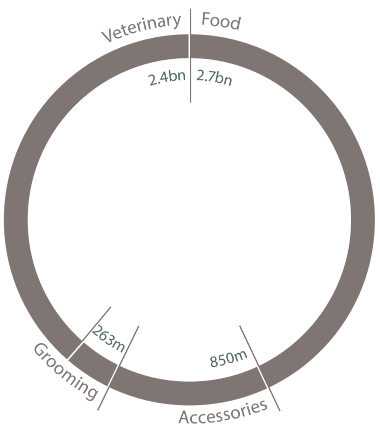
Male	75%
Female	25%

Board of Directors
Page 68

The UK pet care market continues to grow

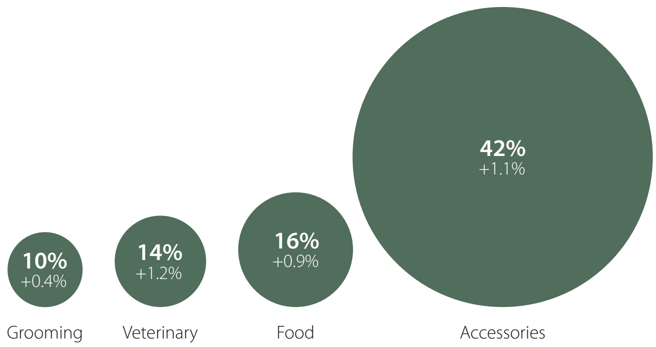
UK pet care market

By sector value 2018[1] (£)



Food[2]	**£2.7bn**
Accessories[2]	**£850m**
Grooming	**£263m**
Veterinary[3]	**£2.4bn**

Our market share and share gains in 2018[1] (%)



Market growth during 2018[1]

Food	c**3%**
Accessories	c**3%**
Grooming	c**4%**
Veterinary	c**5%**

£6.3bn

Estimated UK pet care market value

c15%

Online penetration of pet products[4] market

c4%

Estimated growth of UK pet care market in 2018

1 Source: Pets at Home data, UK market reports, OC&C 2017.
2 Includes online spend from pet products.
3 Veterinary includes First Opinion and Specialist Referrals market.
4 Includes food and accessories.

Our pet care strategy is delivering market share gains

By harnessing the competitive advantage of working closely together across our Retail and Vet businesses, we are able to deliver complete pet care in a way our competitors can't. We continue to grow share in the pet products market through competitive pricing, innovation and omnichannel investments, whilst offering excellent clinical service and convenience to clients in the vet market.

Strategy and performance
Page 14

Market drivers and responses

Market driver 1:
A stable UK dog and cat population.

The UK remains a nation of pet lovers, with the population of dogs and cats remaining stable, and 2 in 5 households are now believed to own a pet.

Our approach:
We provide convenient access to everything a customer needs to make pet ownership as easy and enjoyable as possible. This includes catering for all pet types at accessible locations nationwide and online, whilst offering a range of pet products and pet care services.

Market driver 2:
Humanisation of pets and an increasing desire for higher quality products and services.

Across both dog and cat owners, there is a continued trend of stepping up to higher quality diets driven by greater awareness of the health benefits this provides. We also see increasing numbers of specialist pedigree and mixed breed dogs whose owners spend more on products and care.

Our approach:
New brands and range innovation in higher quality pet foods, all at competitive prices, means customers can keep their pet as happy and healthy as possible for their budget.

Market driver 3:
Advances in veterinary care, accessibility of which is supported by growing pet insurance.

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

Our approach:
We aim to recruit the very best veterinarians across our network of Joint Venture Partners and team of leading specialists, to deliver the best possible care to clients.

Market driver 4:
Continued channel shift to online.

Online penetration of the pet products market increased again in 2018, and is now c15%. Only omnichannel retailers or pure online businesses of scale are experiencing growth, as price competitiveness and convenience remain essential factors in the customer purchasing decision.

Our approach:
Investment in online capabilities, customer experience and pricing have allowed us to make strong share gains in the online market over recent years. By leveraging our Group assets, we are able to maximise the convenience and range of products and services available to customers in a way the pureplays cannot replicate.

Operating review
Page 30 to 37

> "We are trading strongly and taking share across the pet market. Customers are loving our lower prices, the convenience of subscription packages, high quality veterinary care and pet healthplans."

Peter Pritchard
Group Chief Executive Officer

We launched our pet care strategy last year and we're already making good progress, bringing our Retail and Vet businesses closer together. Our commitment is to make sure pets and their owners get the very best advice, care and products, and we're able to join this up for customers in a way that competitors just can't.

I'm pleased with our progress and the results we have delivered, but there remains plenty to do. I'm confident we will successfully reposition our Vet Group so that, with the strong performance in Retail, we will be well placed to deliver our strategy.

Strategic update:
Becoming the best pet care business in the world
We are well positioned in the £6.3bn UK pet care market, which continues to show resilience. The market grew by an estimated 4% in calendar year 2018, within which there was growth of c3% in retail and c5% in the veterinary segment. Our winning combination of complete pet care enabled us to grow our market share in all key areas; gaining c0.9% in food and c1.1% in accessories, whilst also increasing our online share of these markets, and within the veterinary segment we increased our share by c1.2%.

Such performance reflects our actions to put the business on a stronger footing and develop a pet care strategy that maximises our unique assets. We have seen growth in retail customer spend and frequency, website traffic and conversion, subscription numbers, vet practice new client registrations and healthplan purchases, and the number of customers purchasing both products and services.

Our new pet care strategy

When developing our new strategy, it was clear that the words "pet care" should be at the very heart, since they unite both parts of the business and represent what customers expect from us. Around this central tenet, the four strategic pillars are aspects I believe play to our existing strengths or represent areas where we need to develop a stronger competitive edge.

Our job is to make life easy, affordable and enjoyable for customers – allowing them to spend more time with their beloved pets.

Customers will only visit those places they either want to go to or have to go to. Our stores provide the 'want to', whilst the range of pet care services we offer provide the 'have to'. The secret lies in creating an environment that is engaging and unique, allowing our colleagues to make the magic happen.

We aim to know our customers better than anyone else. But knowing something is not enough; acting on that knowledge is what really matters. By becoming smarter and more sophisticated in our decision-making, we will benefit both customers and the business itself.

I firmly believe the winning formula is the 'everything formula', and we are the only ones who can join up everything a pet owner needs. I'm proud that we have already started delivering against our new strategy, and expect to achieve further success in the year ahead.

Chief Executive's statement continued

Strategic pillar:
Bring the pet experience to life
Within Retail we have remained price competitive. We are within 5% of our most competitive online peer on all comparable items, and the same price when comparing the products we believe really matter. For our most loyal customers we are cheaper if they opt into 'Easy Repeat' delivery, our online food subscription platform. The Easy Repeat initiative has not been alone in terms of its success; relaunching our website across all platforms has improved conversion rates and Order-in-Store continues to grow in popularity.

Another milestone was the launch of our new pet care centre format at two existing stores, where we have invested in a truly experiential and digital destination for customers, with an emphasis on putting pet care centre stage. We will monitor the performance of these stores throughout FY20, with a view to refining the design and rolling out to further stores.

We have also celebrated the joy of pet ownership with the launch of our VIP Kitten Club. This follows on from the successful Puppy Club, with over 230,000 puppy members, which provides a programme of advice and offers designed to encourage shopping across product, grooming and vet services.

Strategic pillar:
Deliver 50% of sales from pet care services
In FY19, 34% of customer sales came from pet care services[1]. We have seen excellent growth in subscriptions and now have more than 700,000 customers on plans across our Group, helped by the launch of the 'Pet Care Plan' initiative, which rewards store colleagues for introducing customers to vet practices. We will look to extend our subscription expertise further with new plans in the year ahead.

The recalibration of our First Opinion vet business is progressing well. At the same time, releasing free cashflow by accelerating maturity in existing practices remains the number one growth opportunity for the Group. Our Joint Venture (JV) model is unique and delivers competitive benefits to both Partners and Pets at Home. However, for a small number of practices, the challenges they are facing have required us to adapt and we are working collaboratively with Joint Venture Partners (JVPs) to agree the best outcomes, which includes ongoing financial support for some practices. We previously announced our intention to buy out up to 55 practices from Joint Venture Partners (JVPs), of which up to 30 may close. By 17 May 2019, a total of 48 JV practice buy outs had been completed, of which 19 have closed, and we remain on track to complete the programme this year. Since announcing our plans, the response from JVPs has been supportive. We have also launched a new JV agreement for future practice openings, which has a simplified fee structure. The new model focuses on helping practices to grow and become debt free as soon as possible, by lowering the fee charged in their early years and subsequently increasing the fee as practices mature. Such changes will benefit new JVPs by improving practice cashflow, whilst also reducing the need for Pets at Home to provide additional funding support.

2

new pet care centre formats launched in the year

1 Including gross customer sales made by Joint Venture vet practices, revenue from our Specialist Referral centres and company managed vet practices, grooming services, subscriptions, pet sales and pet insurance commissions.

The underlying performance of our remaining First Opinion practices has remained solid and mature practices once again grew their customer sales ahead of the market, demonstrating the strength of a shared ownership model. In our Specialist Referral centres, trading remains robust. In the coming year, we will invest to begin a significant expansion to double the size of Dick White Referrals. The hospital is currently operating at capacity and the extension will allow us to meet the market demand for specialist vet services in the local area.

Strategic pillar:
Use our data to better serve customers

The health of our VIP loyalty club remains strong, with reduced churn and increased customer reactivation, resulting in 4.4m active members. The success of the Puppy Club has led to an increase in VIP puppy owners, who visit more often, have higher spend and are more likely to be a vet client. With the appointment of Robert Kent as Chief Data Officer, we have a structured plan that will improve the frequency, accuracy and personalisation of communications to VIPs, as well as using Artificial Intelligence to optimise decision making across the business. We will increasingly take the management and analytics of our VIP data in-house, building a team of data scientists who will unite the wealth of information that sits across our retail and vet client databases. Over the coming months, we will launch the first of our fully integrated pet care communications to VIPs, with a core aim of increasing the number of customers who use our vets, groomers and other services. This highly personalised marketing will be based upon the type, age and breed of pets, and will adapt as pets move through different phases of their life, for example, from puppy to adult.

We are also using our data to drive range changes. Given the scale of our store estate, ensuring we make the best use of space represents an opportunity for incremental sales. By applying algorithmic software to our existing data, we have been able to optimise ranges in a selection of trial stores such that stock is tailored to local customer preferences. This has led to increased sales and margin, whilst also delivering replenishment efficiency and creating more time for colleagues to spend with customers.

Strategic pillar:
Set our people free to serve

By creating efficiencies, we can set our store, grooming and veterinary colleagues free to spend more time with customers. We have successfully reduced non-customer facing tasks through initiatives such as fewer promotional changes, communication headsets and mobile ticket printers. We have created these efficiencies whilst increasing like-for-like sales and without a detrimental impact to customer service, as our overall satisfaction score from customers has improved through the year.

Elsewhere in Retail, we have invested in automation at our Distribution Centre in Northampton, to support the growth and reduce the cost of our omnichannel business. We have already delivered the first phase of new software and automated picking for our flea treatment subscription service, with packing automation for the rest of our fulfilment operation to follow later this year.

Despite the continued shortage of vets in the UK, we have made good progress in reducing vacancy rates, and locum spend as a percentage of practice sales, through improved recruitment. Finally, with Jane Balmain now permanent Chief Operating Officer of the Vet Group, we have in place the right leadership team across the Group to deliver our plans for the years ahead.

Outlook for the year ahead

Having successfully returned the Retail business to profit growth ahead of plan and made good progress with our programme to recalibrate the First Opinion vet business, our new pet care strategy has already delivered strong results.

Despite the continued uncertainty in the wider UK retail environment, the pet care market is expected to continue its resilient growth and we are well positioned to build on our market leading position. We have much to look forward to in FY20, and the new leadership team is confident we will deliver our plans.

Peter Pritchard
Group Chief Executive Officer
22 May 2019

Our vision:

To become the best pet care business in the world

Bring the pet experience to life

Launch new formats and right size our store network
Evolve our store network with new formats that bring more pet care services and experiences to customers

Ensure we have the right number of stores as we respond to continued channel shift to online

Put our pets centre stage in-store
Use dedicated areas in-store to host engaging pet events, classes and workshops

Excite and inspire the pet owners of today and tomorrow

Digitise our business and become the specialist market leader for online pet care
Stay relevant to customers' evolving shopping habits with convenient delivery and collection options

Grow online share of market through an improved experience across all platforms

Keep prices competitive every day, with cheaper prices for our loyal customers
Ensure a tight focus on delivering value for customers through competitive everyday pricing

Reward loyalty by giving our best customers the best prices

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

Use data and VIP to better serve customers

Connect our data across the retail and vet businesses
Use all our Group data to develop a complete picture of our customers and their pets

Invest in the appropriate expertise and system capabilities to unlock the potential of this unique asset

Personalise customer experience and offers
Provide customers with more relevant and engaging content and incentives

Increase our share of VIP customers' spend

Give colleagues information to better serve customers at the point of sale
Enable our colleagues to make every customer feel special, driving customer satisfaction, loyalty and spend

Integrate systems to allow colleagues easy access to customer insight

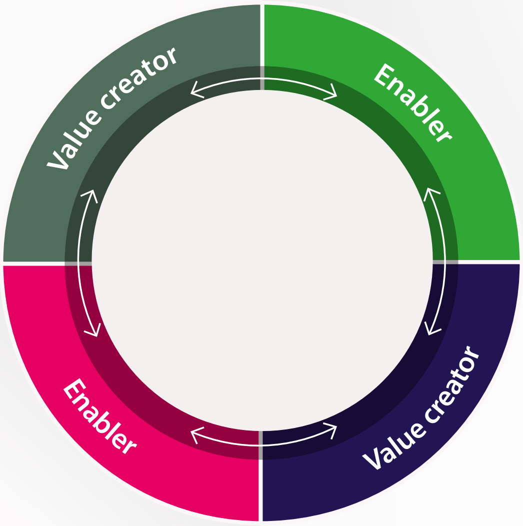
Utilise data across the business to drive strategic decision making and automation
Use data and analytics to drive decision making across the Group

Make processes smarter, quicker and more efficient

Read more
Page 23

Bring the pet experience to life

Use data and VIP to better serve customers



Set our people free to serve

50% of sales from pet services

Set our people free to serve

Give our highly trained colleagues more time with customers

Remove tasks to allow colleagues to do what they do best – provide an exceptional shopping experience to the customer

Maintain leading levels of customer satisfaction with our highly trained colleagues to ensure we are the trusted pet experts

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

Establish the infrastructure to seamlessly support operations across the business

Increase automation and simplify processes to maintain an optimal cost base

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

Recruit high calibre colleagues across all levels and allow them to operate with freedom and ambition

Adapt to the changing market by introducing new talent, ideas and expertise

50% of sales from pet services

Develop our stores of tomorrow, with more space dedicated to pet care and services

Meet the evolving expectations of the customer with a more digital experience

Launch new formats that bring more pet care services and experiences to customers

Extend our subscription expertise into pet care plans

Grow customer numbers on existing subscription platforms

Work across the Group to introduce new packages aimed at providing complete pet care

Recalibrate our First Opinion vet business and realise free cashflow growth

Simplify the fees in our Joint Venture agreement to help practices mature more swiftly

Generate returns for both Partners and Pets at Home

Grow our Specialist Referral business through existing and new hospitals

Support further clinical development with our existing specialists

Look for further growth opportunities through organic growth or bolt-on acquisitions

Read more
Page 23

More convenient pet care

Sid loves technology and enjoys the convenience of shopping online, particularly when it comes to treating Charlie, his beloved two year old Shiba Inu.

After breakfast one morning, Sid realised that stocks of Charlie's favourite food, Wainwrights Complete Turkey & Rice kibble, were running very low. Rather than dash to the shops, Sid poured himself another coffee and explored the new Pets at Home mobile website. He had planned to order a large bag of food to see Charlie through the next few weeks, but while browsing he noticed the new repeat order subscription service called Easy Repeat. Not only is this service super-convenient, Sid was pleased to discover that it would actually save him money. He signed up there and then to make sure there was no risk of Charlie going hungry any time soon, which meant one less thing to worry about.

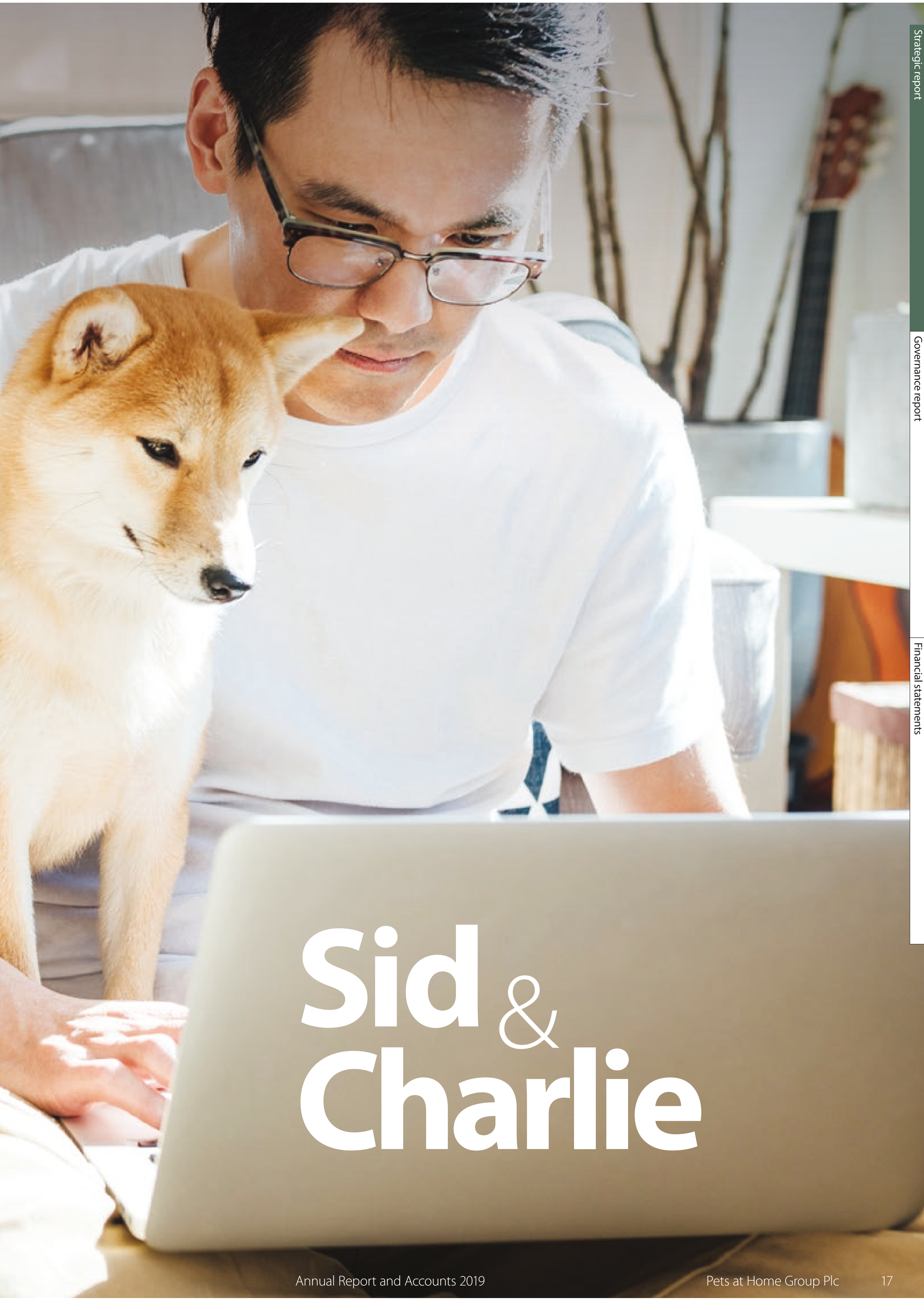
Having saved money on Charlie's food, Sid felt fully justified in treating his four-legged friend to some doggy treats and cool accessories. He knew he would be driving past his local store the following day so he chose the 'Order & Collect' option, allowing him to pick up his online order in-store. Once again, he'd saved money by not having to pay for delivery which left Sid feeling very pleased with himself.

Next day, Sid and Charlie popped in to their local Pets at Home store to find the bag of goodies they had ordered the day before, all waiting for them. Now that they were there, it seemed a shame not to have a walk around the store and see for themselves some of the new ranges that had caught Sid's eye online. In particular, there was a new dog bed that Sid had loved and, judging by the way Charlie soon snuggled up on it, he was pretty impressed with the design too. Unluckily for Sid and Charlie, the only sizes the store had in stock were too small. But a helpful store colleague whipped out their PetPad and instantly placed an order on Sid's behalf. All Sid had to do was drop by the store the next day and pick it up.

By the following evening, Charlie was asleep on his new bed at home and it was a tough call on who was more content with life: Sid, because of the money he had saved while getting everything sorted in the most convenient way, or Charlie, the snoozing pooch.

Business insight

Customers really value the convenience we can offer. We put them in control and allow them to shop however and whenever they want, which often involves interacting with our colleagues in-store, even when the shopping journey starts online. With the money-saving benefits from our new Easy Repeat subscription service launched in the year and various delivery options, customers really have no reason to shop elsewhere.



Sid & Charlie

Tracey & Luna

Keeping Luna healthy

Luna is Tracey's eight year old Golden Retriever. She's a senior dog now which entitles her to a bigger, softer bed; more sneaky trips onto the sofa; and of course, a few extra treats. However, those treats are sometimes a little too tempting and, like many dogs, Luna has put on a few extra pounds since she entered her senior years.

On a recent visit to her local Pets at Home store, Tracey brought Luna along to see if they could buy some 'lighter' treats. They got chatting to a store colleague called Kate, and Tracey explained what she was looking for. It turned out to be the perfect opportunity for a nutrition consultation. Kate asked for background information on Luna, including her activity levels and daily routines, and it soon became apparent that Luna was still eating the same type, and quantity, of dried kibble food as she had when she was a younger dog. Kate explained that this could be partly to blame for Luna's weight gain as, like humans, dogs' dietary needs change throughout their lives and most senior dogs will require fewer calories as the years advance.

Tracey also mentioned that she and Luna were registered with the in-store vet practice but hadn't been in for quite a long time – mainly because Luna had been keeping fit and well. Kate recommended booking Luna in for regular healthcare checks because it allows potential conditions to be spotted before they become too serious. With that in mind, Tracey agreed this might also be a good time to consider the Senior Complete Care Plan. This would give Luna access to an annual vet check, nurse healthcheck clinics, annual blood screening and discounts on medications and dental work.

All in all, this store visit turned out to be a big help for Tracey, who went home armed with more healthcare knowledge for her senior pet, plus a new type of food for Luna to try. Luna, on the other hand, wasn't quite so sure: the new food and treats smelled tasty, but there was definitely talk of more visits to the vet!

Business insight

One of our core strategic aims is to provide total pet care solutions for customers, whenever and wherever they want to shop. Not only does this provide the best options for customers and their pets, but it also allows us to achieve a greater share of our customers' overall spend. The recently launched 'Pet Care Plan' initiative also provides incentives for store colleagues to introduce customers to vet practices and healthplans.

Natalia & Gulliver

A new addition

Gulliver is Natalia's new kitten, a handsome little creature with a wonderful coat. Natalia has never owned a kitten before and although she had a few things prepared for Gulliver coming home, today is Natalia's first big 'kitten shop'.

On arriving at her local Pets at Home store, Natalia is approached by a friendly colleague who takes her straight to our dedicated 'Just for Kitten' section. Here, Natalia is able to select from a wide range of toys and accessories for Gulliver, thanks to the help and advice of knowledgeable store colleagues.

First stop is a kitten bed and Natalia finds there is a great range of stylish designs to choose from. She selects an igloo-style bed for Gulliver to hide and snuggle in which comes in an on-trend colour to perfectly match the interior of Natalia's own flat. After stocking up on treats, toys and essentials, including a value bag of litter, Natalia learns about the VIP club and its 'Little Book of Kitten'.

Together, these give Natalia a fantastic range of savings and offers, plus discounts on flea and worm treatments. Most importantly for Gulliver, a Best Start in Life pack from Vets4Pets will cover his initial vaccinations and flea and worming treatments for just £49, an exclusive price for VIP members. Natalia will also receive personalised VIP club communications as Gulliver grows up – these will be timed to reach Natalia at key milestones in Gulliver's early years. She'll even enjoy 10% off the purchases she's about to make. This all sounds like a brilliant idea to Natalia, and she signs up for VIP club membership in-store right away.

Business insight

Our ability to offer pet owners both products and vet services all under one roof is unique. In addition, the discounts available when a customer is also a VIP member make it not only convenient, but competitive on price too. Following the success of our Puppy Club, this year we launched a similar Kitten Club which introduces kitten owners to tailored communications containing help, advice and special offers, helping create highly loyal customers who shop across our brands.

Making progress on our pet care strategy

To support delivery of our new strategy, we have defined what we consider to be the appropriate measures of success.

We remain committed to generating shareholder value and financial returns, and therefore focus on three financial metrics which we believe will be the best measure of our performance. Alongside financial KPIs, we have also developed measures which are specific to each of our four strategic pillars and will ensure we can track delivery against our key objectives.

As we move through the year and continue to progress with our new strategy, we anticipate that these strategic KPIs will broaden to provide us even greater insight and ensure a disciplined approach.

Financial performance

Customer sales[1]

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

Why is it important?
By growing customer sales across all parts of our business ahead of the market, we are able to gain market share. In particular, this means focusing on the sales made by First Opinion vet practices, which in turn increases Vet Group revenue via the fee income those sales generate.

Performance in 2019

£1,218.2m
+8.5%

Meaning we have taken share in all key areas of the market.

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

Group underlying profit before tax[1]

What we are measuring
The underlying profitability of the Group.

Why is it important?
By choosing to invest in the right areas across the Group, we are able to generate shareholder value by way of underlying profit growth.

Performance in 2019

£89.7m
+6.1%

Reflecting the strong performance of Retail and the actions we have taken in the Vet Group.

Future plans
Having successfully returned the Retail business to profit growth faster than expected, our focus for the year ahead will be on supporting First Opinion practices through their maturity lifecycle. This will generate underlying profit growth in the medium to long term.

Group underlying free cashflow[1]

What we are measuring
The cash potentially available to return to shareholders after investing in the business.

Why is it important?
Delivering free cashflow allows us to invest in the business whilst returning a dividend to shareholders.

Performance in 2019

£63.6m
+14.0%

Allowing us to maintain the dividend whilst taking the right actions in the Vet Group.

Future plans
Releasing free cashflow from the First Opinion vet business remains our single biggest value creation opportunity. Our plans to recalibrate the First Opinion business alongside further profit growth in Retail, will allow Group underlying free cashflow to grow sustainably in the medium to long term.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Strategic performance

Number of customer transactions

What we are measuring
The growth in the number of customer transactions across the Group year on year. This includes transactions in-store, online, in our grooming salons, visits to First Opinion vet practices and cases referred to our Specialist Referral centres.

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

Performance in 2019
59.2m
+5.3%

Driven by increasing footfall to all our locations, plus strong growth online.

Future plans
We will continue bringing our Retail and Vet businesses closer together, making it easy and affordable for customers to shop across our brands, and generate growth in transactions.

Links to strategic pillar:
Bring the pet experience to life

Customer sales[1] from services

What we are measuring
The proportion of customer sales derived from services; being gross customer sales made by Joint Venture vet practices, revenue from our Specialist Referral centres and company managed vet practices, grooming services, subscriptions, pet sales and pet insurance commissions.

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

Performance in 2019
34.0%
+175 bps

Representing the above-market growth of vet customer sales and the success of subscription platforms.

Future plans
Generating sales from pet services is an essential part of being a pet care business. Next year we expect to see a greater participation of total sales coming from services as customer sales from maturing First Opinion practices continue to grow. In addition, we expect to see further growth in our grooming business and customer numbers on subscription platforms.

Links to strategic pillar:
50% of sales from pet services

VIP customer sales[1]

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

Why is it important?
Our VIP loyalty club is a unique asset that allows us to increase share of wallet, attract and retain customers, and encourage further spend across the Group.

Performance in 2019
£591.6m
+17.7%

Driven by new sign-ups, lower churn, and more VIPs spending across the Group.

Future plans
By using the wealth of pet and customer data that we already possess across the Group, we intend to develop deeper insights so that we can better serve their needs and deliver more personalised content and offers relevant to each individual pet.

Links to strategic pillar:
Use data and VIP to better serve customers

Customer sales[1] per colleague

What we are measuring
The customer sales generated per full-time-equivalent colleague employed directly by the Group.

Why is it important?
By creating efficiencies and removing tasks, we allow our colleagues to focus on sales generating activities.

Performance in 2019
£174.1k
+3.9%

Achieved through sales growth ahead of the market, whilst delivering in-store efficiencies and central overhead cost control.

Future plans
We will continue to pursue new time saving initiatives across the Group, whilst ensuring we operate an efficient central support function.

Links to strategic pillar:
Set our people free to serve

Becoming the best pet care business in the world

A unique combination of products, services and expertise.

Our differentiators

Trusted and well known brand

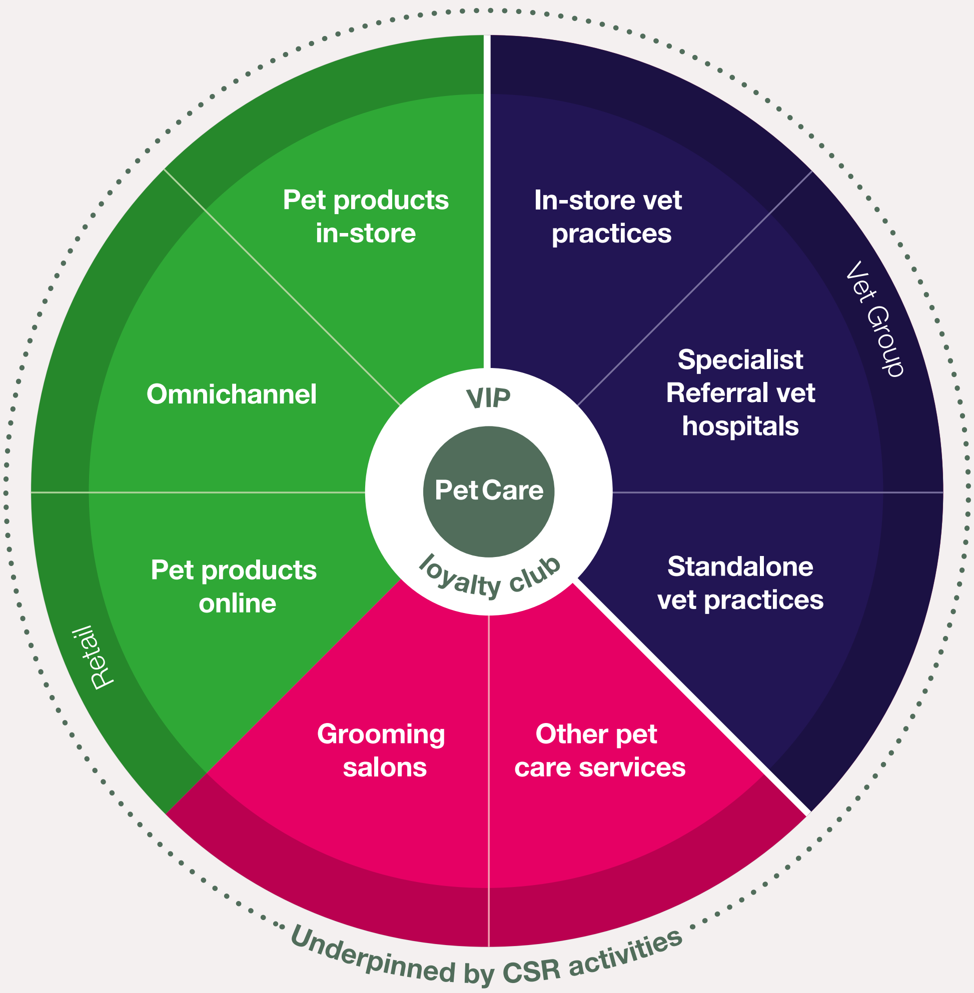
Passionate and expert colleagues, groomers and veterinarians

Customer insights from VIP loyalty club and vet practice data

Strong management team

Corporate Social Responsibility – doing the right thing

Business activities



Value created

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

Operating review
Page 30

Vet Group
Our Vet Group has its core business in First Opinion veterinary practices and a presence in the Specialist Referral segment.

Operating review
Page 34

For pets

Everything a pet needs to keep them happy and healthy

Supported by our welfare and care standards

£5m+

Raised for pet charities.

Corporate Social Responsibility
Page 48

For customers

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

262

Stores with a vet and groomer inside

Pet care in action
Pages 16 to 21

For colleagues

Sector leading reward, benefits and wellbeing

Externally accredited training schemes

70%

Retention of colleagues

Corporate Social Responsibility
Page 51

For the Group

Generate value for shareholders through free cashflow growth

£63.6m

Underlying free cashflow[1]

Key performance indicators
Page 22

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Chief Financial Officer's review

The FY19 audited period represents the 52 weeks to 28 March 2019. The audited comparative period represents 52 weeks to 29 March 2018.

The Group's results are shown as two segments that represent the size of the respective businesses and our internal reporting structures: Retail (includes products purchased online and in-store, pet sales, grooming services and insurance products) and Vet Group (includes First Opinion practices and Specialist Referral centres).

	FY18	FY19	YoY change
Group like-for-like revenue growth#	5.5%	5.7%[2]	
Retail	4.6%	5.1%	
Vet Group[8]	15.0%	11.2%[2]	
Group revenue (£m)[1]	898.9	961.0	6.9%
Retail	804.8	854.6	6.2%
Vet Group[1]	94.1	106.4	13.1%
Group underlying gross margin[3]	51.7%	50.7%	(102) bps
Retail	52.2%	51.0%	(122) bps
Vet Group[3]	47.1%	48.0%	87 bps
Group underlying EBIT[3,4,#] (£m)	88.8	93.2	5.0%
Retail	65.1	67.2	3.2%
Vet Group[3,4]	29.6	32.1	8.5%
Central	(5.9)	(6.1)	3.2%
Group underlying EBIT margin[3,4,5,#]	9.9%	9.7%	(18) bps
Retail	8.1%	7.9%	(23) bps
Vet Group[3,4]	31.4%	30.1%	(129) bps
Group underlying PBT[3,4,#] (£m)	84.5	89.7	6.1%
Group non-underlying charges[3,4,5] (£m)	(4.9)	(40.1)	NM
Group statutory PBT (£m)	79.6	49.6	(37.7)%
Underlying basic EPS[3,4,#] (p)	13.5	14.1	4.2%
Statutory basic EPS (p)	12.6	6.1	(51.5)%
Dividend (p)	7.5	7.5	–
Group underlying free cashflow# (£m)	55.8	63.6	14.0%
Number of stores	448	452	4
Number of grooming salons	309	314	5
Number of Joint Venture First Opinion vet practices	444	420	(24)
Number of company managed First Opinion vet practices	17	50	33

1 The fee income for JV practices which we have already bought out, or intend to buy out in the future, has not been recognised within FY19 revenue (FY19: £4.1m), but was recognised within FY18 revenue (FY18: £3.8m).

2 The fee income for JV practices which we have already bought out, or intend to buy out in the future, has not been recognised in either FY19 or FY18 LFL revenue.

3 FY19 non-underlying charges include £40.4m relating to a provision made against the balance of funding provided by Pets at Home, recognition of guaranteed third party liabilities plus those where the likelihood of having to settle is probable, the cost of additional operating cash outflows forecast to be incurred by the Group through to buy out and all associated closure costs, for JV practices we have already bought out, or intend to buy out in the future (FY18: £nil).

4 FY19 non-underlying charges also include £0.4m relating to an accounting charge for the potential future acquisition of minority stakes owned by vet partners in the Specialist Referral centres, which have been charged against operating costs (FY18: £1.6m), plus a release of £0.7m relating to provisions previously recognised associated with the closure of Barkers.

5 FY18 non-underlying costs included £2.7m associated with the closure of Barkers and £0.6m of M&A related expenses for transactions that were not completed.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

NM Not meaningful.

"

Our Retail business has performed ahead of expectations, whilst the financial impact of our actions in the Vet Group has been as planned."

Mike Iddon
Chief Financial Officer

Impact of Vet Group recalibration on the financial statements

As part of the recalibration of the First Opinion vet business, a £40.4m non-underlying charge, relating to any practice buy out commenced in FY19, has been recognised against Vet Group, and Group, gross profit. This accounts for the write-off of funding provided by Pets at Home, guaranteed bank and lease obligations, closure costs for those practices that we have bought out and decided to close, and the cost of additional exit and closure costs forecast to be incurred by the Group through to buy out for those not completed by the balance sheet date.

Revenue

Group revenue in FY19 grew 6.9% to £961.0m (FY18: £898.9m) and like-for-like (LFL) revenues grew 5.7%#.

Retail revenues grew 6.2% to £854.6m (FY18: £804.8m), including omnichannel revenue growth of 43.0% to £73.5m. LFL revenue growth was 5.1%#. Food revenues grew by 7.9% to £455.4m (FY18: £421.9m), reflecting good performance in dog Advanced Nutrition (AN) and other premium food lines, as well as dog treats. AN revenues overall grew 10.6% to £210.1m (FY18: £189.8m). Accessories revenues grew 3.9% to £357.0m (FY18: £343.5m), where ranges in discretionary categories such as dog collars & leads, dog toys, and travel & training proved particularly popular.

Vet Group revenues grew 13.1% to £106.4m (FY18: £94.1m), with LFL growth of 11.2%#. Customer sales made by Joint Venture vet practices were up 13.3% to £309.8m# (FY18: £273.5m) (unaudited figures). This led to our fee income increasing by 5.2% to £52.6m (FY18: £50.0m), whilst LFL fee income growth in FY19 was 12.2%# (FY18: 13.3%). During the first half of FY19, it became apparent that operating loans provided to underperforming practices would not be recoverable. As such, we stopped recognising revenue on services provided to those practices throughout FY19. The impact of this is that fee income of £4.1m relating to practices which we have bought out or intend to buy out in the future has not been recognised, despite fee income from these practices being recognised in the prior year at £3.8m. We are continuing with this approach until such time any buy out takes place, from which point the financial performance of these practices will be consolidated. (Please refer to note 1 in the financial statements for more detail.) Elsewhere in the Vet Group, we also saw strong growth in revenues from our Specialist Referral centres, which grew 9.9% to £37.0m (FY18: £33.7m).

Gross margin

Group underlying gross margin declined by 102 bps to 50.7% (FY18: 51.7%), whilst Group statutory gross margin was 46.5% (FY18: 51.7%).

Underlying (and statutory) gross margin within Retail was 51.0%, a reduction of 122 bps over the prior year (FY18: 52.2%), which was in line with our price investment plans. In addition, the fast growth of our omnichannel business, which has a greater mix of food product versus higher margin accessories, also contributed to gross margin dilution.

Underlying gross margin within the Vet Group increased by 87 bps to 48.0% (FY18: 47.1%). This increase was achieved despite the non-recognition of fee income totalling £4.1m as outlined above, and reflects a lower charge of £2.9m made to the underlying provision held against operating loan funding provided to First Opinion JV practices (FY18: £5.0m). This underlying provision relates to practices we intend to retain as Joint Ventures and is based on an assessment of various risk factors impacting the recoverability of such amounts.

Statutory Vet Group gross margin, after all non-underlying charges, was 10.1% (FY18: 47.1%). This reflects a total charge of £40.4m (FY18: £nil) relating to all Pets at Home funding and recognition of bank and lease obligations, made in respect of those practices which we have already bought out, or intend to buy out in the future. Of the total £40.4m charge, £21.2m has been incurred for practices where a buy out has been completed, whilst £19.2m relates to provisions for practices where a buy out had not yet taken place by the March year end. All non-underlying costs relating to the recalibration of the First Opinion vet business during the second half of the year were in line with previously issued guidance.

Operating profit and operating costs

Underlying Group EBIT was £93.2m# (FY18: £88.8m), with a margin of 9.7%# (FY18: 9.9%).

Underlying Retail EBIT was £67.2m# (FY18: £65.1m) with a margin of 7.9%# (FY18: 8.1%) and operating cost growth, excluding depreciation and amortisation, was 3.5% to £334.3m (FY18: £323.0m). The key driver of operating margin dilution was our planned price investment during the year, whilst we remain rigorous in our approach to cost control. Occupation costs (rent, service charges and other property costs) again declined as a percentage of sales due to our success in driving store rents down during lease renewal negotiations. Colleague costs declined as a percentage of sales, resulting from time saving initiatives. We continue to invest in our omnichannel and systems capabilities, and as such, depreciation and amortisation in Retail increased to £34.3m (FY18: £32.2m).

Underlying Vet Group EBIT was £32.1m# (FY18: £29.6m) with a margin of 30.1%# (FY18: 31.4%). Operating costs in the Vet Group, excluding depreciation and amortisation, were £16.5m (FY18: £12.4m), growth of 32.6% on the prior year. This growth was due to overhead costs relating to those practices bought out during the second half of the year being recognised in full, as well as increased colleague and equipment leasing costs in our Specialist Referral centres. Depreciation and amortisation in the Vet Group increased to £2.5m (FY18: £2.3m).

In the Vet Group, non-underlying operating costs totalling £0.4m were recognised in relation to the ownership structures and accounting treatment of the Specialist Referral centres (FY18: £1.6m). Two of our four centres are structured as a Shared Venture ownership model, where Pets at Home maintains a minimum 75% controlling share, with the remaining shares owned by multiple Shared Venture Partners (SVPs). Pets at Home has an option to buy the SVP shares in the future, with the value of these shares related to profit performance targets. The accounting treatment of such an option is therefore structured as a forward contract. Within the income statement, the discounted future value of the growth element of the SVP's shares is recognised as an expense over the period to which the option can be exercised, and recognised as a non-underlying expense.

Central costs, including Group overheads and colleagues, increased slightly to £6.1m (FY18: £5.9m).

Finance expense

Net finance expense for the year was £3.5m, a reduction from the prior year (FY18: £4.3m).

During the year, we successfully completed a Group refinancing, with the new facility providing access to £248m across seven lenders. Based on leverage since this refinancing, this facility has attracted a margin of 1.4% above LIBOR.

Taxation, net income & EPS

Underlying pre tax profit for the year was £89.7m# (FY18: £84.5m) and statutory pre tax profit, including all non-underlying items, was £49.6m (FY18: £79.6m).

Underlying total tax expense for the period was £19.3m#, a rate of 21% on underlying pre tax profit.

Underlying net income for the year, after tax, was £70.4m# (FY18: £67.5m) and underlying basic earnings per share were 14.1 pence# (FY18: 13.5 pence). Statutory basic earnings per share were 6.1 pence (FY18: 12.6 pence).

Cash working capital

The cash movement in trading working capital for FY19 was an inflow of £12.1m#. This comprised a £7.3m increase in inventory, £4m of which was due to a deliberate stockpiling in response to Brexit uncertainty around our financial year end date, offset by a £14.5m increase in payables and a £4.9m decrease in receivables.

We supported some of the First Opinion veterinary practices which will continue to operate as Joint Ventures, with an additional £9.6m of cash operating loan funding in the year. This reduced the overall Group cash working capital inflow to £2.5m.

The gross value of operating loans at the end of the year was £42.2m (FY18: £38.0m). This was slightly lower than expected, due to the speed of action taken to buy out and/or close a number of under-performing practices. A total provision of £14.3m (FY18: £8.3m) is held against the gross value of operating loans, comprised of: i) an underlying provision of £7.1m against a £35.0m gross balance of operating loans for practices which we plan to continue operating as Joint Ventures, and ii) a non-underlying provision of £7.2m against 100% of the balance of operating loans for practices which we intend to buy out in the future.

Operating loans totalling £10.8m which had previously been advanced to practices which had been bought out by the financial year end date have been written off in full, and we expect to write-off a further £7.2m in FY20 through utilisation of the non-underlying provision above.

Capital investment

Capital investment was £34.5m (FY18: £40.7m), where £8.8m (FY18: £12.8m) is represented by the ongoing refurbishment and maintenance of our existing store estate, including investment in our new pet care centre format at two trial stores. New store capital investment totalled £3.7m (FY18: £7.3m) and investment in omnichannel and business systems totalled £10.8m (FY18: £10.0m). Cash capital expenditure was £37.9m (FY18: £41.6m).

Group underlying free cashflow

Group underlying free cashflow (FCF) after interest, tax and before acquisitions increased to £63.6m# (FY18: £55.8m), representing a cash conversion rate of 49%# (FY18: 45%). The increase in FCF compared with the prior year is largely driven by a reduced capital expenditure and the purchase of shares required to satisfy colleague stock option schemes, offset by one-off costs incurred with the Group refinancing successfully completed in the year.

Group underlying free cashflow#	FY18 (£m)	FY19 (£m)
Operating cashflow	126.8	126.5
Tax	(19.1)	(18.6)
Interest	(3.9)	(2.8)
Debt issue costs	–	(2.5)
Net capex	(44.0)	(37.2)
Purchase of own shares to satisfy colleague options	(4.0)	(1.8)
Group underlying free cashflow#	**55.8**	**63.6**

FY19 Group underlying free cashflow#	Underlying FCF (£m)	FCF conversion
Retail	57.3	56%
Vet Group	19.8	57%
Central[1]	(13.5)	NM
Group underlying free cashflow#	**63.6**	**49%**

1 Includes central costs of £6.1m plus interest paid of £3.4m, debt issue costs of £2.5m, purchase of own shares of £1.8m and a credit relating to IFRS 2 of £0.4m.

The Group's net debt position at the end of the year was £120.5m, which represents a leverage ratio of 0.9x underlying EBITDA#.

Group net debt	FY18 (£m)	FY19 (£m)
Opening net debt	**(153.7)**	**(135.2)**
Underlying free cashflow#	55.8	63.6
Ordinary dividends paid	(37.3)	(37.2)
Acquisitions[2]	–	(2.8)
Non-underlying cash outflow[3]	–	(8.9)
Closing net debt	**(135.2)**	**(120.5)**
Leverage (Net debt/underlying EBITDA#)	**1.1x**	**0.9x**

2 Includes the purchase of two mature JV practices from Joint Venture Partners for £2.1m, which are now operated as company managed practices, £(0.3)m of net cash acquired by purchasing three other existing JV practices, and deferred consideration of £1.0m relating to one of our Specialist Referral centres.

3 Includes £8.8m relating to practices that we have already bought out, plus £0.1m in relation to payments made to certain Shared Venture Partners in our Specialist Referral centres to acquire remaining minority stakes.

Capital allocation

Our capital allocation policy prioritises investing our cash generation in areas that will expand the Group and deliver appropriate returns, including organic investment and the working capital needs of our Vet Group. Our second priority is to maintain an ordinary dividend payment. Finally, dependent upon our acquisition outlook, and should we not foresee any alternative investment uses, it is our intention to return surplus free cashflow to shareholders through a special dividend or share buyback.

Dividend

The Board has recommended a final dividend of 5.0 pence per share, giving a total dividend of 7.5 pence per share in respect of the 2019 financial year, equal with the prior year. The final dividend will be payable on 16 July 2019 to shareholders on the register at the close of trading on 14 June 2019.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Transition to IFRS 16

The financial statements for FY19 have been prepared based on application of IAS 17, but in FY20 the Group will report its financial statements under the requirements of IFRS 16 for the first time. Implementation of IFRS 16 has no effect on how the business is run, nor on cash flows generated. It does, however, have an impact on the assets, liabilities and income statement of the Group, as well as the classification of cash flows relating to lease contracts.

IFRS 16 seeks to align the presentation of leased assets more closely to owned assets. In doing so, a right-of-use asset and lease liability are brought onto the balance sheet, with the lease liability recognised at the present value of future lease payments. Whilst the right-of-use asset is matched in value to the lease liability at inception, it differs in value through the life of the lease. The total value of the discounted lease liability brought onto the Group's balance sheet at the start of FY20 will be £508m, relating primarily to our leased store estate and a small number of company managed vet practices. For FY19, this would have increased our leverage ratio from 0.9x to 3.0x.

IFRS 16 permits a choice on the method of implementation and after careful consideration the Group has concluded it will apply the modified retrospective approach. Under this method, all prior year comparative balances are not restated but the cumulative effect of adopting IFRS 16 is recognised as an adjustment to the opening balance sheet for FY20. Both the right-of-use asset and lease liability are recognised as the present value of future lease payments as of the date of transition, adjusted for any remaining deferred income relating to landlord incentives and rent free periods, outstanding prepayments or provisions for onerous leases.

The first results that will be published on an IFRS 16 basis will be in FY20, where we expect IFRS 16 to reduce Group underlying profit before tax by c£6-7m. However, in order to familiarise readers of the accounts with the likely impact of transitioning to IFRS 16 on the Group financial statements, we show a pro-forma unaudited reconciliation for FY19.

£m (unaudited)	Pre IFRS 16	Exclude rent	Include depreciation	Include interest	Post IFRS 16
Revenue	961.0	–	–	–	961.0
Operating lease rentals	(78.6)	78.6	–	–	–
D & A	(36.8)	–	(69.8)	–	(106.6)
Underlying operating profit	**93.2**	**78.6**	**(69.8)**	**–**	**102.0**
Finance income	0.6	–	–	0.1	0.7
Finance expense	(4.1)	–	–	(15.0)	(19.1)
Underlying PBT	**89.7**	**78.6**	**(69.8)**	**(14.9)**	**83.6**

£m (unaudited)	Pre IFRS 16	Add back rent	Replace with interest and capital repayment	Post IFRS 16
Operating cashflow	**–**	**78.6**	**–**	**78.6**
Tax and interest	(21.4)	–	(8.6)	(30.0)
Repayment of lease obligations	–	–	(70.0)	(70.0)
Net capex	(37.2)	–	–	(37.2)
Other cashflow items	122.2	–	–	122.2
Underlying free cashflow	**63.6**	**78.6**	**(78.6)**	**63.6**

Impact of the UK's exit process from the EU

We continue our work to assess and mitigate the likely impact of the United Kingdom's exit from the European Union (EU). Given the range of possible scenarios it is impossible for us to be specific, however, we are keeping the following areas under review:

1. Consumer demand – although we expect the UK pet care market to remain resilient, we will be vigilant to signs that consumer demand is being adversely affected, so that we may seek to respond appropriately and expediently.
2. Although pet products are unlikely to 'spoil' as a result of any border delays, there is a risk that our supply chain becomes disrupted. In such circumstances, we may consider increasing our inventory holding to mitigate the potential impact on our Retail division.
3. We do not currently expect to see a material tariff impact, as the majority of our products are imported from outside the EU.
4. Exchange rates – the exit process may prompt movements in the USD/GBP exchange rate. The Group purchases products from Asia to a value of around US$70m each year. Our policy is to use a mix of foreign exchange forward contracts to hedge our USD requirement to cover the next 18 months. Our hedging requirements for FY20 are in place at an average rate of 1.35 USD:GBP, and we expect no material foreign exchange impact.
5. A significant number of colleagues, particularly within our Vet Group and Distribution Centres, are non-UK EU nationals. Brexit may result in changes to UK immigration policy which increases the risk around the availability, recruitment and retention of these individuals. We are working closely with professional bodies including the Royal College of Veterinary Surgeons and the British Veterinary Association and support them in their calls on Government to formally recognise the shortages of veterinary surgeons across all disciplines, particularly in light of restrictions on free movement for EU nationals following Brexit.

