pets at home
Group plc

Taking the lead in total pet care

Pets at Home Group Plc
Annual Report and Accounts 2020

pets at home
Group plc

Overview

Strategy

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