Mike Iddon
Chief Financial Officer
22 May 2019

Retail

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

Food

We provide a wide range of pet foods for dogs, cats, small animals, fish, reptiles and birds. With revenues of £455.4m, pet food is the largest part of our business and represents 53% of all Retail revenue.

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

In the current year, price investment focused on ensuring our competitiveness on the branded products we know matter most to customers so that price should never be a barrier to shopping with us. The launch of our online Easy Repeat subscription service, where customers can opt in to regular delivery of pet food across a selection of products, has allowed us to reward our most loyal customers with even cheaper prices.

Our Retail brands

pets at home

the groom room at pets at home

Food

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

Accessories

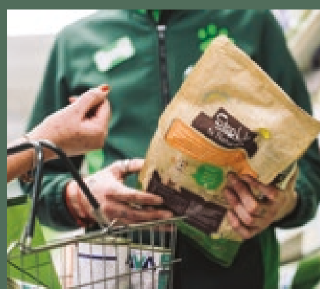
- Pet homes and habitats
- Toys, collars, leads, clothing and other accessories
- Health & hygiene products

Pet care services

- Grooming salons
- Pet sales
- Pet insurance

Strategic differentiators

Locations nationwide and knowledgeable colleagues
- 452 stores
- 314 grooming salons
- >6,500 Retail colleagues with expert pet knowledge



VIP loyalty club
- 4.4m active members
- 72%[2] of Retail revenues transacted by VIPs
- >£10m raised for charities since launch

Fast growing omnichannel[1] business
- Omnichannel[1] revenue growth of 43%
- 8.6% participation of Retail revenue
- Increasing traffic and conversion across all devices
- Growing numbers signed up to subscription services

Strong penetration of private label
- 32% participation of Food revenue
- Even higher within Advanced Nutrition category
- 50% participation of Accessories revenue

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.
2 Based on average VIP spend at store tills over the last quarterly period.

Accessories

Accessories revenues increased to £357.0m and account for 42% of our Retail revenues. Our accessories ranges are signposted by pet type both in-store and online, and include collars, leads and harnesses, bedding, housing, feeding, health & hygiene, travel, training and enrichment – all of which are important for pets to lead a happy and healthy life.

Innovation remains critical to growth in this category, particularly in our own label brands, as customer needs and trends are constantly changing. We have a dedicated team responsible for product innovation, who take inspiration from pet markets in other countries to ensure our ranges are always new and exciting.

Integrating online with stores

Our in-store ranges are supported by an extended range of over 10,100 products available online. Our Order-in-Store facility allows colleagues to place orders from this extended range quickly and easily whilst the customer is still in-store, and the number of orders placed in this way has grown during the year.

Our Subscribe & Save service, which allows customers to receive regular delivery of preventative flea treatments for their dogs and cats, is now well established and has growing numbers of customers signed up. The deliver-to-store option for online orders also remains popular, and means that in total around 58% of all omnichannel revenues are colleague assisted in some way; proving that our stores are a strategic asset.

As customers value the convenience of being able to collect their orders for free from a number of locations, we recently launched a "Collect in Practice" trial which allows customers to collect their online order from a selection of standalone vet practices. This increases the number of pick up locations available to customers, and demonstrates one way in which we can leverage the scale and reach of our colleagues in the Vet Group.

Other Retail revenue

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

The Groom Room is the largest branded chain of pet grooming salons in the UK. With fully glazed partition walls creating a focal point in-store, our highly trained stylists perform the full range of pet grooming services including a full groom, bath and brush, microchipping and nail clipping, and we introduced our Groom Room online booking platform during the year to make it even easier for customers to book an appointment.

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

We also recognise the importance of pet insurance as a key element of responsible pet ownership, and continue to work with Petplan, the UKs number 1 provider of pet insurance products, across our Group to introduce customers to their products, from which we earn certain commissions.

Retail – Key figures

£854.6m
Retail revenue

5.1%
Like-for-like[1] revenue growth

£67.2m
Retail underlying EBIT[1]

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 191.

Vet Group

Our Vet Group segment includes First Opinion veterinary practices and world class Specialist Referral centres covering a range of disciplines.

Our Vet Group

We operate the largest branded network of First Opinion veterinary practices in the UK, with a total of 470 practices operating mainly under the Vets4Pets brand name. We also operate four Specialist Referral centres around the UK which handle the most complex veterinary cases.

First Opinion Division

Our preferred model has always been to build value through shared ownership. We operate a total of 420 Joint Venture practices which are all established as individual small businesses, funded by a small investment from a vet Partner and Pets at Home to create the Joint Venture. We then help arrange a larger third party bank loan to provide for the fit-out and initial working capital requirements of the practice, with further funding provided by Pets at Home over time if needed. Pets at Home receives a percentage of the practice sales in return for the business support services we provide. Rent and other occupancy costs are also charged to practices located inside a Pets at Home store based on the space that they occupy.

By being business owners, Joint Venture Partners are strongly incentivised to drive performance of their practice. They are entitled to all the business profits once loans are repaid, with these dividends being in addition to any salary they also choose to take. The Partner also receives 100% of the capital value of the business should it be sold in the future, providing a clear route to exit at a time of their choosing.

Our Vet Group brands

Vets4Pets

SPECIALIST DIVISION

First Opinion

Joint Venture First Opinion veterinary practices

Company managed First Opinion veterinary practices

Specialist Referral centres

Dick White Referrals Limited

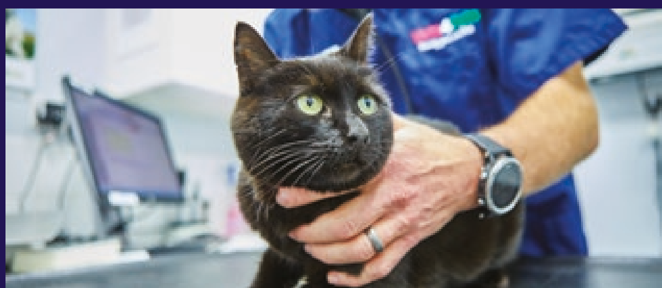
Eye-Vet Limited

Anderson Moores Veterinary Specialists Limited

Northwest Surgeons Ltd

Strategic differentiators

Partnership model which incentivises growth
- 560 entrepreneurial Joint Venture Partners who own their own business
- Joint Venture model unique in the market
- Referral centres structured as partial ownership Shared Ventures



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

Provide clients full spectrum of veterinary care
- Convenient access to First Opinion care and advice
- 313 practices inside Pets at Home stores and 157 in standalone locations
- World class specialist clinicians able to treat pets with specific requirements at our four referral centres

Unique benefits from being part of Pets at Home Group
- Cross-sell opportunities with Pets at Home VIP loyalty club
- Recruitment on to Pet Care Plans
- Increased footfall for practices located in-store

In addition to our Joint Venture practices, we also operate 50 practices under a company managed model. For these practices, the vet and all other colleagues are employed directly by the Vet Group, and the financial statements relating to the practice are consolidated in full. By operating company managed practices, it allows prospective Joint Venture Partners the opportunity to work with us before committing to a Joint Venture agreement, acting as a valuable stepping stone for entrepreneurial vets who hold an ambition to own their own business.

Specialist Division

Specialist Referral centres are considerably larger than First Opinion practices. Recognising the benefits of shared ownership, our Shared Venture model allows the centre's vets or Directors to retain up to a 25% ownership stake in the business, but also supports future growth and clinical development.

With four specialist centres in the Vet Group, we have retained the experience of many talented individuals who have been instrumental in establishing and developing these centres of excellence. This is a powerful resource which will be invaluable to us as we seek to build our presence in the specialist veterinary segment, either through organic growth or bolt-on acquisitions.

£106.4m
Vet Group revenue

Vet Group – Key figures

11.2%
Like-for-like[1] revenue growth

£32.1m
Vet Group underlying EBIT[1]

First Opinion vet business review

Recalibrating the business to deliver sustainable returns

During the year, we completed a full review of our First Opinion vet business.

Having experienced a sustained period of rollout, with more than 250 practice openings in the last five years, the business's environment has begun to evolve more recently. Our review confirmed that we are operating in a resilient market growing at c5% and customer sales growth in nearly all practices remains strong and ahead of the market. We remain reassured that our unique shared ownership business model delivers competitive benefits to both Joint Venture Partners (JVPs) and Pets at Home.

However, we recognise that an increasingly tight supply of veterinarians in the UK is putting upward pressure on salaries. Combined with the fees charged by Pets at Home, this has created cost pressure in certain practices and constrained their growth, leading to increased levels of practice debt and a longer time to profitability. Pets at Home has experienced the need to support these practices with more funding, eroding our cash profit and returns.

Through the review, we analysed the trading potential, cashflow projections and operational KPIs for all First Opinion practices. It confirmed the vast majority are on target to reach profitability and repay liabilities within an appropriate time period, or have already reached a mature profitable status. However, there are a small number of Joint Venture (JV) practices where the cost pressures they are experiencing is limiting their ability to reach or retain profitability.

Our review led to four areas of action with Joint Venture practices, which we started delivering against during the second half of the year:

i) Simplify the Joint Venture fee structure
We expect the overall financial trajectory of most practices to remain in line with our plans. However, there is a need to rebalance the economics of the JV model, to allow practices to mature more swiftly and generate improved returns for both Pets at Home and JVPs. As such, we have launched a new Joint Venture agreement for future practice openings, which has a simplified fee structure. Through simplification, we will also create opportunities for efficiency at our central Support Office and enhance our business service levels to JVPs.

ii) Operate some practices under a company managed model
There are some practices where we believe their cashflows can no longer support the payment of fees under our current model, but have a viable profit pool if we were to own those practices outright. For these practices, we have offered to buy them out from JVPs, and in doing so, Pets at Home will settle or assume all liabilities for third party bank loans on behalf of the practice.

iii) Consider some practice closures
Having considered each practice in multiple contexts, we believe there are a small number of JV practices which may not be viable over the longer term. As with those practices we intend to retain under a company managed model, we have offered to buyout these practices from JVPs and settle all liabilities for third party bank loans once a buy out is completed with a view to subsequently closing the practice.

iv) Slow rollout to focus on existing portfolio
In FY20, we expect to open up to five new practices as we work towards a new rollout target of up to 700 practices across the UK. This slower rollout will enable us to focus attention on the existing practices and grow in a sustainable manner against a backdrop where veterinarian shortages are likely to persist.

The actions we are taking will accelerate the path to profitability and cash returns to JVPs. For Pets at Home, we will see a decline in the working capital required to support our vet practices and a clearer path to maturity, whilst we will benefit from improved cashflow by closing practices that are unprofitable and consuming cash.

Risks and uncertainties

"An effective risk management framework is in place allowing a robust assessment of the principal risks that may impact the achievement of our strategic objectives and delivering long term success."

Our risk management framework

Like all businesses, we face risks and uncertainties that could impact the delivery of the Group's long term strategy. These range from operational risks in our day-to-day operations; strategic risks due to execution of our strategy; and external risks emerging from our sector, the competitive market environment, and any change in political or regulatory frameworks. The Board is responsible for the level and type of the principal risks that we are willing to take and has carried out a robust assessment of those risks, including those that would threaten our reputation, business model, future performance, solvency or liquidity (please see pages 40 to 45).

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

The key roles and delegated responsibilities:

Executive Management Team

Collectively responsible for managing risk.

The Executive Management Team is responsible for closely managing the most significant risks.

Key risks are allocated to an Executive Management Team member for oversight and ultimate ownership.

Receives regular risk updates and reports from Board committees, internal audit, assurance teams and external advisors.

Audit and Risk Committee

Assists the Board fulfil its corporate governance and oversees responsibilities in relation to financial reporting, internal controls and the risk management framework.

Provides oversight and challenge to the assessment of principal risks.

Reviews internal financial controls and the risk management framework and assesses their effectiveness in mitigating Group level risks and advises the Executive Management Team on risk appetite.

Reviews and oversees the Group risk register – reviews detailed risk reports at each sitting with supplementary reporting from the management team on specific key risks.

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

Internal Audit

Gives objective assurance to the Board and Audit and Risk Committee on the effectiveness of the risk management framework.

Holds meetings with risk owners across the business four times per year.

Updates the individual risk registers, including actions and progress made, assesses risk ratings and documents the controls in place that help mitigate each risk.

Shares risk management information and best practice across the Group.

Recommends improvements and corrective actions.

Principal risk rating matrix

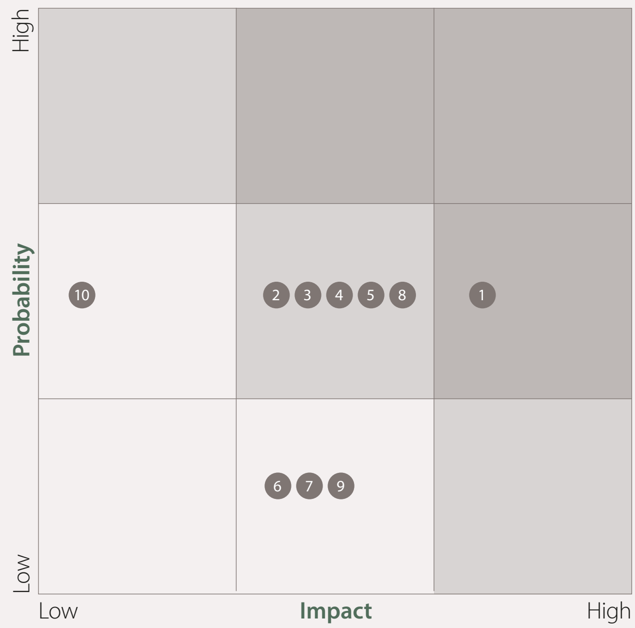
Identify
- Key risks are identified in each business and function.
- Strategic risks are reviewed by the Board.
- Annual horizon scanning exercise with senior management.

Assess
- Risk appetite set by the Board for all principal risks.
- Standardised scoring methodology used across the Group to aid escalation and consolidation of risks.

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

Monitor
- Assurance gathered from across the three lines of defence to assess the effectiveness of risk management and system of internal control.
- Internal Audit informs the Board, the Executive Management Team and the Audit and Risk Committee on how effectively risks are being managed.

Report
- Audit and Risk Committee, the Board and the Executive Management Team review risks four times per year.
- The Group's principal risks are reviewed and agreed by the Board.



Risk		Profile	Change
1.	Brand and reputation	High	↔
2.	Competition	Medium	↔
3.	Services and store expansion	Medium	↔
4.	Our people	Medium	↔
5.	Business systems and information security	Medium	↓
6.	Supply chain and sourcing	Low	↔
7.	Liquidity and credit	Low	↔
8.	Treasury and finance	Medium	↔
9.	Regulatory and compliance	Low	↔
10.	Extreme weather	Low	↔

↔ Stable ↑ Up ↓ Down

The principal risks do not comprise all of the risks associated with our business. Further risks deemed to be less material or as yet undetermined may also have an impact on the achievement of our strategic objectives.

Corporate Social Responsibility and Pets Come First Committee and Health and Safety Committees

Assist the Executive Management Team in managing the risks of pet welfare, health, safety and security. Ensure robust risk management procedures in their area of responsibility are implemented and complied with.

Assess the measurement of risk and compliance with Group policies and applicable regulations.

Recommend appropriate policies and procedures to the Executive Management Team.

Ensure that appropriate insurance is in place over property and other assets.

Hold meetings quarterly with stakeholders from across the Group.

Update the Executive Management Team on key performance indicators across the Group.

Colleagues

Manage our day-to-day risks.

Identify and assess day-to-day risks in their area of responsibility.

Ensure procedures are implemented and complied with.

Communicate significant risks via reporting processes to the senior management team.

For further details about key roles and responsibilities within our governance structure, please see the Governance report on page 58.

Brexit

The Board has reviewed the risks and opportunities that may arise as a result of Brexit and has implemented appropriate and balanced mitigation plans where it is expecting to see an impact. Whilst the longer term effects remain unclear, we continue to monitor developments closely and will continue to plan accordingly.

Brexit has the potential to affect the following principal risks:
- Our people
- Supply chain and sourcing
- Liquidity and credit
- Treasury and finance
- Regulatory and compliance

Please see the risk management section on pages 40 to 45 for further detail.

Risks and uncertainties

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

Brand and reputation

Description and impact

Our vision is to be the best pet care business in the world. Our number one value is "We put pets first" and pet welfare remains our highest priority.

Protecting our strong brand, reputation and customer loyalty is essential to our business. Failure to do so could result in loss of trust and confidence by both customers and colleagues.

Mitigation

Pet welfare across the Group is overseen by the Corporate Social Responsibility and Pets Come First Committee which meets three times a year. Its remit is to review pet welfare and clinical standards, and check that appropriate processes are in place to ensure we maintain our high welfare standards. Advancing pet welfare continues to be a priority.

As a retailer of small pets the highest possible welfare standards must be maintained at all times. We have rigorous processes in place to ensure this across all our stores, including in-store adoption centres, and with our breeders. All are assessed regularly against a comprehensive set of welfare standards both by internal and external independent assessors. We also have a highly visible field operations team where trained colleagues are focused on maintaining the highest pet welfare standards in stores and grooming salons.

Examples of where we prioritise pet welfare include our decision to suspend the sale and adoption of rabbits over Easter and instead provide workshops to educate about the responsibilities of pet ownership. Over Christmas we encourage customers to buy the relevant housing, accessories and food and to take gift vouchers home rather than pets. This allows new owners the chance to visit one of our stores after Christmas to learn about the welfare needs of their pet before taking it home.

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

We 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.

The Group also deals with customers' pets on a daily basis through its veterinary practices and specialist hospitals. All veterinary surgeons and nurses are subject to the Royal College of Veterinary Surgeon's (RCVS) Code of Conduct. 76% of practices are now also accredited under the Practice Standards Scheme (PSS). This is a voluntary scheme run by the RCVS, which aims to promote and maintain the highest standards of veterinary care. To support the practices we have a clinical development team who are all veterinary surgeons. They conduct clinical excellence audits focusing on the quality of care to ensure a high standard of clinical practice is maintained, and will continue to drive and support PSS accreditation.

Outlook

As we continue to increase our size and scale of our pet care services offering, we must ensure that pet welfare standards continue to be maintained at a high level across the Group. We will continue to monitor welfare standards closely, taking appropriate steps where required to maintain them whilst continually looking for ways to improve.

Risk appetite

Low ○··························· High

Risk profile

Low Medium ● High

Change on prior year ⟷

Stable

Links to strategy

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

Competition

Description and impact

The Group competes with a wide variety of retailers and veterinary groups and practices, including other pet specialists, supermarkets, discounters and vet groups. Online competition is also a risk, as large well-known internet businesses expand into pet products and established pet product sites improve and expand their offer. Failure to offer an attractive model to our future Joint Venture Partners whilst keeping abreast of, and responding to, developments by all our competition in the areas of price, range, quality, clinical care and customer service could have an adverse impact on the Group's financial performance and impact opportunities for growth.

Mitigation

Market research is carried out to review the pet market both at home and abroad to understand what our competitors are doing worldwide. This helps identify further changes or initiatives that need to be implemented to help keep Pets at Home ahead of the competition and remain a leader in the UK market.

In response to a change in shopping habits of our customers we initiated targeted pricing changes with private label Advanced Nutrition foods and branded food lines and pet essentials. Overall, we have seen strong results, particularly in food and Advanced Nutrition, where increased sales volumes offset the price reductions, leading to overall revenue growth in those categories. We have a clear pricing strategy and we are executing the plan to keep our prices competitive, and to deliver everyday low prices for our most loyal customers. We will continue to target price investment into product areas that we believe drive shopper frequency and loyalty, not simply reducing prices across the entire range.

We continue to evolve our proposition through the addition of vets and groomers into our existing store estate whilst continuing to innovate our superstore format – with the intention of making our stores more experiential destinations for our current and prospective customers and the regular introduction of new and exclusive products into our food and accessory ranges.

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

At the same time we appreciate that in this digital, omnichannel era, customer buying behaviour is rapidly changing and in an increasingly challenging and competitive retail landscape, consumers have greater demands around price, convenience, service and experience. As part of our continued investment in the digital shopping experience we have completed a full site user experience redesign across mobile, tablet and desktop customer experiences. The redesign brings together our amazing pet care proposition and is easier for customers to find great information, advice and recommendations, product solutions and services from our vets, groomers, insurance and much more.

Our veterinary business continues to have a differentiated strategy versus its scale UK competitors, which all employ variations of a 'buy and build' model. The relationship with our Retail stores and VIP club, Joint Venture model, and ability to advertise at national scale under a single brand are key aspects of a strategy that remain difficult for any competitor to replicate – in part or in whole. Whilst we continued to leverage these competitive advantages during the past year to drive above market customer sales growth across our estate, we also took important action to recalibrate our veterinary business to create a more sustainable cash return profile for our Group and for our Joint Venture Partners.

The VIP (Very Important Pet) club, launched in November 2012, has now attracted 4.4m active 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.

Outlook

The increase in the number of pure play online competitors and other retailers moving into services is not expected to have a significant impact on our business. We have also seen an expansion of the pet offer among discounters.

We will use our unique strengths to attract new pet owners, through our brand, cross-Group offers, and our VIP club and will keep our prices competitive for our most loyal customers.

By 2022, it is expected that 75% of the small animal veterinary market in the UK will be corporately owned. We can benefit from our strong strategic footing as the only corporate vet business in the UK focusing on a shared ownership model, offering the opportunity for our partners to own their own business.

Risk appetite

Low ··················○·········· High

Risk profile

Low ● Medium High

Change on prior year ⟷

Stable

Links to strategy

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

Services and stores expansion

Description and impact

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

Mitigation

We regularly review our store proposition and portfolio to maximise the potential from our retail estate to ensure that our brand remains relevant, maintains its position as a UK pet market leader and crucially, that our stores are still fulfilling our customers' needs. Our approach is to build on the foundations of the current Pets at Home store format, reviewing all aspects of the store model, service provision and all customer touch points. As our store proposition is much more than the standard supermarket or pure online offering, securing those points of difference within our store environment is vital, giving customers compelling and tangible reasons to return whilst building long term brand loyalty. An exciting milestone in the year was the launch of our new pet care centre format at two existing stores where we have invested in a truly experiential destination for customers, with an emphasis on putting pet care centre stage with a more digital shopping experience. This trial represents our response to the changing needs and expectations of the modern customer, and we expect to learn a lot as we monitor performance of these stores throughout FY20, with a view to refining the design and rolling out to further stores in the years ahead.

We have the ability, with smaller footprint stores, to utilise mezzanine space to deploy vet and Groom Room services, maximising the opportunity to offer a full range of services in our retail stores. Any proposed new veterinary practice, grooming salon or store investment has to deliver an appropriate financial return after taking into account any financial impact on the existing store portfolio.

Our store estate is also entirely leased which gives us great flexibility. As leases come up for expiry or contain a break, we will assess our portfolio on a case by case basis before deciding whether to renew the lease, to close or relocate a unit. We continue to monitor and plan to mitigate the risk of landlords redeveloping sites for alternative uses at lease expiry.

We have extended our subscription expertise into pet care plans, offering combination packages of products, vet care and grooming. In October 2018 we launched pet care plan recommendations, which brings together all of our different subscription plans and allows our colleagues to find the best pet care plan based on a pet's individual needs. It also allows us to recommend and introduce customers in our retail stores to the wide range of services available from our vets and groomers. After nearly three successful years of our VIP Subscribe & Save flea service we have broadened the proposition with the addition of a new cat worming proposition and great value bundles of flea and worm treatments. Our "Easy Repeat" delivery service was launched in May 2018 to help customers buy the products they need on a regular basis. This new service enables customers to schedule deliveries for their selected products at a special easy-repeat price.

The continued growth of our veterinary business, both First Opinion and Specialist Referrals, is a key building block for achieving our growth strategy. We made meaningful progress to increase the long-term sustainability and competitive position of both of these businesses in FY19. In our First Opinion vet business, we announced a recalibration, to realise free cashflow growth by accelerating maturity in existing practices. The plan remains on-track and throughout the process we have worked closely with our Joint Venture Partners to reach decisions about their businesses in a collaborative manner.

A key priority for our Specialist Division is to expand our capacity and to achieve national coverage of Specialist Referral centres. We remain active in looking at locational opportunities in this sector as well as completing extensive expansion programmes at three out of four of our existing sites, the last of which will come on stream in April 2020.

Outlook

We are confident in our plans to deliver 50% of sales from pet care services in the long run, given both the shift we expect in consumer spending toward services and the strong competitive position of our Group to capture this opportunity with our differentiated pet care offering and well-developed plans to further develop our services offering over the coming years.

We will continue to optimise our store network with services, developing our stores of tomorrow, whilst growing the estate in priority locations, relocating or closing a small number of stores, accommodated by lease breaks or expiry.

We will continue to monitor market developments and dynamically adjust our plans as necessary.

Risk appetite

Low··························O············High

Risk profile

Low ● Medium High

Change on prior year ⟷

Stable

Links to strategy

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

Our people

Description and impact

As a pet care business, attracting and retaining highly trained and engaged colleagues is fundamental to delivering outstanding clinical care and customer service. This is a key element of our proposition and drives our continued success and the delivery of our future growth. Our growth plans and future success are also at risk if we cannot attract, recruit and retain high calibre, talented leaders.

Mitigation

Our colleagues across the Group are the foundations on which we have built our success. We recognise that their knowledge and passion are at the heart of the relationships we build with our customers and their pets. We ensure that we are attracting diverse talent by staying ahead of future workforce trends, by offering flexibility, career choices and relevant benefits to meet the needs of our diverse pool of candidates. We continue to invest in our progressive training and learning programmes across the Group to develop and retain our talent, whilst building teams with the capability and skills to meet the changing needs of our customers and help deliver our strategic plan.

A key part of our people strategy is to continue to grow our own capabilities through our exclusive Vet Group Learning Academy, leadership development programmes and our apprenticeship offering. Currently we offer various apprenticeships across the Group including our vet nurse academy and grooming apprenticeships to draw talent into these critical roles. We will continue to map more training programmes to apprenticeships over the next year including key leadership development programmes and believe this will not only support our attraction strategy but drive retention of key colleagues across the Group.

To mitigate the risk of clinical talent shortages we have initiated our talent strategy which includes bursaries for vet students, talent ambassadors in universities, increasing our presence at vet schools, international attraction campaigns, and lobbying the government. We have re-launched our veterinary graduate programme to make sure we are early to market. The programme is proving very successful having increased our intake numbers by 175% in two years. This financial year we have recruited 110 graduates.

Our Remuneration Policy, as set out on pages 93 to 100, is designed to ensure executives of the necessary calibre are attracted and retained and that through our Restricted Share Plan, colleagues across the business can share in our success. Similarly, we continually review the remuneration and benefits packages for our colleagues to make sure they are appropriately rewarded for the substantial contribution they make to our growth and success. We continue to communicate these benefits and the value they bring to colleagues to ensure they are taking advantage of them.

Listening to our colleagues is critical to our business and last year we launched our new listening survey in Retail which gave us in-depth colleague engagement data and helps us continue to embed our culture, values and behaviours, whilst providing benchmarking data with other companies in our sector. This year, we will extend the weCARE survey across the whole Group to obtain feedback from all colleagues and partners to better assess our engagement levels and to understand culturally how the business is feeling. In addition "Pulse" surveys are conducted throughout the year on key themes, such as colleague benefits, to gain a detailed view from which plans are actioned.

We are very proud to partner with Mind and Vet Mind Matters as part of the Group's wellbeing strategy.

An Audience with the Executive Management Team has been introduced which is a twice yearly listening group hosted by senior management and one of our Non-Executive Directors. The sessions are attended by colleagues from all parts of the Group to ensure the culture of our business is heard and understood by the Board. Talent reviews and succession plans are in place for key roles which are regularly reviewed by the Board and senior management. This will be enhanced further this year by a refresh of our review cycle with updated training and records to gain consistency across the Group and also ensure all colleagues, regardless of role, are having regular, quality reviews and career conversations.

We continue to review the impact of Brexit and any change to UK immigration policy which may impact the availability, recruitment and retention of colleagues across the Group. We have employed long term strategies to mitigate the expected impact, including operating flexible recruitment and retention initiatives across the Group, launching international experienced and graduate recruitment programmes for veterinary surgeons, whilst reviewing opportunities in non-EU vet recruitment markets.

We are working closely with professional bodies including the Royal College of Veterinary Surgeons and the British Veterinary Association and support them in their calls on Government to formally recognise the shortages of veterinary surgeons across all disciplines. As the outline of EU citizens right of settlement 'indefinite leave to remain' is now known, we have initiated a communication plan with our JVPs and all affected colleagues to clarify an EU citizen's right of settlement.

Outlook

We need to ensure that the Group continues to be an attractive place to work, meeting the changing needs of our workforce, particularly if employment levels continue to increase nationally and there is more competition in the job market.

Risk appetite

Low ○ High

Risk profile

Low ● Medium High

Change on prior year ⟷

Stable

Links to strategy

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

Business systems and information security

Description and impact

The need to maintain core business systems and mitigate against security risks whilst supporting our strategy remains paramount again this year.

In complying with GDPR, there comes a significant increase in the level of scrutiny organisations are being placed under regarding the management and use of personal data. With this comes additional cost linked to the remediation of associated risks (data, people and infrastructure). Our ability to balance these challenging demands is key to ensuring that the business is able to deliver our strategy, maintain target growth levels and be secure from data security breach and legal challenge.

Mitigation

To deliver our data strategy and improve data governance, the Group Executive Management Team has appointed a Chief Data Officer and a Chief Information Officer, both roles are new to the Group.

We remain committed to delivering secure high performance systems that underpin our strategic plan. We continue to move to managed services and scalable, secure, cloud based solutions where they support our strategy. The information security programme is now well progressed with new automated security solutions, improved processes and strengthened controls to manage our systems and data. Projects are in place to further improve our disaster recovery capability by moving to cloud based backups to enable a faster recovery time.

Last year we completed a full revision of the information security policies for the Group. We continue awareness campaigns to educate colleagues to the risks associated with data and physical security.

Outlook

In order to deliver our vision to become the best pet care business in the world we will be utilising cloud based data and analytics platforms, new digital solutions and automation technologies. Whilst delivering the strategy we will ensure that data security is built in and compliance is maintained.

The information security programme and education of colleagues will continue through the year as we work to reduce the risk further.

Risk appetite

Low ○ High

Risk profile

Low ● Medium High

Change on prior year

Down

Links to strategy

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

Supply chain and sourcing

Description and impact

During the financial year, approximately US$72m 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 have two national Distribution Centres covering the north and south of the UK respectively. A disaster at one of these may result in a significant interruption to the supply of stock for a large number of stores and in the fulfilment of internet orders.

The impact of Brexit on our domestic and overseas supply chains still remains largely unknown but may be significant, particularly in view of probable changes to the UK's trading terms with the EU and the rest of the world. We are also exposed to the risks associated with the quality and safety of products produced locally and globally on behalf of the Group, many of which are own brand or exclusive private labels. 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.

Mitigation

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

Business continuity plans are in place for the Distribution Centres which have been tested. They help us mitigate the impact of a disaster by enabling us to service all stores and orders for a priority range of SKUs from a single Distribution Centre whilst we source a second facility and recover full product supply.

We continue to monitor Brexit developments closely and will respond to any impact on our supply chain proportionately. We have performed a detailed operational risk assessment of our supply chain. For our own label and private label food products we have identified alternative suppliers where appropriate and have developed contingency plans. We have also invested in our stock protection by building a prudent stock position covering our top cash sale product lines from UK and EU suppliers, in addition to key suppliers confirming that they are also building their own stock levels. To support this stock build we have secured access to additional storage in a third party warehouse. The Vet Group has also secured the provision of critical medicines by contractually ring fencing stock with our suppliers and has built relationships with manufacturers should we encounter any difficulties in our supply chain.

Exposure to foreign currency movements is mitigated through our hedging strategy; see the Treasury and finance risk.

Outlook

We continue to monitor Brexit developments and manage our mitigation plan accordingly. We are also continuing to invest in our quality assurance processes and to ensure the effectiveness of our Far East sourcing office in mitigating our sourcing risks in the region.

Risk appetite

Low ○ High

Risk profile

● Low Medium High

Change on prior year

Stable

Links to strategy

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

Liquidity and credit

Description and impact

The business requires adequate cash resources to enable it to fund its growth plans through its capital projects and working capital requirement. Without adequate cash resources, the Group may be unable to deliver its growth plans, with a consequent impact on future financial performance.

Mitigation

The Group's finances are continually monitored in the context of its growth plans. The Group's financing facilities were reviewed in September 2018 and are in place until September 2023. As a result, the Group is confident that it has adequate revolving facilities in place, with a broad syndicate of seven 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 also provides additional financial support to First Opinion practices to underpin their working capital requirements and growth in clinical capacity. This investment is a particular feature of the Joint Venture operating model and in making this investment the Group considers its total returns across all practices on a portfolio basis. The Group has engaged in a project to buy out and consolidate a number of Joint Venture veterinary practices, as part of which, the Group will settle any liabilities for third party bank loans and leases within these practices on behalf of the Joint Venture Partner, with all such liabilities being fully provided against. For the practices which the Group does not intend to offer to buy out, the Group has established a provision to reflect the assessment of extended investments being repaid over different lengths of time, with different risks of return, to provide for any potential shortfall.

The Group has facilities in place with recognised lenders that give us confidence that our medium term growth plans are financed adequately. The Group ensures that all cash surpluses are invested with banks that have credit ratings and investment criteria that meet the requirements set out in the Group Treasury policy, which has been approved by the Board. The Group's key suppliers are exposed to credit risk and as part of the Group's overall risk management programme, the business has identified alternative suppliers where appropriate and developed contingency plans in respect of own label and private label food products.

Outlook

We will continue to monitor our finances and build relationships with our finance providers. We do not anticipate any significant macro-economic changes in the short to medium term that may affect this risk area although the outcome of the evolving relationship that the United Kingdom has with the EU may have some bearing.

Risk appetite

Low ··· ○ ······························ High

Risk profile

● Low ○ Medium ○ High

Change on prior year ⟷

Stable

Links to strategy

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

Treasury and finance

Description and impact

The Group has an exposure to exchange rate risk in respect of the US dollar that is the principal purchase currency for goods sourced from the Far East. The political and macro-economic environment has increased currency pressures and we may see this continue for some time. The Group also faces risks from changes to interest rates and compliance with taxation legislation. If we do not 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 exchange rate fluctuation is managed via forward foreign currency contracts that are designated as cash flow hedges. The Group has borrowings with floating interest rates linked to LIBOR, thereby exposing the Group to fluctuations in LIBOR and the 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 160. All hedging activity is undertaken by the Group Treasury function in accordance with the Group Treasury policy that sets out the criteria for counterparties with whom the Group can transact and clearly states that all hedging activities are undertaken in the context of known and forecast cash flows, with speculative transactions specifically prohibited.

Outlook

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

Risk appetite

Low ····· ○ ···························· High

Risk profile

○ Low ● Medium ○ High

Change on prior year ⟷

Stable

Links to strategy

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

Regulatory and compliance

Description and impact

Many of the Group's activities are regulated by legislation and standards including, but not limited to, trading, advertising, packaging, product quality, health and safety, pet shop licensing, national minimum wage, national living wage, modern slavery, bribery, data protection, environment and the RCVS Code of Professional Conduct for Veterinary Surgeons. Failure to comply with these obligations may result in financial or reputational damage.

Mitigation

We actively monitor both regulatory developments in the UK and Europe and compliance with our existing obligations where we have internal policies and standards to ensure compliance where appropriate. We also provide training for colleagues where required and operate a confidential whistleblowing hotline for colleagues to raise concerns regarding any potential breach of legal or regulatory obligations in confidence. Our suppliers commit to and are audited against adhering to relevant regulations, such as the Modern Slavery Act 2015, the Bribery Act 2010 and the General Data Protection Regulation (implemented in the UK by means of the Data Protection Act 2018) (GDPR). In response to GDPR the Group has appointed a Data Protection Officer and has a steering committee with executive sponsorship which monitors Group compliance with legal requirements and supports the work of our Information Security Steering Committee which monitors data security.

The Group supported the introduction of the Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 which was implemented in October 2018. The licensing process across the Group is ongoing and will continue for much of 2019 as the local authorities require time to familiarise themselves with the new regulations. DEFRA (the Department for Environment, Food and Rural Affairs) is planning to review the regulations again in late 2019. As a key stakeholder we will actively engage in the consultation process to ensure the licensing requirements are clear and consistent, driving an update if required to the statutory guidance.

The Group has continued to monitor the potential changes to law and regulation which could be brought about by Brexit or any proposed withdrawal agreement with the EU. Continued political uncertainty has however made it difficult to assess the full impact on the regulatory and compliance landscape.

Outlook

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

Risk appetite

Low····O·································High

Risk profile

● Low Medium High

Change on prior year

Stable

Links to strategy

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

Extreme weather

Description and impact

Prolonged extreme or unseasonal weather conditions may reduce footfall in our stores, First Opinion practices and specialist hospitals, 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 subscription and omnichannel services offering will continue to improve our resilience to reduced store footfall during periods of extreme weather.

Risk appetite

Low·····························O···········High

Risk profile

● Low Medium High

Change on prior year

Stable

Links to strategy

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

Doing the right thing

We have a responsibility to do the right thing for pets, but just as importantly, we also need to do the right thing for people and the planet too.

Responsibility to do the right thing for:

Pets

People

Planet

Our big 3 highlights of the year:

£10m raised for animal charities

Since our Pets at Home loyalty club was launched in 2012, we are incredibly proud to have raised £10 million for UK animal charities. In February we celebrated this milestone by making an exceptional donation to each charity that participates in the VIP scheme which could be spent within the Pets at Home Group.

Read more
Page 48

Group-wide mental health focus

After talking to our colleagues from across the Group and listening to their feedback, we know how important it is to support them with their mental health and wellbeing. We have put in place a range of resources to help any of our colleagues who may be struggling with their mental health, or want to learn more about the topic. In April of last year, we were delighted to partner with the mental health charity Mind and as part of that new partnership, made a pledge to change the way we think and act about mental health in the workplace. We have also produced an action plan, which Mind have approved, to train all colleagues with line management responsibility on Managing Mental Health at Work.

Read more
Page 50

Purchasing 100% renewable electricity

We continue to look for further ways to save energy, including converting all lights in our vet surgeries to LEDs, and we now purchase 100% renewable electricity in addition to purchasing carbon offsets equal to our use of natural gas.

Read more
Page 54

Pets

Pets are at the heart of everything we do and we believe that everyone who is a part of our Group has a special responsibility to help keep pets happy, healthy and safe. Our retail and grooming colleagues are trained for many hours in order to provide the best welfare possible for the pets in our care. Each one of our First Opinion practices is owned and run by a member of the Royal College of Veterinary Surgeons and our Specialist Hospitals are run by some of the leading veterinary specialists in the world.

We raise funds for pet charities through a range of activities

How we raise money

Support Adoption for Pets
Support Adoption For Pets is an animal rescue and pets adoption charity launched in 2006 by Pets at Home, helping thousands of pets get a second chance.

Our stores partner with local animal rescue charities and hold regular fund raising events. We also hold Company-wide events including our annual "Santa Paws" Christmas appeal where we collect donations of 50 pence to buy a pet in a rescue centre a Christmas lunch.

VIP Lifelines
When VIP loyalty club members spend in a store, Groom Room or Vets4Pets practice they earn Lifelines, a unique type of loyalty point. Each quarter we convert Lifelines into vouchers for animal charities which they can spend in our stores, grooming salons or vet practices.

Carrier bag funds
We currently partner with two animal charities, Pets as Therapy and Dogs4Good, and split all proceeds from carrier bag sales in our stores equally between those charities.

Where does the money go?

Rehoming and rescue charities
Each year we support approximately 400 animal rescue charities with cash donations which they use to build better facilities, increase their capacities and provide bedding and medical treatment for the pets in their care.

Partnerships
We aim to partner with animal charities and to bring something unique from our Group to each one.

- We partner with Battersea Dogs and Cats home and offer free vaccinations for the life of each pet adopted through the Vets4Pets "Vac4Life" care plan.
- In 2018 we partnered with Street Vet, a new charity where veterinary professionals come together in key UK cities to volunteer, providing essential veterinary care for the pets of homeless people.
- We provide all the food in Dogs Trust centres across the UK.

Specific donations
The charge for plastic carrier bags is donated to two charities, Dogs4Good and Pets as Therapy. These charities use the monies we donate to fund many different areas of running their charities, from raising awareness of the work that they do and recruiting volunteers to helping with administration systems.

£5m+
Total raised this year

Putting pets first

Looking after the pets in our care

Pets as Therapy dog Bella on one of her visits to Eastbourne Hospital.

Case study
Pets As Therapy (PAT)

Pets As Therapy (PAT) is a national charity providing therapeutic animal visits via its 6,500 plus visiting volunteer teams. Each team is composed of a volunteer and their pet dog or cat which have registered with PAT and completed a screening process including a temperament assessment. PAT volunteer visits take place in a variety of establishments including Hospitals, Residential & Nursing Care Homes, Schools, Prisons & Day Care Centres. PAT is one of two recipients of the Pets at Home carrier bag charge. The monies received help PAT enormously; examples of how the money is put to use are detailed below:

- £100 helps put a team of PAT volunteers into a hospital
- £50 helps assess and register a volunteer for school visits
- £25 can assign a visiting volunteer to an isolated member of society through home visits

An example of the work of a visiting volunteer is that of the 2019 Hi Life PAT Dog of the Year winner Barry Coase and his Bichon Frise 'Bella'. This visiting team work in numerous establishments including Eastbourne District General Hospital every Thursday, working in a variety of wards such as Intensive Care, the Children's Unit, the Stroke Unit, Palliative Care etc. One of the ways they help is to accompany children on their way to theatre, where Bella sits with them, to comfort them whilst they're put under anaesthesia ready for surgery. Sylvia Harris, Matron for the ICU at Eastbourne, said "Working in critical care can at times be a difficult and sad place for staff. The positive effect Bella's visits has on patients gives our staff a boost. Bella is more than happy to share her love and to have a quick cuddle".

Stores and grooming salons

It is very important to us that the pets in our stores are well looked after, happy and healthy. We invest heavily in colleague training to ensure they receive the best care during their time with us.

We continue to review the standards of pet care and welfare across the Group, and specifically within our stores and grooming salons. The results of all our internal audits were very high and in line with our expectations. The business retained the services of a third party auditor to review standards and processes at our pet suppliers and this has generated feedback and ideas to improve suppliers' welfare standards even further.

In October 2018, updates to the Animal Welfare Act (Licensing of Activities Involving Animals) (England) Regulations came into force. The Group had consulted extensively with the Government's Department for Environment, Food and Rural Affairs (DEFRA) during the period ahead of the updates being implemented. Our stores are being assessed by local councils on an ongoing basis and all those that have been assessed have passed the requirements.

All our grooming salon colleagues undergo extensive training before they are able to fully groom a dog and our specific grooming training covers almost all types of dog breeds so that each pet is groomed specifically to any requirements that breed may have. Grooming colleagues learn how to handle dogs sensitively during their groom, minimising any anxiety, and colleagues also take time to inspect coat and skin health, recording any concerns they may have and drawing the owner's attention to them. We encourage all our salon colleagues to use their full discretion to seek treatment from a vet if they believe it is the right thing to do.

Vet practices

We are incredibly proud of our Joint Venture vet businesses, Vets4Pets and Companion Care, and the talented vets and veterinary nurses who own and run these practices. All our Joint Venture Partners run their practices with complete clinical freedom which means they have total discretion to treat all the pets in their care in the way that they, as a professional, deem most appropriate. Overlaid upon this, our clinical services team of veterinary surgeons provide support to help our Joint Venture Partners improve clinical standards and services to clients. Excellent progress has been made in the First Opinion veterinary business, with over three quarters of practices now enrolled with the Royal College of Veterinary Surgeons Practice Standards Scheme, and the internally developed 'Aspiring to Clinical Excellence' Audit programme has helped to improve clinical standards and processes across the Group.

We are also leading the way in First Opinion clinical practice with groundbreaking initiatives such as STAR (Stop And Think, are Antibiotics Required?). STAR has been developed with extensive input from our practice teams, and includes unique and innovative assets to educate clients, challenge and change established prescribing behaviours, and encourage the responsible use of antibiotics.

People

Our colleagues are the heartbeat of our business. We believe we have a responsibility to listen to our colleagues and respond in a way that fits with their evolving needs and values.

Mental health focus

Our work with the mental health charity MIND

In April 2018, Pets at Home partnered with the mental health charity MIND to help raise awareness of, and bring an end to, mental health discrimination. As part of this new partnership, we made this pledge to our colleagues going forward:

"We want to educate and equip all of the business so we can all support colleagues through difficult times, when suffering with a mental illness. Partnering with MIND really shows the colleagues that we want to help and that we want to get better, together.

People and Pets are everything to us; Mental Health is still a subject that we don't talk about enough. The more we make people aware, the more we talk about it we can help and support people. We want to provide equipment and tools for all colleagues to use and help them and let them know sometimes its ok not to be ok, but we are here to support them and get through this together."

We have placed wellbeing ambassadors across our stores, distribution centres and support offices. These ambassadors provide someone else to talk to instead of a line manager if that is what the colleague would prefer, and can also signpost the colleague to appropriate additional support.

What we are doing in Vets4Pets

Mind Matters was set up in 2014 to address mental health issues within the vet profession.

Mind Matters is a one day workshop within our learning academy and was created in association with the Royal College of Veterinary Surgeons Mind Matters initiative by Trevor Bell. Trevor is an Associate of Mental Health First Aid England and was invited to the House of Lords in 2014 to receive a special award for the delivery of mental health awareness training and increasing people's literacy in the subject.

Mental health and wellbeing can be complex subjects to understand and this training aims to help individuals better understand their own mental health and be able to spot early signs and symptoms in others.

We firmly believe that a happy workforce is a healthier and more productive workforce and we are committed to supporting colleagues within our Vet Group. To ensure they are easily accessible, we hold Mind Matters workshops nationwide, encouraging all colleagues within our practices to attend.

Our work with the dementia charity, the Alzheimer's Society

The Dementia Friends campaign, run by the Alzheimer's Society, aims to raise awareness of dementia and how people can sensitively interact with someone who is suffering from the condition. As a result of his own personal experiences, Deputy Store Manager Mike Carey was inspired to raise awareness of dementia sufferers and has spearheaded a Group-wide initiative which trains colleagues to assist customers and clients who may have this condition in a sensitive and understanding way, thus becoming a 'Dementia Friend'.

Since May 2018, some of our Retail, Grooming and Vet colleagues have become Dementia Friends and we have also raised £50,000 for the charity.

Dementia Friends training is accessible to all colleagues who would like it. We especially encourage those colleagues who interact with clients and customers to participate so that they can develop a better understanding of how to recognise a person with dementia. This will give that person the best experience whilst in our stores, vet practices or grooming salons.

Gender Pay Gap report

We believe in progress on the basis of talent not gender, and we foster an inclusive culture, working to ensure we have a more diverse workforce at all levels.

We are now into the second year of reporting our gender pay information, and as our pet care business continues to grow, we have reported for the first time this year on two parts of our Vet Group, in addition to information on colleagues in our Retail business. These are our First Opinion veterinary Support Office (Companion Care Services Limited) and one of our specialist referral centres, Dick White Referrals, which have both exceeded the reporting threshold of 250 colleagues. Their gender pay gap reports are now included in this year's report as well as the second year data for the Retail Division.

As a business we take pride in having the most passionate and dedicated colleagues who genuinely share in our values and vision. We believe in being open and transparent with our reward practices and therefore we welcome the new lens that gender pay reporting makes us take on pay and reward as a whole. This year's report demonstrates the progress we have made mainly due to improving the pay of our lower earning colleagues, but also through the steps taken to address the core challenge which faces virtually all employers with the lack of female progression into upper quartile roles. We have this year reviewed our job grading and banding structures in our Retail Division Support Office and field team roles in order to create clear career pathways for our colleagues. We will be rolling out a similar process in the Vet Group in the year ahead and we believe this not only gives greater transparency on the opportunities for colleagues, but also allows us to track progression by gender to ensure equal opportunities are given to all.

We are pleased to see that as a result of the measures we have taken, in the higher quartile of our Retail Division there is a close to 50/50 split in male and female colleagues, which is positive compared to the wider UK position, as well as a reduction in the gap from 10% last year to 6% this year.

Some of our measures being undertaken to address female progression will, however, take longer to come to fruition, but by publishing the year on year comparison information we hope that everyone will see our progress over time. At Pets at Home we believe that the key to encouraging female progression is to have policies in place that support the ability to have both a career and a family without impacting career progression if a colleague chooses to use these policies. We do not believe colleagues must choose between having a career and a family, and using our flexible working policy to give colleagues more time with their young family should not prevent a colleague from being considered for wider responsibility and promotion within the Group. Our business is filled with examples of this and we are confident it will continue to be a great place to work for all regardless of gender.

Laura, HR CIPD Consultant (Partner) apprentice at our Swindon Support Office.

Our apprenticeships initiatives

We believe that apprenticeships are a great way of unlocking the potential of our people and attracting new talent to our business.

In England we offer 80 dog grooming apprenticeships each year where we recruit new colleagues into the business, and take them through the animal care apprenticeship combined with our own industry leading training to become competent grooming stylists.

This year we have launched an industry leading veterinary nurse academy providing the opportunity for our vet partners to grow their own nurse talent. This is in addition to investing in our own veterinary nurse training provider, Dick White Referrals Academy.

With the introduction of the apprenticeship levy in 2017 we broadened our choice of apprenticeships and now offer a variety of programmes to develop talent within our support offices in Handforth and Swindon. We have introduced a new leadership programme which we refer to as 'Leading People'; this is not only a Level 3 qualification but colleagues receive an Institute of Leadership and Management accreditation too.

<1%

Within three of our four quartiles the pay gap is at 1% or less.

Health and Safety

Distribution accident rates

	2015/16	2016/17	2017/18
Colleague accidents per 100,000 hours worked	0.39	0.31	0.38
RIDDOR accident rates per 100,000 hours worked	0.28	0.10	0.10

Accident rates stores/practices

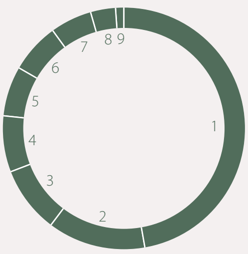
	2015/16	2016/17	2017/18
Store and vet accident rates per 1,000 colleagues	9.37	9.34	9.16
Customer accident rates per 100,000 transactions	1.06	1.22	1.20

Group RIDDOR rates

	2015/16	2016/17	2017/18
Customer RIDDOR accident rates per 100,000 transactions	0.02	0.02	0.02
Colleague RIDDOR accident rates per 1,000 colleagues	0.34	0.33	0.26

2015/16 2016/17 2017/18

Accident causations



1. Animal bite	43%
2. Animal scratch	12%
3. Slipped, tripped or fell on the same level	8%
4. Hit by moving, flying or falling object	7%
5. Cut or scratch due to sharp object	6%
6. Injured while using knives, scissors, needles or surgical equipment	6%
7. Hit something fixed or stationary	5%
8. Injured due to handling, lifting or carrying	3%
9. Fell from a height	1%

We are committed to providing a safe and healthy environment for all of our colleagues, customers and third party contractors. We actively encourage a positive health and safety culture throughout our stores, practices, distribution centres and support offices.

The Group recognises its responsibility for Health and Safety: we have robust control measures in please to minimise the risk of accidents. Our Group Chief Executive Officer, Peter Pritchard, reviews and approves our Health and Safety policy statements every year, which are launched during Health and Safety week every October.

Louise Stonier, our Chief People and Legal Officer, chairs the Group Health and Safety Committee with representatives from each business unit. The Group Health and Safety Committee meets four times per year and discusses various Health and Safety issues as well as undertaking deep dive projects. Throughout the year, the Distribution Centres also host their own Health and Safety Committees, meeting seven times per year at each site.

100%

All our retail area managers completed 100% of the Health and Safety audits required of them during year 18/19.

There have been no Health and Safety Enforcement Notices served on the Group.

We continue to benchmark Group accident rates. We record all incidents (including non-work related injuries) and report all accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR). We record all incidents where we are aware the customer intends to go to hospital as RIDDOR reportable. This does result in some over reporting of RIDDORs. During the financial year, total accidents across the Group increased in line with our store/practice and colleague growth; this resulted in a decrease of 0.18 in the colleague accident rate from 9.34 to 9.16 accidents per 1,000 colleagues, and a decrease in customer accidents from 1.22 to 1.20 per 100,000 transactions. The number of RIDDOR accidents decreased from 0.35 to 0.28 in our stores, practices and Specialist Referral centres. In our Distribution Centres, there was a increase of 0.07 accidents per 100,000 hours worked, and RIDDOR accidents remained the same at 0.10.

Our goal is to make the Pets at Home Group a healthier and safer place for everyone. We therefore expect our colleagues to manage all aspects of our business safely. We continue to promote Health and Safety, and a "Stay Safe" culture throughout the group to all colleagues.

100%

All vet practices received a Health and Safety audit during the year

Planet

We recognise the increasing importance of the environment to our colleagues and customers, alongside changes in the legislation of this area.

Waste and recycling processes

Animal bedding
All of the used animal bedding from the pets in our stores is returned to our Distribution Centres where it is composted, ensuring that none goes to landfill.

Plastic shrink wrap
All of the plastic shrink wrap used in our stores is returned to our Distribution Centres. Once at the centres it is graded and bulked together and sent for recycling, giving it the best chance to come back as something new.

Cardboard packaging
We ensure all cardboard is returned to our Distribution Centres for full central recycling.

We continually look to increase recycling at stores and where possible we work to swap out general waste bins for recycling bins. We have piloted a programme at 15 stores and plan to roll this out more broadly in the next 12 months.

Our energy reduction programme

We have installed building energy management systems in all our stores. These systems monitor and control the temperature and lighting in our stores, delivering two key benefits in line with our Pets and Planet Corporate Social Responsibility approaches – the pets in our stores benefit from temperature ranges which have been set by our Head of Pets, to ensure that we continue to provide the absolute best standards of pet care, and the energy savings that we achieve as a result of the management system saves on energy consumption across our estate.

We continue to look for ways in which we can save energy and improve our operating environment for colleagues. We are installing LED lights in all our in-store vet practices, which means over a three year period, we will have changed every single light in the Group to LED.

We are also working on ways in which we can provide heat to our stores in a more energy efficient way. We are testing infrared heaters in 14 stores covering our vet reception areas and till points. We are also installing air curtains across our front doors to reduce the amount of cold air entering through them.

-34%

Reduction in electricity consumption during FY17/18, through installing LED lighting and Building Energy Management Systems across our store estate

Water

We recognise water as a precious natural resource and one that we are looking at ways to reduce our usage of. We continue to monitor our water consumption to identify areas of high consumption within our stores, such as our vets or groomers. We are also on working on installing additional sub meters at our highest consuming sites.

How our building energy management system works

Pets need to be kept at the appropriate temperatures for their welfare. Temperatures are constantly monitored via eight sensors which have been placed in key areas in our buildings. The temperatures are recorded every ten seconds which means live temperatures are recorded 8,640 times every day for each sensor or cumulatively, 69,120 times a day across all eight sensors in one location.

We are developing a system by which if, for any reason, the temperature falls outside of the range set by our Head of Pets in any one area, an alert is triggered, and we can take action to restore it to the correct range. This will remove a key task from colleagues as at the moment they need to check temperatures manually.

Our ambitions on packaging

Taking steps to move to recyclable packaging
We continue to develop packaging solutions that support our policy to "use a little; use the old; use it again; and use it wisely" and through rolling changes new packaging releases will further demonstrate our commitment to minimise the environmental impact of our packaging.

To support our policy we have also defined a materials strategy to help move consumer packaging from un-recyclable to more recyclable alternatives at every opportunity, with consideration to proposed Government legislation in this area.

Our Wild Bird range is one such example where we have moved an extensive range of products and a volume of previously un-recycled material to a widely recycled alternative.

In delivering this range we have not only specified alternative recyclable materials for large format items, we have launched an enhanced and exciting packaging solution that looks great too.

Minimising our carbon footprint

Becoming carbon neutral in gas and electricity use
Since October 2017 we have become carbon neutral in relation to our use of natural gas and electricity across all of our stores, veterinary practices, distribution centres and support offices. We source green renewable electricity and purchase Gold Standard carbon offsets equal to the volume of natural gas we use across the estate.

Purchasing carbon offsets supports families and communities in some of the poorest countries in the world. For example, one project we are supporting in Kenya provides families with a new cooking stove. These new stoves are more efficient than open fires and significantly reduce the harmful air pollution to which young children are exposed. These projects support UN Sustainable Development Goals.

We continue to reduce our carbon footprint. Electricity has the biggest environmental impact but we are buying renewable electricity. We continue to target other areas to reduce emissions, particularly our logistics fleet.

2,000
carbon offsets purchased

Our grooming range branded as 'the Groom Room' is another example where we have applied our policy to deliver a better all-round packaging solution. We have reduced the use of plastic across the entire range in a number of ways; by removing unnecessary blister packs from the majority of products, removing multiple plastic fixings and replacing these with card ties and printing a matt varnish to support recyclability in preference to the previous high gloss PE lamination.

Total carbon footprint

	Tonnes CO_2e emissions		
	2017/18	2018-19 (Scope 2 location-based)	2018-2019 (Scope 2 market-based)
Scope 1	9,649	8,431	8,431
Scope 2	21,584	17,066	0
Scope 3	5,799	5,538	4,083
Total	37,031	31,035	12,514
Inclusion of 2,000 carbon offsets	2,000	29,035	10,514

- **Methodology:** We have applied the UK Government's 2018 Conversion Factors for Company Reporting and GHG Protocol standards in order to quantify and report our greenhouse gas emissions.
- **Methodology:** An operational control approach has been used to define the reporting process. A financial control approach was used for previous years.
- **Additional inclusions:** We have included the emissions from our stand-alone vet practices and referral centres. The impact of these is de minimis.
- **Exclusions:** Due to technical issues with data collection, fugitive emissions from air conditioning and refrigeration are not reported although these are considered minimal.
- **Exclusions:** A small number of train journeys were not reported, as no carbon intensity data was available, this is de minimis.
- **Estimation:** Forecasted energy consumption used for budgeting purposes has been applied in the occasional instance where estimation was required.
- **Independent verification:** Our 2018 Scope 1, 2 and 3 emissions are verified to a limited level of assurance by Ramboll Environment & Health Limited using the ISO 14064-3 standard. A link to the verification statement is available on the Pets at Home website.
- **Normalisation:** We have chosen to report gross Scope 1, 2 and 3 emissions in tones of CO_2e per £m revenue as this is a common metric used in corporate greenhouse gas reporting.
- **Market-based criteria:** Since October 2017 we have procured 100% renewable electricity backed by REGOs and assessed for conformance with GHG Protocol Scope 2 Quality Criteria. An emission factor of zero has therefore been applied since that date to calculate our Scope 2 market-based figure, whilst a location-based factor was used to calculate Scope 3 emissions from transmission and distribution losses.
- **Carbon offsets:** We work with ClimateCare to offset our Scope 1 GHG emissions (equivalent to the emissions from the natural gas used in our buildings) through best practice Gold Standard emissions reduction projects, which both cut carbon and improve lives. Our support for the distribution of clean cook stoves, through the Paradigm Healthy Cookstoves and Water Treatment Project, is cutting indoor air pollution and waterborne disease, as well as tackling climate change.
- One project we are supporting in Kenya provides families with a new cooking stove.

Clear and consistent governance framework

"A governance framework that underpins our values, purpose and strategy and promotes the long term sustainable success of our business."

Tony DeNunzio
Non-Executive Chairman

Chairman's introduction

On behalf of the Board, I am pleased to present our Corporate Governance Report for the financial year ended 28 March 2019 which sets out Pets at Home's governance framework and the approach the Board has taken over the last 12 months to promote the standards of good corporate governance that are rightly expected by our stakeholders.

As a Board we are responsible for leading and setting the overall strategic direction of the business in addition to playing a fundamental role in shaping our corporate culture defined by our values and purpose. As Chairman, my role is to lead the Board, ensuring it operates effectively and contains the right balance of skills, diversity and experience to successfully execute the Group's long term strategy.

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

Statement of Compliance with UK Corporate Governance Code

The following Governance Report outlines how the Board has applied the main principles of good governance as required by the UK Corporate Governance Code published in April 2016 ("2016 Code"), the Disclosure Guidance and Transparency Rules ("DTRs") and the Listing Rules ("LRs"). The Board is committed to the highest standards of corporate governance and, except as set out below, the Board has complied with and intends to continue to comply with the requirements of the UK Corporate Governance Code.

The revised UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 ("2018 Code"), which applies to the Group with effect from 29 March 2019, contains significant amendments to the previous version of the UK Corporate Governance Code issued in 2016 ("2016 Code"). The Group is reporting against the 2016 Code for the purposes of this report and will report against the principles and provisions in the 2018 Code in our 2020 Annual Report.

Principal governance activities during the financial year

Board and Executive Management Team changes

On 27 April 2018, Peter Pritchard succeeded Ian Kellett as Group Chief Executive Officer. Peter Pritchard joined Pets at Home in 2011 as Commercial Director and moved to the role of CEO of Retail in 2015. During his time with the Group, Peter has overseen the establishment of our sourcing office in China, the launch of the VIP club, the development of our omnichannel strategy, and more recently, the repositioning of our merchandising business and the strategic review of the Vet Group.

Since his appointment, with the support of the Nomination and Corporate Governance Committee, Peter has sought to expand the Executive Management Team to ensure that it has the right balance of skills and experience to deliver the Group's strategic vision. On 1 November 2018, Robert Kent joined the Executive Management Team as Chief Data Officer from Royal Mail Group, where he had held the position of Chief Data Officer for nearly eight years. On 4 March 2019, William Hewish joined the Executive Management Team as Chief Information Officer from United Utilities, where he had led the technology, data and business change teams. On 15 April 2019, David Robinson joined the Executive Management Team as Chief Operating Officer for Retail after two years as Managing Director of Bestway Retail, having previously spent 15 years at Home Retail Group including most recently as Chief Operating Officer for Argos, where he ran day-to-day operations and played a key role in the digital transformation of the business.

We were disappointed, after only six months into his role as CEO of the Vet Group, to see Andrei Balta leave the Group but thank him for his valuable contribution to Pets at Home during his time. We were however delighted to welcome back Jane Balmain to the Group, firstly as Interim CEO of the Vet Group's First Opinion business and having more recently taken up the permanent position of Chief Operating Officer of the Vet Group. Jane was responsible for establishing the original in-store Joint Venture model under the Companion Care brand, and growing it successfully and sustainably through her tenure as Managing Director until she retired in 2014. During her original service, Jane was also instrumental in the Group's acquisition of the Vets4Pets business and successfully integrating it alongside Companion Care into the Vet Group which we see today.

Our new appointments join Peter Pritchard, Mike Iddon and Louise Stonier on the Executive Management Team and I am delighted that after a 12 month recruitment period, we now have a complete and talented Executive Management Team in place to support Peter Pritchard in creating a great colleague and pet care experience.

With effect from close of the Annual General Meeting on 12 July 2018, Tessa Green stepped down from the Board. Tessa had been a Director of Pets at Home since our IPO and during that time had been Chair of the Corporate Social Responsibility Committee and the Pets Before Profit Committee. We thank Tessa for her valuable contribution to the business during her time with us. Tessa was succeeded by Professor Susan Dawson, Dean of the Institute of Veterinary Science at the University of Liverpool and council member of the Royal College of Veterinary

Surgeons. Susan Dawson was appointed as Chair of the Pets Before Profit and Corporate Social Responsibility Committees (now combined into the Corporate Social Responsibility and Pets Come First Committee) and brings valuable veterinary services sector experience to the Board.

On behalf of the Board, I am delighted to welcome Robert, William, David, Jane and Susan to the Group and look forward to working with them.

Governance framework

During the financial year, the Group's governance framework was reviewed to ensure it remains fit for purpose and aligned with our strategy. It was determined to combine the work of the Board's Pets Before Profit and Corporate Social Responsibility Committees into one Committee, the Corporate Social Responsibility and Pets Come First Committee, providing more focused governance, leadership and oversight of the Group's pet welfare, clinical excellence, community, environmental and charitable initiatives whilst reflecting the alignment of values across the Group as we bring the Group together under our "Better Together" initiatives. Susan Dawson is Chair of the Corporate Social Responsibility and Pets Come First Committee.

The terms of reference, delegated authority levels and composition of the Group's existing Executive Management Board and Retail and Vet Group Executive Boards were reviewed whilst a People Committee, Pension Committee, Customer First Committee and Group Data Committee were incorporated to provide governance and oversight of projects and strategic initiatives relevant to their areas of remit. These Committees are chaired by members of the Executive Management Team or senior managers within our business. The Group Investment Committee, Health and Safety Committee and Corporate Social Responsibility Committee continue to support the Executive Management Team and the Board.

Board evaluation

We progressed the actions that were highlighted from the 2018 internal Board evaluation which emphasised the need to further strengthen the relationship between the Board and the Executive Management Team following a period of change and for the Board to have better visibility and depth of understanding of the Group people strategy and Group culture. The Non-Executive Directors continued to spend time with the leadership teams outside of formal meetings to gain a deeper insight into key rising talent throughout the organisation. This year the Board engaged Lintstock Limited 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. A summary of the outcomes of the Board's discussion and consideration of the results of the evaluation are set out in more detail on page 67 of this report.

Group culture

We consider that our culture is our unique identifier and one of our most cherished assets. It defines how we do business, how we interact with one another and how our teams interact with the outside world, specifically our customers, colleagues, partners, suppliers and shareholders. During the financial year, the Board reflected on the importance of the Group's culture, the degree to which it is aligned with the Group's purpose, values and strategy and the role of the Board and the Executive Management Team in promoting the desired culture across the Group. A specific Board session took place in September 2018 where the Board assessed the Group's culture and reviewed the results and trends arising out of the Group colleague "We Care" and "Paws4thought" listening surveys.

We continue to refine and enhance our colleague engagement processes across the Group and, in particular, we have introduced regular pulse surveys in addition to our annual survey in Retail. We have also introduced a leadership engagement index into the survey report which ensures colleagues are given the opportunity to feedback anonymously on both immediate line management and wider group senior leadership performance. This allows the Board to ensure our leaders are managing the business in line with our values and behaviours preserving our culture in the long term. We have also expanded our Group Executive Listening sessions to include Non-Executive Directors and Paul Moody has been appointed as the Non-Executive Director representative for wider colleague engagement. This helps ensure the Board is actively listening to, and aligning with, the wider colleague population and business culture as we consider decisions impacting the Group. This year, we will be extending our listening forum and pulse surveys to our joint venture veterinary partners to help ensure that their views, thoughts and opinions are directly heard by the Board on a regular basis. At the time of reporting the Group has conducted three pulse surveys: on reward and benefits, training and development, and on our Behaviours. The results of these surveys are shared with the Board as part of developing our wider understanding of how our colleagues view these topics. The evolving methods of listening to our colleagues more widely and deeply is providing the Board with even greater reassurance that our policies, practices and behaviours throughout the Group are aligned with our purpose, values and strategy.

Group culture will continue to be a focus of the Board and, consequently, we will allocate Board time to the assessment and monitoring of the Group's culture to ensure that it remains aligned with the Group's purpose, values and strategy. Further details are contained on page 92 of the Directors' Remuneration Report.

Oversight of development and implementation of revised strategy

The Board supported Peter Pritchard, following his appointment to the role of Group Chief Executive Officer, in establishing the revised strategic vision for the Group of being the 'best pet care business in the world' and an integrated pet care business. As part of this work, the Board initiated a strategic review of the Vet Group First Opinion business and agreed the actions announced at the time of the Group's interim financial results to recalibrate the Group's First Opinion business to deliver sustainable financial returns and put the business on a stronger long term footing. This work will continue over the 2020 financial year.

Looking forward

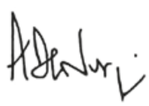
The revised UK Corporate Governance Code issued by the Financial Reporting Council in July 2018 ("2018 Code"), which applies to the Group with effect from 29 March 2019, contains significant amendments to the previous version of the UK Corporate Governance Code issued in 2016 ("2016 Code").

The Board completed a review of the new requirements in order to determine what changes were needed to be implemented to enhance the Group's current governance and financial reporting processes. We were pleased to conclude that in most cases the Group was well placed to comply with the changes to be brought in by the 2018 Code. The Group is reporting against the 2016 Code for the purposes of this report and will report against the principles and provisions in the 2018 Code in our 2020 Annual Report.

AGM

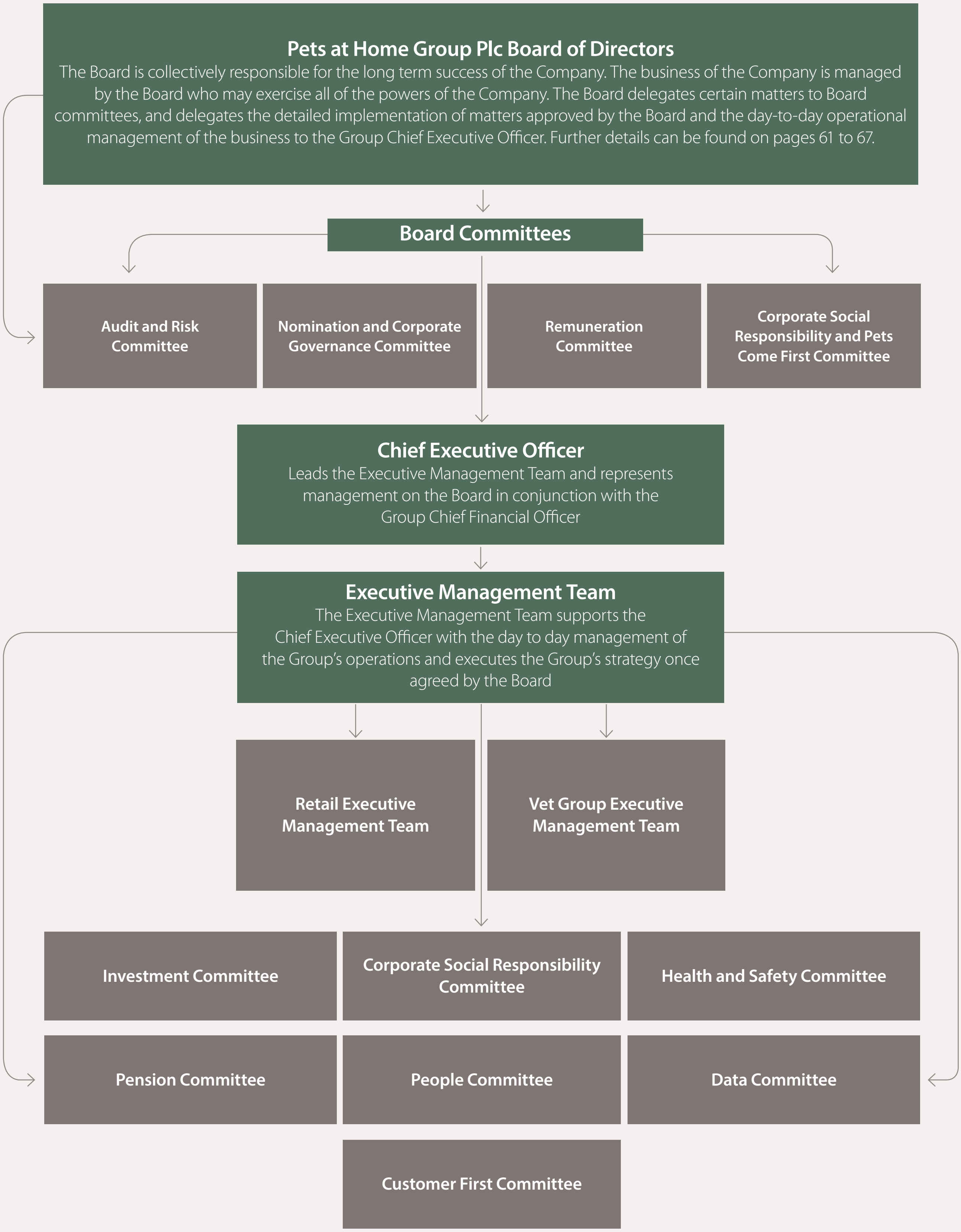
I look forward to meeting shareholders at our next Annual General Meeting which will be held on 11 July 2019 at 11.00 a.m. at the Hallmark Hotel, Stanley Road, Handforth, Wilmslow, Cheshire, SK9 3LD.

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 2016 Code.



Tony DeNunzio
Chairman, Pets at Home Group Plc
22 May 2019

Governance structure



Leadership

Matters reserved for Board approval

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

Group strategy and risk management

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

Financial and internal controls

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

Board membership, Committees, notices

- Delegation of authority to the Group Chief Executive Officer;
- Board, Executive Management Team and Senior Management appointments, arrangements and succession planning;
- Setting of Board Committees' Terms of Reference;
- Approval of shareholder communications, circulars and Notices of Meetings.

Corporate governance

- Review of the Group's corporate governance matters.

Culture and people

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

The role of the Board

Division of responsibilities

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

The 2016 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 2016 Code. At the time of the Company's IPO in 2014, Tony DeNunzio was a senior adviser to the Company's then principal shareholder, KKR My Best Friend Limited (an affiliate of Kohlberg Kravis Roberts & Co. L.P.) and accordingly was deemed not to meet the independence criteria set out in the UK Corporate Governance Code on his being appointed Chairman. Notwithstanding that Tony DeNunzio did not meet the independence criteria set out in the UK Corporate Governance Code, the Board believed, and continues to believe, that Tony DeNunzio should remain as Non-Executive Chairman of the Group since he brings vast retail and financial experience and knowledge to the Pets at Home Group which allows him to make a significant contribution to the long term sustainable success of the Company. The Directors consider that he exercises his role as Chairman independently of management and exercises his judgement in the interests of all shareholders.

Board composition

Board balance and independence

The 2016 Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise Non-Executive Directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement.

The Board currently consists of five Independent Non-Executive Directors and one Non-Executive Chairman. The Directors' biographies are contained on pages 68 to 69. 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 are considered to be independent in accordance with the 2016 Code.

Board responsibilities

Role	Main responsibilities
Chairman of the Board	• Provides leadership to, and manages, the Board of Directors; • Acts as a direct liaison between the Board and the management of the Company, through the Group Chief Executive Officer; • Ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements; • In conjunction with the Group Chief Executive Officer and Company Secretary, develops and sets the agendas for meetings of the Board; • Recommends an annual schedule of the date, time and location of Board and Committee meetings; and • Ensures effective communications with shareholders and other stakeholders.
Group Chief Executive Officer	• Responsible for the day-to-day management of the Company; • Together with the Executive Management Team, is responsible for executing the strategy, once it has been agreed by the Board; • Creates a framework that optimises resource allocation to deliver the Group's agreed strategic objectives over varying timeframes; • Ensures the successful delivery against the financial business plan and other key business objectives, allocating decision making and responsibilities accordingly; • Together with the Executive Management Team identifies and executes new business opportunities and potential acquisitions or disposals; and • Manages the Group with reference to its risk profile in the context of the Board's risk appetite.
Senior Independent Director	• An Independent Non-Executive Director; • Provides a sounding board for the Chairman; • Serves as an intermediary for the other Directors when necessary; and • Is available to shareholders if they have concerns, which contact through the normal channels of the Chief Executive Officer has failed to resolve, or for which such contact is inappropriate.
Non-Executive Directors	• Provide constructive challenge to the Executive Management Team; • Help develop proposals on strategy; • Scrutinise management's performance in meeting agreed goals and objectives; • Monitor performance reports; • Satisfy themselves on the integrity of financial information and that controls and risk management systems are robust and defensible; and • Determine appropriate levels of remuneration for Executive Directors, appointing and removing Executive Directors, and succession planning.
Group Chief Financial Officer	• Management of the financial risks of the Group; • Responsible for financial planning and record-keeping, as well as financial reporting to the Board of Directors and shareholders; and • Ensures effective compliance and control and responding to ever increasing regulatory developments, including financial reporting, capital requirements, and corporate responsibility.
Company Secretary	• Provides administrative support to the Board; • Ensures that Board procedures are followed; • Oversee governance matters; and • Ensures that information flows between the Board and its Committees and with the Executive Management Team.
Chief People and Legal Officer	• The Chief People and Legal Officer is a Board Observer and provides regular updates to the Board on People and Legal matters affecting the Group; • Right to receive notice of, attend and speak at Board meetings; and • No entitlement to vote on any matter requiring a resolution of the Board.

Effectiveness of the Board

Directors' induction and ongoing training

It is important to the Board that Non-Executive Directors have the ability to influence and challenge appropriately. New Directors receive a full, formal and tailored induction on joining the Board, including meeting with the Executive Management Team and advisers. The induction includes visits to the Group's stores, veterinary surgeries, Distribution Centres, Specialist Referral centres and other operational locations together with training on the Group's core values including its culture, environmental, social and governance issues as well as behaviours that are in place to support the Group's values. Individual training needs are reviewed regularly and training is provided where a need is identified or requested. All Directors receive frequent updates on a variety of issues relevant to the Group's business, including regulatory and governance issues.

Appointments

On 27 April 2018, Peter Pritchard succeeded Ian Kellett as Group Chief Executive Officer. Peter Pritchard joined Pets at Home in 2011 as Commercial Director and moved to the role of CEO of Retail in 2015. During his time with the Group, Peter has overseen the establishment of our sourcing office in China, the launch of the VIP club, the development of our omnichannel strategy, and more recently, the repositioning of our merchandising business and the strategic review and recalibration of the Vet Group.

With effect from close of the Annual General Meeting on 12 July 2018, Tessa Green stepped down from the Board. Tessa had been a Director of Pets at Home since our IPO and during that time had been Chair of the Corporate Social Responsibility and Pets Before Profit Committees. We thank Tessa for her valuable contribution to the business during her time with us. Tessa was succeeded by Professor Susan Dawson, Dean of the Institute of Veterinary Science at the University of Liverpool and council member of the Royal College of Veterinary Surgeons. Susan Dawson was appointed as Chair of the Pets Before Profit and Corporate Social Responsibility Committees (now combined into the Corporate Social Responsibility and Pets Come First Committee) and brings valuable veterinary services sector experience to the Board.

Appointment terms and elections of Directors

All Directors have service agreements or letters of appointment and the details of their terms are set out in the Directors' Remuneration Report on pages 98 to 99. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours.

At each Annual General Meeting of the Company all Directors will stand for re-election in accordance with the 2016 Code. Each financial year the Chairman will meet with Non-Executive Directors individually to assess and review individual contribution to the Board and performance over the financial period. The skills and experience which each Non-Executive Director brings to the Board are detailed on pages 68 to 69 and why their contribution is, and continues to be, important to the Company's long-term sustainable success.

Considering diversity

The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background 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, Sharon Flood and Susan Dawson, are female together with the

Chief Operating Officer of the Vet Group, Jane Balmain, and Chief People and Legal Officer and Company Secretary, Louise Stonier. These appointments were made entirely 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 Group.

Gender diversity

Group

Male	25% (3,440)
Female	75% (10,569)

Total colleagues 14,009

Board

Male	75%
Female	25%

Group Executive Management Team

Male	71%
Female	29%

Retail Executive Management Team

Male	55%
Female	45%

Vet Group Executive Management Team

Male	73%
Female	27%

Board meetings and attendance

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

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

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

Members of the Retail Executive Management Team and Vet Group Executive Management Team are also invited to present at Board meetings from time to time so that Non-Executive Directors keep abreast of developments in the Group. For the Board, these meetings are an opportunity to meet colleagues below the level of the Executive Management Team and for colleagues asked to present, this is a valuable part of their career development.

2019 Board considerations

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

- Development of the Group's "Best Pet Care Company in the World" strategy;
- Performance overall of individual businesses and functions in the Group;
- Budgets and long term plans for the Group;
- Risk management and controls in the Group including reputational risks and corporate governance
- Financial statements, announcements and financial reporting matters;
- Succession planning;
- 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 Come First is maintained as the Company's number one value;
- Approving significant items of capital expenditure and contracts, investments, treasury and dividend policy;
- Group people strategy including job levelling and banding across the Group, talent framework development and Group culture, values and behaviours;
- Shareholder feedback and reports from brokers and analysts;
- Regulatory updates; and
- Delegated authorities.

How the Board is spending its time through the year

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

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 Director of Investor Relations, and Corporate Affairs covering broker reports and the output of meetings with significant shareholders.

Number of meetings attended

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

	Board	Remuneration Committee	Audit and Risk Committee	Nomination and Corporate Governance Committee	Corporate Social Responsibility Committee[6]	Pets Before Profit Committee[6]
Number of meetings[1]	9	3	4	2	2	3
Director						
Tony DeNunzio (Chairman)	9/9	3/3	–	2/2	2/2	3/3
Dennis Millard (Deputy Chairman)	9/9	3/3	4/4	2/2	2/2	3/3
Peter Pritchard[2,7]	9/9	–	–	–	–	–
Mike Iddon[7]	9/9	–	–	–	–	–
Paul Moody	9/9	3/3	4/4	2/2	2/2	3/3
Sharon Flood	9/9	3/3	4/4	2/2	–	3/3
Stanislas Laurent	9/9	–	4/4	2/2	2/2	3/3
Susan Dawson[3]	7/7	2/2	–	1/1	1/1	3/3
Ian Kellett[4]	1/1	–	–	–	–	–
Tessa Green[5]	2/2	1/1	–	1/1	1/1	0/0

1 Excludes the strategy day which all Directors attended.
2 Appointed as a Director on 27 April 2018. Peter Pritchard attended the first Board meeting of the financial period on 26 April 2018 as an observer prior to his formal appointment as a Director.
3 Appointed as a Director on 12 July 2018.
4 Resigned as a Director on 27 April 2018.
5 Resigned as a Director on 12 July 2018.
6 With effect from the beginning of the 2020 financial year, the Corporate Social Responsibility and Pets Before Profits Committees have been combined into the Corporate Social Responsibility and Pets Come First Committee.
7 Although not formally appointed as members of the Audit and Risk, Corporate Social Responsibility and Pets Before Profit Committee, Peter Pritchard and Mike Iddon attended meetings of those Committees as observers. Peter Pritchard has also attended meetings of the Nomination and Corporate Governance Committee at the invitation of the Chairman.

Board Committees

The Board has established three Board Committees: an Audit and Risk Committee, a Nomination and Corporate Governance Committee, and a Remuneration Committee. In addition, the Board also established the Corporate Social Responsibility Committee and Pets Come First Committee which comprised both Non-Executive Directors, Executive Directors and colleagues. During the financial year, the Board determined to combine the work of the Board's Pets Before Profits and Corporate Social Responsibility Committees into one Committee, the Corporate Social Responsibility and Pets Come First Committee providing more focused governance, leadership and oversight of the Group's pet welfare, clinical excellence, community, environmental and charitable initiatives. Susan Dawson is Chair of the Corporate Social Responsibility and Pets Come First Committee.

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

Key objectives and responsibilities of the Board Committees

	Key objectives	Main responsibilities / duties
Audit and Risk Committee	• To assist the Board fulfil its corporate governance and overseeing responsibilities in relation to an entity's financial reporting, internal control system, risk management system and internal and external audit functions.	• Monitor the integrity of Group financial statements; • Review and challenge accounting policies, unusual transactions; • Assumptions / qualifications on viability; • Compliance with accounting standards; • Review clarity and completeness of financial statements; • Oversee material information presented with financial statements; • Review content of Annual Report and Accounts to advise if fair, balanced and appropriate for shareholders; • Assessment and advice on risk management system; • Review and advice on adequacy and effectiveness of the Company's internal financial and regulatory controls; • Monitoring and review of internal and external audit; and • Review of whistleblowing, fraud and compliance.

	Key objectives	Main responsibilities / duties
Remuneration Committee	• To assist the Board in determining its responsibilities in relation to Directors' remuneration.	• Responsibility for setting, monitoring and reviewing the Remuneration Policy; • Consultation on major changes to employee benefit structure; • Approval and determination of performance related pay schemes (with regard to the UK Corporate Governance Code and Listing Rules); • Responsible for selection and appointment of remuneration consultants; • Review, design and assessment of share incentive plans; • Review of Director pension arrangements; • Approval of Director service contracts and severance; and • Appointment of the Chair of the Remuneration Committee, Paul Moody, as Board representative for wider colleague engagement.
Nomination and Corporate Governance Committee	• To assist the Board in considering the structure, size and composition of the Board whilst advising on succession planning.	• Reviewing structure, size and composition of the Board; • Board succession planning; • Evaluation of Board appointments – with consideration to matters such as skill, experience, knowledge, diversity; • Review of Non-Executive Directors' time required; • Review matters relating to continuation of Directors' office; • Conduct Board performance evaluation process; and • Review all conflicts of interest.
Corporate Social Responsibility and Pets Come First Committee	• To oversee the Group's pet welfare, clinical excellence, community, environmental and charitable initiatives.	• Monitoring, reviewing and considering pet welfare standards across the Group; • Monitoring and reviewing compliance with legislation relating to the sale of pets, welfare standards and veterinary medicine and engaging in the development of such legislation where appropriate; • Monitoring and reviewing colleague feedback on pet welfare standards; • Overseeing welfare in relation to pet supply, transportation and audit; • Monitoring impact of PR and social media; • Monitoring pet processes, including audits and vet clinical standards; and • Reviewing Group CSR policy and strategy, and monitoring implementation of CSR activity.

Management committees

Details of our management committees are set out below:

Executive Management Team, Retail and Vet Group Executive Management Teams

In addition to the Board, the Group has the Executive Management Team as detailed in the Governance Report on pages 70 to 71. Supporting the Executive Management Team is an appointed divisional executive management team for both the Retail and the Vet Group for which roles are clearly defined. The Retail Executive Management Team and the Vet Group Executive Management Team support the Executive Management Team in the implementation of strategy and risk and governance oversight across their respective divisions.

Investment Committee

The Investment Committee assists the Board with the Group's store, veterinary surgery and specialist centre rollout and development process to ensure the Group's investment process is managed effectively and rigorously throughout the Group. The Investment Committee is chaired by Mike Iddon and is also attended by Peter Pritchard, Group Chief Executive Officer. A number of the Group's colleagues are entitled to attend meetings of the Investment Committee as observers including the Group Director of Property and the Group Development Director.

The Investment Committee meets formally at least nine times a year and otherwise as may be required. Duties of the Investment Committee include reviewing and considering all proposals presented for the acquisition of new stores, stand-alone First Opinion veterinary surgeries, Specialist Referral centres, support offices, Distribution Centres and any other type of property for which occupation is proposed for use by a member of the Group; approving all material variations and works of a capital nature proposed to be carried out to any property in which the Group has a right of occupation; approving all material variations to proposed property and stand-alone surgery acquisitions; periodically reviewing proposed changes to the reporting and presentation of property investment criteria; reviewing all proposals presented for lease renewals and reviewing alternative strategies for new store investment, formats and geographical markets and reporting on such strategies to the Board for final approval on the terms of any such matter; and reviewing all proposals for the dispositions of all or part of any of the lease on stores including any sub-letting, assignments, surrenders or relocations and approving or rejecting any such proposals as appropriate. Each of the matters approved by the Investment Committee is subject to the further approval of the Board where it falls within the level of expenditure requiring full Board approval. The Investment Committee formally updates the Board at least once a year in addition to regular updates on matters approved within the monthly Board packs.

Health and safety

Health and safety is a key priority for the Board and senior management. The Board has established a Health and Safety Committee that meets at least on a quarterly basis and is chaired by the Chief People and Legal Officer with the agenda led by the Group Head of Health and Safety. The Committee is attended by key individuals in the business who are responsible for certain areas of health and safety including the veterinary business, retail and grooming and the Committee is tasked with reviewing the Group's overall health and safety performance. A health and safety policy is in place for the Group which is reviewed on a regular basis.

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

Further details of the work of the Health and Safety Committee are contained on pages 52 to 53 of the Corporate Social Responsibility Report.

Other management committees
This financial year a People Committee, Pension Committee and Data Committee were incorporated to provide governance and oversight of projects and strategic initiatives relevant to their areas of remit. These Committees are chaired by members of the Group Executive Management Team or senior managers within our business.

Data Committee:
Led by the Chief Data Officer, the Data Committee oversees the Group's data initiatives and supports and drives data privacy governance in conjunction with the internal Information Security and GDPR steering committees.

People Committee:
Led by the Chief People and Legal Officer, the People Committee oversees the Group's people practices and policies (including in respect of colleague welfare) and promotes the alignment of the Group's culture with the Group's purpose, values and commercial strategy.

Pension Committee:
Led by the Chief People and Legal Officer, the Pension Committee oversees the management and operation of the Retail and Vet Group pension plans (not in the capacity as a trustee) which have been established for the benefit of colleagues.

Corporate Social Responsibility Committee:
Led by the Group's Director of Investor Relations and Corporate Affairs, the Corporate Social Responsibility Committee is responsible for working with the Board's Corporate Social Responsibility and Pets Come First Committee in developing the strategic direction and then implementation of the Group's community and stakeholder initiatives centred around doing the right thing for pets, people and the planet.

Customer First Committee:
Led by the Group Marketing Director, the Customer First Committee oversees the Group's approach for ensuring that it operates a framework which is adequately focused on the cohesive delivery of customer first outcomes whilst seeking to identify opportunities where improvements in customer outcomes can be made.

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 45. The Board delegates to the Group Executive Management Team the responsibility for designing, operating and monitoring these systems. The systems are based on a process of identifying, evaluating and managing key risks and include the risk management processes set out on pages 38 to 39 and page 83 of the Audit and Risk Committee Report.

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

- The annual Group-wide strategic review of the business took place in November 2018 culminating in the preparation of a detailed five-year strategic plan which was reviewed and approved by the Board. Following this approval, the business carried out its annual business plan and budget cycle, again culminating in formal review and approval by the Board on 28 March 2019.
- Management accounts have been reviewed at meetings of the Board. These reviews covered the comparison of actual performance against budget in the period end management accounts and consideration of outturn for the year. The period end accounts are prepared by the management accounts team and reviewed by the Group Chief Financial Officer.
- All capital investments during the year have been approved by the Group Chief Financial Officer; an authority framework is in place which details the approvals required for specific levels of capital spend including those capital projects requiring full Board approval. In line with delegation by the Board, the Investment Committee, chaired by the Group Chief Financial Officer, has reviewed and approved investments in respect of the acquisition and fit-out of new stores, and new standalone and in-store veterinary practices and for Specialist Referral centres.
- There is an Internal Audit department in place that has its scope agreed with the Audit and Risk Committee and has reported at each Audit and Risk Committee meeting throughout the year. All internal audit reports are presented to the Audit and Risk Committee for review and consideration of any material findings. Where audit findings have been raised, management have agreed appropriate actions and these are prioritised based on risk. Further details of the areas covered in the internal audit reports can be found in the Audit and Risk Committee Report on page 83.
- A clearly articulated delegated authority framework in respect of all purchasing activity is in place across the Group. This is complemented by systemic controls including a contract approval policy that reflects the agreed authority framework and clear segregation of duties between relevant functions and departments.
- A schedule of matters reserved for the Board is in place for approving significant transactions and strategic and organisational change.
- Board discussion of the key risks and uncertainties facing the Group and the risk management system together with deep dives on a number of key risk areas. Further details are contained in the Audit and Risk Committee Report on page 83.

Shareholder relations
The Board's primary role is to promote the success of the Company and the interests of all stakeholders. The Board is accountable to shareholders for the performance and activities of the Group. The Board is responsible for ensuring the Company maintains a satisfactory dialogue with shareholders. The Board believes it is important to explain business developments and financial results to the Company's shareholders and to understand any shareholder concerns. We communicate with shareholders on a regular basis.

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

During the year, the Company met regularly with analysts and institutional investors and such meetings will continue. The Group Chief Executive Officer and Group Chief Financial Officer have lead responsibility for investor relations. They are supported by a dedicated Director of Investor Relations and Corporate Affairs who, amongst other matters, organises presentations for analysts and institutional investors and ensures that procedures are in place to keep the Board regularly informed of such investors' views. In addition, the Company arranges visits to its stores and other operations for analysts and shareholders. All of the Non-Executive Directors are available to meet with major shareholders, if they wish to raise issues separately from the arrangements as described above. During this next financial year, the Board will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and we are committed to consulting with shareholders prior to any significant changes to our Remuneration Policy.

All Directors will be available at the Annual General Meeting to meet with shareholders and answer their questions.

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

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

Whistleblowing policy
The Company has a duty to conduct its affairs in an open and responsible way. We are committed to high standards of corporate governance and compliance with legislation and appropriate codes of practice. By knowing about any wrong doing or malpractice at an early stage, we stand a good chance of taking the necessary steps to stop it. The Group has a whistleblowing policy (which was updated this year) designed to encourage colleagues to identify such situations and report them without fear of repercussions or recriminations provided that they are acting in good faith. The policy sets out how any concerns may be raised and the response which can be expected from the Company and in what timescales.

A copy of the Group's Code of Ethics and Business Conduct is published on the Group's website **https://investors.petsathome.com/responsibility/policies-and-procedures/code-of-ethics-and-business-conduct**. This policy and the procedures in place to deal with concerns raised under the policy were reviewed by the Audit and Risk Committee during the year.

Share dealing code
The Company has adopted a share dealing code in relation to its shares. The share dealing code applies to the Directors, its other Persons Discharging Managerial Responsibility and certain colleague insiders of Group companies and they are responsible for procuring the compliance of their respective connected persons with the Company's share dealing code.

Board evaluation and effectiveness
The effectiveness of the Board is important to the success of the Group, and the Board's annual evaluation provides a useful opportunity for the Directors to reflect on their collective and individual effectiveness and consider changes.

Process and focus
The Board engaged Lintstock Limited to undertake an independent external 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 an online questionnaire that considered topics covered in the 2018 evaluation and other areas which the Board wanted to assess under the headings:

- Board composition;
- Stakeholder oversight;
- Board dynamics;
- Management of meetings;
- The Chairman;
- Board support;
- Board Committees;
- Strategic & operational oversight;
- Risk management and internal controls;
- Succession planning and people management (which included a review of the Board's understanding of Group culture); and
- Priorities for change.

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 majority of areas have seen an improvement in the scoring, however, the following have been identified as requiring additional focus:

- the Non-Executive Directors continuing to develop a deeper understanding of the Group's business, in particular the Vet Group;
- succession planning for the Board and Executive Management Team;
- a greater insight and understanding of the Group's data, digital and business systems strategy and capability;
- a greater insight and understanding of the Group's customers and Joint Venture Partners;
- supporting the new Executive Management Team following a period of management change; and
- reducing and focusing the Board meeting agendas to enable more debating time for key issues.

Beyond the annual evaluation, the performance of the Group Chief Executive Officer is continuously monitored throughout the year by the Chairman and the Senior Independent Director. The Chairman met with each Non-Executive Director individually to assess and review individual contribution to the Board and performance over the financial period. The Senior Independent Director and the Non-Executive Directors also met to discuss the performance of the Chairman without the Executive Directors or Chairman being present.

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

A Board balanced with skills and expertise

Tony DeNunzio CBE
Non-Executive Chairman

Appointment to the Board
2014

Committees
Nomination and Corporate Governance, Corporate Social Responsibility and Pets Come First

Current roles
- Deputy Chairman and Senior Independent Director at Dixons Carphone Plc
- Non-Executive Director of PrimaPrix SL.
- Senior Adviser to Kohlberg, Kravis, Roberts & Co. L.P.

Past roles
- Non-Executive Chairman of Maxeda
- Non-Executive Director of Alliance Boots GmbH
- President and Chief Executive Officer of Asda
- Deputy Chairman of Galiform Plc (now Howdens Plc)
- Chairman of the advisory board of Manchester Business School

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

Dennis Millard
Deputy Non-Executive Chairman and Senior Independent Non-Executive Director

Appointment to the Board
2014

Committees
Nomination and Corporate Governance, Audit and Risk, Remuneration, Corporate Social Responsibility and Pets Come First

Current roles
- Non-Executive Chairman of Watches of Switzerland Group plc
- Senior Independent Director of Superdry Plc

Past roles
- Chairman of Halfords Plc
- Senior Independent Director of Debenhams Plc
- Chairman of Connect Group Plc
- Senior Independent Director of Premier Farnell Plc
- Senior Independent Director of Xchanging Plc
- Non-Executive Director of Exel plc

Contribution to the Board
Wide ranging public company experience with retail, strategic and financial expertise. Dennis is also a Chartered Accountant and holds an MBA.

Sharon Flood
Independent Non-Executive Director

Appointment to the Board
2017

Committees
Nomination and Corporate Governance, Audit and Risk, Remuneration, Corporate Social Responsibility and Pets Come First

Current roles
- Chair of ST Dupont S.A.
- Chair of Audit Committee at Network Rail
- Chair of Audit Committee at Crest Nicholson
- Chair of Finance at Science Museum Group
- External member of the University of Cambridge council

Past roles
- Group Chief Financial Officer at Sun European
- Finance Director at John Lewis Department Stores
- Chair of Audit at Shelter

Contribution to the Board
Retail, finance and public company experience. Sharon is also a Chartered Accountant.

Stanislas Laurent
Independent Non-Executive Director

Appointment to the Board
2017

Committees
Nomination and Corporate Governance, Audit and Risk, Corporate Social Responsibility and Pets Come First

Current roles
- Partner at Highland Europe

Past roles
- President and CEO of Photobox Group
- COO of AOL Europe

Contribution to the Board
Entrepreneurial background with digital and technology experience.

Membership of the Board

Board tenure

Paul Moody
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Audit and Risk, Remuneration, Nomination and Corporate Governance, Corporate Social Responsibility and Pets Come First

Current roles
- Non-Executive Chairman of Card Factory Plc
- Non-Executive Chairman 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

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

Susan Dawson
Independent Non-Executive Director

Appointment to the Board
2018 – **new appointment**

Committees
Remuneration, Nomination and Corporate Governance, Corporate Social Responsibility and Pets Come First

Current roles
- Dean of the Institute of Veterinary Science at the University of Liverpool
- Council member of the Royal College of Veterinary Surgeons (RCVS)

Past roles
- Member of the Veterinary Products Committee
- Adviser to the Antimicrobial Resistance and Healthcare Associated Infections Committee for the Department of Health

Contribution to the Board
Considerable veterinary experience and expertise on the training and wellbeing of vets.

Peter Pritchard
Group Chief Executive Officer

Appointment to the Board
2018 – **new appointment**

Current role
- Group Chief Executive Officer

Past roles
- Joined Pets at Home as Commercial Director in 2011 and became Chief Executive Officer of the Retail business in 2016
- Senior commercial and management roles at Asda, J Sainsbury plc, Iceland Food, Marks and Spencer Plc and Wilkinson Hardware Stores

Contribution to the Board
Significant retail background and long term operational experience across Pets at Home.

Mike Iddon
Chief Financial Officer

Appointment to the Board
2016

Current role
- Chief Financial Officer

Past roles
- Chief Financial Officer of New Look from 2014-2016
- Held a number of senior finance roles over 13 years working for Tesco Plc both in the UK and overseas. These included Group Planning, Tax and Treasury Director, UK Finance Director and Chief Financial Officer of Tesco Homeplus (South Korea).
- Number of senior roles with Kingfisher Plc and Whitbread Plc.

Contribution to the Board
Financial knowledge and retail industry expertise.

Our experienced and effective leadership

Peter Pritchard
Group Chief Executive Officer

Current role
- Group Chief Executive Officer since 2018

Past roles
- Joined Pets at Home as Commercial Director in 2011 and became Chief Executive Officer of the Retail business in 2016
- Senior commercial and management roles at Asda, J Sainsbury plc, Iceland Food, Marks and Spencer Plc and Wilkinson Hardware Stores

Contribution to the team
Significant retail background and long term operational experience across Pets at Home.

Pets
Cat

Mike Iddon
Chief Financial Officer

Current role
- Chief Financial Officer since 2016

Past roles
- Chief Financial Officer of New Look from 2014-2016
- Held a number of senior finance roles over 13 years working for Tesco Plc both in the UK and overseas. These included Group Planning, Tax and Treasury Director, UK Finance Director and Chief Financial Officer of Tesco Homeplus (South Korea). Number of senior roles with Kingfisher Plc and Whitbread Plc.

Contribution to the team
Financial knowledge and retail industry expertise.

David Robinson
Retail Chief Operating Officer

Current role
- Retail Chief Operating Officer since 2019

Past roles
- Managing Director of Bestway Retail from 2016-2019
- Over 15 years at Home Retail Group, latterly as Chief Operating Officer for Argos
- Senior roles at Homebase and Dixons Retail

Contribution to the team
Diverse retail operational experience and knowledge of digital transformation.

Jane Balmain
Vet Group Chief Operating Officer

Current role
- Vet Group Chief Operating Officer since 2019

Past roles
- Managing Director of Companion Care (Services) Ltd from 2001–2014
- Senior international positions at Vision Express Group and Regus Plc

Contribution to the team
Expertise of the Joint Venture model and operational experience of working with Pets at Home.

Pets
Dog
Horse

Robert Kent
Chief Data Officer

Current role
- Chief Data Officer since 2018

Past roles
- Chief Data Officer at Royal Mail Plc for eight years and Head of Programme Delivery for two years.
- Leadership roles in data and CRM at Carphone Warehouse as well as senior consulting roles with Epiphany UK and Capgemini.

Contribution to the team
Expertise in creating value from data and analytics.

Pets
Dog

Louise Stonier
Chief People and Legal Officer and Company Secretary

Current roles
- Company Secretary since 2004
- Chief People and Legal Officer since 2017
- Chair and Trustee of the charity Support Adoption For Pets

Past roles
- Joined Pets at Home as Legal Director and Company Secretary in 2004
- Associate in the corporate team at DLA Piper LLP from 2000–2004
- Solicitor at CMS Cameron McKenna from 1997–2000

Contribution to the team
Legal knowledge and people expertise together with significant experience as Company Secretary.

Pets
Dog

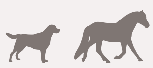
William Hewish
Chief Information Officer

Current role
- Chief Information Officer since 2019

Past roles
- Chief Information Officer at United Utilities Plc for over six years, covering both technology and business change
- Senior technology roles at Lloyds Pharmacy, De Vere Hotels and Booker

Contribution to the team
Expertise in delivering major technology driven transformation programmes.

Pets
Dog
Horse



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 2016 ("2016 Code"), the Disclosure Guidance and Transparency Rules and the Listing Rules of the Financial Conduct Authority.

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

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 table below.

Statutory information	Section heading	Page number
Amendment of the Articles	Directors' Report	76
Appointment and Removal of Directors	Directors' Report	74
Board of Directors	Directors' Report	74
	Board of Directors	68–69
Branches outside of the UK	Directors' Report	78
Change of Control	Directors' Report	78
Colleague Engagement	Strategic Report – Corporate Social Responsibility	46–57
	Directors' Report	73
Colleague Diversity and Disabilities	Directors' Report	74
Colleague Share Ownership and Plans	Directors' Remuneration Report	73
Community	Strategic Report – Corporate Social Responsibility	46–57
Compensation for loss of office	Directors' Report	75
Directors' Biographies	Board of Directors	68–69
Directors' information to Auditors	Directors' Report	78
Directors' Insurance and Indemnities	Directors' Report	75
Directors' Interests	Directors' Report	75
Directors' Responsibility Statement	Directors' Report	79
Executive Share Plans	Directors' Remuneration Report	95, 97–99
Financial Instruments	Note 22 to the consolidated financial statements	159
Future Developments of the Business	Strategic Report	14–25
Financial position of the Group, its cash flows, liquidity position and borrowing facilities	Chief Financial Officer's review	26–29
Greenhouse Gas Emissions	Corporate Social Responsibility	57
Going Concern	Directors' Report	77
Health and Safety	Strategic Report – Corporate Social Responsibility	52–53
Human Rights and Modern Slavery Statement	Directors' Report	77
Independent Auditors	Directors' Report	78
	Audit and Risk Committee Report	84
Internal Controls and Risk Management	Governance Report	66
Political Donations	Directors' Report	76
Profits and Dividend	Directors' Report	76
Post Balance Sheet Events	Directors' Report	77
Powers for the Company to issue or buy back its shares	Directors' Report	75
Powers of the Directors	Directors' Report	75
Principal Activities	Directors' Report	73
Research and Development	Directors' Report	73
Restrictions on transfer of securities	Directors' Report	76
Share capital	Directors' Report	75
	Note 21 to the consolidated statements	158
Significant related party transactions	Directors' Report	76
	Note 27 to the consolidated statements	175–176
Significant Shareholders	Directors' Report	76
Subsidiary and Associated Undertakings	Note 25 to the consolidated statements	176–188
Statement of Corporate Governance	Governance Report	58
The Audit and Risk Committee Report	Governance Report	80–84
The Governance Report	Governance Report	58–67
The Directors' Remuneration Report	Governance Report	90–106
The Nomination and Corporate Governance Committee Report	Governance Report	85–87
Strategic Report	Governance Report	1–57
Treasury and Risk Management	Strategic Report	44
Viability Statement	Directors' Report	77
Voting Rights	Directors' Report	75

Disclosures required under Listing Rule 9.8.4R

In accordance with Listing Rule 9.8.4C, the information required to be disclosed in the Annual Report under Listing Rule 9.8.4R is disclosed on the following pages of this Annual Report:

Disclosure	Page number
Long term incentive schemes	98
Significant contracts	78
Dividend waivers	Note 9 to the consolidated financial statements

Principal activities

The principal activity of the Group is that of a specialist omnichannel retailer of pet food, pet related products and pet accessories. The Group is also a service provider to small animal veterinary businesses and an operator of specialist veterinary referral centres and pet grooming salons. The principal activity of the Company is that of a holding company.

The Company's registrar is Computershare Investor Services Plc situated at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ.

Research and development

The Strategic Report sets out on pages 30 to 36 the innovation carried out by the Group in relation to product and service development. In addition, the Group also funds a number of research projects and during this financial year we finished our co-funding of a Doctor of Philosophy (PhD) at Exeter University which looked at how to identify and reduce the stress factors in ornamental aquarium fish. The PhD was 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. The Group is also, in partnership with Mars Fishcare and the University of West Scotland, working on a combined PhD looking at stress caused during transportation of fish from source right through into the Group's stores. This project complements and builds on the Group's first PhD project with Exeter University, and combined with the Exeter University project has given the Group an in-depth knowledge and understanding which can be used to further increase the welfare of fish in the Group's stores.

This year we also commenced a 'working together' relationship with the University of Wales Cardiff and we will collaborate on various projects and smaller studies around fish diseases, improving the treatment efficacy and disease prevention in the fish species we sell. This partnership is with a number of under and post graduate students and it has no funding cost other than making our stores and colleagues available to take part in various trials. The studies and trials will be written by the students in conjunction with our Aquatics Operations Manager. Combined with the two PhD studies, this new partnership will help bring a much greater insight and understanding of what impacts fish health and provide us with ways to improve our fish health and welfare even further.

The Group funds a research assistant position in the canine genetics research team at the Animal Health Trust. The team research and develop novel genetic tests that enable dog breeders and owners to identify and eliminate genetic conditions that cannot otherwise be prevented. We also contribute to the VetCompass initiative at The Royal Veterinary College, which collects clinical data in a de-identified format and merges them into a single dataset for research that benefits the long-term health and welfare of animals.

Our specialist veterinary partners and clinician colleagues at our Specialist Referral centres, Dick White Referrals, Anderson Moores, Eye Vet and Northwest Veterinary Specialists, are regularly involved in clinical research and trials in furtherance of the veterinary profession.

Colleague engagement

Pets at Home has an excellent heritage of colleague engagement, consistently achieving high scores on our internal listening survey as well as winning the Sunday Times Best Companies and 7th position in Great Places to Work. We know that our culture is our unique identifier and is recognised externally as our differentiator. It is one of our most cherished assets and so during the year, we continued to improve our colleague engagement processes in Retail by launching regular pulse surveys in addition to our annual engagement survey.

We have also expanded our Group Executive Listening sessions to include Non-Executive Directors and Paul Moody has been appointed as the Committee representative for wider colleague engagement. This helps ensure our Committee and the Board are actively listening and aligning our decisions to the wider colleague population and business culture. This year, we will be extending our listening forum and pulse surveys to our Joint Venture veterinary partners to ensure that their voice is also heard by the Board on a regular basis. At the time of reporting we have conducted three pulse surveys: one on reward and benefits, one on training and development, and one on behaviours. The results of these surveys are shared with the Committee as part of developing our understanding of our wider colleague populations' views on remuneration and benefits within the Group. The improved way of listening is providing the Board with assurance that our policies, practices or behaviours throughout the Group are aligned with our purpose, values and strategy.

Further information on colleague engagement is included in the Corporate Social Responsibility Report on pages 50 to 51.

Colleague share ownership and plans

Widespread share ownership remains a key part of our engagement strategy and the majority of our colleagues hold shares either through our Sharesave plan, our previous share plans, or the current RSP. All eligible colleagues received an award under the RSP last year and they will do so again in 2019 at the time of the next award. We also had a further offering of the Company's Sharesave plan in September 2018. Whilst the changes in our share price did not lead to a favourable vesting of this award in 2018 it still remains popular, with a substantial take up in 2018. Colleagues' with non performance related CSOP will see their awards vest this June 2019. However, these awards are currently below the grant price.

Further details of the Group's colleague share plans are contained in the Directors' Remuneration Report on page 90.

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 role. We are committed to ensuring equality of opportunity for all colleagues. We aim to ensure that no colleague, potential colleague, customer, visitor or contractor will receive less favourable treatment on the grounds of:

- Sex
- Race
- Pregnancy and maternity
- Ethnic origin
- Nationality
- Disability
- Age
- Religious beliefs
- Sexual orientation or following gender reassignment
- Marital status
- 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 in the event that any colleague becomes disabled. Attempts are made in every circumstance to provide employment, whether this involves adapting the current job role and remaining in the same job, or moving to a more appropriate job role.

The Group is now into the second year of reporting our gender pay information. The Group published its Gender Pay Gap Report in March 2019. For the first time this year we reported on two parts of our Vet Group. These were our First Opinion veterinary Support Office (Companion Care Services Limited) and one of our Specialist Referral centres, Dick White Referrals, which both exceeded the reporting threshold of 250 colleagues. Their gender pay information is now included in our Gender Pay Gap Report as well as the second year of data for Retail. Further information on our Gender Pay Gap Report is contained in the Directors' Remuneration Report on page 92. Our Gender Pay Gap Report can be found at **https://investors.petsathome.com/responsibility**.

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	24 May 2017 (re-appointed)	n/a
Dennis Millard	24 May 2017 (re-appointed)	n/a
Tessa Green	24 May 2017 (re-appointed)	Resigned on 12 July 2018 but was a Director during the financial period
Paul Moody	24 May 2017 (re-appointed)	n/a
Mike Iddon	17 October 2017	n/a
Sharon Flood	11 July 2017	n/a
Stanislas Laurent	11 July 2017	n/a
Peter Pritchard	27 April 2018	n/a
Susan Dawson	12 July 2018	n/a
Ian Kellett	11 February 2014	Resigned on 27 April 2018 but was a Director during the financial period

Ian Kellett resigned from his position as Group Chief Executive Officer on 28 November 2017 although his resignation did not take effect until 27 April 2018. Ian's employment with the Group terminated on 3 May 2018. Ian was succeeded by Peter Pritchard.

During the financial period Tessa Green stepped down from the Board with effect from the close of the Annual General Meeting on 12 July 2018. Tessa was succeeded by Professor Susan Dawson.

Appointment and removal of Directors

The appointment and replacement of Directors of the Company is governed by the Articles.

Appointment of Directors: A Director may be appointed by the Company by an ordinary resolution of the Company's shareholders or by the Board. The Board or any Committee authorised by the Board may from time to time appoint one or more Directors to hold any employment or executive office for such period and on such terms as they may determine and may also revoke or terminate any such appointment. A Director appointed by the Board holds office only until the next Annual General Meeting of the Company and is then eligible for re-appointment.

Annual re-election of Directors: All Directors stand for re-election on an annual basis in line with the recommendations of the 2016 Code.

Removal of Directors: A Director may be removed by the Company in certain circumstances set out in the Articles or by a special resolution of the Company's shareholders.

Vacation of office: The office of a Director shall be vacated if (amongst other circumstances): (i) he is prohibited by law from being a Director; (ii) he resigns; (iii) his resignation is requested by all of the other Directors; (iv) he is or has been suffering from mental or physical ill health and the Board resolves that his office be vacated; (v) he is absent without the permission of the Board from meetings of the Board (whether or not an alternate Director appointed by him attends) for six consecutive months and the Board resolves that his office is vacated; (vi) he becomes bankrupt; (vii) he ceases to be a Director by virtue of the Companies Act; or (viii) he is removed from office pursuant to the Articles.

Powers of the Directors
Subject to the Articles, the Companies Act, any directions given by the Company by special resolution of the Company's shareholders and any relevant statutes and regulations, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Directors' interests
Information relating to the Directors' interests in, and options over, Ordinary Shares in the capital of the Company are shown in the Directors' Remuneration Report on page 103.

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 as and when they arise. The Board reviews and, where considered appropriate, approves situational conflicts of interest that were reported to it by Directors and a register of those situational conflicts is maintained by the Company. The register is reviewed by the Board on an ongoing basis.

Compensation for loss of office
The Company does not have any agreements with any Director or colleague that would provide compensation for loss of office or employment (whether through resignation, redundancy or otherwise) resulting from a takeover bid except that it should be noted that provisions of the Company's share schemes may cause options and awards granted to Directors or colleagues under such schemes to vest on a takeover. For further information on the change of control provisions in the Company's share schemes refer to the Directors' Remuneration Report on page 98.

Directors' insurance and indemnities
The Company maintains directors' and officers' liability insurance cover for its Directors and officers (and those of other Group companies) as permitted under the Articles and the Companies Act. Such insurance policies were renewed during the period and remain in force as at the date of this Annual Report. Each Director and officer of the Company also has the benefit of a qualifying indemnity, as defined by section 236 of the Companies Act, and as permitted by the Articles. An indemnity deed is entered into by a Director at the time of his or her appointment to the Board. Prospectus liability insurance remains in force which provides cover for liabilities incurred by certain Directors in the performance of their duties in connection with the issue of the Company's prospectus dated 28 February 2014 in relation to the Company's Initial Public Offering and Listing.

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

Share capital
The issued share capital of the Company as at 28 March 2019 was 500,000,000 Ordinary Shares of 1 pence each. As at 21 May 2019, being the latest practicable date prior to the date of this Annual Report, the issued share capital of the Company remained 500,000,000 Ordinary Shares of 1 pence each. Further information regarding the Company's issued share capital can be found on page 158 of the Group's financial statements.

There have been no movements in the Company's issued share capital in the 2019 financial period.

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

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

Powers for the Company to issue or buy back its shares
Powers for the Company to issue shares: The Directors were granted authority at the previous Annual General Meeting on 12 July 2018 to allot shares in the Company under two separate resolutions: (i) up to one-third of the Company's issued share capital; and (ii) up to two-thirds of the Company's issued share capital in connection with a rights issue. These authorities apply until the end of the Annual General Meeting to be held on 11 July 2019 (or, if earlier, until the close of business on 12 October 2019). During the period, the Directors did not use their power to issue shares under the authorities, but did satisfy options and awards under the Company's option and incentive schemes.

The Directors were also granted authority at the previous Annual General Meeting on 12 July 2018 to disapply pre-emption rights. This resolution (which is in accordance with the guidance issued by the Pre-Emption Group (the "PEG Principles")) sought the authority to disapply pre-emption rights over 5% of the Company's issued ordinary share capital. A further authority was also granted to disapply pre-emption rights in respect of an additional 5% for financing a transaction which the Directors determine to be an acquisition or other capital investment as allowed by the PEG Principles. During the period, the Directors did not use their power to issue shares under the authorities, but did satisfy options and awards under the Company's option and incentive schemes.

The Company will, consistent with the 2018 Annual General Meeting, seek to renew these powers at the 2019 Annual General Meeting.

Powers for the Company to buy back its shares: The Company was authorised by its shareholders on 12 July 2018, at the 2018 Annual General Meeting, to purchase in the market up to 10% of its issued Ordinary Shares (excluding any treasury shares), subject to certain conditions laid out in the authorising resolution. This standard authority is renewable annually and the Directors will seek to renew this authority at the 2019 Annual General Meeting to be held on 11 July 2019. The Directors did not exercise their authority to buy back any shares during the financial period.

Restrictions on transfer of Ordinary Shares

The Company's shares are freely transferable, save as set out below.

The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register. The Board can decline to register any transfer of any share which is not a fully paid share. The Company does not currently have any partially paid shares. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer: (A) is duly stamped or certified or otherwise shown to be exempt from stamp duty and is accompanied by the relevant share certificate; (B) is in respect of only one class of share; and (C) if to joint transferees, is in favour of not more than four such transferees. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Regulations (as defined in the Articles) and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Certain restrictions are also imposed by laws and regulations (such as the Market Abuse Regulation) and pursuant to the Company's share dealing code whereby certain Directors and Persons Discharging Managerial Responsibility and restricted colleagues require clearance to deal in the Company's securities.

Significant shareholdings

Information provided to the Company pursuant to the Disclosure Guidance and Transparency Rules is published on a Regulatory Information Service and on the Company's website. As at 28 March 2019, the following information had been received, in accordance with DTR5.1.2R, from holders of notifiable interests in the Company's issued share capital. These figures represent the number of shares and percentages held as at the date of notification to the Company. It should be noted that these holdings may have changed since notified to the Company however, notification of any change is not required until the next applicable threshold is crossed.

Name of shareholder	Number of Ordinary Shares as at 28 March 2019	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	15.003%	75,015,606	Indirect
Merian Global Investors (UK) Limited	9.97%	49,872,614	Indirect
Canada Pension Plan Investment Board	10.02%	50,095,670	Direct
Nordea 1 SICAV	4.96%	24,816,413	Direct
Norges Bank	4.29%	21,456,476	Direct
Quilter plc	>3%	–	–
UBS Investment Bank UBS Group AG	>3%	–	–
Morgan Stanley	>3%	–	–
Portland Hill Asset Management Ltd	>3%	–	–

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 29 March 2019 and 21 May 2019 (being not more than one month prior to the date of the Notice of Annual General Meeting), except as set out in the table below:

Name of shareholder	Number of Ordinary Shares as at 21 May 2019	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	16.005%	80,026,543	Indirect
Canada Pension Plan Investment Board	0.00%	0	Direct
Norges Bank	4.59%	22,956,476	Direct

Significant related party transactions

There are no contracts of significance during the financial period between the Company or any Group company and: (1) a Director of the Company; (2) a close member of a Director's family; or (3) a controlling shareholder of the Company.

Amendment of the Articles

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

Profits and dividend

The consolidated profit for the year after taxation and all non-underlying items was £30,492,000 (FY18: £62,814,000). The results are discussed in greater detail in the Chief Financial Officer's review on pages 26 to 29.

A final dividend of 5 pence per ordinary share (FY18: 5 pence per ordinary share) will be recommended to the Company's shareholders in respect of the 2019 financial year. The final dividend will be proposed by the Directors at the 2019 Annual General Meeting on 11 July 2019 in respect of the financial year ended 28 March 2019 to add to an interim dividend of 2.5 pence per ordinary share paid on 11 January 2019 (FY18: 2.5 pence per ordinary share).

The Directors' proposed final dividend of 5 pence per ordinary share takes the total dividend payable in respect of the 2019 financial year to 7.5 pence per ordinary share. The ex-dividend date will be 13 June 2019 and, subject to shareholder approval being obtained at the 2019 Annual General Meeting, the final dividend of 5 pence per ordinary share will be paid to shareholders on the register at the close of business on 14 June 2019.

Political donations

The Group made no political donations and incurred no political expenditure during the year (FY18: Nil). It remains the Company's policy not to make political donations or to incur political expenditure, however the application of the relevant provisions of the Companies Act is potentially very broad in nature and, as with last year, the Board is seeking shareholder authority to ensure that the Group does not inadvertently breach these provisions as a result of the breadth of its business activities. The Board has no intention of using this authority.

Suppliers

The Group understands the importance of maintaining good relationships with suppliers and it is Group policy to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations. Average trade creditors of the Group's operations for FY19 were 49 days (FY18: 48 days).

Post balance sheet events

In the period between 29 March 2019 and 22 May 2019, the Group has acquired 100% of the 'A' shares of 15 veterinary practices, which were previously accounted for as Joint Venture practices as the Group only held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to control and consolidation of these practices. Further information relating to these acquisitions is set out on pages 189 to 190.

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 has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

Viability statement

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

The SBP process covers a five-year period. The five-year plan provides a robust planning tool against which strategic decisions can be made. In making their viability assessment, the Board has taken into consideration that financing facilities are maintained for the duration of the Strategic Plan. The Directors have considered a combination of risks and uncertainties and the mitigating controls operated by the Group as detailed on pages 38 to 45 that may impact on the Group's reputation and its ability to trade. These risks include issues on pet welfare, competitor activity and broader macro-economic risks and their impact on the Strategic Plan on an individual and combined level.

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

Human rights and modern slavery statement

Pets at Home is the UK's leading pet care business; our commitment is to make sure pets and their owners get the very best advice, products and care. Pet products are available online or from our 452 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK-leading small animal veterinary business, supporting 470 First Opinion practices located both in our stores and in standalone locations, as well as four Specialist Referral centres.

Our vision is to be the best pet care business in the world. We therefore take great care in operating our business and in selecting our business partners and suppliers. The products we sell are sourced from a broad range of suppliers – both national and international. 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 and monitor our suppliers and monitor production and supply standards.

Our policies and contractual controls

We are committed to ensuring there is transparency in our business and in our approach to tackling modern slavery throughout our supply chain. Our Code of Ethics and Business Conduct Policy reflects our commitment to acting ethically and with integrity in all our business dealings and relationships and we expect full compliance with it by colleagues, suppliers and business partners. Our policy is updated annually. This year we will again review and update this policy to further promote increased awareness of modern slavery and compliance with the Act.

Our suppliers are also required to comply with our Ethical Trading Policy which sets out the minimum standards that they are required to adhere to wherever they procure materials, manufacture or perform services for, or supply products to, our business. We also contractually require suppliers to comply with the Pets at Home Group's Code of Ethics and Business Conduct Policy.

Our supplier standard general terms and conditions require compliance with the Act and include a right for Pets at Home to conduct audits on supplier compliance.

We undertake ethical audits which cover: hours of work, labour practices, working conditions, onsite accommodation, health & safety, environment, supply chain management and wages. Should any instances of non-compliance with the Act or our policies arise in relation to any of our suppliers then this will be reviewed and appropriate action taken. Our standard general terms and conditions with suppliers also include the right for Pets at Home to terminate the agreement in the event of supplier non-compliance with the Act.

This year we have updated our Group Whistleblowing Policy to promote increased vigilance amongst colleagues as to any instances of modern slavery, and to encourage central reporting of concerns about any issue or suspicion of modern slavery in any parts of our business or supply chain.

Due diligence and supplier adherence

We annually review and where appropriate update our procurement processes in respect of modern slavery. We include specific questions in our tender documentation on the Act to ensure that our suppliers are compliant with it along with our Ethical Trading Policy.

Training

We have previously highlighted the importance of training in raising awareness on modern slavery and assisting our colleagues and suppliers gain a better understanding on the issue of modern slavery and requirements set out in the Act. Training continues to be a key focus of the business and we continue to train colleagues and suppliers. This year we will repeat our UK colleague training programme. In September 2018, at our Asia Supplier Conference (being an area where we consider there is a greater potential risk of modern slavery being prevalent), we re-delivered a workshop on the subject of modern slavery and the Group's policies to representatives of 80 Asia based suppliers.

Audit and assurance

This year the Group's internal audit team will again undertake an operational effectiveness review of the Group's policies and controls around compliance with the Act. The report will be issued to and reviewed by the Board and recommendations acted on accordingly.

The Pets at Home Group Plc Board of Directors approved this statement at a meeting of the Board on 13 September 2018.

Branches outside of the UK

The Company has no branches outside of the UK.

Change of control

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

- On 6 September 2018, the Group entered into a senior facilities agreement with a total facility amount of £248m ("**Senior Facilities Agreement**"). The Senior Facilities Agreement expires on 24 September 2023 (unless extended in accordance with its terms). The Senior Facilities Agreement contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.
- The Company's subsidiary, Companion Care (Services) Ltd (CCSL), is a party to a facilities agreement dated 21 March 2018 for total commitments of £42m (Lloyds Facility). The Lloyds Facility provides funding for the Group's Joint Venture First Opinion practices. Pursuant to the terms of the Lloyds Facility, CCSL provides a guarantee in respect of a certain fixed proportion of the outstanding facility loans provided to the Joint Venture practices which borrow under the facility. The Lloyds Facility contains customary prepayment, cancellation and default provisions including in the event of a change of control (direct or indirect) of CCSL.
- The Company's subsidiary, Companion Care (Services) Ltd (CCSL), is a party to a facilities agreement dated 21 March 2018 for total commitments of £20,000,000 (HSBC Facility). The HSBC Facility provides funding for the Group's Joint Venture First Opinion practices. Pursuant to the terms of the HSBC Facility, CCSL provides a guarantee in respect of a certain fixed proportion of the outstanding facility loans provided to the Joint Venture practices. The HSBC Facility contains customary prepayment, cancellation and default provisions including in the event of a change of control (direct or indirect) of CCSL. For these purposes "control" means the power to: (a) cast or control more than 90% of the votes that may be cast at a general meeting of CCSL; (b) appoint or remove all or a majority of the directors of CCSL; (c) give directions with respect to the operating and financial policies of CCSL with which the directors are obliged to comply; or (d) hold beneficially (directly or indirectly) at least 90% of the issued share capital of CCSL.

Directors' information to auditors

In accordance with section 418 of the Companies Act, each Director who held office at the date of the approval of this Directors' Report (whose names and functions are listed in the Board of Directors on pages 68 to 69) confirms that, so far as he or she is aware, there is no relevant audit information of which the Group's auditor is unaware, and that each Director has taken all of the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Independent auditors

During the 2016 financial year, a competitive tender process of audit services was completed in accordance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order). KPMG LLP was re-appointed as auditor of the Company at the 2018 Annual General Meeting.

The Company's auditor, KPMG LLP, has indicated their willingness to continue their role as the Company's auditor. Resolutions concerning the re-appointment of KPMG LLP as auditor of the Company and to authorise the Directors to determine their remuneration will be proposed at the 2019 Annual General Meeting as set out in the Notice of Annual General Meeting. For further information on the re-appointment of the auditors, refer to page 83 of the Audit and Risk Committee Report.

Approval of Annual Report

The Strategic Report, Corporate Governance Statement and the Governance Report were approved by the Board on 22 May 2019.

This Directors' Report was approved by the Board on 22 May 2019 and signed on its behalf by:

Louise Stonier
Chief People and Legal Officer
and Company Secretary

22 May 2019

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

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

We confirm that to the best of our knowledge:

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

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

Approved by the Board and signed on its behalf by:

Peter Pritchard
Group Chief Executive Officer

22 May 2019

Audit and Risk Committee Report

Sharon Flood
Chair of the Audit & Risk Committee

Who is on the Audit & Risk Committee?

Member	No. of meetings
Sharon Flood (Chair)	4/4
Dennis Millard	4/4
Paul Moody	4/4
Stanislas Laurent	4/4

What we did in 2019

- Carried out our responsibilities as set out in the terms of reference, including monitoring the integrity, challenging the judgemental areas, and advising the Board on whether external reporting is fair, balanced and reasonable.
- Reviewed the correspondence with the Financial Reporting Council's Corporate Review Team following their review of our Annual Report and Accounts to 29 March 2018.
- Reviewed and challenged the Longer Term Viability Statement (LTVS) and going concern basis of preparation in advance of its approval by the Board. As part of this work, the carrying value of the goodwill balance has been reviewed.
- Broadened our focus on the Group's control environment including the consideration of the adequacy of controls to support our Vet Group, pet welfare across our operations, and the release of key IT projects.
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures, and Internal Audit function to meet the requirements of the Internal Audit Plan.
- Reviewed the judgements made in applying forthcoming and newly adopted financial reporting standards, including Leasing, Financial Instruments and Revenue Recognition.
- Reviewed the processes in relation to providing extended financial support to First Opinion practices and the recoverability of those loans. We have also considered whether the level of practice indebtedness infers additional control to the Group of a First Opinion vet practice and whether this challenges the existing accounting for a practice.
- Reviewed the accounting treatment for Joint Venture veterinary practices where the 'A' shares have been, or are planned to be bought out by the Group.

What we will do in 2020

- Continue to carry out our responsibilities as set out in the terms of reference, including monitoring the integrity, challenging the judgemental areas, and advising the Board on whether external reporting is fair, balanced and reasonable.
- Continue to focus on the control environment of the Group, including pet welfare across our operations and the controls and processes relating to the release of key IT projects.
- Continue to monitor the effectiveness of the Group's Internal Audit function and whistleblowing procedures. We will agree an Internal Audit strategy for 2020 and beyond, defining ways of working as well as specific projects.
- Review the approach and judgements made in applying forthcoming financial reporting standards, including IFRS16 Leasing.
- Continue to monitor the level of financial support provided to our First Opinion veterinary practices and keep under review any activity that might change existing accounting practices.
- Continue to monitor the accounting treatment for Joint Venture veterinary practices which have been, or are planned to be, bought out by the Group.

Introduction

This is my second report as Chair of the Audit and Risk Committee (the Committee), having joined the Board in July 2017. I am pleased to report that the Committee has been fully immersed in assisting the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of the financial reporting, the adequacy and effectiveness of 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, 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 aligning our internal audit and risk review efforts towards the Group's strategic priorities.

In addition to our regular agenda, this year we have considered the accounting for forthcoming and recently adopted changes in accounting standards (notably IFRS9 Financial Instruments, IFRS15 Revenue Recognition and IFRS16 Leasing).

We have reviewed the joint venture accounting treatment of First Opinion veterinary practices with specific reference to the Group's strategy of buying out certain practices, reviewed the Group's approach to Segmental Reporting, and updates to the Group's Treasury policy in relation to foreign exchange and interest rate hedging, in light of the evolving Brexit position. We have also reviewed the correspondence to date between the Group and the Financial Reporting Council's Corporate Review Team with reference to the Annual Report and Accounts to 29 March 2018.

Committee membership

The Committee members have been selected to provide a wide range of financial and commercial experience necessary to fulfil the duties and responsibilities of the Committee. Each member of the Committee is an independent Non-Executive Director and has, through their other business activities, significant experience in financial matters. Further details of the Committee members and their experience can be found on pages 68 to 69.

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

The Committee meets according to the requirements of the Company's financial calendar. The meetings of the Committee also provide the opportunity for the Independent Non-Executive Directors to meet without the Executive Directors present and to raise any issues of concern with the internal and external auditors.

Committee activities

The Committee's role primarily covers the following areas:

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

Audit and Risk Committee meetings

The Committee met on four occasions during the financial year with each meeting having a distinct agenda to reflect the annual reporting cycle of the Group. The agenda is regularly reviewed and developed to meet the changing needs of the Group.

A summary of the key matters considered at each meeting is as follows:

Meeting	Financial reporting	Risk management / internal control	Internal Audit	External audit
May	• Review of the Annual Report and Accounts for year ended 29 March 2018 • Review of goodwill impairment • Review of supplier income recognition policy • Review of operating loan provisioning policy • Review of consolidation consideration for JVCos • Review of considerations of the Group's longer term viability and going concern • Review of reporting on payment practices	• Review of development of the Corporate Risk Register • Review of Code of Ethics and Whistleblowing policy • Review of GDPR readiness • Review of Tax policy • Review of Treasury policy	• Review and approval of Internal Audit Plan for the year • Evaluation of Internal Audit • Review reports on progress of Internal Audit Plan	• Report on Annual Financial Statements and external audit • Process to assess external auditor
September	• Review of planning for reporting under new standards on Financial Instruments (IFRS 9), Revenue Recognition (IFRS 15) and Lease accounting (IFRS 16) • Review of reporting on payment practices	• Review development of the Corporate Risk Register • Review of Code of Ethics and Whistleblowing policy • Review of information security programme	• Internal Audit engagement renewal • Review reports on progress of Internal Audit Plan	• Process to assess external auditor
November	• Review of the Interim Financial Statements • Review of goodwill impairment • Review of reporting under new standards on Financial Instruments (IFRS 9) and Revenue Recognition (IFRS 15) • Review of operating loan provisioning policy	• Review development of the Corporate Risk Register • Review of Information Security policy • Review of Treasury policy • Review of Code of Ethics and Whistleblowing policy	• Review reports on progress of Internal Audit Plan	• Report on Review of Interim Financial Statements
January	• Review of response to letters received from the Financial Reporting Council • Review of planning for reporting under new standard on Lease accounting (IFRS 16)	• Review of development of the Corporate Risk Register • Review of progress on the finance transformation plan (Vet Group) • Review update on finance systems implementation (Vet Group) • Review of Brexit risk management process • Review of Whistleblowing policy	• Review reports on progress of Internal Audit Plan • Consideration Internal Audit plan for the year ended 26 March 2020	• Review of external audit strategy for the year ended 28 March 2019. • Process to assess external auditor

Financial statement reporting issues

The Committee considered a number of significant issues in the year, taking into account in all instances the views of the Company's external auditor. The Committee consider the key risks within the Financial Statements to be the carrying value of goodwill and investments, the carrying value of inventory, the carrying value of operating loans and the accounting treatment for consolidation of Joint Venture veterinary practices.

The Committee considered the following in making their assessment of the reporting in the financial statements.

Issue	Nature of the risk	How the risk was addressed by the Committee
Carrying value of goodwill and parent company's investment in subsidiaries	The Group holds a significant goodwill balance and the Company holds significant investments in subsidiary companies. There are a number of factors that could impact on the future profitability of the business (e.g. threat of competition, changes in market behaviour, and changes in the broader macro-economic environment) and there is a risk that the business will not meet the required financial performance to support the carrying value of the Group and Company's intangible assets.	The Committee reviewed and challenged management's process for testing goodwill for potential impairment, allocation of goodwill across cash generating units, and ensuring appropriate sensitivity analysis and disclosure. This included challenging the key assumptions: principally cash flow forecasts, growth rates and discount rates and comparing the Group's value in use to its market capitalisation. The Committee also reviewed KPMG's work and conclusions on this risk and the key assumptions they tested in reaching their conclusions. The Committee is satisfied that there is no impairment to the Group's goodwill balance or the Company's investment in subsidiaries and that there is appropriate disclosure in the financial statements. See notes 12 and 28 of the financial statements for details on the impairment testing.
Inventory valuation	The business carries a wide range of Stock Keeping Units (SKUs) and with a variety of expiry dates on most food lines. Changes in customer demand may mean that some lines cannot be sold, or will be sold below carrying value. Whilst provisions are made to reflect this, there is a risk that the provisions are inadequate. Management have established a detailed range review process to identify action to be taken against inventory lines and assess the required inventory provision.	The Committee reviewed management's judgement in assessing the required level of inventory provisioning and concluded that the method of estimating the carrying value of inventory and that the level of provisioning is appropriate.
Carrying value of operating loans	The business provides additional financial support to First Opinion Joint Venture veterinary practices depending on the circumstance of each practice. This may include more recent openings to underpin their growth and support their working capital requirements and growth in clinical capacity. This investment is a particular feature of the JV operating model in comparison to an 'owned' network where over-performance from stronger units compensates any under-performance. In making this investment the Group does so after consideration of its total returns across all practices on a portfolio basis. The return of this additional investment can be over an extended period due to each individual circumstance. The business has undertaken a strategy whereby the Group have completed or offered to buy out certain practices, as part of which the Group will write off operating loans due from the practice on consolidation. Management have established a provision to cover the entirety of all operating loans to practices where the Group has completed or offered to buy out practices. In addition, management have established a provision across all other practices which reflects on a portfolio basis, an assessment of extended investments being repaid over different lengths of time with different risks of return against these time periods and provides for potential shortfalls.	The Committee reviewed management's judgement, as informed by independent analysis and review, in assessing the required level of provisioning applied to practices and the forecast recovery of operating loans provided. The Committee also reviewed management's assessment of the practices planned to be bought out to ensure appropriateness of provisioning. The Committee is satisfied that the carrying values of operating loan balances are appropriate. The Committee reviewed management's assessment of whether the level of an individual practice's indebtedness to the Group, particularly those with high levels of indebtedness, implies that the Group has the practical ability to control the Joint Venture, which would result in the requirement to consolidate. The Committee reviewed management's judgement over the terms of the Joint Venture agreement and management's practical ability to control the activities of the practice, including barriers to the Group's ability to exercise this practical control and potential barriers to the Joint Venture Partner exercising their own control over the activities of the practice. The Committee is satisfied that on the balance of evidence from the Group's experience as shareholder and lender to the practices, it does not currently have the ability to exercise control over those practices to which operating loans are advanced.
Accounting for consolidation of Joint Venture veterinary practices	The business announced during the year its intention to offer to buy out the 'A' shares in certain Joint Venture veterinary practice companies from the Joint Venture Partners. There is a risk that the accounting for these acquisitions is inappropriate with regard to consideration of control and non consolidation of Joint Venture entities, and recognition of items within the income statement deemed to be 'non-underlying items'.	The Committee reviewed management's policy and process for determining the appropriateness of not consolidating Joint Venture entities. The Committee reviewed the items deemed to be 'non-underlying' within the income statement. The committee is satisfied that the Joint Venture practices should not currently be consolidated, and that the accounting disclosure for such buy outs is appropriate.

Ongoing viability
In considering viability overall, the Committee reviewed the Group's strategic plan with particular focus on the key assumptions in relation to revenue, cost growth and our Vet Group restructuring programme. 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 40 to 45.

Following a review of the detailed considerations set out above by the Committee and Executive Management, 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 77 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 page 39. The Group's key risks and uncertainties are set out on pages 40 to 45.

The Committee explores specific key risks of the Group in detail, inviting the management team to discuss the issues and mitigations and further proposed actions. During the year, the Committee considered risks specific to the Retail and Vet Group operations.

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

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

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

Risk area	Work undertaken
Brand and reputation	Review of Specialist Division clinical governance policies and processes (Vet Group) Review of Pet Welfare and Pet Activism policy and processes (Retail)
Competition	Review of investment in price (Retail)
Regulatory and compliance	Review of Brexit readiness (Group) Review of policies (anti-bribery and corruption, modern slavery, GDPR, right to work) (Group)
Business systems and information security	Review of implementation of promotional management project (Retail) Post-implementation review of RX Works (Vet Group) Review of IT frameworks (information security, PMO, finance system user access management) (Group)
Treasury and financial risk	Review of processes (accounts payable, payroll, balance sheet reconciliation, stock management, cash and banking, expenses) (Retail)
Supply chain and sourcing	Review of pest control (Retail)

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

External audit
KPMG presents their audit plan, risk assessment and audit findings to the Committee, identifying their consideration of the key audit risks for the year and the scope of their work. These reports are discussed throughout the audit cycle. These risks were considered to be the carrying value of goodwill and investment in subsidiaries, recoverability of operating loans to Joint Venture Practices, accounting for the Vet Group restructuring, the carrying value of inventory, and Brexit uncertainty. In their reports presented to the Committee at both the half year and full year, the auditors considered these risks to be appropriately addressed and raised no significant areas of concern in these or any other areas of their review.

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

We are in compliance with the Order and performed a tender process which concluded in January 2015. KPMG, who have audited the Group since 2000, were reappointed at the AGM on 12 July 2018. Nicola Quayle had been the audit partner since 2016, and was replaced by Stuart Burdass in January 2019.

External auditors' effectiveness

The Committee considered the effectiveness, independence and objectivity of the external auditors through the review of all reports provided, regular contact and dialogue both during Committee meetings and separately without management. We conducted an audit effectiveness review through a questionnaire to Committee members, management and members of the Finance team. This questionnaire continued from the process in the previous year, providing more focused insight into KPMG's effectiveness by tailoring the questions for both the Committee members, management and members of the Finance team.

Auditor independence

Maintaining the objectivity and independence of the external auditors is essential. The Committee has taken appropriate steps to ensure that the Company's external auditors are independent of the Company and obtained written confirmation from them that they comply with guidelines on independence issued by the relevant accountancy and auditing bodies.

Additional non-audit services provided by the auditors may impair their independence or give rise to a perception that their independence may be impaired. The Group has a policy in relation to the provision on non-audit services that is aligned with the EU Regulation and Statutory Audit Directive to provide further clarity over the type of work that is acceptable for the external auditors to carry out. The policy sets out the process required for approval and a cap to the total non-audit fees for permitted services (at 70% of the audit fee) – the policy was last reviewed in the year ended 30 March 2017.

Audit and non-audit fees paid to KPMG in the year were £469,000 and an analysis is presented in note 3 to the consolidated financial statements. Non-audit fees represent 17% of the audit fee.

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 11 July 2019.

Financial Reporting Council

During the year, the Financial Reporting Council ("FRC") Corporate Review team began a review of our Annual Report and Accounts for the year to March 2018. The Corporate Review team entered into ongoing correspondence with the Group. All correspondence received to date and our responses were discussed with the Committee. As a result of the FRC's review to date, we have improved the clarity of disclosure in relation to:

- Accounting for investment in joint venture veterinary practices, with reference to judgements and estimates surrounding operating loans to joint venture veterinary practices, and the Group's inability to exercise control. Enhancements to disclosure in these areas have been made, specifically in notes 1, 14, 16 and 27 to the financial statements;
- Impairment testing, including goodwill and investments in subsidiaries., Enhancements to disclosure in these areas have been made, specifically in notes 12 and 28 to the financial statements.
- Both accounting for investments in joint venture veterinary practices and impairment testing have been specific areas of focus for the Audit Committee and KPMG during 2018 and 2019, and these areas have warranted enhanced audit focus as a result.

Sharon Flood

Sharon Flood
Chair Audit and Risk Committee

22 May 2019

Nomination and Corporate Governance Committee Report

Tony DeNunzio
Chair of the Nomination and Corporate Governance Committee

Who is on the Nomination and Corporate Governance Committee?

Member	No. of meetings
Tony DeNunzio (Chair)	2/2
Dennis Millard	2/2
Paul Moody	2/2
Sharon Flood	2/2
Stanislas Laurent	2/2
Susan Dawson [1]	1/1
Tessa Green [2]	1/1

1 Appointed as a Director on 12 July 2018.
2 Resigned as a Director on 12 July 2018.

What we did in 2019

Support Peter Pritchard in his transition from CEO of the Retail Group to Group Chief Executive Officer.

Recommended that Jane Balmain be appointed as Interim CEO and then permanent Chief Operating Officer of the Vet Group.

Reviewed the talent and succession plans for the Group Executive Management Team and the Retail and Vet Group Executive Management Teams.

Assessed Board composition and how it may be enhanced.

Conducted and reviewed the Board evaluation and effectiveness survey.

Reviewed the independence of the Non-Executive Directors.

Reviewed and considered Directors' conflicts of interest.

Reviewed the time commitment and length of service of the Non-Executive Directors.

Appointed Susan Dawson as a Non-Executive Director bringing valuable veterinary services sector experience to the Board

Reviewed the skills and capabilities of the Group's Executive Management Team to ensure members of the Group Executive Management Team had the requisite skills, experience and knowledge to execute the Group's strategy.

What we will do in 2020

Support the new Group Executive Management Team appointed by the Group Chief Executive Officer.

Continue to assess Board composition and how it may be enhanced.

Implement further reviews and assessment of succession planning and development plans particularly in relation to the Group Executive Management Team and the Retail and Vet Group Executive Management Teams.

Review the Board's diversity policy and recommend any changes in that policy to the Board.

Introduction

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

We are also tasked with ensuring that succession plans are in place for the Directors, the Executive Management Team and the Retail and Vet Group Executive Management Teams, taking into consideration the current Board structure, the leadership requirements of the Group and the wider commercial and market environment within which the Group operates. The full terms of reference for the Nomination and Corporate Governance Committee can be found on the Company's website.

Committee membership

The UK Corporate Governance Code recommends that a majority of the members of a nomination committee should be Independent Non-Executive Directors. The Nomination and Corporate Governance Committee is chaired by myself, Tony DeNunzio, and its other members are Dennis Millard, Paul Moody, Sharon Flood, Susan Dawson and Stanislas Laurent (each of whom is an Independent Non-Executive Director). The Nomination and Corporate Governance Committee meets not less than once a year.

The following Directors served on the Nomination and Corporate Governance Committee during the financial year:

Member	Period from:	To:
Tony DeNunzio (Chair)	18 February 2014	To date
Dennis Millard	18 February 2014	To date
Paul Moody	25 March 2014	To date
Sharon Flood	25 May 2017	To date
Stanislas Laurent	25 May 2017	To date
Susan Dawson	12 July 2018	To date
Tessa Green	18 February 2014	12 July 2018

There were two formal Committee meetings held in the financial year and members' attendance was as shown in the table above.

How the Nomination and Corporate Governance Committee discharged its responsibilities in FY19

Board appointments and resignations

On 27 April 2018, Peter Pritchard succeeded Ian Kellett as Group Chief Executive Officer. Peter Pritchard joined Pets at Home in 2011 as Commercial Director and moved to the role of CEO of Retail in 2015. During his time with the Group, Peter has overseen the establishment of our sourcing office in China, the launch of the VIP club, the development of our omnichannel strategy, and more recently, the repositioning of our merchandising business and the strategic review and recalibration of the Vet Group.

Since his appointment, with the support of the Nomination and Corporate Governance Committee, Peter has sought to expand the Group Executive Management Team to ensure that it has the right balance of skills and experience to deliver the Group's strategic vision. On 1 November 2018, Robert Kent joined the Group Executive Management Team as Chief Data Officer from Royal Mail Group, where he had held the position of Chief Data Officer for nearly eight years. On 4 March 2019, William Hewish joined the Group Executive Management Team as Chief Information Officer from United Utilities where he had led the technology, data and business change teams. On 15 April 2019, David Robinson joined the Group Executive Management Team as Chief Operating Officer for Retail after two years as Managing Director of Bestway Retail having previously spent 15 years at Home Retail Division including most recently as Chief Operating Officer for Argos, where he ran day-to-day operations and played a key role in the digital transformation of the business.

We were disappointed, after only six months into his role as CEO of the Vet Group, to see Andrei Balta leave the Group but thank him for his valuable contribution to Pets at Home during his time. We were however delighted to welcome back Jane Balmain to the Group firstly as Interim CEO of the Vet Group's First Opinion business, and having more recently taken up the position of permanent Chief Operating Officer of the Vet Group. Jane was responsible for establishing the original in-store joint venture model under the Companion Care brand, and growing it successfully and sustainably through her tenure as Managing Director until she retired in 2014. During her original service, Jane was also instrumental in the Group's acquisition of the Vets4Pets business and successfully integrating it alongside Companion Care into the Vet Group which we see today.

Our new appointments join Peter Pritchard, Mike Iddon and Louise Stonier on the Group Executive Management Team and I am delighted that after a 12 month recruitment period, we now have a complete and talented Executive Management Team in place to support Peter Pritchard in creating a great colleague and petcare experience.

With effect from close of the Annual General Meeting on 12 July 2018, Tessa Green stepped down from the Board. Tessa has been a Director of Pets at Home since our IPO and during that time had been Chair of the Corporate Social Responsibility and Pets Before Profit Committees. We thank Tessa for her valuable contribution to the business during her time with us. Tessa was succeeded by Professor Susan Dawson, Dean of the Institute of Veterinary Science at the University of Liverpool and council member of the Royal College of Veterinary Surgeons. Susan Dawson was appointed as Chair of the Pets Before Profit and Corporate Social Responsibility Committees (now combined into the Corporate Social Responsibility and Pets Come First Committee) and brings valuable veterinary services sector experience to the Board, experience that the Board considered that it needed to add at the time of the FY18 Board evaluation.

Succession planning and Group talent development

A principal risk to the business is the inability to attract, retain and incentivise talented individuals to deliver our strategy. The Committee is responsible for reviewing talent, capability and succession at the most senior levels of the business, however, in the last two financial years, the Committee has increased its focus on talent development, retention and succession below Board and Executive Management Team level. This work has involved considering skills and capability gaps along with succession planning immediately below the Executive Management Team and the development of a talent framework whereby colleagues are assessed against the Group's core competencies and development plans put in place to support colleagues in reaching their full potential. Considerable progress has been made in identifying gaps in the talent pool in addition to mitigating the risks associated with unforeseen events such as key individuals leaving the business.

Despite the progress that has been made on succession planning, the Board recognises that more work is required in order to ensure that a clear development framework is in place for identified successors and this will continue to be a focus of the Committee for the next financial year.

To support the work which the Committee is undertaking on talent development, retention and succession below Board and Executive Management Team level, in FY18 the Board engaged Willis Towers Watson to undertake a review of the Group's banding structure. The work involved reviewing the Group's colleague banding structure across the organisation in order to determine changes which will create clearer career and development paths for all colleagues. The revised banding structure was implemented in Retail in this last financial year and will be implemented in the Vet Group in the current financial year.

Board evaluation and effectiveness

The Board engaged Lintstock Limited to undertake an independent external evaluation of Board and Board committee performance and to identify areas where the performance and procedures of the Board might be further improved. The assessment included the completion of an online questionnaire that considered topics covered in the 2018 evaluation and other areas which the Board wanted to assess. In light of changes to the Board since the Company's previous evaluation process, Board composition and expertise and Board dynamics were a key area of focus. As part of the evaluation, I also held discussions with each Board member. The Board considered the output from the review in March 2019 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 67 of the Governance Report.

Diversity

The Board is committed to supporting work initiatives that promote a culture of inclusion and diversity. The Committee recognises the importance of diversity and inclusion both in the Boardroom and throughout the organisation and understands that a diverse Board will offer wider perspectives which lead to better decision making, enabling it to meet its responsibilities. We take into account a variety of factors before recommending any new appointment to the Board, including relevant skills to perform the role, experience, knowledge, ethnicity and gender. The most important priority of the Committee, however, is ensuring that the best candidate is selected to join the Board. However, we will monitor the Group's approach to people development to ensure that it continues to enable talented individuals, both male and female, to enjoy career progression with the Group. Further details on Board diversity can be found on pages 62 and 63 of the Governance Report.

Conflicts of interest and independence of the Non-Executive Directors

The Board has delegated authority to the Committee to consider, and where necessary authorise, any actual or potential conflicts of interest arising in respect of the Directors. 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 consider the independence of the Non-Executive Directors, in the context of the criteria set out in the Corporate Governance Code. The Board's view on independence is contained on page 61 of the Governance Report.

For further information on Board composition, diversity and independence, see the Governance Report on pages 61 to 63 and 58 to 59.

I will be available at the Annual General Meeting to answer any questions on the work of the Nomination and Corporate Governance Committee.

Tony DeNunzio
Chair Nomination and Corporate Governance Committee

22 May 2019

Corporate Social Responsibility and Pets Come First Committee Report

Susan Dawson
Chair of the Corporate Social Responsibility and Pets Come First Committee Report

Who is on the Corporate Social Responsibility and Pets Come First Committee?

Member	No. of meetings
Susan Dawson (appointed 12 July 2018)	3/5
Tony DeNunzio	5/5
Dennis Millard	5/5
Stanislas Laurent	5/5
Tessa Green (resigned 12 July 2018)	2/5

What we did in 2019

- Reviewed our environmental and waste strategies and committed to long term targets
- Reviewed clinical governance standards and policies across the Vet Group
- Reviewed the outcome of pet welfare audits and procedures in our stores and grooming salons
- Monitored our implementation of updates to the Licensing of Activities Involving Animals in England

What we will do in 2020

- Continue to focus on the monitoring and delivery of the best pet welfare standards
- Engage with the Scottish Parliament and their proposal to update pet shop licensing regulations
- Develop longer term environmental targets for the Group

Introduction

Recognising that the Group participates in a broad range of activities and services involving pets, the Board maintains a regular and detailed review of pet welfare in addition to Corporate Social Responsibility (CSR). It achieves this by having both a CSR Committee and a Pets Come First Committee which, together, help manage the Group's most important ethical, social and environmental impacts.

The Committees regularly review the Group's policies and procedures in relation to pet welfare in its retail business and supply chain, and the development of its clinical governance framework in the veterinary services business. The Committees also review all other elements of the Group's CSR strategy, including energy and climate change, waste, natural resources and its policies in relation to colleagues.

A committee of senior directors and managers from within the Group have specific responsibility to ensure the delivery of our CSR commitments and continuously improve pet welfare standards.

Committee membership

The CSR Committee, which meets twice a year, is chaired by Susan Dawson, who joined the Board in July 2018, replacing Tessa Green. Its other members are Tony DeNunzio, Dennis Millard and Stanislas Laurent. The Pets Come First Committee, which meets three times a year, is also chaired and run by the same group of members. However, acknowledging the importance of pet welfare to the Group, all other Board members are required to attend Pets Come First Committee meetings.

During the year the Group reviewed the terms of reference for the Pets Come First and CSR Committees, the work undertaken by the Committees and their role in supporting the Board. It was determined to combine the work of the two Committees into one, starting in the financial year 2020. Susan Dawson will remain as Chair of the combined Committee.

Strategic approach

Our strategic approach to CSR and Pets Come First is centred around three pillars, based upon doing the right thing for People, Pets and the Planet. We believe these pillars are the right way through which to approach our responsibilities and align with our Group vision, to become the best pet care business in the world.

Highlights

The Committee focused upon and progressed with a number of key areas during the year. For more detail on a number of these initiatives, as well as a wider review of our strategy, please refer to the CSR strategic report on pages 46 to 57.

- We continued to review the standards of pet care and welfare across the Group, and specifically within our stores and grooming salons. The results of all our internal audits were very high and in-line with our expectations.
- The business retained the services of a new third party auditor to review standards and processes at our pet suppliers. This has generated feedback and ideas to further improve suppliers' welfare standards even further.
- In October 2018, updates to The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations came into force. The Group had consulted extensively with the Government's Department for Environment, Food and Rural Affairs (DEFRA) during the period ahead of the updates being implemented. Our stores are being assessed by local councils on an ongoing basis and all those that have been assessed have passed the requirements.
- The Board discussed longer term strategic and operational measures that will reduce the Group's energy usage, water usage and waste production, with a view to committing to long term targets in these areas.
- Excellent progress has been made in the First Opinion veterinary business, with over three quarters of practices now enrolled with the Royal College of Veterinary Surgeons Practice Standards Scheme, and the internally developed 'Aspiring to Clinical Excellence' Audit programme, which has helped to improve clinical standards and processes across the Group.
- Customer research was undertaken to help the Group understand which charity sectors resonated with pet owners and colleagues. This lead to the development of a strategic relationship with the charity Street Vet, to provide them with both operational and funding support. Street Vet delivers free veterinary care to the pets of homeless people in London and across the UK.
- Our business raised and donated over £6m for charities that support the rehoming of pets, or bring the health and therapeutic benefits of pets to people in need.

Susan Dawson

Susan Dawson
Chair of the Corporate Social Responsibility and Pets Come First Committee

22 May 2019

Directors' Remuneration Report

Paul Moody
Chair of the
Remuneration Committee

Who is on the Remuneration Committee?

Member	No. of meetings
Paul Moody (Chair)	3/3
Dennis Millard	3/3
Professor Susan Dawson	2/3
Sharon Flood	3/3
Tessa Green	1/3

What we did in 2019

- Approved share awards under the Long Term Incentive Plan (LTIP) to all eligible colleagues
- Agreed the annual bonus targets for the Group Executive Management Team for FY19 and measured performance against them
- Reviewed the gender pay gap analysis results and agreed the actions to begin addressing the issues identified
- Considered and recommended the remuneration package for the Group Chief Executive Officer and Group Chief Financial Officer (CFO)
- Discussed and reviewed attainment against the performance conditions for the Group's LTIPs due to vest during the period
- Reviewed the remuneration package proposals for new Executive Management Team members
- Reviewed the wider remuneration structure and levels for all colleagues in the Group
- Reviewed the terms of reference of the Committee in light of the new corporate governance code
- Considered and recommended the remuneration package for Dr. Susan Dawson as a Non-Executive Director;
- Confirmed Paul Moody as the Committee Representative for wider colleague engagement
- Reviewed the proposals for a new career banding structure and the associated benefits update for all salaried colleagues in both the Retail and Vet Group support offices

What we will do in 2020

- Approve share awards under the LTIP to all eligible colleagues
- Continue to embed our colleague listening forums across the Group with continued attendance by our Committee Chair and other Non-Executive Directors as appropriate
- Continue to review the wider remuneration structure and levels for all colleagues in the Group
- Agree the annual bonus targets for the Executive Management Team for FY20 and measure performance against them
- Engage with our shareholders as we review and update our Remuneration Policy considering all elements of the new UK corporate governance code
- Continue to monitor changes in corporate governance and respond accordingly

Introduction

On behalf of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report for FY19. The Annual Report on Remuneration will be subject to an advisory vote at our 2019 Annual General Meeting (AGM).

Directors Remuneration Policy and ongoing shareholder consultation

Our policy remains in place as approved by shareholders at the AGM in 2017. The policy will be reviewed towards the end of FY20 and shareholders will be consulted during the review.

We are committed to ongoing dialogue with all of our shareholders and listen actively to their views. Where appropriate, we share feedback received from our shareholders and the Committee's response to this feedback in this report.

Remuneration in respect of FY19

Results for FY19

As outlined in the Chairman's Statement on page 6, we have had a very strong year in our Retail Division compared with the wider retail market. Our decision to reposition the merchandise business by investing in value for the customer and providing a platform for profitable growth in future years is coming to fruition. Customers continue to return to us for the unique combination of the in store experience and education we offer. We have had to make some difficult decisions in our Veterinary Group this year, but our final results demonstrate that we are better together. We remain confident that we will continue to strengthen our position in the vet market, helping us to move closer to our target of generating 50% of our sales from pet services.

Overall, the veterinary business ends the year in a much better position and the free cashflow growth delivered by the existing practices suggest future profitable growth for the Division.

FY19 has been a year where the Group has generally exceeded market expectations, we saw:

- Retail returned to profit growth faster than anticipated.
- Underlying Profit Before Tax of £89.7m which compares to market expectations at the start of the year (April 2018) of £85.1m which represents year-on-year growth of 6.2%.
- Growth in Group Like for Like Sales of 5.7%, a combination of Retail at 5.1% and Vet Group at 11.2%, which compares to market expectations at April 2018 of 3.1%.
- We have reduced the net debt in the business to <1.00x leverage and delivered free cashflow in excess of £63m.
- Total dividend payable of 7.5 pence per share, maintained at the prior year level.

In addition to a number of positive financial achievements we have made significant progress in our longer term strategic aims; we have:

- Set a new clear Group strategic ambition to become the best pet care business in the world.
- Repositioned our price points to increase our market competitiveness and this has supported our growth versus online and traditional competitors.
- Successfully completed the first phase of recalibration of the First Opinion vet business as outlined in our November interim statement.
- Established the new Group Executive Board, adding further capability in leadership for our Retail Division and Group IT and Data, all key enablers for the delivery of our strategy.

Annual bonus outcomes

The FY19 bonus was based on PBT (75%) and free cashflow (25%). In determining the pay out under the annual bonus plan, the Committee has been mindful not only of the formulaic outcome against the targets, but also of the overall performance of the business over the period.

- The PBT result for FY19 was £89.7m, resulting in a formulaic outturn of 50.8% of the maximum bonus for this measure.
- The free cashflow result for FY19 was £65.5m resulting in a formulaic outturn of 25% of the maximum bonus for this measure.

The overall formulaic outturn for the bonus is therefore 75.8% of maximum.

After lengthy and detailed consideration, the Committee has determined that the formulaic outturn for FY19 does not adequately recognise the efforts and achievements of our colleagues and the Executive leadership team during what has been an extraordinary year for the Group.

Despite carrying out a restructuring of our Vet Group, which had an unbudgeted impact on profits (as detailed in the preliminary results announcement), we still exceeded expectations on profit, sales and cash and are confident that we are creating a more sustainable platform for future growth.

In addition to those points highlighted above, other results which evidence the excellent progress made so far include:

- Group Like for Like Sales 260bp, above market expectations.
- A significantly improved underlying free cashflow position and a cash conversion rate of 49% compared to 45% last year.
- The fundamental re-engineering of the Vet Group, including delivery of the vet buy out and restructure process.
- Growth in market share in all key areas, both online and off line.
- The completion of the price investment announced last year.
- Retail Division is within 5% of online competitors at the same time as growing profit year on year by 6.1%.

In reflecting upon the extraordinary efforts and commitment by all colleagues throughout the organisation we have agreed to make a discretionary increase to the bonus awarded to all colleagues who have bonus performance conditions based on group financial performance. However, the CEO decided to waive his right to this discretionary uplift such that his bonus will remain at 75.8% of maximum. Peter recommended that this element could go to the benefit of the wider colleague population through the colleague hardship fund. The Remco agreed with this recommendation.

This group of colleagues across all levels and functions of the support office will consequently see a minimum increase of 17.4% in their bonuses.

The Committee firmly believes this to be the right decision as the focus to drive not only strong in-year financial performance, but also lay the strategic foundations for a stronger and more resilient Vet Group that combines effectively with our Retail Division to deliver "Better Together" has been significant and unrelenting. For the CFO, the adjustment will bring the overall bonus pay-out from 75.8% of maximum to 85% of maximum, an increase of just under 10%.

Share incentive plans

Restricted Stock Plan (RSP)

We will issue a further grant of awards this year after our preliminary results in June 2019, with the same vesting schedule and absolute TSR underpin as in prior years. The first grant of awards from 2017 will vest in 2020 and the second grant will vest in 2021 subject to the absolute TSR underpin being achieved. In the event the absolute TSR underpin is not achieved, then the awards will lapse in their entirety for the Executive Directors.

Full details of the awards made in FY19 are contained in the Remuneration Report on page 103.

Co investment Plan

The final tranche of Matching Shares under the 2014 Co-investment plan were released on 17 March 2019.

Further details can be found on page 102 of the Annual Report on Remuneration.

Company Share Option Plan (CSOP) and Performance Share Plan (PSP) 2016

The CSOP and PSP granted to the Executive Directors in 2016 are due to vest in June 2019 for the CEO and November 2019 for the CFO. These awards were granted subject to performance targets for Earnings Per Share (EPS) and Total Shareholder Return (TSR) over the three year financial period ended March 2019 as outlined below:

- 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 above targets have not been met and therefore these plans will lapse in their entirety and there will be nil vesting.

Remuneration in respect of FY20

FY20 salary review

The Committee reviewed the salary level of both Peter Pritchard (CEO) and Mike Iddon (CFO). The Committee concluded that both would receive an increase of 2%. This increase was lower than the average across the wider colleague population which was 2.51% reflecting the impact of the national living wage and performance related increases. This increase took effect from 29 March 2019.

FY20 bonus targets

The Committee has reviewed the performance measures for the annual bonus plan and has agreed to make no changes to the measures for FY20. The bonus will continue to be based 75% on PBT and 25% on free cashflow since these are considered relevant and appropriate to drive sustainable profitable growth and align with shareholder interests. The Committee has adopted a rigorous approach to setting bonus targets for FY20, calibrating proposals against a range of data points, and feels confident that these targets are appropriately stretching. Further details of this approach can be found on page 105 of our Annual Report on Remuneration. Full details of the targets for FY20 and outcomes against them will be reported in the FY20 Annual Report on Remuneration.

Our Culture and Colleague Engagement
Pets at Home has an excellent heritage of colleague engagement. We consistently achieve high scores on our annual internal listening survey; evidenced by previously winning the Sunday Times Best Companies and achieving 7th position in Great Places to Work. We know that our unique culture is an integral part of our employer brand and is recognised externally as a key differentiator when prospective colleagues are considering our Group as a place to develop their career. It is one of our most valued assets, albeit intangible. We continue to refine and enhance our colleague engagement processes across the Group and, in particular, we have introduced regular pulse surveys in addition to our annual survey in the Retail Division. We have also introduced a leadership engagement index into the survey report which ensures colleagues are given the opportunity to feedback anonymously on both immediate line management and wider group senior leadership performance. This allows the Committee and the wider Board to ensure our leaders are managing the business in line with our values and behaviours preserving our culture in the long term.

We have also expanded our Group Executive Listening sessions to include Non-Executive Directors; and I am delighted to have been appointed as the Committee representative for wider colleague engagement. This helps ensure our Committee and the wider Board is activity listening to, and aligning with, the wider colleague population and business culture as we consider decisions impacting the Group.

This year, we will be extending our listening forum and pulse surveys to our joint venture veterinary partners to help ensure that their views, thoughts and opinions are directly heard by the Board on a regular basis. At the time of reporting we have conducted three pulse surveys: on reward and benefits, training and development, and on our Behaviours. The results of these surveys are shared with the Committee as part of developing our wider understanding of how our colleagues view these topics. The evolving methods of listening to our colleagues more widely and deeply is providing the Board with even greater reassurance that our policies, practices and behaviours throughout the Group are aligned with our purpose, values and strategy.

Colleague Share Ownership
Widespread share ownership, which the Executive and Board actively encourage, remains a key part of our engagement strategy. The majority of our colleagues hold shares either through our Sharesave plan, our previous share plans, or the current RSP. All eligible colleagues received an award under the RSP last year and they will do so again in 2019 at the time of the next award. We also had a further offering of the Company's Sharesave plan in September 2018. Whilst the changes in our share price did not lead to a favourable vesting of this award in 2018 it remains popular with 11.43% take up in 2018. Colleagues' with non performance related CSOP will see their awards vest this June 2019. However, these awards are currently below the grant price. Colleagues with performance related CSOP or PSP awards that are also due to vest in June or November 2019 will see these plans lapse in their entirety due to minimum performance conditions, TSR and EPS, not being met.

Gender Pay Gap Report
We published our Gender Pay Gap report on 13 March this year. For the first time we reported on our Vet Group Support Office and Dick White Referrals, currently the only one of our four specialist veterinary businesses meeting the reporting threshold due to the number of colleagues.

In Retail, we were encouraged to see a small improvement in our position to a mean gap of 17.7%. This was driven by our lowest earning colleagues receiving, on average, a larger pay rise than the senior team members, partially due to the impact of the national living wage and partially due to a number of internal promotions within the business. Across our bottom three quartiles in the Retail Division we have a mean gap of 1.1% or less and our highest quartile has a mean gap of 6.6% with 47% of our colleagues in this quartile being female.

New UK Corporate Governance Code
The Committee welcomes the introduction of the new UK Corporate Governance Code. Many of the new requirements are ones with which we are familiar, we are already compliant with the spirit of the code which has helped formulate our unique culture. We will continue to take an active interest in the remuneration policies of the wider colleague population as well as ensuring our senior leadership team are setting the right example.

The terms of reference for the Committee have been formally updated to reflect the extended remit and responsibilities of the Committee, effective this year.

As detailed above, I have been appointed as the designated Non-Executive Director with responsibility for engagement with the wider colleague population and have already participated in executive listening sessions with colleagues from across the Group.

The Committee intends to consider the structural changes to remuneration recommended by the new Code, including pension levels, post-exit shareholding requirements and overall incentive time horizons as part of its review of the remuneration policy this year, ahead of a shareholder vote on the policy at the AGM in 2020.

Board changes
As previously announced Ian Kellett resigned from the Board effective 27 April 2018 and his employment by the Group terminated on 31 May 2018. We appointed Peter Pritchard as his replacement effective from that date.

We appointed Dr. Susan Dawson to the Board on the 12 July 2018 and at the same time Tessa Green stepped down from her role. We would like to thank Tessa for her excellent service and she leaves with our best wishes. Dr. Susan Dawson brings with her a wealth of experience from the Veterinary community and we are delighted that she has joined the team.

Shareholder Consultation
As ever, we would welcome any feedback or comments on this report particularly as we enter into the review period for our next Remuneration Policy. We actively consulted with our shareholders during the formulation of our current policy and as a result of that consultation we made changes to the design of our RSP through the introduction of an absolute TSR underpin and we remain committed to considering our shareholder's view as we design our new remuneration policy to ensure that the interests of the Executive Directors are aligned with those of our shareholders.

Yours faithfully

Paul Moody
Chair of the Remuneration Committee
22 May 2019

Our Directors' Remuneration Policy

Remuneration principles

The objectives of our Directors' Remuneration Policy are:

Strategy	• To align with our programme of Group wide simplification. • To have incentives that are appropriate for our business for the next three years as we focus on delivering long term, sustainable returns to investors.
Culture	• To adopt a 'bottom-up' approach to remuneration – a policy that works for our colleagues and can be applied to our executives. • To support our ongoing desire to embed share ownership across the organisation. • To assist with succession planning.
Retention	• To simplify and therefore enhance perceived value of awards and thereby reduce flight risk.
Shareholders	• To deliver better value to shareholders for their reward spend by: – Improving perceived value; – Creating stronger alignment with shareholders; and – Increasing focus on long term sustainable value creation.

How we ensure pay for performance linkage

Annual bonus	• Pay-out linked to achievement of robust and challenging annual performance targets. • Full disclosure of bonus – commitment to disclosing all target ranges on a retrospective basis at the end of the financial year in question.
Underpin	• The absolute TSR underpin guarantees baseline performances below which awards will not vest. • Serves as a security mechanism to prevent pay-outs for poor performance.
Share price	• Share price inherently links pay to performance. • Build up of shareholding and long term vesting horizon incentivises senior colleagues to increase focus on long term, sustainable performance.

1. Directors' Remuneration Policy

a) Policy report

The following section on pages 94 to 96 sets out our Directors' Policy for all of the Executive Directors and the Non-Executive Directors (as well as any individuals who may become Directors whilst this Policy is in effect), which was approved by shareholders at the Company's AGM in July 2017. The Policy is intended to remain in force for up to three years.

The Policy explains the purpose and principles underlying the structure of remuneration packages and how the Policy links remuneration to the achievement of sustained high performance and long term value creation.

Overall remuneration is structured and set at levels to enable us to recruit and retain high calibre colleagues necessary for business success, whilst ensuring that our reward structure and performance measures are aligned to the strategy and are simple to communicate to participants and shareholders.

A significant portion of the package is performance related via the annual bonus plan and the LTIP, which requires achievement of a TSR underpin before it vests. Remuneration has been set taking into account practice within the FTSE 250 and practice at other retail companies.

Pay element – Fixed pay

Purpose and link to strategy	Operation	Maximum opportunity
Base salary		
The Company provides competitive salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	• Base salaries are paid in cash and are pensionable. • Base salaries are reviewed annually, typically at the March Remuneration Committee meeting. Any changes are usually with effect from the start of the next financial year. The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators, including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group.	• Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population. • Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – Increase in the scope and/or responsibility of the individual's role; and – Development of the individual within the role. Annual base salaries for the Executive Directors are set out on page 101 of this report.
Benefits		
The Company provides colleagues with market competitive benefits suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	The Company provides a range of benefits, which may include: – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance These benefits are not pensionable. Other benefits may be offered from time to time, if considered appropriate by the Committee and consistent with the Company's overriding purpose for offering such benefits. The Company may also meet 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 such as the SAYE scheme (set out below on page 96).	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 the current benefit provision for the Executive Directors is set out on page 105 of this report.
Pensions		
To provide colleagues with an allowance for retirement planning.	Pension contributions are made to either the Group Pension Plan, or to personal pension schemes or cash allowances in lieu of contributions are paid.	The contribution level for an individual Executive Director is capped at 15% of base salary per annum for employer contributions. Details of current pension provision for the Executive Directors are set out on page 105 of this report.

Pay element – Variable pay

Annual bonus

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy.	• Delivery will normally be in cash and is not pensionable. • Performance measures are set annually and pay-out levels are determined by the Committee after the year-end, based on performance against those targets during the relevant financial year. • Awards are subject to malus and clawback provisions where there has been a material misstatement of audited results; serious financial irregularity; any circumstances justifying summary dismissal of a participant from his office or employment with any Group Company including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust; any material breach of a participant's terms and conditions of employment; and/or any material violation of Company policy, rules or regulations.	The maximum bonus opportunity is 100% of base salary.	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, in the context of the underlying business strategy, amend the performance measures or targets. • The performance metrics for the annual bonus for the Executive Directors are set out on page 105 of this report.

Long Term Incentive Plan [1]

Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
• To promote continued alignment between Executive Directors and shareholders, increasing focus on long term sustainable value creation • To support our principle of embedding share ownership across the organisation • To assist with succession planning	• Awards will be made under the RSP annually. • Share awards are normally made in the form of nil cost options but may be awarded in other forms if appropriate (such as conditional share awards). The plan rules specify that awards may also be satisfied in cash although this is unlikely to apply to Executive Directors. • No award will vest under the RSP unless the TSR underpin has been achieved. • Subject to the achievement of the TSR underpin at year three and continued employment: – 50% of the award will vest after three years. – 25% of the award will vest in each of years four and five. • 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. • Malus and clawback provisions apply to these awards in circumstances as set out on page 99 of this report. • Change of control provisions apply as set out on page 98 of this report. • Leaver provisions apply as set out on page 98 of this report.	The maximum value of restricted shares that may be awarded in respect of any financial year is 75% of salary.	• There are no performance targets attached to the awards. • A baseline performance underpin applies, which requires absolute TSR performance to be positive over the first three years of the vesting period. If the underpin is not achieved, the awards lapse in full. • The plan rules stipulate that the Committee may amend the performance measures or underpin in exceptional circumstances where it considers that they are no longer appropriate. If this discretion was used, we would consult with shareholders and the rationale would be clearly explained in the remuneration report.

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.

SAYE [1]			
Purpose and link to strategy	**Operation**	**Maximum opportunity**	**Performance measures**
• An all-colleague plan, which encourages long term shareholding and aligns 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. • Options are granted to be exercisable in conjunction with either a three-year or five-year savings contract with a monthly savings limit set according to HMRC limits (currently £500 per month). • Options are normally granted at a discount to market price at the time of invitation, as per HMRC regulations (currently 20%).	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.	There are no performance measures attached to awards under the SAYE.

Chairman and Non-Executive Directors' Remuneration Policy			
Purpose and link to strategy	**Operation**	**Maximum opportunity**	**Performance measures**
To attract and retain high calibre individuals by offering market competitive fee arrangements.	• Non-Executive Directors receive a basic fee in respect of their Board duties. • 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 105. 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 NEDs will be within the limits set by shareholders.	n/a.

1 The Committee may in the event of any variation of the Company's share capital demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

Legacy matters

The Committee will honour remuneration related commitments to former, current and future Executive and Non-Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to them becoming a Director (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director or Non-Executive Director of the Company) and/or where the terms were agreed and commitments made in accordance with the previous remuneration policy approved by the Company's shareholders in September 2014.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. This includes allowing the vesting of outstanding awards under the Co-Investment Plan, CSOP and PSP, the terms of which are detailed in the previous policy that was approved by shareholders at the Company's AGM in September 2014.

Remuneration arrangements throughout the Company

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company. The Company believes in having a consistent approach to remuneration rather than designing alternative plans for our Executive Directors.

All our reward arrangements are built around the common objectives and principles outlined below:

- Aligned incentives – A meaningful proportion of remuneration is based on performance. Individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- Colleagues as shareholders – Our culture is built on a cohesive team approach and widespread shareholding amongst colleagues which we believe enhances our long term sustainable success by promoting stewardship and alignment amongst a wide colleague participation group
- Simplification – our Policy aligns with a much wider programme of simplification across the Group as a whole, from how we operate our supply chain and stores, right through to our Support Offices.

(b) Recruitment policy

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component and which remain unchanged from the previous Policy.

Element	Policy and operation	
Overall	• The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and not to pay more than necessary to facilitate the recruitment of the individual.	• Where an Executive Director is appointed from within the business, in addition to considering the matters detailed for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions.
Fixed elements (Base salary, pension and other benefits)	• We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. • The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time.	• The 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 RSP, in accordance with the rules and terms of the plan in operation at the time.	• The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 75% of base salary).
Buy-out awards	• The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. • The Committee will seek to structure any buy-out awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. • In determining the quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of the awards forfeited.	• Buy-out awards, if used, will be granted using the Company's existing Long Term Incentive Plans to the extent possible, although awards may also be granted outside of these plans if necessary and as permitted under the Listing Rules. • In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms. • If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

(c) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is set out below. In principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances, including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules.

The key employment terms and conditions of the current Executive Directors, as stipulated in their service contracts, are set out below:

Area	Policy and operation	
Notice period	• The service contract for Peter Pritchard provides for a notice period of 12 months from the Company and six months from the individual. • The service contract for Mike Iddon provides for a notice period from both the Company and the individual of six months.	• New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Company and the individual. • The Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination.
Contractual payments	• Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice (PILON), at the Company's discretion. Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for their full notice period. • Neither notice nor PILON will be given in the event of gross misconduct.	• Payment in lieu of notice will be limited to base salary and contractual benefits for the relevant notice period. • There is no contractual entitlement to a payment under the annual bonus in respect of the notice period. • Service contracts allow for mitigation if the individual finds alternative employment.
Short term incentives	• The Committee's policy is not to award an annual incentive for any portion of the notice period not served. • Where an Executive Director leaves office after the end of a performance year but before the payment is made, the executive will remain eligible for an annual bonus for that performance year, subject to the normal assessment of performance achieved over the period.	• Where an Executive Director leaves office during a performance year, any bonus would be at the Committee's absolute discretion and would take into account performance and the time served during the period. • No bonus will be paid in the event of gross misconduct.
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. This period ended on 17 March 2016. 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. This period ended on 17 March 2017. 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 (as defined under the PSP), also their vested Matching Award, unless the Committee determines otherwise. Matching Awards vest after three, four and five years, subject to achievement of performance conditions at year three. • Any participant who is dismissed for reasons of fraud or negligence will forfeit their Invested Shares and Matching Awards in full.	**CSOP, PSP, RSP and SAYE** • Under the CSOP, PSP and RSP, the default position is for both vested (to the extent not yet exercised) and unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good leaver" (which includes for reasons of death, illness, injury, disability, retirement, sale or transfer out of the Group or any other reason at the discretion of the Committee) the Committee may allow vested awards (to the extent not yet exercised) to be retained and unvested awards to subsist until the relevant vesting date, subject to satisfaction of the performance conditions/financial underpin and pro-rated for time served. • Alternatively, the Committee may, at its discretion, allow unvested awards to vest at an earlier date, having regard to the achievement of performance conditions/financial underpin to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances. • Under the SAYE, the default position is for unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good leaver" in accordance with HMRC regulations (which include for reasons of death) unvested awards may vest pro-rata by reference to the period of time that has elapsed since the date of the grant and up to six months following the leaver event (12 months in the case of death).
Change in control	• The Committee's policy is that service contracts should not provide for additional compensation on severance as a result of a change in control. • Under the CSOP, the PSP, the Co-Investment Plan and the RSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders.	• Under the SAYE, awards shall vest pro-rata by reference to the period of time that has elapsed since the date of grant and up to six months following the change of control.

Area	Policy and operation	
Malus and clawback	Annual bonus payments and long term incentive awards (but not including SAYE awards) are subject to malus and clawback for a period beginning on the date of award and ending two years following vesting in the event of: • a material misstatement of audited results; • serious financial irregularity; and • any circumstances justifying summary dismissal of a participant from his office or employment with any Group Company including, but not limited to, dishonesty, fraud, misrepresentation or breach of trust.	• Any material breach of a participant's terms and conditions of employment; and/or any material violation of Company policy, rules of regulation. • Malus and clawback will continue to apply to any bonus payments or awards retained by leavers and/or on a change of control.

External appointments

Executive Directors are permitted to hold an external appointment with the prior consent of the Board. Any fees may be retained by the individual.

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.
Appointment terms	• 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 105.
Expiry of current term	• See page 74 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 Handforth on 11 July 2019.

(d) Illustration of the Remuneration Policy

Our remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

The charts below provide illustrative values of the remuneration package for Executive Directors in FY20 under three assumed performance scenarios and including an example of the impact on RSP should the share price increase by 50%.

Illustrative example under the RSP

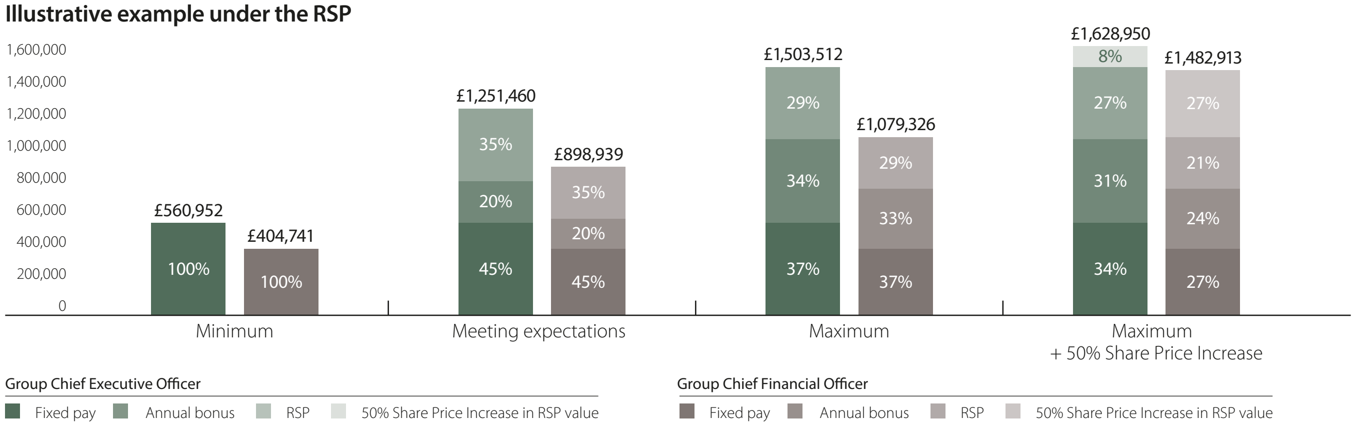


Table showing Fixed Pay Components:

	Chief Executive	Chief Financial Officer
Base salary	£504,084	£360,774
Benefits	£11,500	£11,500
Pension	£45,368	£32,467
Total fixed pay	£560,952	£404,741

These charts are for illustrative purposes only and actual outcomes may differ from those shown.

Scenario	Assumptions
Fixed pay	
All performance scenarios	• Consists of total fixed pay, including base salary, benefits and pension. • Base salary – salary effective as at 29 March 2019. • Benefits – amount estimated to be received by each Executive Director in FY20. • Pension – salary supplement effective as at 29 March 2019.
Variable pay	
Minimum performance	• No pay-out under the annual bonus. • No vesting under the RSP.
On-target performance	• 50% of the maximum pay-out under the annual bonus (i.e. 50% of salary). • 100% vesting under the RSP (i.e. 75% of salary).
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 100% of salary). • 100% vesting under the RSP (i.e. 75% of salary).
Impact of 50% share price increase over the period	• Based on the 3 month average share price up to the end of the financial year FY19.

(e) Consideration of conditions elsewhere in the Company

As per the Committee's terms of reference, we also review the pay and conditions of colleagues at levels below the Executive Directors. This includes approving the design of and determining targets for the principal performance related pay schemes, such as the bonus scheme operated by the Company, and approving the total annual payments made under such schemes. The Committee is also consulted concerning any major changes in colleague benefit and pay structures throughout the Group.

The remuneration package for all colleagues (including the Executive Directors) is reviewed on an annual basis and a consistent approach is applied at all levels. As part of the annual salary and benefits review, the Company takes into account industry standards, future legislative framework (including the national minimum wage, the national living wage, the Apprenticeship levy and the gender pay gap reporting requirements) and the financial and economic environment of the Group both internally and externally. The annual salary and benefits review is presented to the Committee with recommendations on remuneration throughout the colleague base, including any proposed salary increases to be applied to all colleagues' wages, including the Executive Directors. As such, the Committee has regard to this Group-wide annual review process when setting its remuneration policy for Executive Directors.

Whilst our colleagues are not directly consulted as part of the process of determining pay, the output from our colleague listening groups and engagement surveys is considered when carrying out the annual salary and benefits review including any pulse surveys specifically dedicated to pay and benefits. The appointment of Paul Moody as the Non Executive with responsibility for consultation with the wider colleague population has already commenced ahead of the new governance requirements to do so. Further details on this are outlined in the opening statement of this report on page 92.

A significant number of our colleagues are also shareholders and so are able to express their views on remuneration in the same way as other shareholders.

(f) Consideration of shareholder views

The Committee remains committed to ongoing dialogue with the Company's shareholder base and has offered the opportunity for dialogue with the major new shareholders who have joined the Company's shareholder base in the last 12 months.

We will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and we are committed to consulting with shareholders prior to any significant changes to our Policy.

We actively consulted with our shareholders during the formulation of our current policy and as a result of that consultation we made changes to the design of our RSP through the introduction of an absolute TSR underpin and we remain committed to considering our shareholders view as we design our new Remuneration Policy to ensure that the interests of the Executive Directors are aligned with those of our shareholders.

(g) Minor amendments

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

2. Annual Report on Remuneration

(a) Directors' remuneration – report on implementation for the year ended 28 March 2019

This section of the report sets out how the Policy, approved by shareholders at the Company's Annual General Meeting (AGM) on 11 July 2017, has been applied in the financial year being reported on, and how it will be applied in the coming year. A copy of this current Policy can be found on pages 94 to 96.

The information presented from this section up until the relevant note on page 103 represents the audited section of this report.

(b) Single total figure of remuneration for Executive Directors for the year ended 28 March 2019

The following table sets out the total remuneration for Executive Directors for the year ended 28 March 2019. All payments are in line with the Policy.

Director	Base salary (£)	Benefits (£)	Pension (£)	Annual bonus (£)	Long term incentives[4] (£)	Total (£)
FY19						
Peter Pritchard[1]	465,308	10,615	41,878	374,604	37,893	930,298
Ian Kellett[2]	83,856	2,038	10,063	Nil[2]	Nil	95,957
Mike Iddon	353,700	11,500	31,833	300,645	Nil[3]	697,678
FY18						
Ian Kellett	484,500	11,500	43,605	Nil[2]	36,348	575,953
Mike Iddon	346,800	11,500	31,212	259,330	Nil[3]	648,842

1. Peter Pritchard was appointed on 27 April 2018 as Group CEO, therefore his base pay and benefits are included from this date and are not shown for the full year.
2. Ian Kellett stepped down from his role as CEO effective 26 April 2018 and his remuneration reflects his leaving the business on 31 May 2019, he was not entitled to any bonus for FY19 and Ian waived his bonus for FY18.
3. Mike Iddon did not receive a Co-Investment Plan Award in 2014 as this was prior to his joining the Company
4. Shares were awarded on 17 March 2014 under the Co-Investment Plan. Based on performance in the period March 2014 to March 2017 the performance conditions for these shares were measured and the Committee determined that 16.8% of the awards would vest. The vested award becomes exercisable in equal tranches, subject to continued employment, between May 2017 and March 2019. The first tranche of shares were released when the award vested in March 2017. The value for FY17 is based on the share price of 198.19p, being the average share price over the last three months of the performance period, being the period from 1 January to 30 March 2017. The second tranche of shares were released on 17 March 2018. The value is based on the share price of 178.3p being the share price on 16 March 2018, being the last working day before the shares were released. The final third tranche of shares vested 17 March and we made available on the first working day being the 18 March 2019. The value is based on the share price of £1.60 being the share price on 15 March 2019, being the last working day before the shares were released.

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 the Executive Directors in respect of the relevant financial year. Details of how this was calculated are set out below.

Annual bonus

- The maximum annual bonus opportunity for Executive Directors in respect of FY19 was 100% of base salary.
- For FY19, Executive Directors have an annual bonus based on Group PBT (75%) and Group FCF (25%):
- Free cashflow was set at Group level and is defined as net cash from operating activities, less net cash used in investing activities, interest paid and finance lease commitments and is stated before loans issued, non-underlying costs and acquisitions of subsidiaries.

The table below shows the targets and achieved pay out levels and the potential impact of the Committees discretionary award for Executive Directors, Peter Pritchard informed the Committee he was waiving his rights to this award and therefore this element will only be applied for Mike Iddon:

Performance measures	% Base salary	Target Minimum	Target Maximum	Achieved £m	Achieved %	Discretionary Award %	Total %
Group PBT	75%	£85.1m	£93.9m	£89.7m	50.8%	9.2%	60%
Group free cashflow	25%	£54.5m	£60.9m	£65.5m	25.0%	n/a	25%
Total	100%				75.8%	9.2%	85%

In order to achieve full pay-out the Committee had set stretching targets which required individuals to deliver performance which significantly exceeded business expectations. However, when considering the wider business performance, including the very strong year of the Retail Division, the Committee has reviewed how the formulaic approach would not result in a bonus that truly acknowledged the results of both the Group and the Retail business this year. The Committee considered the wider shareholder experience throughout the period and the positive position the Group has ended the year on compared to this same point last year.

Therefore, after much consideration the Committee determined that the formulaic outturn for FY19 does not adequately recognise the efforts and achievements of our colleagues and the Executive leadership team during what has been an extraordinary year for the Group.

Despite carrying out a restructuring of our Vet Group, which had an unbudgeted impact on profits (as detailed in the preliminary results announcement), we still exceeded expectations on profit, sales and cash and are confident that we are creating a more sustainable platform for future growth.

In addition to those points highlighted above, other results which evidence the excellent progress made so far include:

- Group Like for Like Sales 260bp, above market expectations.
- A significantly improved underlying free cashflow position and a cash conversion rate of 49% compared to 45% last year.
- The fundamental re-engineering of the Vet Group, including delivery of the vet buy out and restructure process.
- Growth in market share in all key areas, both online and off line.
- The completion of the price investment announced last year.
- Retail Division is within 5% of online competitors at the same time as growing profit year on year by 6.1%.

In reflecting upon the extraordinary efforts and commitment by all colleagues throughout the organisation we have agreed to make a discretionary increase to the bonus awarded to all colleagues who have bonus performance conditions based on group financial performance. However, the CEO decided to waive his right to this discretionary uplift such that his bonus will remain at 75.8% of maximum. Peter recommended that this element could go to the benefit of the wider colleague population through the colleague hardship fund. The Remco agreed with this recommendation.

This group of colleagues across all levels and functions of the support office will consequently see a minimum increase of 17.4% in their bonuses.

The Committee firmly believes this to be the right decision as the focus to drive not only strong in-year financial performance, but also lay the strategic foundations for a stronger and more resilient Vet Group that combines effectively with our Retail Division to deliver "Better Together" has been significant and unrelenting. For the CFO, the adjustment will bring the overall bonus pay-out from 75.8% of maximum to 85% of maximum, an increase of just under 10%.

Long term incentives

The Committee determined in May 2017, and reported in the 2016 Remuneration Report, the vesting level of the performance conditions attached to the Matching Awards granted under the March 2014 Co-Investment Plan for which the final year of performance was FY17. The Committee determined that 16.8% of the total awards had vested. The final third tranche of Matching Shares were released on 17 March 2019.

Awards granted under the CSOP and PSP for 2016 will be vesting in June 2019 subject to the performance metrics as agreed at the time and outlined in the table below:

Performance Metric	Targets	Performance Achieved
Earnings Per Share	EPS CAGR <10% = No pay out 10% = 10% 10%-17.5% = Pro rata between 10% and 75% 75% = 75%	EPS CAGR FY16-FY19 2.4%. Nil vesting.
TSR relative to the FTSE 350	Below Median = no pay out Median = 6.25% Median to UQ = 25%	TSR performance negative 34% (FTSE 350 UK General Retail Index: negative 18%). Nil vesting.

Ian Kellett's third tranche of Matching Awards under the Co-Investment Plan lapsed in line with the early leaver provisions of the plan rules. His 2016 PSP and CSOP awards and 2017 RSP awards will also lapse in line with the early leaver provisions as of 31 May 2018.

(c) Single total figure of remuneration for Non-Executive Directors for the year ended 28 March 2019

The following table sets out the total remuneration for Non-Executive Directors and the Chairman of the Board for the year ended 28 March 2019.

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chair (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chair (£)	CSR and Pets Come First Committee Chair (£)	Total single figure 2019 (£)	Total single figure 2018 (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	200,000	200,000
Dennis Millard	50,000	20,000 [1]	n/a	n/a	n/a	n/a	70,000	70,0000
Tessa Green [2]	15,385	n/a	n/a	n/a	n/a	3,077	18,462	60000
Paul Moody	50,000	n/a	10,000	n/a	n/a	n/a	60,000	60,000
Stanislas Laurent	50,000	n/a	n/a	n/a	n/a	n/a	50,000	41,651
Sharon Flood	50,000	n/a	n/a	10,000	n/a	n/a	60,000	47,924
Dr. Susan Dawson [3]	38,462	n/a	n/a	n/a	n/a	7,692	46,154	n/a

1 The additional fee paid to Dennis Millard is in respect of his position as Deputy Chairman of the Board and Senior Independent Director.
2 Tessa Green resigned from the Board effective 12 July 2018.
3 Dr. Susan Dawson was appointed to the Board 12 July 2018.

(d) Scheme interests awarded during the financial year

In FY19, Executive Directors received RSP awards in line with the Policy as follows:

Executive Director	Date of award	Number of shares awarded under the RSP	Grant price of RSP awards	% of salary for total awards	Performance period end date
Peter Pritchard	23 May 2018	269,759	Nil cost awards	75%	25 March 2021
Mike Iddon	23 May 2018	193,067	Nil cost awards	75%	25 March 2021

All awards are made as performance shares based on a percentage of salary and the value is divided by the closing share price the day before the grants, being 134p.

The awards were made subject to the satisfaction of the achievement of the absolute TSR underpin at the end of the performance period of the three financial years (FY19-FY21). An absolute TSR greater than the average TSR measured over the three months before the start of the performance period must be achieved for the awards to vest. In accordance with the Policy, 50% of the awards will vest after three years and 25% of the award will vest in each of years four and five.

(e) Payments for loss of office

No payments for loss of office were made during the financial year.

Ian Kellett's third tranche of Matching Awards under the Co-Investment Plan lapsed in line with the early leaver provisions of the plan rules. His 2016 PSP and CSOP awards and 2017 RSP awards also lapsed in line with the early leaver provisions as of 31 May 2018.

(f) Payments to past Directors

No payments were made to past Directors during the year.

(g) Statement of Directors' shareholding and share interests

The Committee believes that colleague share ownership is an important means to support long term commitment to the Company and the alignment of colleague interests with those of shareholders.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. 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:

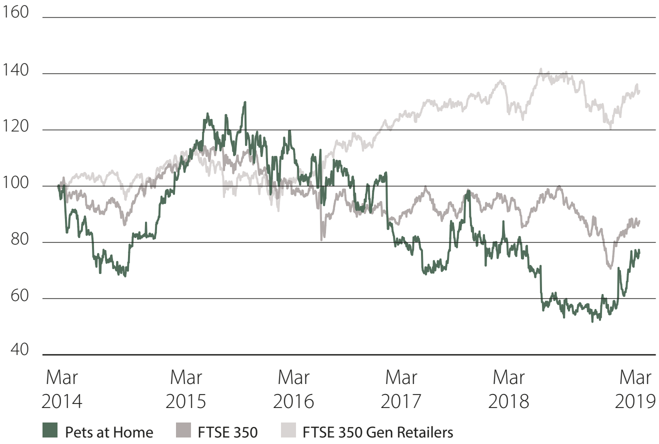
		Number of shares			
Director	Shareholding requirement as a % of salary (target – % achieved)[1]	Shares owned outright at 28 March 2019	Interests in share incentive schemes, awarded without performance conditions at 28 March 2019	Interests in share incentive schemes, awarded subject to performance conditions at 28 March 2019	Shares owned outright at 29 March 2018
Peter Pritchard	994.6%	3,024,214	19,116	686,990[2]	2,599,268
Mike Iddon	58.5%	129,855	19,116	557,092	76,329
Tony DeNunzio	–	3,713,026	–	–	3,313,026
Dennis Millard	–	30,000	–	–	30,000
Paul Moody	–	27,470	–	–	27,470
Stanislas Laurent	–	30,000	–	–	30,000
Sharon Flood	–	60,088	–	–	30,000
Dr. Susan Dawson	–	0	–	–	n/a

1 For the purposes of determining the target shareholding achieved, we have used the individual's salary and the closing share price (162.54 pence) as at 28 March 2019 and the shares owned outright at the same date.
2 The figure includes all tranches of Matching Awards that vested at the end of the vesting period on 17 March 2017. 23,683 are exercisable in the third tranche.

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 FY19. This disclosure will be expanded in subsequent years in line with the regulations.



CEO		2013/2014[1]	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
CEO single figure of remuneration	Peter Pritchard[6]	–	–	–	–	–	517,801
	Ian Kellett[2]	–	–	–	662,087	575,953	95,957
	Nick Wood[3]	19,460	790,461	962,224[4]	129,696	n/a	n/a
Annual bonus pay-out (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	75.8%
	Ian Kellett	–	–	–	20.4%	n/a[5]	n/a
	Nick Wood	73%	75%	60%	–	n/a	n/a
Long term incentive vesting (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	16.8%
	Ian Kellett	–	–	–	16.8%	n/a	n/a
	Nick Wood	n/a	n/a	96%[4]	–	n/a	n/a

1 In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.
2 Ian Kellett was appointed on 4 April 2016 and stepped down from his role on 27 April 2018 before leaving the Group effective 31 May 2019.
3 Nick Wood resigned as an Executive Director on 4 April 2016, however, he continued in the business until 1 July 2016. His payment in FY17 relates to the period from 1 April 2016 to 1 July 2016.
4 Under the early leaver provisions of the plan rules, Nick Wood received 19.2% of his total Matching Award under the Co-Investment Plan, as shown in the single figure table. Given that this included time pro rating, with performance against the performance conditions being at 96% of maximum, the latter is shown here and the value of £198,168 of the Matching Awards.
5 Ian Kellett waived his bonus for FY18.
6 Peter Pritchard was appointed on 27 April 2018 therefore his single figure remuneration as CEO is effective from that date.

(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 FY18 to FY19	% change in bonus earned FY18 to FY19	% change in benefits FY18 to FY19
Chief Executive	2.0%	-9.7%[1]	No change
All colleagues[2]	2.51%	24.07%	No change

1 Ian Kellett waived his bonus for FY18 and therefore we have compared Peter Pritchard's bonus over the two periods although it should be noted this was based on his role as CEO of Retail. The bonus was 9.7% lower in FY19 than FY18.
2 All colleague information is presented by comparing the average colleague information used in FY18 to the equivalent average colleague population in FY19.

(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.

	FY19 £m	FY18 £m	FY17 £m
EBITDA[1]	130.0	123.3	130.5
Returned to shareholders:			
Dividend	37.2	37.3	39.9
Payments to colleagues:			
Wages and salaries	187.8	181.0	161.1

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.

(k) Dilution limits

In accordance with the IA Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to maximum of 10% of its issued share capital in a rolling ten-year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans (i.e. the CSOP, PSP and RSP). As at 28 March 2019, the Company's dilution position was 3.34% for all plans and 2.25% for the Executive 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 99 of the Policy.

3. Statement of implementation for FY20

This section provides an overview of how the Committee is proposing to implement our Policy in FY19.

Base salary

Base salaries were reviewed with effect from 29 March 2019 and the salary of the Executives was increased by 2% which is slightly less than the average increase of 2.5% awarded to colleagues in the Group.

Executive Director	Base salary
Chief Executive Officer	£504,084
Chief Financial Officer	£360,774

Benefits

The Committee sets benefits in line with the policy set out on page 94 of the report. There are no changes proposed to the benefit framework in FY20 for Executives.

Pensions

Despite the ability in the policy to permit contributions up to 15% of base salary, there is no increase proposed to salary supplement levels for the Executive Directors in FY20. The table below shows salary supplements for FY20.

Executive Director	% of salary
Peter Pritchard	9%
Mike Iddon	9%

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY20 will remain at 100% of base salary.

The annual bonus framework will be in line with that presented in the Policy table on page 95. During the year the Committee reviewed the annual bonus framework for FY20, with a view to ensuring that it remains appropriate for the business. It was decided, following this review, to retain PBT as the profit measure within the annual bonus plan. PBT will make up 75% of the annual bonus with free cashflow the remaining 25%. The Committee adopted a rigorous approach to setting the bonus targets for FY20. In order to satisfy itself that the targets were stretching, the Committee looked at a range of internal and external data points, including historical targets and performance against them, strategic plan targets, analyst consensus and TSR forecast growth for both the FTSE 250 and a select group of retailers.

Although the targets remain commercially sensitive at this time, we will provide shareholders with full disclosure of the PBT and free cashflow targets in next year's report.

As for FY20, the annual bonus will be subject to malus and clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Long term incentive awards

It is proposed that awards under the RSP will be made in FY20 shortly after the preliminary results announcement at 75% of salary for Executive Directors in line with the Policy and subject to the absolute TSR underpin as well as the phased 5 year vesting.

Sharesave

The Company intends to operate the Sharesave scheme again for FY20. The maximum monthly savings will be retained at £500 per month. Executive Directors are eligible to participate.

Non-Executive Director remuneration

The fees paid to the Non-Executive Directors have been reviewed and they will remain at the same level for FY20. The table below shows the Non-Executive Director fee structure for FY20:

	FY20
Chairman of the Board (all-inclusive fee)	£200,000
Basic Non-Executive Director fee	£50,000
Board Committee Chair fee	£10,000
Deputy Chairman and Senior Independent Director	£20,000

There are no fees paid for membership of Board Committees.

The Remuneration Committee

Shareholder context for the Committee's activities

During the year, the Committee received independent advice on executive remuneration matters from Willis Towers Watson (WTW).

WTW is a member of the Remuneration Consultants Group and, as such, voluntarily operate under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by WTW during the year and is comfortable that it has been objective and independent. Total fees received by WTW in relation to the remuneration advice provided to the Committee during FY19 amounted to £64,694 (£38,200 FY18) based on the required time commitment.

During FY19 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 three times during FY19 and the Committee members' attendance is also shown in the table below:

Member	Period from	To	Meetings attended
Paul Moody (Chairman)	30 March 2018	28 March 2019	3/3
Dennis Millard	30 March 2018	28 March 2019	3/3
Tessa Green	30 March 2018	12 July 2018	1/1
Sharon Flood	30 March 2018	28 March 2019	3/3
Prof Susan Dawson	12 July 2018	28 March 2019	2/2

The individuals listed in the table below, none of whom were Committee members, attended at least part of a meeting by invitation during the year.

Attendee	Position
Tony DeNunzio	Chairman of the Board
Louise Stonier	Chief People and Legal Officer and Group Company Secretary
Peter Pritchard	Group CEO
Mike Iddon	Group CFO
Stanislas Laurent	Non-Executive Director
Nick Rumble	Group Head of Reward
Louise Barber	Group Legal Director and Deputy Company Secretary

None of the individuals were involved in making decisions at meetings regarding their own compensation.

Governance

The Board and the Committee consider that, throughout FY19 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 12 July 2018, the total number of shares in issue with voting rights was 500,000,000. The resolution to approve the Directors' Remuneration Report received the following votes from shareholders:

	Votes for[1]	%[2]	Votes against	%	Votes total	% of isc[3]	Votes withheld[4]
Ordinary resolutions							
2 To approve the Directors' Remuneration Report for the year ended 29 March 2018	338,597,756	98.51	5,106,423	1.49	343,704,179	68.74	7,607,548

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 90, our Directors' Remuneration Report will be subject to an advisory vote at our AGM to be held on 11 July 2019.

On behalf of the Board

Paul Moody
Chair of the Remuneration Committee

22 May 2019

Financial statements

Independent Auditor's report	108
Consolidated income statement	116
Consolidated statement of comprehensive income	116
Consolidated balance sheet	117
Consolidated statement of changes in equity as at 28 March 2019	118
Consolidated statement of changes in equity as at 29 March 2018	118
Consolidated statement of cash flows	119
Company balance sheet	120
Company statement of changes in equity as at 28 March 2019	121
Company statement of changes in equity as at 29 March 2018	121
Company income statement	121
Company statement of cash flows	122
Notes (forming part of the financial statements)	123
Glossary – Alternative Performance Measures	191
Advisors and contacts	194

Independent Auditor's Report to the Members of Pets at Home Group Plc

1. Our opinion is unmodified

We have audited the financial statements of Pets at Home Group Plc ("the Company") for the year ended 28 March 2019 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheet, the Consolidated and Company statement of changes in equity, the Consolidated and Company statement of cash flows and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 28 March 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 10 February 2014. The period of total uninterrupted engagement is for the 6 financial years ended 28 March 2019. Prior to that we were also auditor to the group's previous parent company, but which, being unlisted, was not a public-interest entity. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: group financial statements as a whole		£3.75m (2018:£3.75m) 4.2% (2018: 4.4%) of normalised Group profit before tax
Coverage		95% (2018:95%) of Group profit before tax
Risks of material misstatement		**vs 2018**
Recurring risks	Carrying value of Group goodwill and parent Company's investments in subsidiaries	< >
	Operating loans to joint venture practices	^
	Carrying value of inventory	< >
Event driven risks	The impact of uncertainties due to the UK exiting the European Union	New
	Going concern	New
	Accounting for Vets restructuring	New

2. Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 83 (Audit Committee Report), page 125 (accounting policy).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the carrying value of Group goodwill and the parent Company's investment in subsidiaries, provisions for operating loans to joint venture practices and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements below. All of these depend on assessments of the future economic environment and the group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Company's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the carrying value of Group goodwill and the parent Company's investments in subsidiaries, provisions for operating loans to joint venture practices and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on carrying value of Group goodwill and the parent Company's investments in subsidiaries and provisions for operating loans to joint venture practices we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results:** • We found the resulting estimates and related disclosures of the carrying value of Group goodwill, the parent Company's investment in subsidiaries and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Going concern Refer to page 83 (Audit Committee Report), page 125 (accounting policy).	**Disclosure quality:** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The risks most likely to adversely affect the Group and Company's available financial resources over this period were: • Market demand resulting from Brexit; • Increased pressure from competitors; and • Adverse fluctuations in foreign exchange rates. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: • **Assessing transparency:** Assessing the completeness and accuracy of the matters covered in the going concern disclosure by comparing to our knowledge of the company, the sector and wider economic factors; • **Sensitivity analysis:** Considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively; • **Historical comparisons:** Evaluating the precision of previous financial period's forecasts against actual results to assess historical accuracy; • **Assessing transparency:** Evaluating management's assessment of the impact of Brexit and the adequacy of disclosures in relation to the specific risks the exit poses. Considering throughout the audit any contradictory information to management's confirmation that the company is a going concern, including evaluating whether the assumptions are realistic and achievable and consistent with the external and internal environment. **Our results:** • We found the going concern disclosure without any material uncertainty to be acceptable.

	The risk	Our response
Carrying value of the Group goodwill and the parent Company's investments in subsidiaries (£981.3m; 2018: £979.8m) Investments: £936.2m; 2018: £936.2m Refer to page 82 (Audit Committee Report), page 135 (accounting policy), page 149 (financial disclosures)	**Forecast based valuation:** Goodwill in the Group and parent's investments in subsidiaries are significant and have indicators of impairment due to the market capitalisation of the Group continuing to be lower than the carrying value of the net assets of the parent company. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, which form the basis of the Group's value in use calculation and assessment of the recoverability of the parent Company's investments in subsidiaries. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of goodwill and the carrying value of the Parent Company's investments in subsidaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 12) disclose the sensitivities estimated by the Group.	Our procedures included: • **Historical comparison:** Assessing the reasonableness of the Group's budgets by considering the historical accuracy of previous forecasts; • **Benchmarking assumptions:** Using our own valuation specialist to assess the reasonableness of Group's discount rate by comparing the Group's assumptions to externally derived data; • **Our sector experience:** Assessing whether key assumptions, such as projected economic growth and cost inflation, reflect our knowledge of the business and industry, including known or probable changes in the business environment. Additionally, assessing the reasonableness of the group's explanations for the difference between its market capitalisation and the estimated recoverable amount; • **Our sector experience:** Challenging the rationale behind the allocation of the goodwill in the Group to cash generating units to assess whether this reasonable; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions and ensuring management have identified realistic worst case scenarios in their own sensitivity analysis; and • **Assessing transparency:** Assessing whether the Group's disclosures about the impairment test appropriately reflect the risks inherent in the valuation of goodwill and investments in subsidiaries. **Our results** • We found the Group's assessment of the carrying value of goodwill and the Company's investments in subsidiaries to be acceptable. (2018: acceptable).
Operating loans to joint venture practices £42.2 million; 2018: £38.0m Refer to page 82 (Audit Committee Report), page 135 (accounting policy), page 154 (financial disclosures)	**Subjective estimate:** A proportion of Group's joint venture veterinary practices are not performing in line with expectations, which results in a risk over recoverability of the associated operating loan balances. The level of provision for operating loans involves judgement over a number of assumptions, around the allocation of practices to risk bands upon which the provision is based and the appropriateness of the levels of provision against each risk band. There is a risk that the assumptions and judgements underpinning the provision are not appropriate, and as a result there is a risk that the provision is materially under or over stated. The level of risk has increased in the year as a result of the restructuring of the JV veterinary practices and the adoption of the new accounting standard, IFRS 9. The effect of these matters is that, as part of our risk assessment, we determined that the operating loans to joint venture veterinary practices have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements (note 16) disclose the range / sensitivity estimated by the Group. **Accounting treatment** At some practices the increased financial reliance on, for example, indebtedness to the Group might, in practice, alter the otherwise balance of power of the Group and the joint venture partner vets. A practical shift of balance in favour of the Group would make the practice in question a subsidiary and hence require consolidation.	Our procedures included: • **Benchmarking assumptions:** Challenging key assumptions used, in particular the basis of the categories practices are allocated to, the proportion of loan value recoverable, recovery probability and change in maturity profile based on our knowledge of the business; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions above; • **Accounting analysis:** Assessing compliance with IFRS 9, considering the impact on the opening balance sheet and the appropriateness of the recognised impairment losses by challenging the probability and proportion of expected credit losses forecast on the loans; • **Accounting analysis:** Assessing, with reference to accounting standards, evidence of the exercise of the powers of the Group and the Vets at certain indebted practices to consider whether, on balance, the level of indebtedness was a barrier to the vets exercising their formal powers and; • **Accounting analysis:** Assessing ongoing correspondence between the Group and the Financial Reporting Council Review team in relation to how operating loan provisions have been calculated and the exercise of power to indebted practices, and that as a result, the Group's position is they do not control (as defined by IFRS 10) the veterinary practices and therefore have not included them within the consolidated results of the Group; • **Assessing transparency:** Assessing whether the Group's disclosures about the estimate appropriately reflect the risks inherent in the operating loan provision. **Our results** • We found the Group's assessment of the level of loss provision and the carrying value of the operating loans to be acceptable. • We found the non-consolidation of the Vets practices to be acceptable.

	The risk	Our response
Accounting for Vets restructuring Non-underlying items: other costs associated with the purchase of JV veterinary practices: £22.5m (2018: nil), note 3. Provisions for guarantees and lease obligations relating to JV veterinary practices: £5.4m (2018:nil), note 20. Provisions for exit and closure costs: £8.5m (2018: nil), note 20. Refer to page 82 (Audit Committee Report), page 128 (accounting policy), page 143 (financial disclosures)	**Subjective estimate:** A restructuring project to purchase and subsequently consolidate veterinary practices which are currently accounted for as joint ventures by the Group began during FY19. The restructuring of the veterinary practices is significant to the financial statements and affects the value of exit provisions under IAS 37, as well as the provisions for guarantees under IFRS 9. The level of provisions required involves judgement over a number of assumptions. There is a risk that the assumptions and judgements underpinning the provisions are not appropriate, and as a result there is a risk that the non underlying charge is materially under or over stated. The effect of these matters is that, as part of our risk assessment, we determined that the cost associated with the Vets restructuring project has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Benchmarking assumptions:** Challenging key assumptions used by management in making joint venture restructuring related provisions, using our knowledge of the business and understanding of the overall project; • **Personnel interviews:** Assessing any change in the status and outcome of the restructuring project, through inquiry with the management team and Board of Directors, to ensure the costs incurred and provisions created have been recognised in line with IFRS 9 and IAS 37; • **Assessing transparency:** Assessing whether the Group's disclosures about the estimates made within the accounting for the restructuring appropriately reflect the risks inherent in the provisions and whether judgements relating to non-consolidation are already included. **Our results** • We found the accounting treatment for the Vets restructuring to be acceptable.
Carrying value of inventory £68.2m; 2018: £60.5m Refer to page 82 (Audit Committee Report), page 129 (accounting policy), page 150 (financial disclosures)	**Subjective estimate:** The Group has significant levels of inventory and estimates are made in the valuation of 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, which could impact the saleability of inventory. There is a recoverability risk associated with new product launches and judgement required in forecasting demand which can lead to obsolete inventory. Given the level of judgement and estimation involved, the carrying value of inventory is considered to be a key audit risk. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of inventory has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: • **Our sector experience:** Assessing the appropriateness of the Group's inventory provisioning policies based on our understanding of the business, the industry and the accuracy of previous provisioning estimates; • **Tests of detail:** Comparing the cost of inventory lines and average sales price in the period leading up to the year end to highlight negative margin lines and assess whether the Group's provision at the year-end date in relation to low and negative margin inventories includes these lines, and is therefore appropriate; • **Tests of detail:** Examining current selling prices i.e. post year end, for a sample of inventory lines to assess whether negative margin lines have been appropriately identified and included in the Group's provision at the year end; and • **Tests of detail:** Comparing, by product, for a sample of inventory lines, inventory levels to sales data in the period leading up to the yearend to assess whether slow moving and obsolete inventories, with a focus on those with a limited shelf life, had been appropriately identified and provided for by the Group based on the provisioning policy. **Our results** • We found the Group's assessment of the carrying value of inventory to be acceptable (2018: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £3.75m (2018: £3.75m), determined with reference to a benchmark of Group profit before tax normalised to exclude this year’s non-underlying items as disclosed in note 3, of £89.7m of which it represents 4.2% (2018: 4.4%).

Materiality for the parent Company financial statements as a whole was set at £3.0m (2018: £3.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.2% (2018: 0.2%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £180,000 (2018: £180,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The work on 1 of the 9 components (2018: 1 of the 9 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from group profit before tax.

Of the Group’s 9 (2018: 9) reporting components, we subjected 3 (2018: 3) to full scope audits for Group purposes and 0 (2018: 0) to specified risk-focused audit procedures.

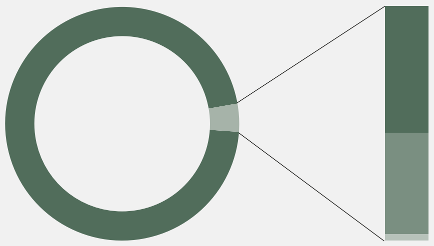
The components within the scope of our work accounted for the percentages illustrated opposite.

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 range of £2.5m to £3.0m (2018: £2.5m to £3.0m), 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 and the component site was 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.

Normalised Group profit before tax
£89.7m (2018: £84.5m)

Group Materiality
£3.75m (2018: £3.75m)



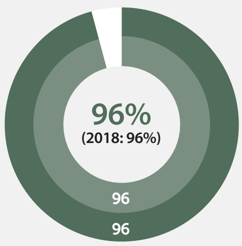
£3.75m
Whole financial statements materiality (2018: £3.75m)

£3.0m
Range of materiality at three components (£2.5m to £3.0m) (2018: £2.5m to £3.0m)

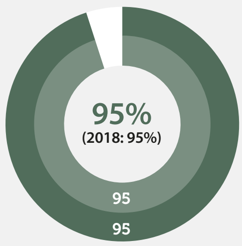
£180k
Misstatements reported to the Audit Committee (2018: £180k)

- Normalised Group profit before tax
- Group materiality

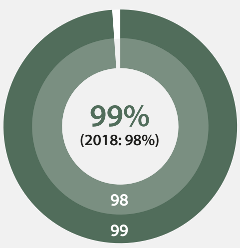
Group revenue



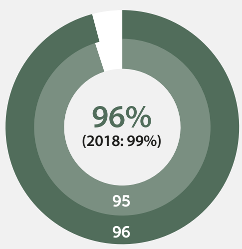
Group profit before tax



Group total assets



Normalised group profit before tax



- Full scope for Group audit purposes 2018
- Full scope for Group audit purposes 2017
- Specified risk-focused audit procedures 2017
- Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 73 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 77 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 79, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and from inspection of the group's regulatory and legal correspondence. We discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: national minimum wage legislation, health and safety and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

22 May 2019

Consolidated income statement

	Note	52 week period ended 28 March 2019 Underlying trading £000	Non-underlying items (note 3) £000	Total £000	52 week period ended 29 March 2018 Underlying trading £000	Non-underlying items (note 3) £000	Total £000
Revenue	2	961,039	–	961,039	898,924	–	898,924
Cost of sales		(471,254)	(22,496)	(493,750)	(428,643)	–	(428,643)
Impairment losses on receivables	3,16	(2,896)	(17,858)	(20,754)	(5,673)	–	(5,673)
Gross profit		486,889	(40,354)	446,535	464,608	–	464,608
Selling and distribution expenses		(314,404)	–	(314,404)	(309,482)	–	(309,482)
Administrative expenses	3	(79,282)	290	(78,992)	(66,323)	(4,929)	(71,252)
Operating profit	2,3	93,203	(40,064)	53,139	88,803	(4,929)	83,874
Financial income	6	577	–	577	685	–	685
Financial expense	7	(4,113)	–	(4,113)	(4,963)	–	(4,963)
Net financing expense		(3,536)	–	(3,536)	(4,278)	–	(4,278)
Profit before tax		89,667	(40,064)	49,603	84,525	(4,929)	79,596
Taxation	8	(19,262)	151	(19,111)	(16,983)	201	(16,782)
Profit for the period		70,405	(39,913)	30,492	67,542	(4,728)	62,814

All activities relate to continuing operations.

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

	Note	52 week period ended 28 March 2019	52 week period ended 29 March 2018
Equity holders of the parent – basic	5	6.1p	12.6p
Equity holders of the parent– diluted	5	6.0p	12.6p

Dividends paid and proposed are disclosed in note 9.

The notes on pages 123 to 190 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Profit for the period		30,492	62,814
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	21	(76)	71
Cash flow hedges – reclassified to profit and loss	21	1,173	(473)
Effective portion of changes in fair value of cash flow hedges	21	1,034	(1,695)
Other comprehensive income for the period, before income tax		2,131	(2,097)
Income tax on other comprehensive income	14,21	(420)	412
Other comprehensive income for the period, net of income tax		1,711	(1,685)
Total comprehensive income for the period		32,203	61,129

The notes on pages 123 to 190 form an integral part of these financial statements.

Consolidated balance sheet

	Note	At 28 March 2019 £000	At 29 March 2018 £000
Non-current assets			
Property, plant and equipment	11	123,684	129,904
Intangible assets	12	1,000,726	992,929
Other non-current assets	15	18,653	20,182
		1,143,063	1,143,015
Current assets			
Inventories	13	68,209	60,529
Other financial assets	15	1,610	1,160
Trade and other receivables	16	68,886	74,848
Cash and cash equivalents	17	60,534	59,824
		199,239	196,361
Total assets		1,342,302	1,339,376
Current liabilities			
Trade and other payables	19	(185,833)	(173,856)
Corporation tax		(10,238)	(8,881)
Provisions	20	(15,353)	(835)
Other financial liabilities	15	(7,333)	(3,392)
		(218,757)	(186,964)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(178,778)	(194,519)
Other payables	19	(33,579)	(36,200)
Provisions	20	(1,687)	(2,200)
Other financial liabilities	15	(2,497)	(8,693)
Deferred tax liabilities	14	(4,028)	(4,448)
		(220,569)	(246,060)
Total liabilities		(439,326)	(433,024)
Net assets		902,976	906,352
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		(36)	40
Cash flow hedging reserve		837	(950)
Retained earnings		1,155,880	1,160,967
Total equity		902,976	906,352

On behalf of the Board:

Mike Iddon
Group Chief Financial Officer

Company number: 08885072

The notes on pages 123 to 190 form an integral part of these financial statements.

Consolidated statement of changes in equity
As at 28 March 2019

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 29 March 2018	5,000	(372,026)	113,321	(950)	40	1,160,967	906,352
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	30,492	30,492
Other comprehensive income (note 21)	–	–	–	1,787	(76)	–	1,711
Total comprehensive income for the period	–	–	–	1,787	(76)	30,492	32,203
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37,192)	(37,192)
Share based payment charge	–	–	–	–	–	3,454	3,454
Purchase of own shares	–	–	–	–	–	(1,841)	(1,841)
Total contributions by and distributions to owners	–	–	–	–	–	(35,579)	(35,579)
Balance at 28 March 2019	5,000	(372,026)	113,321	837	(36)	1,155,880	902,976

Consolidated statement of changes in equity
as at 29 March 2018

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 March 2017	5,000	(372,026)	113,321	806	(31)	1,135,574	882,644
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	62,814	62,814
Other comprehensive income (note 21)	–	–	–	(1,756)	71	–	(1,685)
Total comprehensive income for the period	–	–	–	(1,756)	71	62,814	61,129
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37,341)	(37,341)
Share based payment charge	–	–	–	–	–	3,936	3,936
Purchase of own shares	–	–	–	–	–	(4,016)	(4,016)
Total contributions by and distributions to owners	–	–	–	–	–	(37,421)	(37,421)
Balance at 29 March 2018	5,000	(372,026)	113,321	(950)	40	1,160,967	906,352

Consolidated statement of cash flows

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000[1]
Cash flows from operating activities		
Profit for the period	30,492	62,814
Adjustments for:		
Depreciation and amortisation	36,816	34,483
Financial income	(577)	(685)
Financial expense	4,113	4,963
Loss on disposal of property, plant and equipment	–	1,628
Share based payment charges	3,454	3,936
Taxation	19,111	16,782
	93,409	123,921
Increase in trade and other receivables	(1,787)	(5,976)
Increase in inventories	(7,326)	(4,109)
Increase in trade and other payables	12,563	9,393
Increase in provisions	1,951	249
Increase in working capital relating to non-underlying items	27,718	3,301
	126,528	126,779
Tax paid	(18,594)	(19,054)
Net cash flow from operating activities	107,934	107,725
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	630	814
Interest received	577	685
Investment in other financial assets	–	(2,146)
Loans issued	(154)	(872)
Acquisition of subsidiary, net of cash acquired	(4,260)	–
Acquisition of property, plant and equipment and other intangible assets	(37,456)	(41,613)
Net cash used in investing activities	(40,663)	(43,132)
Cash flows from financing activities		
Equity dividends paid	(37,192)	(37,341)
Proceeds from new loan	181,000	–
Repayment of borrowings	(195,000)	(15,000)
Repayment of borrowings following acquisition of subsidiaries	(6,370)	–
Debt issue costs	(2,473)	–
Payment of deferred consideration	(1,000)	–
Settlement of 'put and call' liabilities	(134)	–
Purchase of own shares	(1,841)	(4,016)
Finance lease obligations	(170)	(181)
Interest paid	(3,381)	(4,576)
Net cash used in financing activities	(66,561)	(61,114)
Net increase in cash and cash equivalents	710	3,479
Cash and cash equivalents at beginning of period	59,824	56,345
Cash and cash equivalents at end of period	**60,534**	**59,824**

1 The comparative cash flow statement has been restated to show non-underlying working capital items separately from underlying working capital items in order to enhance comparability.

The notes on pages 123 to 190 form an integral part of these financial statements.

Company balance sheet

	Note	At 28 March 2019 £000	At 29 March 2018 £000
Non-current assets			
Investments in subsidiaries	28	936,179	936,179
		936,179	936,179
Current assets			
Other financial assets	15	–	926
Trade and other receivables	16	578,336	576,795
Cash and cash equivalents	17	–	1,717
Deferred tax assets	14	24	–
		578,360	579,438
Total assets		1,514,539	1,515,617
Current liabilities			
Trade and other payables	19	(330,091)	(269,011)
Other financial liabilities	15	(124)	–
		(330,215)	(269,011)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(178,778)	(194,519)
Deferred tax liabilities	14	–	(176)
		(178,778)	(194,695)
Total liabilities		(508,993)	(463,706)
Net assets		1,005,546	1,051,911
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		(101)	750
Retained earnings		887,326	932,840
Total equity		1,005,546	1,051,911

On behalf of the Board:

Mike Iddon
Group Chief Financial Officer

Company number: 08885072

The notes on pages 123 to 190 form an integral part of these financial statements.

Company statement of changes in equity
As at 28 March 2019

	Share capital £000	Merger reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 29 March 2018	5,000	113,321	750	932,840	1,051,911
Total comprehensive income for the period					
Loss for the period	–	–	–	(6,873)	(6,873)
Other comprehensive income	–	–	(851)	–	(851)
Total comprehensive income for the period	–	–	(851)	(6,873)	(7,724)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37,192)	(37,192)
Share based payment charge	–	–	–	392	392
Purchase of own shares	–	–	–	(1,841)	(1,841)
Total contributions by and distributions to owners	–	–	–	(38,641)	(38,641)
Balance at 28 March 2019	5,000	113,321	(101)	887,326	1,005,546

Company statement of changes in equity
As at 29 March 2018

	Share capital £000	Merger reserve £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 30 March 2017	5,000	113,321	(479)	977,471	1,095,313
Total comprehensive income for the period					
Loss for the period	–	–	–	(3,988)	(3,988)
Other comprehensive income	–	–	1,229	–	1,229
Total comprehensive income for the period	–	–	1,229	(3,988)	(2,759)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37,341)	(37,341)
Share based payment charge	–	–	–	714	714
Purchase of own shares	–	–	–	(4,016)	(4,016)
Total contributions by and distributions to owners	–	–	–	(40,643)	(40,643)
Balance at 29 March 2018	5,000	113,321	750	932,840	1,051,911

Company income statement

As permitted by section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements. The Company's loss for the 52 week period ended 28 March 2019 was £6.9m (loss for the 52 week period ended 29 March 2018 was £4.0m).

Company statement of cash flows

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Cash flows from operating activities		
Loss for the period	(6,873)	(3,988)
Financial expense	4,113	4,773
Share based payment charges	392	714
	(2,368)	1,499
Increase in trade and other receivables	(1,541)	–
Increase in trade and other payables	61,080	61,279
Net cash flow from operating activities	57,171	62,778
Cash flows from financing activities		
Equity dividends paid	(37,192)	(37,341)
Proceeds from new loan	181,000	–
Repayment of borrowings	(195,000)	(15,000)
Debt issue costs	(2,473)	–
Interest paid	(3,382)	(4,705)
Purchase of own shares	(1,841)	(4,016)
Net cash used in financing activities	(58,888)	(61,062)
Net (decrease)/increase in cash and cash equivalents	(1,717)	1,716
Cash and cash equivalents at beginning of period	1,717	1
Cash and cash equivalents at end of period	–	1,717

Notes (forming part of the financial statements)

Pets at Home Group Plc (the Company) is a company incorporated in the United Kingdom and its registered office is Epsom Avenue, Stanley Green, Handforth, Cheshire, SK9 3RN.

1 Significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements 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.

The Group has initially adopted the following new standards from 30 March 2018 and these have been applied in these financial statements.

IFRS 9 Financial Instruments (effective date 1 January 2018)
IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The classification and measurement of financial liabilities are largely consistent with IAS 39 however IFRS 9 introduces new requirements in respect of the classification of financial assets, including the elimination of the categories of loans and receivables, available for sale and held to maturity.

The following table and accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 29 March 2018. The adoption of IFRS 9 has had no material impact on the opening consolidated balance sheet.

1 Significant accounting policies (continued)

1.1 Basis of preparation (continued)

Group	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £000	New carrying amount under IFRS 9 £000
Financial asset					
Fuel forward contract used for hedging (note 15)	(a)	Fair value – hedging instruments	Fair value – hedging instruments	78	78
Forward exchange contracts used for hedging (note 15)	(a)	Fair value – hedging instruments	Fair value – hedging instruments	156	156
Interest rate swap used for hedging (note 15)	(a)	Fair value – hedging instruments	Fair value – hedging instruments	926	926
Loan to Joint Venture veterinary practices – initial set up loans (note 15)		Amortised cost	Amortised cost	14,194	14,194
Loan to Joint Venture veterinary practices – other loans (note 15)		Amortised cost	Amortised cost	4,539	4,539
Other non-current receivables (note 15)		Amortised cost	Amortised cost	934	934
Trade and other receivables (note 16)		Loans and receivables	Amortised cost	22,262	22,262
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 16)	(b)	Loans and receivables	Amortised cost	31,298	31,298
Cash and cash equivalents (note 17)		Loans and receivables	Amortised cost	59,824	59,824
Total financial assets				134,211	134,211

Group	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 £000	New carrying amount under IFRS 9 £000
Financial liability					
Forward exchange contracts used for hedging (note 15)	(a)	Fair value – hedging instruments	Fair value – hedging instruments	(2,333)	(2,333)
Current other financial liability (note 15)		Other financial liabilities	Other financial liabilities	(1,000)	(1,000)
Current finance lease liability (note 15)		Other financial liabilities	Other financial liabilities	(59)	(59)
Trade payables (note 19)		Other financial liabilities	Other financial liabilities	(106,709)	(106,709)
Amounts owed to Joint Venture veterinary practices (note 19)		Other financial liabilities	Other financial liabilities	(2,951)	(2,951)
Non-current other financial liabilities (note 15)		Other financial liabilities	Other financial liabilities	(8,675)	(8,675)
Non-current finance lease liabilities (note 15)		Other financial liabilities	Other financial liabilities	(18)	(18)
Other interest-bearing loans and borrowings (note 18)		Other financial liabilities	Other financial liabilities	(194,519)	(194,519)
Total financial liabilities				(316,264)	(316,264)

(a) Existing hedges under IAS 39 continue to qualify for hedging under IFRS 9.

(b) The provisioning methodology for loans to Joint Venture veterinary practices has been assessed in line with IFRS 9 and updated to represent a basis of expected credit losses (ECL) as opposed to incurred losses. The methodology adopted is considered to be in line with the requirements of IFRS 9. Further details of the provisioning methodology are provided in note 15.

1 Significant accounting policies (continued)

1.1 Basis of preparation (continued)

IFRS 15 Revenue from Contracts with Customers (effective date 1 January 2018)
IFRS 15 specifies how and when revenue can be recognised. A five-step model is applied to determine when to recognise revenue and at what amount. Revenue is recognised when (or as) the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer. Under IAS 18 revenue was recognised based on the transfer of risks and rewards.

The Group has carried out a detailed assessment of revenue streams and has concluded that there has been no material impact in applying the new standard.

- Retail revenue from the sale of goods is recorded net of value added tax, colleague discounts, coupons, vouchers, returns and the free element of multi-save transactions. Sale of goods represents food and accessories sold in-store and online, with revenue recognised at the point the customer obtains control of the goods, which is when the transaction is completed in-store and at point of delivery to the customer for online orders. Under IAS 18, online revenue was recognised on despatch of delivery to the customer and the Group has changed its recognition policy in the year in order to be compliant with IFRS 15. The change in revenue recognition in relation to online orders has not had a material impact and therefore no adjustment to opening reserves has been made.
- Revenue is adjusted to account for estimates for anticipated returns and a provision is recognised within trade and other payables. Estimates for anticipated returns are calculated using past data for both in-store and online transactions. No separate asset has been recognised (with no corresponding adjustment to cost of sales) in relation to the value of products to be recovered from the customer as the products are not always in a condition suitable for resale.
- Revenue from the provision of services in relation to veterinary Group income and grooming revenue is recognised upon provision of the service. Insurance commissions are spread over the period the policy relates to.
- Fee income received from Joint Venture veterinary practice companies for administrative support services is recognised in the period the services relate to, to the extent this is expected to be recovered.
- Revenue for the period ended 28 March 2019 excludes fee income from Joint Venture veterinary practices in which the Group has either completed, or has offered or holds an intention to buy out the 'A' shares from the Joint Venture Partners in future, on the basis of increased uncertainty of recoverability.

Further information is provided in section 1.19 below.

1.2 Measurement convention

The consolidated financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss. Non-current assets held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

1.3 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review. In addition, note 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 Directors of Pets at Home Group Plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements as at and for the period ended 28 March 2019.

The Group has entered into a new revolving facility of £248m, which expires in September 2023. Interest is charged at LIBOR plus a margin based on leverage (net debt: EBITDA). Further information is provided in note 18.

1 Significant accounting policies (continued)

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group operates an Employee Benefit Trust (EBT) for the purposes of acquiring shares to fund share awards made to employees. The EBT is deemed to be a subsidiary of the Group as Pets at Home Group Plc is considered to be the ultimate controlling party for accounting purposes. The assets and liabilities of this trust have been included in the consolidated financial information. The cost of purchasing own shares held by the EBT is accounted for in retained earnings.

Investment in Joint Venture veterinary practices

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as Joint Venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the Joint Venture Partner, and do not give the Group power over decision making to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profits, losses, or any surplus on winding up or disposal of the Joint Venture veterinary practices, and as such no participatory interest is recognised. The Group's category of shareholding in the Joint Venture veterinary practices entitles the Group to charge management fees for support services provided. For further details see notes 15, 16 and 27.

The investments have been equity accounted for in the Group's financial statements in accordance with IAS 28.10. As the Group's shares are non-participatory, and therefore the Group does not share in any profits, losses or other distribution of value from the Joint Venture company, the investments are held at FVOCI, which is deemed to be their carrying value as explained further in note 15.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Functional currency

The consolidated financial statements are presented in sterling which is the Group and Company's functional currency and have been rounded to the nearest thousand.

1 Significant accounting policies (continued)

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit loss.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in debt and equity securities are explained in note 1.13.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Contingent consideration

Contingent consideration on acquisition 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 (see 1.13).

1.8 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on 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 Significant accounting policies (continued)

1.9 Intra-group financial instruments
Financial guarantee contracts to guarantee the indebtedness of companies within the Group are considered to be insurance arrangements and accounted for as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

1.10 Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	– 50 years
Fixtures, fittings, tools and equipment	– 3-10 years
Leasehold improvements	– the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.11 Intangible assets
Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Customer lists are valued based on the forecast net present value of the future economic relationship with those customers, adjusted for forecast retention rates. Customer lists are amortised on a straight line basis over 10 years. Software is stated at cost less accumulated amortisation and is amortised on a straight line basis between two and seven years.

1.12 Investments in debt and equity securities
Other investments in debt and equity securities held by the Group are classified at fair value, with any resultant gain or loss being recognised through other comprehensive income ('FVOCI'), in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

1.13 Business combinations
Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 26 March 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. If contingent consideration is payable and is dependent on future employment, it is recognised as an expense over the relevant period as a cost of continuing employment.

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.

1 Significant accounting policies (continued)

1.13 Business combinations (continued)

Where a combined written put and call option exists over a non-controlling interest, and the conditions of the agreement provide the Group with present access to the benefits of the ownership of the non-controlling interest, then the acquisition is deemed to reflect 100% ownership and no non-controlling interest is recognised. A liability is recorded for the expected future acquisition of the non-controlling interest, and is recognised as part of the fair value of the consideration. Where the written put and call option has an embedded valuation mechanism to reward and retain key individuals employed by the acquired business, who are also non-controlling shareholders, then the expected increase in the financial liability is charged to the income statement as employment costs evenly over the option period within non-underlying items. See note 1.23 for further details.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 26 March 2010 (date of adoption of IFRS)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRS for first time adopters. In respect of acquisitions prior to 26 March 2010, goodwill is included on the basis of its deemed cost.

1.14 Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

1.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition, less rebates and discounts.

Provision is made against specific inventory lines where market conditions identify an issue in recovering the full cost of that SKU (Stock Keeping Unit). The provision focuses on the age of inventory and applies a progressive provision against the gross inventory as the line continues to age. Where necessary further specific provision is made against inventory lines, when the ageing of provision is not deemed sufficient to carry the inventory at net realisable value.

To the extent that the ageing profile of gross inventory as calculated by this provision methodology results in a material provision, it will be disclosed as an estimate that may have an impact on subsequent periods. To the extent this is material, it will be disclosed in note 1.23.

1.16 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

Measurement of ECLs

ECLs are a probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Operating loans – definition of default

The Company considers a joint venture operating loan asset to be in default when the underlying veterinary practice is significantly underperforming against its business plan.

Details of these provisions are explained in note 1.23 and in note 16.

1 Significant accounting policies (continued)

1.16 Impairment excluding inventories and deferred tax assets (continued)

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 (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share based payments

A number of employees of the Company's subsidiaries (including Directors) receive an element of remuneration in the form of share based payments, whereby employees render services in exchange for shares 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)

1.17 Employee benefits (continued)

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group accounts. The assets of the EBT are held separately from those of the Company. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

Investments in the Company's own shares held by the EBT are presented as a deduction from reserves and the number of such shares is deducted from the number of shares in issue when calculating the diluted earnings per share. The trustees of the holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trust have waived or otherwise foregone any and all dividends paid.

1.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.19 Revenue and cost of sales

Revenue represents the total amount receivable for goods and services, net of discounts, coupons, returns and excluding value added tax, sold in the ordinary course of business, and arises from activities in the United Kingdom.

Revenue is recognised when the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer.

Sale of goods in-store and online

Retail revenue from the sale of goods is recorded net of value added tax, colleague discounts, coupons, vouchers, returns and the free element of multi-save transactions. Sale of goods represents food and accessories sold in-store and online, with revenue recognised at the point the customer obtains control of the goods, which is when the transaction is completed in-store and at point of delivery to the customer for online orders. Revenue is adjusted to account for estimates for anticipated returns and a provision is recognised within trade and other payables. Estimates for anticipated returns are calculated using past data for both in-store and online transactions. No separate asset has been recognised (with no corresponding adjustment to cost of sales) in relation to the value of products to be recovered from the customer as the products are not always in a resalable condition.

Gift vouchers and cards

Revenue from the sale of gift vouchers and cards is deferred until the voucher is redeemed. In line with IFRS 15 the value of revenue deferred is based on expected redemption rates. The Group continues to assess the appropriateness of the expected redemption rates against actual redemptions.

VIP loyalty scheme

Under the VIP loyalty scheme, points are earned by customers upon the purchase of goods and services. These points can be converted by nominated charities into gift cards for redemption against goods and services in-store and online. The sales value of the points earned under the VIP scheme are treated as deferred income; the sales are only recognised once the points have been redeemed by the charities. The points do not expire and have no value to the customer.

Subscription orders

Revenue for subscription orders is recognised at the point of delivery of each incremental order to the customer. Subscription services primarily relate to the repeat order of flea and worm products sold online and in-store.

Provision of services

Revenue from the provision of services is recorded net of value added tax, colleague discounts, coupons and vouchers. Provision of services represents veterinary Group income, grooming revenue and insurance commissions, with revenue recognised upon provision of the service to the customer.

i) Veterinary Group income

Veterinary Group income represents revenue from the provision of veterinary services (from Specialist Referral Centres and managed First Opinion veterinary practices) and income from the provision of administrative support services to Joint Venture veterinary practices. Revenue received for the provision of veterinary services is recognised at the point of provision of the service and is recognised net of value added tax, colleague discounts, coupons and vouchers. Fee income received from the Joint Venture veterinary practice companies for administrative support services is recognised in the period the services relate to and recorded net of value added tax.

1 Significant accounting policies (continued)

1.19 Revenue and cost of sales (continued)

i) Veterinary Group income (continued)
In accordance with IFRS 15, revenue for the period ended 28 March 2019 excludes fee income from Joint Venture veterinary practices in which the Group has either completed, or has offered and holds an intention to buy out the 'A' shares from the Joint Venture Partners in the future, on the basis of increased uncertainty of recoverability. Further details in relation to the income received from Joint Venture veterinary practices are disclosed in note 27.

Revenue derived from care plans is recognised on an apportioned basis relative to delivery of the service. Revenue on annual 'Complete Care' plans is deferred and recognised at the point at which treatment and/or services are provided against the plan at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Once the plan has expired, any un-utilised deferred revenue will be recognised as revenue. Revenue from 'Vac4Life' plans is deferred when payment is received and then recognised, in reducing proportions, over the first three years of the plan, when vaccinations/boosters are provided.

Rental income received from in-store Joint Venture veterinary practices is disclosed within note 3 and is categorised as a credit within selling and distribution expenses.

ii) Grooming revenue
Grooming revenue is recognised net of value added tax, colleague discounts, coupons and vouchers, at the point of provision of the service to the customer. Deposits received are deferred until the grooming service has been performed.

iii) Insurance commissions
Insurance commissions are recognised on a pro-rated basis over the period the insurance policy relates to.

Accrued income
Accrued income relates to income in relation to fees to Joint Venture veterinary practices, revenues generated through Specialist Referral Centres, and overrider and promotional income from suppliers, which has not yet been invoiced. Accrued income has been classified as current as it is expected to be invoiced and received within twelve months of the period end. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract.

Cost of sales
Cost of sales includes costs of goods sold and other directly attributable costs, promotional income and rebate income received from suppliers, including costs to deliver administrative support services to Joint Venture veterinary practices and costs to deliver grooming services.

Non-underlying items
Income or costs considered by the Directors to be non-underlying are disclosed separately to facilitate year on year comparison of the underlying trade of the business. The Directors consider that changes to the fair value of the put and call liabilities warrant separate disclosure due to the nature of these arrangements as they do not relate to the underlying trade of the business.

Alternative Performance Measures
The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by EU-adopted IFRS. These alternative performance measures may not be directly comparable with other companies' alternative performance measures and the Directors do not intend these to be a substitute for, or superior to, IFRS measures. Further information can be found in the Glossary on page 191.

Supplier income
A number of different types of supplier income are negotiated with suppliers via the joint business planning process, in connection with the purchase of goods for resale, the largest of which being overrider income and promotional income explained below. 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 to cost of sales and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory.

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

Given the presence of the joint business plans, on the basis of the historic recoverability of accrued balances, and as amounts are typically agreed with suppliers prior to recognition, supplier income is not considered to be an area of significant estimation that could impact on the following financial year.

1 Significant accounting policies (continued)

1.19 Revenue and cost of sales (continued)

Supplier income comprises:

Overrider income

Overrider income comprises three main elements:

1. Fixed percentage based income: These relate largely to volumetric rebates based on the joint business plan agreements with suppliers. The income accrued is based on the Group's latest forecast volumes and the latest contract agreed with the supplier. Income is not recognised until the Group has reasonable certainty that the joint business agreement will be fulfilled, with the amount of income accrued regularly re-assessed and re-measured throughout the contractual period, based on actual performance against the joint business plan.
2. Fixed lump sum income: These are typically guaranteed lump sum payments made by the supplier and are not based on volume. Fixed lump sum income is usually predicated on confirmation of a supplier contract and typically includes performance conditions upon the Group, such as marketing and promotional campaigns. These amounts are recognised periodically when contractual milestones have been met such as the promotion being run or marketing in store.
3. Growth income: These are tiered volumetric rebates relating to growth targets agreed with the supplier in the joint business planning process. These are retrospective rebates based on sales volumes or purchased volumes. Income is recognised to the extent that it is reasonably certain that the conditions will be achieved, with such certainty increasing in the latter part of the calendar year.

Promotional income

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

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

1.20 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 Significant accounting policies (continued)

1.21 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.22 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements.

IFRS 16 Leases (effective date 1 January 2019)

IFRS 16 Leases is effective for the Group from 29 March 2019 and replaces existing lease guidance under IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 will significantly affect the presentation of the Group's financial statements as all leases with the exception of short term leases or low value leases will be recognised within the balance sheet. The Group will recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The majority of the Group's trading properties, distribution centres and support offices are leased. The Group also has a number of non-property leases relating to vehicles, equipment and material handling equipment. The commitments as at 28 March 2019 and 29 March 2018 are disclosed in note 24.

The lease liability is initially measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally it is expected that the rate implicit in the lease cannot be readily determined and therefore a rate based on the Group's incremental borrowing rate will be used. This rate will be adjusted to take into account the risk associated with the length of the lease; a higher discount rate will be applied to a longer lease.

Impact of transition

The Group will transition to IFRS 16 on 29 March 2019 using the modified retrospective approach. The cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance sheet as at 29 March 2019, with no restatement of comparable information. Comparable information will be provided within the Chief Financial Officer's review section of the Annual Report for the information of the reader.

IFRS 16 will impact the presentation of the Group's income statement and the profile of rental costs in comparison to IAS 17. The impacts are expected to be as follows:

- Current rental costs under operating leases, as disclosed in notes 3 and 24, will be replaced by depreciation and interest charges.
- The right-of-use asset will be depreciated on a straight line basis over the remaining lease term, or the estimated useful life if shorter and the interest will be front loaded as it is calculated based on the outstanding lease liability.
- IFRS 16 is expected to reduce profit for the period in the first year of implementation due to front loading the interest charge.
- The Group currently receives rental income from Joint Venture veterinary practices which are located within the Group's retail stores. This rental income is disclosed in note 3. These leases are accounted for as licensed concessions as they are not contracted for a period greater than three months and as such are not classified as subleases under IFRS 16. There will be no change in accounting for rental income from concessions, which will continue to be accounted for as a credit within operating expenses.
- The Group has a small number of leases where it is an intermediate lessor. For these leases, the Group accounts for its interest in the head lease and sublease separately. The Group assesses the lease classification of the sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

1 Significant accounting policies (continued)

1.22 Adopted IFRS not yet applied (continued)

Impact of transition (continued)

The Group has carried out a detailed assessment of the initial impact of IFRS 16 and the adjustments to the opening balance sheet as at 29 March 2019 are expected to be as follows:

- Recognition of right-of-use asset of £471m disclosed within non-current assets.
- Recognition of lease liabilities of £508m relating to the discounted lease liability.
- Recognition of a sublease asset of £2m.
- The additional liability will have no bearing on the loan covenant described in note 18. Banking covenants are not impacted by IFRS 16 under the current RCF facility which runs to September 2023 as they are set under accounting standards applicable at the time of entering into the agreement.
- No adjustment to opening reserves is expected as the Group will elect to measure the right-of-use asset at an amount equal to the lease liability at the date of initial application. The opening right-of-use asset will be adjusted for remaining deferred income relating to landlord incentives and rent free periods, in addition to any outstanding prepayments in relation to the leases.
- As part of the initial transition, the Group is expected to elect to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application.

1.23 Accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

Impairment of goodwill and other intangibles

Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value. Details of CGUs as well as further information about the assumptions made are disclosed in note 12. The Group consider that no reasonably possible change in assumptions underlying the carrying value of the goodwill and intangibles would result in an impairment within the next 12 months. Therefore, the carrying value of goodwill and intangibles is not considered a significant estimate as at 28 March 2019.

Joint Venture receivables

The Group provides operating loans and other loans to a number of Joint Venture veterinary practices as detailed in notes 15, 16 and 27 to cover their cash flow requirements and support their longer term growth. As detailed in these notes, provisions are held in respect of operating and other loans to Joint Venture veterinary practices. In line with IFRS 9, judgement is applied in determining the risk-related criteria to allocate loans into bands, and in estimating an appropriate provision percentage to apply to each band by applying the expected credit loss criteria. The level of operating loan is monitored in relation to the practice's performance against business plan. The maximum contractual period is 90 days and the Group is expected to extend the operating loans for the period required by the practice. The length of time that the practice is expected to take in order to require no further loan funding is taken into account in the calculation of the percentage to be applied to the provision. The provision is based on forward-looking information, taking into account Expected Credit Losses giving due consideration to the Joint Venture's business plan, as well as macro-economic factors such as growth in the size of the veterinary market, availability of veterinary practitioners, and cost inflation within the industry. These judgements are made by management based on their experience and knowledge of the practices. The quantum of Joint Venture receivables and provision made against these receivables is disclosed in notes 15, 16 and 27.

Assessment of control with regard to Joint Ventures

The Group has assessed, and continually assesses whether the level of an individual Joint Venture veterinary practice's indebtedness to the Group, particularly those with high levels of indebtedness, implies that the Group has the practical ability to control the Joint Venture, which would result in the requirement to consolidate. In making this judgement, the Group reviewed the terms of the Joint Venture agreement and the question of practical ability, as a provider of working capital to control the activities of the practice. This included consideration of barriers to the Group's ability to exercise such practical control, which include difficulty in replacing joint venture partners due to the shortage of veterinarians in the UK and reputational damage within the veterinary network should the Group attempt to exercise control, as well as potential barriers to the Joint Venture Partner exercising their own power over the activities of the practice. We note that under the terms of the Joint Venture Agreement, our partners run their practices with complete clinical freedom. The Group is satisfied that on the balance of evidence from the Group's experience as shareholder and provider of working capital support to the practices, it does not have the current ability to exercise control over those practices to which operating loans are advanced, and therefore non consolidation is appropriate.

1 Significant accounting policies (continued)

1.23 Accounting estimates and judgements (continued)

Put and call options

The Group recognises put and call options over non-controlling interests (NCI) in its subsidiary undertakings as a liability in the consolidated balance sheet. The nature of the Group's option agreements are such that there is an element that is a minimum amount, and a growth element to reward and retain key individuals employed by the acquired business, who are also non-controlling shareholders, and which is linked to improvements in the results of the acquired business. The growth element would be forfeited under certain conditions by the NCI, including if they ceased to be employed by the Group.

Upon initial recognition, the minimum amount is recognised as a liability at fair value, which is estimated as the present value of the future exercise price based upon the fair value of the business at acquisition. For the growth element, the expected amount is charged to the income statement as employment costs over the option period within non-underlying items. The financial liability is valued based on management's best estimate of the future pay out, which is based on the estimated future earnings. The charge is spread over the financial years before the put and call can be exercised for the first time.

The Group consider that no reasonably possible change in assumptions underlying the carrying value of the put and call options would result in a material range of estimation uncertainty in the next 12 months. Therefore, the carrying value of the options is not considered a significant estimate as at 28 March 2019.

Carrying value of inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values and disposal channels, and is consequently a source of estimation uncertainty. At 28 March 2019 the inventory provision amounted to £2.6m (29 March 2018: £2.3m). The value of inventory against which an ageing provision is held is £7.1m (2018: £4.8m).Management consider the range of reasonably possible estimation uncertainty to be immaterial given the value of the provision, the value of inventory against which the provision is held, and the degree of historical accuracy in the provisioning policy. Therefore, the carrying value of inventory is not considered a significant estimate as at 28 March 2019.

1.24 Dividends

Final dividends are recognised in the Group's financial statements as a liability in the period in which the dividends are approved by shareholders such that the Company is obliged to pay the dividend. Interim equity dividends are recognised in the period in which they are paid.

2 Segmental reporting

The Group has moved to two reportable segments, Retail and Vet Group, which are the Group's strategic business units for the 52 week period ending 28 March 2019. In the 52 week period ended 29 March 2018, the Group only reported under one segment, and consequently the information provided in relation to the 52 week period ending 29 March 2018 has been restated to reflect the two reportable segments.

The Group's operating segments are based on the internal management structure and internal management reports, which are reviewed by the Executive Directors on a periodic basis. The Executive Directors are considered to be the Chief Operating Decision Makers. The move to two reportable segments for the 52 week period ending 28 March 2019 reflects the change in management structure of the Group from the start of this period.

The Group is a pet care business with the strategic advantage of being able to provide products, services and advice, addressing all pet owners' needs. Within this strategic umbrella, the Group has two reportable segments, Retail and Vet Group, which are the Group's strategic business units, and a central support function. The strategic business units offer different products and services, are managed separately and require different operational and marketing strategies.

The operations of the Retail reporting segment comprise the retailing of pet products purchased online and in-store, pet sales, grooming services and insurance products. The operations of the Vet Group reporting segment comprise First Opinion practices and Specialist Referral Centres. Central includes Group costs and finance expenses. Revenue and costs are allocated to a segment where reasonably possible.

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

2 Segmental reporting (continued)

Income statement – underlying trading	Retail £000	Vet Group £000	Central £000	Total £000
	52 week period ended 28 March 2019			
Revenue	854,641	106,398	–	961,039
Gross profit	435,829	51,060	–	486,889
Underlying operating profit/(loss)	67,224	32,075	(6,096)	93,203
Non-underlying items	510	(40,574)	–	(40,064)
Segment operating profit/(loss)	67,734	(8,499)	(6,096)	53,139
Net financing income/(expense)	250	297	(4,083)	(3,536)
Profit/(loss) before tax	67,984	(8,202)	(10,179)	49,603

Non-underlying operating expenses in the periods ended 28 March 2019 and 29 March 2018 are explained in note 3.

In accordance with IFRS 15, revenue excludes fee income from Joint Venture veterinary practices in which the Group has either completed, or has offered and holds an intention to buy out the 'A' shares from the Joint Venture Partners in the future, on the basis of increased uncertainty of recoverability.

Income statement – underlying trading (restated)	Retail £000	Vet Group £000	Central £000	Total £000
	52 week period ended 29 March 2018			
Revenue	804,849	94,075	–	898,924
Gross profit	420,278	44,330	–	464,608
Underlying operating profit/(loss)	65,137	29,572	(5,906)	88,803
Non-underlying items	(2,685)	(2,244)	–	(4,929)
Segment operating profit/(loss)	62,452	27,328	(5,906)	83,874
Net financing expense	–	–	(4,278)	(4,278)
Profit/(loss) before tax	62,452	27,328	(10,184)	79,596

Non-underlying operating expenses in the periods ended 28 March 2019 and 29 March 2018 are explained in note 3.

Reconciliation of EBITDA before non-underlying items	Retail £000	Vet Group £000	Central £000	Total £000
	52 week period ended 28 March 2019			
Underlying operating profit/(loss)	67,224	32,075	(6,096)	93,203
Depreciation expense	26,683	1,811	–	28,494
Amortisation expense	7,629	693	–	8,322
Underlying EBITDA	101,536	34,579	(6,096)	130,019

Reconciliation of EBITDA before non-underlying items (restated)	Retail £000	Vet Group £000	Central £000	Total £000
	52 week period ended 29 March 2018			
Underlying operating profit/(loss)	65,137	29,572	(5,906)	88,803
Depreciation expense	26,306	1,974	–	28,280
Amortisation expense	5,845	358	–	6,203
Underlying EBITDA	97,288	31,904	(5,906)	123,286

EBITDA before non-underlying items is defined on page 191.

2 Segmental reporting (continued)

Segmental revenue analysis by revenue stream	52 week period ended 28 March 2019 Retail £000	Vet Group £000	Central £000	Total £000
Retail – Food	455,397	–	–	455,397
Retail – Accessories	357,033	–	–	357,033
Retail – Services	42,211	–	–	42,211
Vet – First Opinion fee income	–	52,628	–	52,628
Vet – Company managed practices	–	8,090	–	8,090
Vet – Other income	–	8,650	–	8,650
Vet – Specialist	–	37,030	–	37,030
Total	854,641	106,398	–	961,039

Segmental revenue analysis by revenue stream	52 week period ended 29 March 2018 Retail £000	Vet Group £000	Central £000	Total £000
Retail – Food	421,979	–	–	421,979
Retail – Accessories	343,500	–	–	343,500
Retail – Services	39,370	–	–	39,370
Vet – First Opinion fee income	–	50,045	–	50,045
Vet – Company managed practices	–	3,070	–	3,070
Vet – Other income	–	7,270	–	7,270
Vet – Specialist	–	33,690	–	33,690
Total	804,849	94,075	–	898,924

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Non-underlying items		
Write off and provisions for operating loans, initial set-up loans, and trading balances with Joint Venture veterinary practices	17,858	–
Other costs associated with the purchase of Joint Venture veterinary practices	22,496	–
Increase in fair value of put and call liability	360	1,625
Closure of Barkers stores	(482)	2,685
Aborted property and acquisition costs	(168)	619
Total non-underlying items	40,064	4,929
Underlying operating expenses		
Depreciation of tangible fixed assets	28,494	28,280
Amortisation of intangible assets	8,322	6,203
Rentals under operating leases:		
Hire of plant and machinery	4,971	4,387
Property	76,975	75,922
Rental income from third party sublets	(950)	(1,041)
Rental income from related parties	(7,876)	(7,138)
Profit on disposal of fixed assets	–	817
Share based payment charges	3,454	3,936

3 Expenses and auditor's remuneration (continued)

During the period ended 28 March 2019 the Group has completed a review and recalibration exercise of the First Opinion veterinary practices. As part of this review, the Group has either completed, or has offered and holds an intention to buy out the 'A' shares from the Joint Venture Partners in the future, in up to 55 Joint Venture veterinary practices. As at 28 March 2019 the Group has acquired 100% of the 'A' shares of 27 veterinary practices, which were previously accounted for as Joint Venture veterinary practices, 6 of which were closed before the period end. In addition the Group acquired 5 further practices which did not form part of this review.

As at 28 March 2019, the Group is in the process of offering to buy out a further 23 practices and has provided in full for the remaining operating loans of £7.169m on these indebted practices. These costs have been charged to non-underlying items in the consolidated income statement.

The non-underlying operating expenses in the period ended 28 March 2019 of £40.064m (period ended 29 March 2018: £4.929m) relate to:

- £17.858m in relation to the write off and provision for operating loans, initial set-up loans, and trading balances (made by the Group) to Joint Venture veterinary practices, which are no longer expected to be recoverable, and therefore which have been provided for under IFRS 9. In total £12.634m of loans and receivables have been written off in the year in relation to Joint Venture veterinary practices that have been acquired by the Group. The balance of £5.224m is held within provisions against receivables. Further details of the movement in the receivable balances has been provided in notes 15 and 16. The impairment losses described above are presented as non-underlying items since they relate to the restructuring project commenced by the Group in the period ended 28 March 2019 to buy out certain under-performing Joint Venture veterinary practices.
- £22.496m in relation to provisions against payments to third parties for bank loans, overdrafts and lease obligations (provided for under IFRS 9) and associated exit and closure costs (provided for under IAS 37) payable in relation to Joint Venture veterinary practices which the Group has acquired or will offer to buy out from Joint Venture Partners in the future. The release of negative goodwill and impairment of goodwill arising on the acquisition of the Joint Venture veterinary practices, as detailed in note 10, has been included within these costs. At 28 March 2019, £8.531m has been incurred, and £5.416m is included within provisions in note 20 under IFRS 9, whilst £8.549m is included within provisions in note 20 under IAS 37.
- £0.360m (period ended 29 March 2018: £1.625m) of non-underlying operating expenses relate to an increase in the financial liability for put and call options over shares held by clinicians in Dick White Referrals Limited and Anderson Moores Veterinary Specialists Limited. The charge represents an increase in the equity 'option' value held by those clinicians based on the Board's best estimate of the future settlement on exercise of the put and call. The charge is classified within operating expenses as a clinician is required to remain an employee of the Group in order to access the full equity value of the option at the time of the exercise.
- Release of £0.482m in relation to a provision which was created in the period ended 29 March 2018 associated with the closure of seven trial Barkers stores. The provision is no longer required as the onerous leases have now been surrendered.
- Release of £0.168m of provisions which were created in the period ended 29 March 2018 associated with aborted property and acquisition costs.

Non-underlying items in operating profit in the period ended 29 March 2018 were £4.929m. Of this, £2.685m relates to the closure of seven trial Barkers stores, including the associated lease commitments and disposal of fixed assets (£1.628m). Non-underlying operating expenses also includes £1.625m in relation to the increase in the fair value of the put and call option over the non-controlling interests in Dick White Referrals Limited, Eye-Vet Limited and Anderson Moores Veterinary Specialists Limited and £0.619m in relation to aborted property and acquisition costs.

Income or costs considered by the Directors to be non-underlying are disclosed separately to facilitate year on year comparison of the underlying trade of the business. The Directors consider that changes to the fair value of the put and call liabilities warrant separate disclosure due to the nature of these arrangements as they do not relate to the underlying trade of the business.

Auditor's remuneration

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £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	392	219
Review of interim financial statements	63	32
All other services	4	10
	469	271

4 Colleague numbers and costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	52 week period ended 28 March 2019 Number	52 week period ended 29 March 2018 Number
Sales and distribution – FTE	6,400	6,142
Administration – FTE	597	559
	6,997	6,701
Sales and distribution – total	8,447	8,045
Administration – total	614	575
	9,061	8,620

The aggregate payroll costs of these persons were as follows:

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Wages and salaries	187,756	180,952
Social security costs	16,091	15,233
Contributions to defined pension contribution plans	6,202	5,725
	210,049	201,910

Remuneration of Executive Directors and Executive Management Team

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Executive Directors' emoluments including social security costs	1,866	1,135
Non-Executive Directors' emoluments including social security costs	519	495
Executive Directors' amounts receivable under share options	30	31
Executive Directors' pension contributions	86	75
Total Directors' remuneration	2,501	1,736
Executive Management Team emoluments including social security costs	2,660	2,583
Executive Management Team amounts receivable under share options	40	64
Executive Management Team pension contributions	123	167
Total Executive Management Team remuneration	2,823	2,814

In the opinion of the Board, the key management as defined under revised IAS 24 'Related Party Disclosures' are the Executive Directors and the Executive Management Team. Executive Directors' emoluments are also included within the Executive Management Team emoluments disclosed above.

5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	52 week period ended 28 March 2019		52 week period ended 29 March 2018[1]	
	Underlying trading	After non-underlying items	Underlying trading	After non-underlying items
Profit attributable to equity shareholders of the parent (£000s)	70,405	30,492	67,542	62,814
Basic weighted average number of shares	500,000,000	500,000,000	500,000,000	500,000,000
Dilutive potential ordinary shares	5,138,106	5,138,106	(151,565)	(151,565)
Diluted weighted average number of shares	505,138,106	505,138,106	499,848,435	499,848,435
Basic earnings per share	14.1p	6.1p	13.5p	12.6p
Diluted earnings per share	13.9p	6.0p	13.5p	12.6p

1 The comparative period's dilutive potential ordinary shares have been restated to exclude the number of shares held by the EBT, as disclosed in note 9.

6 Finance income

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Interest receivable on loans to Joint Venture veterinary practices	501	685
Other interest receivable	76	–
Total finance income	577	685

7 Finance expense

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Bank loans at effective interest rate	4,083	4,773
Other interest expense	30	190
Total finance expense	4,113	4,963

8 Taxation

Recognised in the income statement

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Current tax expense		
Current period	20,643	17,837
Adjustments in respect of prior periods	(693)	(511)
Current tax expense	19,950	17,326
Deferred tax expense		
Origination and reversal of temporary differences	(1,908)	(669)
Impact of difference between deferred and current tax rates	100	(260)
Adjustments in respect of prior periods	969	385
Deferred tax expense	(839)	(544)
Total tax expense	19,111	16,782

The UK corporation tax standard rate for the period was 19% (2018: 19%). 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 18% which is the blended rate at which items are expected to reverse.

Deferred tax recognised in comprehensive income

	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Effective portion of changes in fair value of cash flow hedges (note 21)	420	(412)

Reconciliation of effective tax rate

	52 week period ended 28 March 2019			52 week period ended 29 March 2018		
	Underlying trading £000	Non-underlying items £000	Total £000	Underlying trading £000	Non-underlying items £000	Total £000
Profit for the period	70,405	(39,913)	30,492	67,542	(4,728)	62,814
Total tax expense	19,262	(151)	19,111	16,983	(201)	16,782
Profit excluding taxation	89,667	(40,064)	49,603	84,525	(4,929)	79,596
Tax using the UK corporation tax rate for the period of 19% (52 week period ended 29 March 2018: 19%)	17,037	(7,612)	9,425	16,060	(937)	15,123
Impact of change in tax rate on deferred tax balances	100	–	100	(260)	–	(260)
Depreciation on expenditure not eligible for tax relief	622	–	622	588	–	588
Expenditure not eligible for tax relief	1,227	7,461	8,688	721	736	1,457
Adjustments in respect of prior periods	276	–	276	(126)	–	(126)
Total tax expense	19,262	(151)	19,111	16,983	(201)	16,782

The UK corporation tax standard rate for the 52 week period ended 28 March 2019 was 19% (52 week period ended 29 March 2018: 19%). The effective tax rate before non-underlying items for the 52 week period ended 28 March 2019 was 21%. The principal reason for the difference in rate relates to the non-deductibility of depreciation charged on certain items of capital expenditure and the share based payment charge which has been treated as a permanent difference.

9 Dividends paid and proposed

	Group and Company	
	52 week period ended 28 March 2019 £000	52 week period ended 29 March 2018 £000
Declared and paid during the period		
Final dividend of 5.0p per share (2018: 5.0p per share)	24,807	24,912
Interim dividend of 2.5p per share (2018: 2.5p per share)	12,385	12,429
Proposed for approval by shareholders at the AGM		
Final dividend of 5.0p per share (2018: 5.0p per share)	24,770	24,836

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 28 March 2019 and 29 March 2018 and to be paid at any time in the future (subject to the exceptions in the relevant trust deed) on its respective shares for the time being comprised in the Trust Funds: Computershare Nominees (Channel Islands) Limited (holding at 28 March 2019: 4,596,471 shares, holding at 29 March 2018: 3,271,102 shares).

10 Business combinations

Acquisition of Joint Venture veterinary practices

In the 52 week period ended 28 March 2019, the Group has acquired 100% of the 'A' shares of 32 veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares equating to 50% of the total shares. Acquisition of the 'A' shares has led to the control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.4.

In the 52 week period ended 28 March 2019 £10.7m operating loans, £1.5m initial loans and £0.4m other loans relating to these practices were written off in advance of the acquisitions. In addition £4.9m of bank loans owed by these Joint Venture veterinary practices were repaid by the Group under the terms of the bank guarantee in advance of the acquisitions. Further details of the amounts written off and the utilisation of the provisions are detailed in notes 15, 16 and 27.

The practices have been categorised into the following groups:

- Joint Venture veterinary practices acquired with the exchange of significant cash consideration, with the intention of trading as a going concern.
- Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of trading as a going concern.
- Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of being closed.

10 Business combinations (continued)

Joint Venture veterinary practices acquired with the exchange of significant cash consideration, with the intention of trading as a going concern

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £000
Companion Care (Exeter) Limited	Veterinary practice	26 April 2018	50%	100%	1,450
Maidstone Vets4Pets Limited	Veterinary practice	26 April 2018	50%	100%	650
Bicester Vets4Pets Limited	Veterinary practice	21 December 2018	50%	100%	1
Buckingham Vets4Pets Limited	Veterinary practice	21 December 2018	40%	90%	50
Liverpool OS Vets4Pets Limited	Veterinary practice	15 March 2019	50%	100%	212

In the 52 week period ended 29 March 2018, the entities listed above were all accounted for as a Joint Venture veterinary practice where the Group held 100% of the non-participatory 'B' ordinary shares. A detailed explanation for the basis of consolidation can be found in note 1.4. On 26 April 2018, the Group acquired 100% of the 'A' shares of Companion Care (Exeter) Limited and Maidstone Vets4Pets Limited, leading to control and consolidation. On 21 December 2018, the Group acquired 100% of the 'A' shares of Bicester Vets4Pets Limited and 80% of the 'A' shares of Buckingham Vets4Pets Limited, leading to control and consolidation. On 15 March 2019, the Group acquired 100% of the 'A' shares in Liverpool OS Vets4Pets Limited, leading to control and consolidation.

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

	Book value of assets and liabilities acquired £000	Adjustments on acquisition £000	Fair value of assets and liabilities acquired £000
Current assets			
Cash and cash equivalents	406	–	406
Trade and other receivables	189	–	189
Inventories	61	–	61
Non-current assets			
Intangible assets	–	713	713
Tangible fixed assets	387	–	387
Current liabilities			
Bank loans and overdrafts	(650)	–	(650)
Trade and other payables	(221)	–	(221)
Net assets	172	713	885

Goodwill arising on acquisition

	£000
Consideration	2,362
Less: Fair value of assets acquired	(885)
Carrying value of goodwill	1,477

The adjustment on acquisition relates to the fair value of customer lists acquired with the veterinary practices. Customer lists are valued based on the forecast net present value of the future economic relationship with those customers, adjusted for forecast retention rates.

Goodwill arose on the acquisition of these entities because the cost of the acquisition included a control premium in addition to the consideration paid, which relates to the expected synergies and revenue growth. Those benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

No adjustment has been made to reserves for the 10% minority interest in Buckingham Vets4Pets Limited as it is deemed to be immaterial to the Group.

10 Business combinations (continued)

Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of trading as a going concern

In the 52 week period ended 28 March 2019 the Group has acquired the following veterinary practices, which were previously accounted for as Joint Venture veterinary practices, with the intention of trading as company managed practices.

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred for shares £000
Blackpool Squires Gate Vets4Pets Limited	Veterinary practice	29 January 2019	50%	100%	–
Evesham Vets4Pets Limited	Veterinary practice	4 February 2019	50%	100%	–
Sheffield Drakehouse Vets4Pets Limited	Veterinary practice	4 February 2019	50%	100%	–
Corby Vets4Pets Limited	Veterinary practice	8 February 2019	50%	100%	–
Dorchester Vets4Pets Limited	Veterinary practice	11 February 2019	50%	100%	–
Borehamwood Vets4Pets Limited	Veterinary practice	20 February 2019	50%	100%	–
Companion Care (Stratford-Upon-Avon) Limited	Veterinary practice	20 February 2019	50%	100%	–
Aberdeen Vets4Pets Limited	Veterinary practice	25 February 2019	50%	100%	–
Aberdeen North Vets4Pets Limited	Veterinary practice	25 February 2019	50%	100%	–
Kilmarnock Vets4Pets Limited	Veterinary practice	28 February 2019	50%	100%	–
Companion Care (Kirkcaldy) Limited	Veterinary practice	5 March 2019	50%	100%	–
Monmouth Vets4Pets Limited	Veterinary practice	15 March 2019	50%	100%	–

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

	Book value of assets and liabilities acquired £000	Adjustments on acquisition £000	Fair value of assets and liabilities acquired £000
Current assets			
Cash and cash equivalents	122	–	122
Trade and other receivables	303	–	303
Inventories	138	–	138
Non-current assets			
Intangible assets	–	180	180
Tangible fixed assets	1,210	–	1,210
Current liabilities			
Bank overdrafts	(698)	–	(698)
Trade and other payables	(848)	372	(476)
Net assets	227	552	779

Goodwill arising on acquisition

	£000
Consideration	372
Less: Fair value of assets acquired	(779)
Negative goodwill arising on acquisition	(407)
Release of negative goodwill against non-underlying provisions	407
Carrying value of goodwill	–

10 Business combinations (continued)

Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of trading as a going concern (continued)

Goodwill arising on acquisition (continued)

The adjustment on acquisition relating to intangible assets relates to the fair value of customer lists acquired with the veterinary practices. Customer lists are valued based on the forecast net present value of the future economic relationship with those customers, adjusted for forecast retention rates.

The consideration shown within the table above, and the adjustment on acquisition to trade and other payables, relates to the cash settlement of 'A' shareholder Joint Venture Partner Loans, which were repaid to the 'A' shareholder at the point of acquisition.

Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of being closed

In the 52 week period ended 28 March 2019 the Group has acquired the following veterinary practices, which were previously accounted for as Joint Venture veterinary practices. The Group's intention is to close these practices.

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred for shares £000
Craigavon Vets4Pets Limited	Veterinary practice	28 January 2019	50%	100%	–
Wrexham Vets4Pets Limited	Veterinary practice	28 January 2019	50%	100%	–
St Neots Vets4Pets Limited	Veterinary practice	6 February 2019	50%	100%	–
Companion Care (Macclesfield) Limited	Veterinary practice	13 February 2019	50%	100%	–
Companion Care (Speke) Limited	Veterinary practice	18 February 2019	50%	100%	–
Redditch Vets4Pets Limited	Veterinary practice	20 February 2019	50%	100%	–
Belfast Stormont Vets4Pets Limited	Veterinary practice	4 March 2019	50%	100%	–
Bedminster Vets4Pets Limited	Veterinary practice	4 March 2019	50%	100%	–
Alton Vets4Pets Limited	Veterinary practice	5 March 2019	50%	100%	–
Newton Mearns Vets4Pets Limited	Veterinary practice	6 March 2019	50%	100%	–
Bourne Vets4Pets Limited	Veterinary practice	6 March 2019	50%	100%	–
Companion Care (Exeter Marsh) Limited	Veterinary practice	12 March 2019	50%	100%	–
Malvern Vets4 Pets Limited	Veterinary practice	14 March 2019	50%	100%	–
Sudbury Vets4Pets Limited	Veterinary practice	18 March 2019	50%	100%	–
Companion Care (Ballymena) Limited	Veterinary practice	20 March 2019	50%	100%	–

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows. The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

	Book value of assets and liabilities acquired £000	Adjustments on acquisition £000	Fair value of assets and liabilities acquired £000
Current assets			
Cash and cash equivalents	41	–	41
Trade and other receivables	271	–	271
Inventories	155	–	155
Non-current assets			
Tangible fixed assets	2,063	(1,463)	600
Current liabilities			
Bank overdrafts	(818)	–	(818)
Trade and other payables	(815)	415	(400)
Net assets / (liabilities)	897	(1,048)	(151)

10 Business combinations (continued)

Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of being closed (continued)

Goodwill arising on acquisition

	£000
Consideration	415
Less: Fair value of liabilities acquired	151
Goodwill arising on acquisition	566
Impairment of goodwill	(566)
Carrying value of goodwill	–

The tangible assets have been written down to their expected recoverable amount as the Group's intention is to close these practices.

The consideration shown within the table above, and the adjustment on acquisition to trade and other payables, relates to the cash settlement of 'A' shareholder Joint Venture Partner Loans, which were repaid to the 'A' shareholder at the point of acquisition.

Other acquisitions

On 8 November 2018 the Group acquired the 10% minority interest in Eye-Vet Limited for a consideration of £0.134m leading to 100% of the share capital now being owned.

11 Property, plant and equipment

	Freehold property £000	Short leasehold property £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
Balance at 29 March 2018	2,517	53,715	206,868	263,100
Additions	–	4,714	15,993	20,707
On acquisition	–	1,632	565	2,197
Disposals	–	(659)	(576)	(1,235)
Balance at 28 March 2019	2,517	59,402	222,850	284,769
Depreciation				
Balance at 29 March 2018	238	18,717	114,241	133,196
Depreciation charge for the period	37	4,051	24,406	28,494
Disposals	–	(227)	(378)	(605)
Balance at 28 March 2019	275	22,541	138,269	161,085
Net book value				
At 29 March 2018	2,279	34,998	92,627	129,904
At 28 March 2019	2,242	36,861	84,581	123,684

11 Property, plant and equipment (continued)

	Freehold property £000	Short leasehold property £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost				
Balance at 30 March 2017	2,517	48,720	183,625	234,862
Additions	–	6,326	25,459	31,785
Disposals	–	(1,331)	(2,216)	(3,547)
Balance at 29 March 2018	2,517	53,715	206,868	263,100
Depreciation				
Balance at 30 March 2017	198	15,469	90,360	106,027
Depreciation charge for the period	40	3,447	24,793	28,280
Disposals	–	(199)	(912)	(1,111)
Balance at 29 March 2018	238	18,717	114,241	133,196
Net book value				
At 30 March 2017	2,319	33,251	93,265	128,835
At 29 March 2018	2,279	34,998	92,627	129,904

12 Intangible assets

	Goodwill £000	Customer list £000	Software £000	Total £000
Cost				
Balance at 29 March 2018	979,845	771	33,766	1,014,382
Additions	1,477	893	13,749	16,119
Balance at 28 March 2019	981,322	1,664	47,515	1,030,501
Amortisation				
Balance at 29 March 2018	–	148	21,305	21,453
Amortisation charge for the period	–	152	8,170	8,322
Balance at 28 March 2019	–	300	29,475	29,775
Net book value				
At 29 March 2018	979,845	623	12,461	992,929
At 28 March 2019	981,322	1,364	18,040	1,000,726

	Goodwill £000	Customer list £000	Software £000	Total £000
Cost				
Balance at 30 March 2017	979,845	771	24,916	1,005,532
Additions	–	–	8,872	8,872
Disposals	–	–	(22)	(22)
Balance at 29 March 2018	979,845	771	33,766	1,014,382
Amortisation				
Balance at 30 March 2017	–	71	15,195	15,266
Amortisation charge for the period	–	77	6,126	6,203
Disposals	–	–	(16)	(16)
Balance at 29 March 2018	–	148	21,305	21,453
Net book value				
At 30 March 2017	979,845	700	9,721	990,266
At 29 March 2018	979,845	623	12,461	992,929

12 Intangible assets (continued)

Impairment testing

Cash generating units ('CGUs') within the Group are considered to be aligned to the two operating segments as disclosed in note 2. Within the Retail operating segment, the CGU comprises the body of stores, Company website, grooming operations and insurance operations. Within the Vet Group operating segment, the CGU comprises the First Opinion veterinary practices and Specialist Referral Centres. As at 29 March 2018, the Group only had one reportable CGU in line with its single operating segment. The goodwill has been allocated to the two CGUs on a pro-rata basis, as at 29 March 2018 based on the discounted future cash flows recorded within the impairment review which was undertaken at that date.

As at 28 March 2019, the Group is deemed to have CGUs as follows:

	Goodwill	
	At 28 March 2019 £000	At 29 March 2018 £000
Retail	586,088	–
Vet Group	395,234	–
Total	981,322	979,845

The recoverable amount of the CGU group has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	52 week period ended 28 March 2019		52 week period ended 29 March 2018
	Retail	Vet Group	Group
Period on which management approved forecasts are based (years)	5	5	3
Growth rate applied beyond approved forecast period	2.0%	3.5%	2.0%
Discount rate (pre-tax)	12%	11%	11%
Like-for-like sales growth	4%	9%	5%
Gross profit margin	49%	51%	50%

The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on 'value-in-use' calculations. These calculations use a post-tax cash flow projection based on a five-year plan approved by the Board. For the purposes of intangible asset impairment testing, the model removes all cash flows associated with business units (for example stores or practices yet to open, but within the planning horizon) which the Group has a strategic intention to invest capital in, but has not yet done so, thus ensuring that the future cash flows used in modelling for impairment exclude any cash flows where the investment is yet to take place, in accordance with the requirements of IAS 36 to exclude capital expenditure to improve asset performance. Contributions from and costs associated with new stores and veterinary practices which are already operational at the impairment test date are included in the cash flows. This approach is consistent with impairment reviews carried out in the 2018 financial statements.

The key assumptions in the business plans for both the Retail and Vet Group CGUs are like-for-like sales growth and gross profit margin. The Retail forecast assumptions reflect continual innovation and our deep understanding of our customers, incorporating assumptions based on past experience of the industry, products and markets in which the CGU operates, in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The Vet Group forecast assumptions are based on a deep understanding of the maturity profile of the practices and their performance, incorporating assumptions based on past experience of the industry, services and markets in which the CGU operates, in order to generate the detailed assumptions used in the annual budget setting process, and five year strategic planning process. The projections are based on all available information and growth rates do not exceed growth rates experienced in prior periods. A different set of assumptions may be more appropriate in future years depending on changes in the macro-economic environment and the industry in which each CGU operates.

The discount rate was estimated based on past experience and a market participant weighted average cost of capital. A post tax discount rate was used within the value in use calculation. The pre-tax discount rate is disclosed above in line with IAS 36 requirements.

The Directors have assumed a growth rate projection beyond the five-year period based on market growth rates based on past experience within the Group taking into account the economic growth forecasts within the relevant industries.

12 Intangible assets (continued)

Impairment testing (continued)
The total recoverable amount in respect of goodwill for the CGU group as assessed by the Directors using the above assumptions is greater than the carrying amount and therefore no impairment charge has been recorded in each period.

Within the Retail CGU, a number of sensitivities have been applied to the assumptions in reaching this conclusion including:

- Reduction in growth rate applied beyond forecast period by 100 bps
- Increasing the discount rate by 100 bps
- Reduction in gross margin percentage of 100 bps

None of the above, considered reasonably possible changes in assumptions, would result in impairment when applied either individually or collectively.

Within the Vet Group CGU, a number of sensitivities have been applied to the assumptions in reaching this conclusion including:

- Reduction in growth rate applied beyond forecast period by 100 bps
- Increasing the discount rate by 100 bps
- Reduction in gross margin percentage of 100 bps

None of the above, considered reasonably possible changes in assumptions, would result in impairment when applied either individually or collectively.

13 Inventories

	At 28 March 2019 £000	At 29 March 2018 £000
Finished goods	68,209	60,529

The cost of inventories recognised as an expense and included in 'cost of sales' is £388.1m (period ended 29 March 2018: £355.7m).

Inventory expensed to cost of sales includes the cost of the Stock Keeping Units (SKUs) sold, supplier income, stock wastage and foreign exchange variances.

At 28 March 2019 the inventory provision amounted to £2.6m (29 March 2018: £2.3m). The inventory provision is calculated by reference to the age of the SKU. The provision percentages applied in calculating the provision are as follows:

- Discontinued stock greater than 365 days: 100%
- Current stock greater than 365 days with a use by date: 50%
- Current stock within 180 and 365 days with a use by date: 25%
- Greater than 180 days with no use by date: 25%

In addition, a provision is held to account for store stock losses during the period since which the SKU was last counted.

The value of inventory against which an ageing provision is held is £7.1m (2018: £4.8m).

In the 52 week period ended 28 March 2019, the value of inventory written off to the income statement amounted to £8.1m (52 week period ended 29 March 2018: £8.1m).

14 Deferred tax assets and liabilities

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

	At 28 March 2019			At 29 March 2018		
	Assets £000	Liabilities £000	Total £000	Assets £000	Liabilities £000	Total £000
Property, plant and equipment	190	–	190	–	(849)	(849)
Financial assets	109	–	109	–	(221)	(221)
Financial liabilities	–	(306)	(306)	443	–	443
Other short term timing differences	1,453	(5,474)	(4,021)	1,861	(5,682)	(3,821)
Net deferred tax assets / (liabilities)	1,752	(5,780)	(4,028)	2,304	(6,752)	(4,448)

14 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the period

	29 March 2018 £000	Recognised in income £000	Recognised in equity £000	28 March 2019 £000
Property, plant and equipment	(849)	1,039	–	190
Net financial assets / (liabilities)	222	–	(420)	(198)
Other short term timing differences	(3,821)	(200)	–	(4,022)
	(4,448)	839	(420)	(4,028)

Other short term timing differences primarily relate to share based payment schemes and inventory provisions.

Movement in deferred tax during the period

	30 March 2017 £000	Recognised in income £000	Recognised in equity £000	29 March 2018 £000
Property, plant and equipment	(1,684)	835	–	(849)
Net financial (liabilities) / assets	(190)	–	412	222
Other short term timing differences	(3,530)	(291)	–	(3,821)
	(5,404)	544	412	(4,448)

Company
Movement in deferred tax during the period

	29 March 2018 £000	Recognised in income £000	Recognised in equity £000	28 March 2019 £000
Net financial (liabilities) / assets	(176)	–	200	24

The rate used to calculate deferred tax assets and liabilities has been disclosed in note 8.

15 Other financial assets and liabilities

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Non-current assets				
Investments in Joint Venture veterinary practices	405	403	–	–
Loans to Joint Venture veterinary practices – initial set up loans	13,265	14,194	–	–
Loans to Joint Venture veterinary practices – other loans	3,923	4,539	–	–
Other investments	112	112	–	–
Other receivables	948	934	–	–
	18,653	20,182	–	–

Investments in Joint Venture veterinary practices

Investments represent £0.4m (2018: £0.4m) of the 'B' share capital in Joint Venture veterinary practice companies. These investments are held at fair value through other comprehensive income ('FVOCI'). The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory. The share capital of the veterinary practice companies is split equally into 'A' ordinary shares (held by Joint Venture Partners) and 'B' ordinary shares (held by the Group). Any operational decisions require the agreement of the Joint Venture Partner.

Under the terms of the agreements, the Group ('B' shareholder) is not entitled to any profits, losses or dividends, or any surplus on winding up or disposal, although it is entitled to appoint Directors to the Board and carry the same shareholder voting rights as 'A' ordinary shareholders.

The agreements entitle the Group to receive income in relation to support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property.

15 Other financial assets and liabilities (continued)

Loans to Joint Venture veterinary practices – initial set up loans

Loans to Joint Venture veterinary practices of £13.3m (2018: £14.2m) are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost. The carrying value is cost as the impact of discounting future cash flows has been assessed as not material. Under the terms of the loans provided to veterinary companies trading under the Companion Care and Vets4Pets brands the loans attract varying interest rates between 2% and 3%. There is no set date for repayment of the loans due to the Group.

The balances above are shown net of provisions of £1.1m (2018: £nil). The provision is in relation to loans with Joint Venture veterinary practices which the Group is in the process of offering to buy out and has therefore provided in full for the remaining loans on these practices. These costs have been charged to non-underlying operating cost of sales. The movement on the loans is detailed below.

	Gross loan value £000	Provision £000	Carrying value of loan £000
As at 29 March 2018	14,194	–	14,194
Net repayment and further advances	1,651	–	1,651
Loans written off (un-provided at 29 March 2018, charged to non-underlying)	(1,500)	–	(1,500)
Provisions made during the period (non-underlying)	–	(1,080)	(1,080)
As at 28 March 2019	14,345	(1,080)	13,265
Closing position (underlying)	13,265	–	13,265
Closing position (non-underlying)	1,080	(1,080)	–

£1.5m of loans (2018: £nil) have been written off in the year in advance of the acquisition of 32 Joint Venture veterinary practices in the period. Further details of these acquisitions are provided in note 10.

Loans to Joint Venture veterinary practices – other loans

Loans to Joint Venture veterinary practices – other loans of £3.9m (2018: £4.5m) represent loan balances to Joint Venture veterinary practices and Shared Venture Partners. These loans are unsecured, typically for five to seven years and attract an interest rate of LIBOR plus 2.8%. The loans are accounted for at amortised cost. The carrying value is considered to be cost as the impact of discounting future cash flows has been assessed as not material. The loans are typically to support capacity expansion. The balances above are shown net of provisions held of £1.1m (2018: £nil). The provision is in relation to loans with Joint Venture veterinary practices which the Group has or will offer to buy out from Joint Venture Partners in the future, and has therefore provided in full for the remaining loans on these practices. The movement on the loans is detailed below.

£0.4m (2018: £nil) of these loans have been written off in the year in advance of the acquisition of 32 Joint Venture veterinary practices in the period. Further details of these acquisitions are provided in note 10.

	Gross loan value £000	Provision £000	Carrying value of loan £000
As at 29 March 2018	4,539	–	4,539
Net repayment and further advances	832	–	832
Loans written off (un-provided at 29 March 2018, charged to non-underlying)	(369)	–	(369)
Provisions made during the period (non-underlying)	–	(1,079)	(1,079)
As at 28 March 2019	5,002	(1,079)	3,923
Closing position (underlying)	3,923	–	3,923
Closing position (non-underlying)	1,079	(1,079)	–

15 Other financial assets and liabilities (continued)

Other investments

Other investments are held at fair value through other comprehensive income ('FVOCI'). The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

	Group		Company	
Other financial assets	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Current assets				
Fuel forward contracts	6	78	–	–
Forward exchange contracts	1,604	156	–	–
Interest rate swaps	–	926	–	926
	1,610	1,160	–	926

	Group		Company	
Other financial liabilities	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Current liabilities				
Forward exchange contracts	(451)	(2,333)	–	–
Interest rate swaps	(124)	–	(124)	–
Other financial liabilities	(6,638)	(1,000)	–	–
Finance lease liabilities	(120)	(59)	–	–
	(7,333)	(3,392)	(124)	–

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Non-current liabilities				
Other financial liabilities	(2,263)	(8,675)	–	–
Finance lease liabilities	(234)	(18)	–	–
	(2,497)	(8,693)	–	–

The current and non-current 'other financial liabilities' as at 28 March 2019 relate to the fair value of the put and call options over the non-controlling interests in subsidiary undertakings Dick White Referrals Limited and Anderson Moores Veterinary Specialists Limited. The financial liabilities comprise a minimum amount and a growth element based on estimated future earnings.

As at 29 March 2018, the current 'other financial liabilities' related to the contingent consideration in relation to the acquisition of Anderson Moores Veterinary Specialists Limited which was paid in the year. The non-current 'other financial liabilities' related to the fair value of the put and call options over the non-controlling interests in subsidiary undertakings Dick White Referrals Limited, Eye-Vet Limited and Anderson Moores Veterinary Specialists Limited.

During the period ended 28 March 2019, the Group acquired the 10% minority interest in Eye-Vet Limited for consideration of £0.134m leading to 100% of the share capital now being owned. Further details have been provided in note 10.

16 Trade and other receivables

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Trade receivables	15,831	14,609	–	–
Amounts owed by Joint Venture veterinary practices – funding for new practices [1]	291	1,595	–	–
Amounts owed by Joint Venture veterinary practices – operating loans [1]	27,938	29,703	–	–
Other receivables	7,104	7,653	–	–
Amounts owed by Group undertakings	–	–	578,336	576,795
Prepayments	12,309	15,860	–	–
Accrued income	5,413	5,428	–	–
	68,886	74,848	578,336	576,795

1 The amounts owed by Joint Venture veterinary practices as at 29 March 2018 have been split out to reflect the disclosure provided in note 27.

All balances are included within current assets.

Trade and other receivables

The impairment of trade and other receivables is assessed in line with IFRS 9. As at 28 March 2019 and 29 March 2018 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

Amounts owed by Joint Venture veterinary practices

Amounts owed by Joint Venture veterinary practices represent funding for new practices, trading balances and operating loans owed by Joint Venture veterinary practices to the Group. Operating loans are provided on a short term monthly cycle to the extent that a practice needs additional funding above their external bank loan. Practices generate cash on a monthly basis which is applied to the repayment of brought forward operating loans. For immature practices, loan balances are likely to increase as further fees and rent are charged by the Group, however as cash is applied against opening loan balances, the Group's expectation is that the brought forward balance will be repaid in cash within 12 months. The loans have been classified as current on this basis and the Group does not consider it necessary to charge interest on these balances. The loans are repayable within 90 days of demand and have no credit limits, however the level of loans are monitored in relation to review of the practice's performance against business plan. Based on the projected cash flow forecast on a practice by practice basis, the funding is expected to be required for a number of years.

The balances above are shown net of provisions held for operating loans of £14.3m (2018: £8.3m). The basis for this provision and the movement in the period is set out below and further detail is provided in note 1.23.

Group

	Underlying £000	Non-underlying £000	Total £000
Gross value of operating loans			
As at 29 March 2018 [1]	25,402	12,609	38,011
Loans written off (£7.561m un-provided at 29 March 2018, charged to non-underlying)	–	(10,765)	(10,765)
Net repayment and further advances	9,636	5,325	14,961
Gross value of operating loans as at 28 March 2019	35,038	7,169	42,207
Provisions against operating loans			
As at 29 March 2018 [1]	4,204	4,104	8,308
Utilisation of provision against loans written off	–	(3,204)	(3,204)
Provisions made during the period	2,896	6,269	9,165
Provision against operating loans as at 28 March 2019	7,100	7,169	14,269
Carrying value of loan at 29 March 2018	21,198	8,505	29,703
% provision as at 29 March 2018	16.5%	32.5%	21.9%
Carrying value of loan at 28 March 2019	27,938	–	27,938
% provision as at 28 March 2019	20.3%	100%	33.8%

1 The opening balance of operating loans and provisions against operating loans has been allocated between practices which form part of the recalibration review of the First Opinion vet business (non-underlying) and practices which do not form part of this review (underlying).

16 Trade and other receivables (continued)

Group (continued)
On 30 March 2018 the Group transitioned to IFRS 9 Financial Instruments, which replaced IAS 39. The provisioning methodology for the loans to Joint Venture veterinary practices has been assessed in line with the requirements of IFRS 9. As part of this assessment the opening provision as at 29 March 2018 was recalculated in line with the requirements of IFRS 9 and due to the short term nature of the loans, there were no material differences to the level of the provision and therefore no adjustment to opening reserves was required.

During the period ended 28 March 2019, £10.765m of operating loans, which were deemed to be in default due to the significant underperformance of the practices, were written off to the consolidated income statement. £3.204m of the balance written off was provided for as at 29 March 2018, with the remaining £7.561m charged to non-underlying items in the year; see note 3 for further details.

The Group holds an underlying provision of £7.100m against the remaining operating loans of £35.038m, which do not form part of the proposed 'buy out' group of Joint Venture veterinary practices. This provision is based on management's best estimates of expected credit loss risk associated with the loans. Practices are allocated into risk bands based on a number of factors such as their age, the number of years it is expected to take them to become debt free and any other specific factors which may be relevant to the practice. The percentage provision varies between a level of 10% for operating loans to practices which are less than four years old, and are therefore relatively immature, and up to 35% for the highest risk practices. The underlying provision has increased by £2.896m in the year (£4.204m as at 29 March 2018) as management have updated their expectation of the credit risk associated with the practices to reflect their latest view of performance and the level of risk in the market. The Group is working with a number of Joint Venture Partners, where the Partners choose to follow Pets at Home's recommendations, on remediation plans aimed at improving practice performance. Further details regarding credit risk are provided in note 1.16.

The following table presents an analysis of the credit quality of debt securities, held at amortised cost, and indicates whether they were credit impaired.

Credit grade	Not credit impaired at 28 March 2019 £000	Credit impaired at 28 March 2019 £000	Not credit impaired at 29 March 2018 £000	Credit impaired at 29 March 2018 £000
Very low risk	–	–	–	–
Low risk	4,500	–	11,260	–
Medium risk	30,538	–	26,751	–
High risk	–	7,169	–	–
Gross carrying amount	35,038	7,169	38,011	–
Loss allowance	(7,100)	(7,169)	(8,308)	–
Net carrying amount	27,938	–	29,703	–

Loans within the 'high risk' credit grading above are to significantly underperforming practices and are therefore considered to be credit impaired.

Should each operating loan be moved up a banding in the provision calculation model, this would lead to an increase in the required provision for operating loans of £3.5m (29 March 2018: £3.9m). This sensitivity is considered by management to represent a reasonably possible range of estimation uncertainty, based on the variance in current trading performance within these Joint Venture veterinary practices versus forecasts on which the provisions were based as at 28 March 2019. Loans in the top band of 40% have not been moved up to a 100% banding, as this is not a reasonable estimated change. The factors which give rise to the estimation uncertainty include macro-economic and industry specific factors, including the level of industry growth, as well as gross margin percentages achieved within the industry, which contain a number of factors including the availability of suitably qualified veterinary personnel.

Further details are provided in note 27.

Accrued income
Accrued income relates to income in relation to fees to Joint Venture veterinary practices, revenues generated through Specialist Referral Centres, and overrider and promotional income from suppliers, which has not yet been invoiced. Accrued income is classified as current as it is expected to be invoiced and received within 12 months of the period end. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. As detailed in note 1.19, supplier income is recognised as a credit within gross margin to cost of sales and is outside of the scope of IFRS 15 and therefore a contract asset has not been separately recognised. Further detail of the Group's revenue recognition policy is provided in note 1.19.

16 Trade and other receivables (continued)

Company

Amounts owed by Group undertakings

Amounts owed by Group undertakings have been assessed in line with IFRS 9 and an assessment is made of the expected credit loss. As at 28 March 2019 and 29 March 2018 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

17 Cash and cash equivalents

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Cash and cash equivalents	60,534	59,824	–	1,717

18 Other interest-bearing loans and borrowings

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Non-current liabilities				
Unsecured bank loans	178,778	194,519	178,778	194,519

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 28 March 2019 £000	Carrying amount at 28 March 2019 £000	Face value at 29 March 2018 £000	Carrying amount at 29 March 2018 £000
Revolving credit facility	GBP	LIBOR +1.4%	2023	181,000	178,778	195,000	194,519

During the period, the Group has entered into a new revolving credit facility of £248.0m which expires in 2023. Debt related fees of £2.5m have been capitalised against the loan to be amortised over the remaining term of the facility.

The drawn amount was £181.0m at 28 March 2019 and this amount is reviewed each month. Interest is charged at LIBOR plus a margin based on leverage (net debt: EBITDA). Face value represents the principal value of the revolving credit facility. The facility is unsecured.

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

The analysis of repayments on the loans is as follows:

	At 28 March 2019 £000	At 29 March 2018 £000
Within one year or repayable on demand	–	–
Between one and two years	–	–
Between two and five years	181,000	195,000
	181,000	195,000

The loans at 28 March 2019 and 29 March 2018 are held by the Company.

Analysis of changes in net debt

	At 29 March 2018 £000	Cash flow £000	Non-cash movement £000	At 28 March 2019 £000
Cash and cash equivalents	59,824	710	–	60,534
Debt due within one year at face value	–	–	–	–
Debt due after one year at face value	(195,000)	14,000	–	(181,000)
Net debt	(135,176)	14,710	–	(120,466)

19 Trade and other payables

	Group		Company	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Current				
Trade payables	108,827	106,709	–	–
Accruals	43,568	46,638	634	305
Amounts owed to Joint Venture veterinary practices	3,971	2,951	–	–
Deferred income in relation to lease incentives	5,083	4,063	–	–
Other payables including tax and social security	24,384	13,495	–	–
Amounts owed to Group undertakings	–	–	329,457	268,706
	185,833	173,856	330,091	269,011
Non-current				
Deferred income in relation to lease incentives	33,579	36,200	–	–

The current and non-current deferred income represents deferred income in respect of store leases where incentives are spread over the life of the lease.

Amounts owed to Joint Venture veterinary practices relate to trading balances, are interest free and repayable on demand.

Within accruals above, contract liabilities under IFRS 15 of £0.7m relate to advanced consideration received from customers in relation to gift vouchers, cards and points redeemable by charities. This revenue will be recognised as the vouchers, cards and points are redeemed, which is expected to be over the next two years.

20 Provisions

	Dilapidation provision £000	Closed stores provision £000	Provisions for guarantees and lease obligations relating to Joint Venture veterinary practices £000	Provisions for exit and closure costs relating to Joint Venture veterinary practices £000	Total £000
Balance at 29 March 2018	667	2,368	–	–	3,035
Provisions made during the period	73	2,168	13,947	8,549	24,737
Provisions utilised during the period	–	(1,719)	(8,531)	–	(10,250)
Provisions released during the period	–	(482)	–	–	(482)
Balance at 28 March 2019	740	2,335	5,416	8,549	17,040

	At 28 March 2019 £000	At 29 March 2018 £000
Current	15,353	835
Non-current	1,687	2,200
	17,040	3,035

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. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 1 and 10 years. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

The provision is discounted at a rate of 8%, being the estimated average implicit lease rate. A decrease in this rate of 100 bps would increase the provision by £0.1m.

20 Provisions (continued)

The provisions for guarantees and lease obligations relating to Joint Venture veterinary practices includes guarantees to third parties for bank loans, overdrafts and lease obligations payable by Joint Venture veterinary practices which the Group has bought or will offer to buy out from Joint Venture Partners in future, and therefore which have been provided for under IFRS 9.

The provisions for exit and closure costs relating to Joint Venture veterinary practices relate to expenses forecast to be incurred by the Group from 29 March 2019 until the date at which the 'A' shares in those Joint Venture veterinary practices which the Group will offer to buy out from Joint Venture Partners in the future are acquired, and therefore which have been provided for under IAS 37.

21 Capital and reserves

Share capital

Group

	Share capital Number	Share capital £000
At 30 March 2017	500,000,000	5,000
At 29 March 2018	500,000,000	5,000
At 28 March 2019	500,000,000	5,000

Company

	Share capital 28 March 2019 £000
At beginning of period	5,000
On issue at period end	5,000

	Share capital 29 March 2018 £000
At beginning of period	5,000
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 cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Retained earnings
Included within the Group is Pets at Home Employee Benefit Trust (EBT). The EBT purchases shares to fund the share option schemes. As at 28 March 2019, the EBT held 4,596,471 ordinary shares (29 March 2018: 3,271,102) with a cost of £7,905,930 (2018: £3,587,000). The market value of these shares as at 28 March 2019 was 160.50 pence per share (29 March 2018: 169.00).

21 Capital and reserves (continued)

Other comprehensive income

28 March 2019	Translation reserve £000	Cash flow hedging reserve £000	Total other comprehensive income £000
Other comprehensive income	(76)	–	(76)
Cash flow hedges – reclassified to profit and loss	–	1,173	1,173
Effective portion of changes in fair value of cash flow hedges	–	1,034	1,034
Deferred tax on changes in fair value of cash flow hedges	–	(420)	(420)
Total other comprehensive income	(76)	1,787	1,711

29 March 2018	Translation reserve £000	Cash flow hedging reserve £000	Total other comprehensive income £000
Other comprehensive income	71	–	71
Cash flow hedges – reclassified to profit and loss	–	(473)	(473)
Effective portion of changes in fair value of cash flow hedges	–	(1,695)	(1,695)
Deferred tax on changes in fair value of cash flow hedges	–	412	412
Total other comprehensive income	71	(1,756)	(1,685)

22 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

Risk management framework

Risk management in respect of financial risk is carried out by the Group Treasury function under policies approved by the Board of Directors. The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board provides written principles, through its Group Treasury Policy, for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The main objectives of the Group Treasury function are:

- To ensure shareholder and management expectations are managed on cash flow and earnings volatility resulting from financial market movements;
- To protect the expected cash flow and earnings from interest rate and foreign exchange fluctuations to within parameters acceptable to the Board and shareholders; and
- To control banking costs and service levels.

22 Financial instruments (continued)

Market risk

(i) Foreign currency risk

The Group sources a significant level of purchases in foreign currency, in excess of US$70 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 28 March 2019, the Group's policy is to hedge up to 95% of the next 12 months and additionally up to 60% of the following six months out to 18 months forecast foreign exchange transactions, using foreign currency bank accounts and forward foreign exchange contracts. The transactions are deemed to be 'highly probable' and are based on historical knowledge and forecast purchase and sales projections.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments, except for derivatives which are based on notional amounts:

28 March 2019	Euro £000	US Dollar £000	HKD £000	Total £000
Cash and cash equivalents	477	16	16	509
Trade payables	–	(7,664)	–	(7,664)
Forward exchange contracts	(195)	1,348	–	1,153
Balance sheet exposure	282	(6,300)	16	(6,002)

29 March 2018	Euro £000	US Dollar £000	HKD £000	Total £000
Cash and cash equivalents	160	1,347	2	1,509
Trade payables	(994)	(7,247)	–	(8,241)
Forward exchange contracts	(24)	(2,153)	–	(2,177)
Balance sheet exposure	(858)	(8,053)	2	(8,909)

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	
	28 March 2019 £000	29 March 2018 £000	28 March 2019 £000	29 March 2018 £000
US Dollar	(67)	108	382	295
Euro	10	1	(24)	42

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 Group's interest rate risk arises from long term borrowings. As at 28 March 2019 the Group had a revolving credit facility with a face value totalling £181.0m. The Group's borrowings as at 28 March 2019 incur interest at a rate of 1.4% plus LIBOR at the leverage prevalent in the period, which exposes the Group to cash flow interest rate risk. The analysis of loan repayments is detailed in note 18.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements.

The Group has a fixed rate interest rate swap agreement over a total of £142.1m of the revolving credit facility borrowings at the balance sheet date at a fixed rate of 0.183%, which expires on 30 March 2019. The Group has a further fixed rate interest rate swap agreement over a total of £166.5m of the revolving credit facility borrowings at the balance sheet date at a fixed rate of 0.814%, which commences on 30 March 2019 and expires on 30 March 2020. The hedge is structured to hedge at least 70% of the forecast outstanding debt for the next year.

22 Financial instruments (continued)

Market risk (continued)

(ii) Interest rate risk (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 28 March 2019 £000	Book value At 29 March 2018 £000	Book value At 28 March 2019 £000	Book value At 29 March 2018 £000
Fixed rate instruments				
Financial liabilities	142,100	142,100	142,100	142,100
Variable rate instruments				
Financial liabilities	36,678	52,419	36,678	52,419
Total financial liabilities	178,778	194,519	178,778	194,519

All borrowings bear a variable rate of interest based on LIBOR. Group policy is to hedge at least 70% of the loan to ensure a fixed rate of interest. Therefore, designated above is the portion of the loan hedged by a fixed rate interest rate swap and the remaining un-hedged portion is designated as variable rate.

Sensitivity analysis

A change of 50 basis points in interest rates at the period end date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instruments at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for the comparative period.

	At 28 March 2019 £000	At 29 March 2018 £000
Equity		
Increase	711	711
Decrease	(711)	(711)
Profit or loss		
Increase	183	262
Decrease	(183)	(262)

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 revolving credit facilities and interest rate swap agreements hold an acceptable risk rating by independent parties.

The Group has in place certain guarantees over the bank loans taken out by a number of 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.

22 Financial instruments (continued)

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

28 March 2019	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						
Bank loans (note 18)	178,778	181,000	–	–	181,000	–
Trade payables (note 19)	108,827	108,827	108,827	–	–	–
Finance lease liabilities (note 15)	354	354	120	96	138	–
Other financial liabilities (note 15)	9,476	9,476	7,213	–	2,263	–
Derivative financial liabilities						
Forward exchange contracts used for hedging:						
Outflow (note 15)	451	451	451	–	–	–
	297,886	300,108	116,611	96	183,401	–

29 March 2018	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						
Bank loans (note 18)	194,519	195,000	–	–	195,000	–
Trade payables (note 19)	106,709	106,709	106,709	–	–	–
Finance lease liabilities	77	77	59	18	–	–
Other financial liabilities	9,675	10,038	1,000	–	9,038	–
Derivative financial liabilities						
Forward exchange contracts used for hedging:						
Outflow (note 15)	2,333	2,333	2,333	–	–	–
	313,313	314,157	110,101	18	204,038	–

Company

28 March 2019	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						
Bank loans (note 18)	178,778	181,000	–	–	181,000	–
	178,778	181,000	–	–	181,000	–

29 March 2018	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						
Bank loans (note 18)	194,519	195,000	–	–	195,000	–
	194,519	195,000	–	–	195,000	–

22 Financial instruments (continued)

Liquidity risk and cash flow hedges

Cash flow hedges

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur and to affect profit or loss:

Group

28 March 2019	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)	(124)	(124)	(124)	–	–	–
Forward exchange contracts:						
Assets (note 15)	1,604	1,604	1,604	–	–	–
Liabilities (note 15)	(451)	(451)	(451)	–	–	–
Fuel forward contracts:						
Assets (note 15)	6	6	6	–	–	–
	1,035	1,035	1,035	–	–	–

29 March 2018	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)	926	926	926	–	–	–
Forward exchange contracts:						
Assets (note 15)	156	156	156	–	–	–
Liabilities (note 15)	(2,333)	(2,333)	(2,333)	–	–	–
Fuel forward contracts:						
Assets (note 15)	78	78	78	–	–	–
	(1,173)	(1,173)	(1,173)	–	–	–

Company

28 March 2019	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)	(124)	(124)	(124)	–	–	–
	(124)	(124)	(124)	–	–	–

29 March 2018	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)	926	926	926	–	–	–
	926	926	926	–	–	–

22 Financial instruments (continued)

Fair values of financial instruments

Investments

The fair values of investments are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.

Trade and other payables and receivables

The fair values of these items are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand (such as term deposits), then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Long term and short term borrowings

The fair value of bank loans and other loans approximates its carrying value as it has an interest rate based on LIBOR.

Short term deposits

The fair value of short term deposits is considered to be their carrying value as the balances are held in floating rate accounts where the interest rate is reset to market rates.

Derivative financial instruments

The fair values of forward exchange contracts and interest rate swap contracts are calculated by management based on external valuations received from the Group's bankers and one 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:

Fair value hierarchy

The table below shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

22 Financial instruments (continued)

Fair values of financial instruments (continued)

28 March 2019

Carrying amount	Fair value – hedging instruments £000	FVOCI – equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
Financial assets measured at fair value					
Investments in Joint Venture veterinary practices	–	405	–	–	405
Other investments	–	112	–	–	112
Fuel forward contract used for hedging	6	–	–	–	6
Forward exchange contracts used for hedging	1,604	–	–	–	1,604
	1,610	517	–	–	2,127
Financial assets not measured at fair value					
Current trade and other receivables	–	–	22,935	–	22,935
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans	–	–	28,229	–	28,229
Cash and cash equivalents	–	–	60,534	–	60,534
Loans to Joint Venture veterinary practices – initial set up loans	–	–	13,265	–	13,265
Loans to Joint Venture veterinary practices – other loans	–	–	3,923	–	3,923
Other receivables	–	–	948	–	948
	–	–	129,834	–	129,834
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging	(451)	–	–	–	(451)
Interest rate swaps used for hedging	(124)	–	–	–	(124)
	(575)	–	–	–	(575)
Financial liabilities not measured at fair value					
Current other financial liabilities	–	–	–	(6,638)	(6,638)
Current finance lease liabilities	–	–	–	(120)	(120)
Trade payables	–	–	–	(108,827)	(108,827)
Amounts owed to Joint Venture veterinary practices	–	–	–	(3,971)	(3,971)
Non-current other financial liabilities	–	–	–	(2,263)	(2,263)
Other interest-bearing loans and borrowings (note 18)	–	–	–	(178,778)	(178,778)
	–	–	–	(300,597)	(300,597)

22 Financial instruments (continued)

Fair values of financial instruments (continued)

28 March 2019

Fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets measured at fair value				
Investments in Joint Venture veterinary practices	–	–	405	405
Other investments	–	–	112	112
Fuel forward contracts used for hedging	–	6	–	6
Forward exchange contracts used for hedging	–	1,604	–	1,604
Financial assets not measured at fair value				
Amounts owed by Joint Venture veterinary practices – funding and operating loans	–	–	28,229	28,229
Loans to Joint Venture veterinary practices – initial set up loans	–	–	13,265	13,265
Loans to Joint Venture veterinary practices – other loans	–	–	3,923	3,923
Other receivables	–	–	948	948
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	–	(451)	–	(451)
Interest rate swaps used for hedging	–	(124)	–	(124)
Financial liabilities not measured at fair value				
Current other financial liabilities	–	–	(6,638)	(6,638)
Non-current other financial liabilities	–	–	(2,263)	(2,263)
Other interest-bearing loans and borrowings (note 18)	–	(181,000)	–	(181,000)

29 March 2018

Carrying amount	Fair value – hedging instruments £000	FVOCI – equity instruments £000	Financial assets at amortised cost £000	Other financial liabilities £000	Total carrying amount £000
Financial assets measured at fair value					
Investments in Joint Venture veterinary practices	–	403	–	–	403
Other investments	–	112	–	–	112
Fuel forward contracts used for hedging	78	–	–	–	78
Forward exchange contracts used for hedging	156	–	–	–	156
Interest rate swaps used for hedging	926	–	–	–	926
	1,160	515	–	–	1,675
Financial assets not measured at fair value					
Current trade and other receivables	–	–	22,262	–	22,262
Amounts owed by Joint Venture veterinary practices – funding and operating loans	–	–	31,298	–	31,298
Cash and cash equivalents	–	–	59,824	–	59,824
Loans to Joint Venture veterinary practices – initial set up loans	–	–	14,194	–	14,194
Loans to Joint Venture veterinary practices – other loans	–	–	4,539	–	4,539
Other receivables	–	–	934	–	934
	–	–	133,051	–	133,051
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging	(2,333)	–	–	–	(2,333)
	(2,333)	–	–	–	(2,333)
Financial liabilities not measured at fair value					
Current other financial liabilities	–	–	–	(1,000)	(1,000)
Finance lease liabilities	–	–	–	(59)	(59)
Trade payables	–	–	–	(106,709)	(106,709)
Amounts owed to Joint Venture veterinary practices	–	–	–	(2,951)	(2,951)
Non-current other financial liabilities	–	–	–	(8,675)	(8,675)
Other interest-bearing loans and borrowings (note 18)	–	–	–	(194,519)	(194,519)
	–	–	–	(313,913)	(313,913)

22 Financial instruments (continued)

Fair values of financial instruments (continued)

29 March 2018

Fair value	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets measured at fair value				
Investments in Joint Venture veterinary practices	–	–	403	403
Other investments	–	–	112	112
Fuel forward contract used for hedging	–	78	–	78
Forward exchange contracts used for hedging	–	156	–	156
Interest rate swaps used for hedging	–	926	–	926
Financial assets not measured at fair value				
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans	–	–	31,298	31,298
Loans to Joint Venture veterinary practices – initial set up loans	–	–	14,194	14,194
Loans to Joint Venture veterinary practices – other loans	–	–	4,539	4,539
Other receivables	–	–	934	934
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	–	(2,333)	–	(2,333)
Financial liabilities not measured at fair value				
Current other financial liabilities	–	–	(1,000)	(1,000)
Non-current other financial liabilities	–	–	(8,675)	(8,675)
Other interest-bearing loans and borrowings (note 18)	–	(195,000)	–	(195,000)

Measurement of fair values

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values at the balance sheet dates, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment in equity securities	The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.	Not applicable	Not applicable
Forward exchange contracts and interest rate swaps	Market comparison technique – the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.	Not applicable	Not applicable
Other financial liabilities	Other financial liabilities include the fair values of the put and call options over the non-controlling interests of subsidiary undertakings. The fair values represent the best estimate of amounts payable based on future earnings performance discounted to present value.	Future earnings performance	Fair value linked to increase or decrease in the best estimate of the future earnings performance

Company

The Company held interest rate swaps as at 28 March 2019 and 29 March 2018 which are valued as above.

Capital management

The Group's objectives when managing capital, which is deemed to be total equity plus total debt, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom on financial covenants. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group.

22 Financial instruments (continued)

Capital management (continued)
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 revolving credit facility and to maintain a comfortable level of headroom over and above these requirements.

Management have continued to measure and monitor covenant compliance throughout the period and the Group has complied with the requirements set.

23 Share based payments

At 28 March 2019, the Group has five share award plans, all of which are equity settled schemes.

1 The Co-Invest Plan (CIP)

On 25 February 2014 the Company adopted the Co-Invest Plan (CIP). Matching awards under the CIP (as described in section 1(b) below) were made on 17 March 2014 to Executive Directors and the Senior Executives by reference to corresponding investment pledges by those colleagues.

These matching awards vested over a period of three years subject to the satisfaction of performance conditions and once vested as to performance became exercisable in equal one-third tranches in years three, four and five subject to continued employment with the Group. These awards were granted at nil cost.

(a) Eligibility

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

(b) Type of awards

Colleagues were invited to participate in the CIP by making an 'investment' or 'pledge' of their own shares (the 'Co-Invest Shares'), which could include existing, locked-in shares or new shares acquired with cash, in return for a nil cost-matching award over shares (the 'Matching Award').

Matching Awards were granted by reference to a ratio not exceeding one matched share for every Co-Invest Share 'pledged'. Matching Awards under the CIP did not form part of a participant's pensionable earnings and are not transferable other than on death.

(c) Individual limits

The Executive Directors and the Senior Executives pledged Co-Invest Shares with a market value equal to 2.5 times their annual salary. Other senior colleagues who elected to participate in the CIP pledged Co-Invest Shares with a market value equal to a limit specified by the Remuneration Committee, but not exceeding 1 times their annual salary.

(d) Performance, vesting and performance adjustment

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

The performance conditions were as follows:

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

23 Share based payments (continued)

2 CSOP

On 25 February 2014 the Company adopted the CSOP. Part I of the CSOP is tax approved under Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and provides for the grant of tax approved options. Part II of the CSOP provides for the grant of unapproved options.

The tax approved options under Part I of the CSOP will be exercisable between the third and tenth anniversary of the date of grant, subject to continued employment with the Group. These awards will be granted with an exercise price equal to the market value of the shares at the grant date (as agreed with HMRC).

(a) Eligibility

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the CSOP, at the discretion of the Remuneration Committee.

(b) Grant of options

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

(c) Vesting and performance

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

(d) Exercise price

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

(e) Individual limits

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

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

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

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

3 PSP

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

(a) Eligibility

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

(b) Grant of awards

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

(c) Exercise price

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

23 Share based payments (continued)

3 PSP (continued)

(d) Scheme limits

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

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

(e) Individual limits

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

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

(f) Performance

For awards granted on, or in connection with, Admission, the performance conditions are the same as for the CIP outlined in Section 1(d) above.

4 SAYE

On 25 February 2014, the Company adopted the SAYE (which was registered with and self-certified with HMRC on 4 April 2015). The rules of the SAYE were adopted pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 and provide for the grant of tax approved options. In September each year, the Company issues invitations under the rules of the SAYE which provides eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings is £500 per month. The Executive Directors have elected to participate in the SAYE, along with 30% of eligible colleagues.

The options are granted once a year, and in normal circumstances they are not exercisable until completion of a three year savings period, beginning on 1 December each year, and will then be exercisable for a period of six months following completion of the relevant savings period.

(a) Eligibility

All colleagues and full-time Directors of the Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option and who are liable to UK income tax, are eligible to participate in the SAYE.

Participation may also be offered, at the discretion of the Board (taking account of the recommendations of the Remuneration Committee), to other Directors or employees who otherwise do not satisfy all of the above criteria, although Non-Executive Directors are not eligible to participate in the SAYE.

(b) Issue of invitations

Invitations to participate in the SAYE may be made during each 42 day period from (and including) (i) the date on which any amendment to the SAYE is approved or adopted by the Company's shareholders, (ii) the announcement of the Company's final or interim results for any financial period, (iii) the occurrence of an event which the Remuneration Committee considers to be an non-underlying event concerning the Group or (iv) changes to the legislation affecting tax approved SAYE option schemes coming into effect. If any of the above periods is a 'close period' as a result of the application of the Model Code for Securities Transactions by Directors of Listed Companies (or as a result of the Company's equivalent internal share dealing rules) and the Company is prohibited from issuing invitations and/or granting options as a result, then invitations may be made within 42 days of the end of the close period.

Invitations may be issued by the trustee of an employee benefit trust. No invitations may be issued or options granted more than ten years after the adoption of the SAYE.

23 Share based payments (continued)

4 SAYE (continued)

(c) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80% of the market value of a share at the time of grant and its nominal value.

(d) Savings contract

Options may be granted by the Board or the trustee of an employee benefit trust. Upon applying for an option, the colleague will be required to enter into an approved savings contract with a savings institution nominated by the Company which lasts for three years. The maximum amount which an employee is permitted to contribute under SAYE contracts is £500 per month. The Board may set lower savings limits than this for different colleagues by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10). The total exercise price of the shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the colleague's related SAYE contract.

(e) Scheme limits

The number of newly issued shares over which (or in respect of which) options may be granted under the SAYE on any date of grant shall be limited so that the total number of shares issued or capable of being issued in any ten year period under all the Company's employee share schemes (including the CIP, CSOP, PSP and RSA but other than to satisfy dividend equivalent payments) is restricted to 10% of the Company's issued shares calculated at the relevant time. Any options or rights to acquire shares granted before, on or in connection with Admission will be excluded from this limit, and no account will be taken of options or awards which have lapsed, been surrendered or otherwise become incapable of exercise or vesting.

(f) Exercisability

Options will normally be exercisable during a period of six months following the allocation of a bonus under the related SAYE contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the colleague dies or leaves employment through injury, disability, redundancy or retirement or where a colleague leaves employment of the Group by reason of his employing company ceasing to be a member of the Group, or if the undertaking in which he is employed is sold outside the Group. Early exercise will also be permitted in the event of a takeover, reconstructions or voluntary winding up of the Company.

5 RSA

On 20 July 2017 the Company adopted the RSA. Awards under the RSA were made on 20 July 2017 and annually thereafter and will be exercisable between the third and tenth anniversary of this date, subject to continued employment with the Group and the satisfaction of performance conditions. These awards were granted at nil cost.

(a) Eligibility

All colleagues, including the Executive Directors and Senior Executives, are eligible to participate in the RSA, at the discretion of the Remuneration Committee.

(b) Grant of awards

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

(c) Exercise price

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

(d) Scheme limits

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

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

23 Share based payments (continued)

5 RSA (continued)

e) Individual limits

The aggregate market value of shares comprised in awards granted to a colleague under the RSA, PSP and the CSOP in any financial year shall not exceed 150% of their annual salary for that year. Market value for these purposes will be calculated by reference to the market value of the shares on the relevant date of grant as determined by the Board (following consultation with the Remuneration Committee) in its absolute discretion.

Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions and a Monte-Carlo simulation for the market-based (TSR element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group, or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

		RSA	CIP			PSP
	2018	2017	2015	2017	2016	2015
At grant date						
Share price	£1.37	£1.58	£2.45	£2.59	£2.75	£2.45
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	32%	32%	30%	32%	30%	30%
Option life (years)	10	10	3	10	10	10
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	n/a	n/a	n/a	0.50%	1.07%	1.07%
Weighted average fair value of options granted	£1.37	£1.58	£2.06	£2.06	£2.06	£2.06

			CSOP			SAYE
	2017	2016	2015	2018	2017	2016
At grant date						
Share price	£2.59	£2.75	£2.31	£1.17	£1.97	£2.46
Exercise price	£2.59	£2.75	£2.31	£0.94	£1.57	£1.97
Expected volatility	32%	32%	37%	32%	32%	32%
Option life (years)	10	10	10	3	3	3
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	0.50%	2.25%	2.25%	0.20%	0.20%	0.20%
Weighted average fair value of options granted	£0.65	£0.89	£0.75	£0.39	£0.61	£0.70

As both the RSA and PSP awards have a nil exercise price the risk free rate of return does not have any effect on the estimated fair value.

Movements in awards under share based payment schemes:

	CIP 000	PSP 000	CSOP 000	SAYE 000	RSA 000	Total 000
Outstanding at start of year	827	2,448	5,288	3,927	2,734	15,224
Granted	–	–	–	4,691	3,813	8,505
Forfeited	(684)	(613)	(1,156)	(2,993)	(134)	(5,582)
Exercised	(57)	–	–	(179)	(2)	(237)
Lapsed	–	–	–	–	–	–
Outstanding at end of year	86	1,835	4,132	5,446	6,411	17,910
Weighted average exercise price	–	–	£2.57	£1.08	–	n/a

The Group income statement charge recognised in respect of share based payments for the current period is £3.5m (2018: £3.9m).

24 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings		Other	
	At 28 March 2019 £000	At 29 March 2018 £000	At 28 March 2019 £000	At 29 March 2018 £000
Less than one year	79,795	77,808	3,540	3,380
Between one and five years	276,441	281,088	6,001	5,883
More than five years	215,661	228,955	369	795
	571,897	587,851	9,910	10,058

Land and buildings relate to the hire of stores and other trading properties under operating leases. No lease is considered individually significant and therefore there are no material contingent rents, renewal or purchase options or lease restrictions within the portfolio.

During the period ended 28 March 2019 £81.9m was recognised as an expense in the income statement in respect of operating leases (period ended 29 March 2018: £80.3m).

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 as a credit in line with the rents payable as set out in the rental agreements. See note 3.

	At 28 March 2019 £000	At 29 March 2018 £000
Less than one year	772	877
Between one and five years	1,463	2,879
More than five years	–	216
	2,235	3,972

25 Commitments

Capital commitments

At 28 March 2019, the Group is committed to incur capital expenditure of £5.0m (29 March 2018: £3.6m). Capital commitments predominantly relate to the cost of investment in new IT systems and refurbishment of Pets at Home stores.

At 28 March 2019, the Group has committed to provide funding to related party Joint Venture companies of nil (29 March 2018: £0.4m) which remains undrawn.

At 28 March 2019, the Group has a commitment to increase the loan funding to Joint Venture companies of £1.4m (29 March 2018: £0.9m); this increase in funding is written into the Joint Venture agreements and become payable when certain criteria are met.

26 Contingencies

Veterinary practices
Provisions are maintained by the Group, where necessary, against certain balances held with the veterinary practices. During the period, the Group also had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £10.8m (29 March 2018: £9.5m).

The Group is also a guarantor for the lease for veterinary practices that are not located within Pets at Home stores.

Exemption from audit by parent guarantee
The following wholly owned subsidiaries of the Company are covered by a guarantee provided by Pets at Home Group Plc and are consequently entitled to an exemption under s479A from the requirement of the Act relating to the audit of individual accounts. Under this guarantee, the Group will guarantee all outstanding liabilities of these entities. No liability is expected to arise under the guarantee. The entities covered by this guarantee are disclosed below.

Company	Registered number
Bedminster Vets4Pets Limited	09267870
Belfast Stormont Vets4Pets Limited	09022077
Blackpool Squires Gate Vets4Pets Limited	09578581
Companion Care (Macclesfield) Limited	08285995
Corby Vets4Pets Limited	08163294
Craigavon Vets4Pets Limited	08846831
Dorchester Vets4Pets Limited	08708025
Evesham Vets4Pets Limited	09269582
Sheffield Drakehouse Vets4Pets Limited	08790953
St Neots Vets4Pets Limited	09811640
Wrexham Vets4Pets Limited	07103838
Aberdeen North Vets4Pets Limited	11024679
Aberdeen Vets4Pets Limited	09393267
Borehamwood Vets4Pets Limited	09319066
Companion Care (Speke) Limited	07149744
Companion Care (Stratford-upon-Avon) Limited	07329166
Kilmarnock Vets4Pets Limited	08850288
Redditch Vets4Pets Limited	05612150
Bracknell Vets4Pets Limited	10605544
Bramley Vets4Pets Limited	04238788
Companion Care (Slough) Limited	07427613
Ellesmere Port Vets4Pets Limited	09725644
Yeovil Vets4Pets Limited	08080466
Companion Care (Exeter) Limited	04930076
Maidstone Vets4Pets Limited	05171954
Liverpool OS Vets4Pets Limited	06959208
Bicester Vets4Pets Limited	10285804
Alton Vets4Pets Limited	09639868
Newton Mearns Vets4Pets Limited	07957431
Bourne Vets4Pets Limited	10200670
Tiverton Vets4Pets Limited	11023079
Companion Care (Exeter Marsh) Limited	08314727
Malvern Vets4Pets Limited	10516552
Sudbury Vets4Pets Limited	09916308
Companion Care (Ballymena) Limited	08294444
Companion Care (Kirkcaldy) Limited	07680864
Monmouth Vets4Pets Limited	10756991
Vets4Pets Services Limited	05055601
Vets4Pets Veterinary Group Limited	04263054

27 Related parties

Joint Venture veterinary practice transactions

The Group has entered into a number of arrangements with third parties in respect of veterinary practices. These veterinary practices are deemed to be related parties due to the factors explained in note 1.4.

Financial commitments provided to related party veterinary practices for funding are set out in note 25.

During the period, the Group had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £10.8m (29 March 2018: £9.5m).

The transactions entered into during the period and the balances outstanding at the end of the period are as follows:

	28 March 2019 £000	29 March 2018 £000
Transactions		
Fees for services provided to Joint Venture veterinary practices	55,071	53,112
Rental and other occupancy charges to Joint Venture veterinary practices	12,671	11,653
Total income from Joint Venture veterinary practices	67,742	64,765
Acquisitions		
– Consideration for Joint Venture veterinary practices acquired (note 10)	3,149	–
Balances		
Included within trade and other receivables (note 16):		
Funding for new practices	291	1,595
Trading balances	–	–
Operating loans		
Gross value of operating loans	42,207	38,011
Provision held for operating loans	(14,269)	(8,308)
Net operating loans	27,938	29,703
Included within other financial assets and liabilities (note 15):		
Loans to Joint Venture veterinary practices – initial set up loans		
Gross value of initial set up loans	14,345	14,194
Provision held for initial set up loans	(1,080)	–
Net initial set up loans	13,265	14,194
Loans to other related parties – other loans		
Gross value of other loans	5,002	4,539
Provision held for other loans	(1,079)	–
Net other loans	3,923	4,539
Included within trade and other payables (note 19):		
Trading balances	(3,971)	(2,951)
Total amounts receivable from veterinary practices (before provisions)	57,874	55,388

Fees for services provided to related party veterinary practices are included within revenue and relate to charges for support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property. In accordance with IFRS 15, revenue in the 52 week period ended 28 March 2019 excludes fee income from Joint Venture veterinary practices in which the Group has either completed, or has offered and holds an intention to buy out the 'A' shares from the Joint Venture Partners in the future, on the basis of increased uncertainty of recoverability.

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

Trading balances represent costs incurred/income received by the Group in relation to the services provided to the veterinary practices that have yet to be recharged.

27 Related parties (continued)

Joint Venture veterinary practice transactions (continued)
Operating loans represent amounts advanced to related party Joint Venture veterinary practices to cover working capital requirements and support their longer term growth. The loans are repayable within 90 days of demand and have no credit limits, however the level of loans are monitored in relation to review of the practice's performance against business plan. Based on the projected cash flow forecast on a practice by practice basis, the funding is expected to be required for a number of years. Practices generate cash on a monthly basis which is applied to the repayment of brought forward operating loans. For immature practices, loan balances are likely to increase as further management fees/rents are charged by the Group, however as cash is applied against opening loan balances our expectation is that the brought forward balance will have been repaid in cash within 12 months. Based on the projected cashflow forecast on a practice by practice basis, the funding is expected to be required for a number of years. The balances above are shown net of provisions held for operating loans of £14.3m (29 March 2018: £8.3m). The basis for this provision is explained in notes 1.23 and 16. In the 52 week period ended 28 March 2019, the value of balances written off to the income statement amounted to £12.6m, which relates to operating loans (£10.7m), initial set up loans (£1.5m) and other loans (£0.4m) (period ended 29 March 2018: operating loans £0.7m).

At 28 March 2019, the Group has committed to provide funding to related party Joint Venture companies of nil (29 March 2018: £0.4m) which remains undrawn.

At 28 March 2019, the Group had a commitment to increase the loan funding to Joint Venture companies of £1.4m (29 March 2018: £0.9m); this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

The Group is also a guarantor for the lease for veterinary practices that are not located within Pets at Home stores.

Other related party loans
Included within trade and other receivables (note 16) is a loan to Pure Pet Food Ltd of £40,000 which has been provided to support working capital requirements. The loan incurs interest at LIBOR + 3.2% and is repayable within the next 12 months.

Key management personnel
Details of remuneration paid to key management personnel are set out in note 4.

28 Investments in subsidiaries

Company

	Investments in subsidiaries £000
At 28 March 2019 and at 29 March 2018	936,179

Impairment testing
The market capitalisation of the Company as at 28 March 2019 is lower than the carrying value of net assets, which is considered to be an indicator of impairment. Management have considered this, in conjunction with the full impairment review which been undertaken on the Group's cash generating units of which the Company's investments form part. The results of this review are disclosed in note 12, including a sensitivity analysis. In this review, the goodwill on consolidation balance of £981.3m at 28 March 2019 exceeds the investments held in subsidiary undertakings of £936.2m, and therefore management have concluded that under IAS 36, no impairment has been identified with regard to the Company's investments in subsidiaries.

Registered office address
Pets at Home (Asia) Limited: Units 704 5A, 7/F, Tower B, Manulife Financial Centre, 223-231 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong.

PAH Pty Limited: Herbert Greer and Rundle, Level 21, 385 Bourke Street, Melbourne, VIC 3000, Australia.

Pure Pet Food Ltd: Unit 6, Brookmills Saddleworth Road, Greetland, Halifax, West Yorkshire, England, HX4 8LZ.

The registered office of all the remaining companies in which the Group has an interest in the share capital is Epsom Avenue, Stanley Green, Handforth, Cheshire, SK9 3RN.

28 Investments in subsidiaries (continued)

Group

Details of the subsidiary undertakings are as follows:

In the 52 week period ended 28 March 2019, the Group has acquired 100% of the 'A' shares of 32 companies. These practices were previously accounted for as Joint Venture veterinary practices as the Group held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to the control and consolidation of these companies. A detailed explanation for the basis of consolidation can be found in note 1.

In the 52 week period ended 28 March 2019, the Group has acquired the remaining 10% of ordinary shares of Eye-Vet Limited, for a cash consideration of £0.134m.

Further details of the acquisitions can be found in note 10.

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Dick White Referrals Limited	Indirect	United Kingdom	Ordinary	76	76
Eye-Vet Limited	Indirect	United Kingdom	Ordinary	100	90
Anderson Moores Veterinary Specialists Ltd	Indirect	United Kingdom	Ordinary	75	75
Brand Development Limited	Indirect	Guernsey	Ordinary	100	100
Buckingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	90	50
Companion Care (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care Management Services Limited	Indirect	United Kingdom	Ordinary	100	100
Les Boues Limited	Indirect	Jersey	Ordinary	100	100
Northwest Veterinary Specialists Limited	Indirect	United Kingdom	Ordinary	100	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
PAH Financial Services Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home No.1 Limited	Direct	United Kingdom	Ordinary	100	100
Pets at Home Superstores Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Veterinary Specialist Group Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home Vets Group Limited	Indirect	United Kingdom	Ordinary	100	100
Pets at Home (ESOT) Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Limited	Indirect	United Kingdom	Ordinary	100	100
Pet City Resources Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Holdings Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets I.P. Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Services Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets UK Limited	Indirect	United Kingdom	Ordinary	100	100
Vets4Pets Limited	Indirect	Guernsey	Ordinary	100	100
Vets4Pets Veterinary Group Limited	Indirect	United Kingdom	Ordinary	100	100
Sombrero Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Sombrero Intl Holdings Limited	Indirect	United Kingdom	Ordinary	100	100
Caledonian Veterinary Specialists Limited	Indirect	United Kingdom	Ordinary	100	100
Aberdeen North Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Aberdeen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Addlestone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Alton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Aylesbury Berryfields Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Bedminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Belfast Stormont Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50

28 Investments in subsidiaries (continued)

Group (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Bicester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bishop Auckland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Blackpool Squires Gate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bodmin Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bolton Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Borehamwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bourne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bracknell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bradford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets (Newco) Limited	Indirect	United Kingdom	Ordinary	100	100
Bridlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bromborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Cambridge Perne Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Canvey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Chorley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Coalville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Colchester Layer Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Ballymena) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Exeter Marsh) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Exeter) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Kendal) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kirkcaldy) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Macclesfield) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Nottingham) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Slough) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Speke) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Stratford-Upon-Avon) Limited	Indirect	United Kingdom	Ordinary	100	50
Corby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Coventry Canley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Craigavon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Crosby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Croydon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Denbigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Dorchester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Dundee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
East Grinstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ellesmere Port Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Evesham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Falkirk Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Feltham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Gillingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Glasgow Pollokshaws Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Great Yarmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Heanor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Hemsworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Horden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Hucknall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

28 Investments in subsidiaries (continued)

Group (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Inverness Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kilmarnock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leamington Spa Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leven Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Littleover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Liverpool OS Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Long Eaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Maidstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Malvern Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Melton Mowbray Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Mexborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Milton Keynes Broughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Monmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Newark Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newhaven Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Newton Mearns Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Norwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Nottingham Castle Marina Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Peterlee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Poynton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Redditch Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Ripon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Saffron Walden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Salford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Scunthorpe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Selby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheffield Drakehouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Sheffield Heeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Shepton Mallet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
St Austell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	95	95
St Neots Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Stocksbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Stoke-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sudbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Teesside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
The Heart Of Dulwich Veterinary Care Limited	Indirect	United Kingdom	Ordinary	100	100
Thornbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Tiverton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Uckfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Warrington Winnick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
West Drayton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wrexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Yeovil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments

The Group holds an indirect interest in the share capital of the following companies:

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Abingdon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Abtw Limited	Indirect	United Kingdom	Ordinary	50	50
Accrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Airdrie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Alsager Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Altrincham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Amesbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Andover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bagshot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Wales Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnsley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnstaple Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Barnwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bearsden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Beeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Beverley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Biggleswade Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishops Stortford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishopston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bitterne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackburn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Blackheath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackpool Warbreck Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bolton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bonnyrigg Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bradford Idle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Brighouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Emerson Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Imperial Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Longwell Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Bromsgrove Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bulwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burscough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burton-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury St Edmunds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Byfleet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Caerphilly Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Camborne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cannock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Canterbury Sturry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
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
Carmarthen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carrickfergus Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Castleford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Catterick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chadwell Heath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cheadle Hulme Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Caldy Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chesterfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cirencester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clevedon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cleveleys Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clifton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clitheroe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clowne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Colne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Aintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Andover) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ashton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Aylesbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ayr) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Banbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Barnsley Cortonwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon Pipps Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basildon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Basingstoke) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Beckton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bedford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Belfast) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bishopbriggs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bletchley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bolton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bournemouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Braintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brentford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgend) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brislington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bristol Filton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Broadstairs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Burgess Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge Beehive) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cannock) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Canterbury) Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Companion Care (Cardiff) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Charlton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chatham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chelmsford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cheltenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chesterfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chichester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chingford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chippenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Christchurch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Colchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Corstorphine) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Coventry Walsgrave) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cramlington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crawley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crayford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Croydon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby Kingsway) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Dunstable) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Eastbourne) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ely) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Enfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Falmouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fareham Collingwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Fareham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (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
Companion Care (Friern Barnet) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Gloucester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Harlow) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hatfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hemel Hempstead) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (High Wycombe) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hove) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huddersfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huntingdon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ilford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ipswich Martlesham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Keighley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kidderminster) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kings Lynn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Beaumont Leys) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Fosse Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leighton Buzzard) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Linwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Lisburn) Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
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 (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 (Oxford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Perth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough Bretton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Peterborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Plymouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Poole) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Portsmouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Preston Capitol) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Pudsey) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Reading) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redditch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Redhill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Romford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rotherham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Rustington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Salisbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Scarborough) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Southampton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Southend-On-Sea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stevenage) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stirling) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stockport) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Stoke Festival Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swansea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swindon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tamworth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Taunton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Telford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Thamesmead) Limited	Indirect	United Kingdom	Ordinary	50	98
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

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Companion Care (Weston-Super-Mare) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winnersh) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woking) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woolwell) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Worcester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wrexham Holt Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Craigleith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Crescent Link Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crewe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cross Hands Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Dagenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Darlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Daventry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Davidsons Mains Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Denton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Doncaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	60	60
Dover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Droitwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Drumchapel Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dudley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dumbarton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dunfermline Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Durham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
East Kilbride South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
East Kilbride 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	50	50
Epsom Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Filton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gamston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gateshead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Glasgow Forge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Goldenhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gosport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Grantham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Gravesend Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Greasby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Greenford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Grimsby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Guernsey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halesowen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halifax Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hamilton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate New Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hartlepool Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Hastings Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Havant Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Haverfordwest Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Haverhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hayling Island Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hedge End Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hemel Hempstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hendon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hereford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hertford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
High Wycombe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hinckley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Huddersfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Anlaby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Stoneferry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ilkeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Inverurie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ipswich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Irvine Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kendal Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kettering Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kidderminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Kirkby in Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lancaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Larne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Launceston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Birstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Colton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Kirkstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leeds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leicester St Georges Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Letchworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leyland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lichfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Lincoln South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Linlithgow Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lisburn Longstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llandudno Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanelli Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanrumney Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Longton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Luton Gipsy Lane Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lytham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Maidenhead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mansfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mapperley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Market Harborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Marlborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Merthyr Tydfil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Cleveland Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middleton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Morpeth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Musselburgh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
New Milton Vets4pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newcastle-Upon-Tyne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newmarket Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newton Abbot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownabbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownards Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
North Tyneside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northallerton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nottingham Chilwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nottingham Netherfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Nuneaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oadby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Old Kent Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Oxford Cowley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Paisley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Penrith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pentland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Penzance Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Peterborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pontypridd Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Poole Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portishead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portsmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prenton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prescot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Preston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prestwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pure Pet Food Ltd	Indirect	United Kingdom	Ordinary	19	33
Quinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rawtenstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rayleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rhyl Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Richmond Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Rochdale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rotherham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Ruislip Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Runcorn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Rushden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Selly Oak Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sevenoaks Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Wadsley Bridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shelfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Meole Brace Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sidcup Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sittingbourne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Solihull Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Somercotes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
South Shields Quays Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
South Shields Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend Airport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southend-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Southport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Albans Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
St Helens Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stafford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stechford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stockton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Stourbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Street Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Sunderland South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sunderland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton Coldfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton In Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swindon Bridgemead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sydenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Telford Madeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Thamesmead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Thurrock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Tilehurst Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Torquay Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Totton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Trafford Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trowbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Uttoxeter Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Wakefield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 28 March 2019 %	At 29 March 2018 %
Walkden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wallasey Bidston Moss Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walsall Reedswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Waltham Abbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walton on Thames Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walton Vale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Warrington Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Warrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Washington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Waterlooville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Watford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wellingborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
West Bromwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Weymouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Widnes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wigan Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wimbledon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wokingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wolverhampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worksop Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worthing Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
WSM Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Yate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
York Clifton Moor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
York Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

During the 52 week period ended 28 March 2019, the Group has sold 100% of the 'A' shares in a number of companies which were previously classified as subsidiaries, and subsequent to sale of the 'A' shares, have been accounted for as Joint Venture veterinary practices, which has led to the reduction in the holding in 14 entities listed above from 100% to 50% investments. The 'A' shares in these entities were sold for consideration equal to the net book value of the assets and liabilities, and therefore there was no profit or loss on disposal.

29 Subsequent events

In the period between 29 March 2019 and 22 May 2019, the Group has acquired 100% of the 'A' shares of 15 veterinary practices, which were previously accounted for as Joint Venture veterinary practices. These practices were previously accounted for as Joint Venture veterinary practices as the Group only held 100% of the non-participatory 'B' ordinary shares. Acquisition of the 'A' shares has led to control and consolidation of these practices. A detailed explanation for the basis of consolidation can be found in note 1.

Joint Venture veterinary practices acquired since the end of the financial year

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £000
Sheldon Vets4Pets Limited	Veterinary Practice	15 April 2019	50%	100%	–
Thamesmead Vets4Pets Limited	Veterinary Practice	15 April 2019	50%	100%	–
Companion Care (Newport) Limited	Veterinary Practice	15 April 2019	50%	100%	–
Marlborough Vets4Pets Limited	Veterinary Practice	15 April 2019	50%	100%	–
Wokingham Vets4Pets Limited	Veterinary Practice	15 April 2019	50%	100%	–
Davidsons Mains Vets4Pets Limited	Veterinary Practice	15 April 2019	50%	100%	–
Companion Care (Perth) Limited	Veterinary Practice	15 April 2019	50%	100%	–
Companion Care (Stevenage) Limited	Veterinary Practice	15 April 2019	50%	100%	–
Wellingborough Vets4Pets Limited	Veterinary Practice	17 April 2019	50%	100%	–
Andover Vets4Pets Limited	Veterinary Practice	23 April 2019	50%	100%	–
Barnwood Vets4Pets Limited	Veterinary Practice	23 April 2019	50%	100%	–
Musselburgh Vets4Pets Limited	Veterinary Practice	24 April 2019	50%	100%	–
Bonnyrigg Vets4Pets Limited	Veterinary Practice	24 April 2019	50%	100%	–
Pentland Vets4Pets Limited	Veterinary Practice	24 April 2019	50%	100%	–
Haverfordwest Vets4Pets Limited	Veterinary Practice	29 April 2019	50%	100%	–

29 Subsequent events (continued)

Joint Venture veterinary practices acquired since the end of the financial year (continued)

Subsidiaries acquired (continued)

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cash flows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under EU-adopted IFRS, and consider these to be important measures in evaluating the Group's strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

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

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

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

The key APMs used by the Group are:

'Like for Like' sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons, veterinary practices and Specialist Referral Centres that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices where the Group has either completed, or has offered or holds an intention to buy out the 'A' shares from the Joint Venture Partners in future.

Omnichannel revenue: Revenue net of discounts and VAT from core online sales, subscriptions and order to store.

EBITDA: Earnings before interest, tax, depreciation and amortisation.

Free Cash Flow: Net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid and debt issue costs.

CROIC: Cash return on invested capital, represents cash returns divided by the average of gross capital invested (GCI) for the last 12 months. Cash returns represent pre-non-underlying operating profit before property rentals and share based payments subject to tax, then adjusted for depreciation and amortisation. GCI represents gross property, plant and equipment, plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, plus capitalised rent multiplied by a factor of 8x.

Non-underlying items: Certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

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

Glossary – Alternative Performance Measures

APM	Definition	Reconciliation
Cash EBITDA	Underlying EBITDA (see below) adjusted for share based payment charge.	

Cash EBITDA (£m)	FY18	FY19	Note
Underlying EBITDA	123.3	130.0	2
Share based payment charge	3.9	3.5	3
Cash EBITDA	127.2	133.5	

CROIC

Cash return on invested capital, represents cash returns divided by the average of gross capital (GCI) invested for the last 12 months. Cash returns represent pre-non-underlying operating profit before property rentals and share based payments subject to tax, then adjusted for depreciation and amortisation. GCI represents gross property, plant and equipment, plus software and other intangibles excluding the goodwill created on the acquisition of the Group by KKR (£906,445,000) plus net working capital, plus capitalised rent multiplied by a factor of 8x.

CROIC	FY18	FY19	Note
Cash returns:			
Underlying operating profit	88.8	93.2	2
Property rental costs	75.9	77.0	3
Share based payment charges	3.9	3.5	3
	168.6	173.7	
Effective tax rate	20%	21%	
Tax charge on above	(33.7)	(37.0)	
	134.9	136.7	
Depreciation and amortisation	34.5	36.8	3
Cash returns	169.4	173.5	
Gross capital invested (GCI):			
Gross property, plant and equipment	263.1	284.8	11
Intangibles	1,014.4	1,030.5	12
Less KKR goodwill	(906.5)	(906.5)	
Investments	14.7	13.8	
Net working capital	(89.8)	(103.7)	see definition
Capitalised operating leases	607.4	615.8	8x
GCI	903.3	934.7	
Average	873.2	919.1	
Cash returns / average CGI	19.4%	18.9%	

Underlying EBITDA

Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period.

Underlying EBITDA (£m)	FY18	FY19	Note
Statutory operating profit	83.9	53.1	2
Depreciation and amortisation	34.5	36.8	3
Non-underlying items	4.9	40.1	3
Underlying EBITDA	123.3	130.0	

Underlying free cash flow

Net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid and debt issue costs before the effect of non-underlying items in the period.

Underlying free cash flow (£m)	FY18	FY19	Note
Underlying free cash flow	55.8	63.6	
Dividends	(37.3)	(37.2)	CFS
Acquisition of subsidiary	–	(4.2)	CFS
Deferred consideration	–	(1.0)	CFS
Settlement of 'put and call' liabilities	–	(0.1)	CFS
Repayment of borrowings on acquisition	–	(6.4)	CFS
Proceeds from new loan	–	181.0	CFS
Repayment of borrowings	(15.0)	(195.0)	CFS
Net increase in cash	3.5	0.7	

CFS = Consolidated statement of cash flows.

APM	Definition	Reconciliation
Like-for-like	'Like-for-like' sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period, for stores, online operations, grooming salons, veterinary practices and Specialist Referral Centres that have been trading for 52 weeks or more, excluding fee income from Joint Venture veterinary practices which the Group has either completed, or has offered or holds an intention to buy out the 'A' shares from the Joint Venture Partners in future.	Not applicable.

Underlying basic EPS

Underlying basic earnings per share (EPS) is based on earnings per share before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Underlying basic EPS (p)	FY18	FY19	Note
Underlying basic EPS	13.5	14.1	5
Non-underlying items	(0.9)	(8.0)	5
Basic earnings per share	12.6	6.1	

Underlying operating profit

Underlying operating profit is based on operating profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Underlying operating profit (£m)	FY18	FY19	Note
Underlying operating profit	88.8	93.2	2
Non-underlying items	(4.9)	(40.1)	3
Operating profit	83.9	53.1	

Underlying profit before tax

Underlying profit before tax (PBT) is based on pre-tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Underlying PBT (£m)	FY18	FY19	Note
Underlying PBT	84.5	89.7	
Non-underlying items	(4.9)	(40.1)	3
PBT	79.6	49.6	

Underlying profit after tax

Underlying profit after tax (PAT) is based on post-tax profit before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Underlying PAT (£m)	FY18	FY19	Note
Underlying PAT	67.5	70.4	CIS
Non-underlying items	(4.7)	(39.9)	CIS
PAT	62.8	30.5	

Underlying total tax expense

Underlying total tax expense is based on the statutory tax expense for the period (being the net of current and deferred tax) before the impact of certain costs of incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.

Underlying total tax expense (£m)	FY18	FY19	Note
Underlying tax expense	(17.0)	(19.3)	
Non-underlying items	0.2	0.2	3,8
Tax expense	(16.8)	(19.1)	

Net debt

Cash and cash equivalents less loans and borrowings.

Net debt (£m)	FY18	FY19	Note
Cash and cash equivalents	59.8	60.5	17
Loans and borrowings	(195.0)	(181.0)	18
Net Debt	(135.2)	(120.5)	

Customer sales

Customer sales being statutory Group revenue, less Joint Venture veterinary practice fee income (which forms part of statutory revenue within the Vet Group), plus gross customer sales made by Joint Venture veterinary practices (unaudited).

Customer sales (£m)	FY18	FY19	Note
Statutory Group revenue	898.9	961.0	IS
Fee income	(50.0)	(52.6)	
Sales by Joint Venture veterinary practices	273.5	309.8	
Customer sales	1,122.4	1,218.2	

IS = Consolidated income statement.

APM	Definition	Reconciliation
Net working capital	Net working capital movement is a measure of the cash required by the business to fund its inventory, receivables and payables. The change year on year reflects the cash in / outflow in relation to changes in the working capital cycle excluding non-underlying items. The change in net working capital is a key component of the free cash flow measure of the Group.	See tables below

Net working capital (£m) movement	FY18	FY19	Note
Net working capital per cash flow statement	2.9	33.1	CFS
Excluding movement in receivables relating to non-underlying items	–	(10.1)	
Excluding movement in payables relating to non-underlying items	(2.4)	–	
Excluding movement in provision relating to non-underlying items	(0.9)	(17.6)	
	(0.4)	5.4	
Being:			
Movement in trade and other receivables	(6.0)	(1.8)	CFS
Movement in inventories	(4.1)	(7.3)	CFS
Movement in trade and other payables	9.4	12.5	CFS
Movement in provisions	0.3	2.0	CFS
Net working capital per cash flow statement	(0.4)	5.4	
Underlying provision against operating loans	(5.0)	(2.9)	16
Net working capital	(5.4)	2.5	

CFS = Consolidated statement of cash flows.

Net working capital (£m)	FY18	FY19	Note
Receivables	74.8	68.9	16
Inventory	60.5	68.2	13
Trade and other payables	(222.1)	(223.7)	19
Provisions	(0.8)	(15.4)	20
Non-current provisions	(2.2)	(1.7)	20
Net working capital	(89.8)	(103.7)	

Cash working capital

Working capital before increase in underlying operating loans to Joint Venture veterinary practices.

Cash working capital (£m)	FY18	FY19	Note
Net working capital per cash flow statement (above)	(0.4)	5.4	
Underlying operating loans to Joint Venture veterinary practices	9.8	6.7	16
Cash working capital	9.4	12.1	

Omnichannel revenue

Revenue net of discounts and VAT from core online sales, subscriptions and order to store.

Omnichannel revenue (£m)	FY18	FY19	Note
Omnichannel revenue	51.4	73.5	

Underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading.

Underlying EBIT (£m)	FY18	FY19	Note
Operating profit relating to underlying trading (EBIT)	88.8	93.2	2

Retail Underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading for the Retail division.

Underlying EBIT (£m)	FY18	FY19	Note
Retail operating profit relating to underlying trading (EBIT)	65.1	67.2	2

Vet Group Underlying EBIT

Earnings before interest and tax agreed to operating profit relating to underlying trading for the Vet Group division.

Underlying EBIT (£m)	FY18	FY19	Note
Vet operating profit relating to underlying trading (EBIT)	29.6	32.1	2

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
irelations@petsathome.co.uk
+44 (0)161 486 6688

Corporate Brokers

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Legal Advisors

Simpson Thacher & Bartlett LLP
CityPoint
One Ropemaker Street
London
EC2Y 9HU

Auditor

KPMG
1 St Peter's Square
Manchester
M2 3AE

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

Notes

Notes

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Printed by CPI Colour on UPM Fine – 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
Chester House
Epsom Avenue
Stanley Green Trading Estate
Handforth
Cheshire
SK9 3DF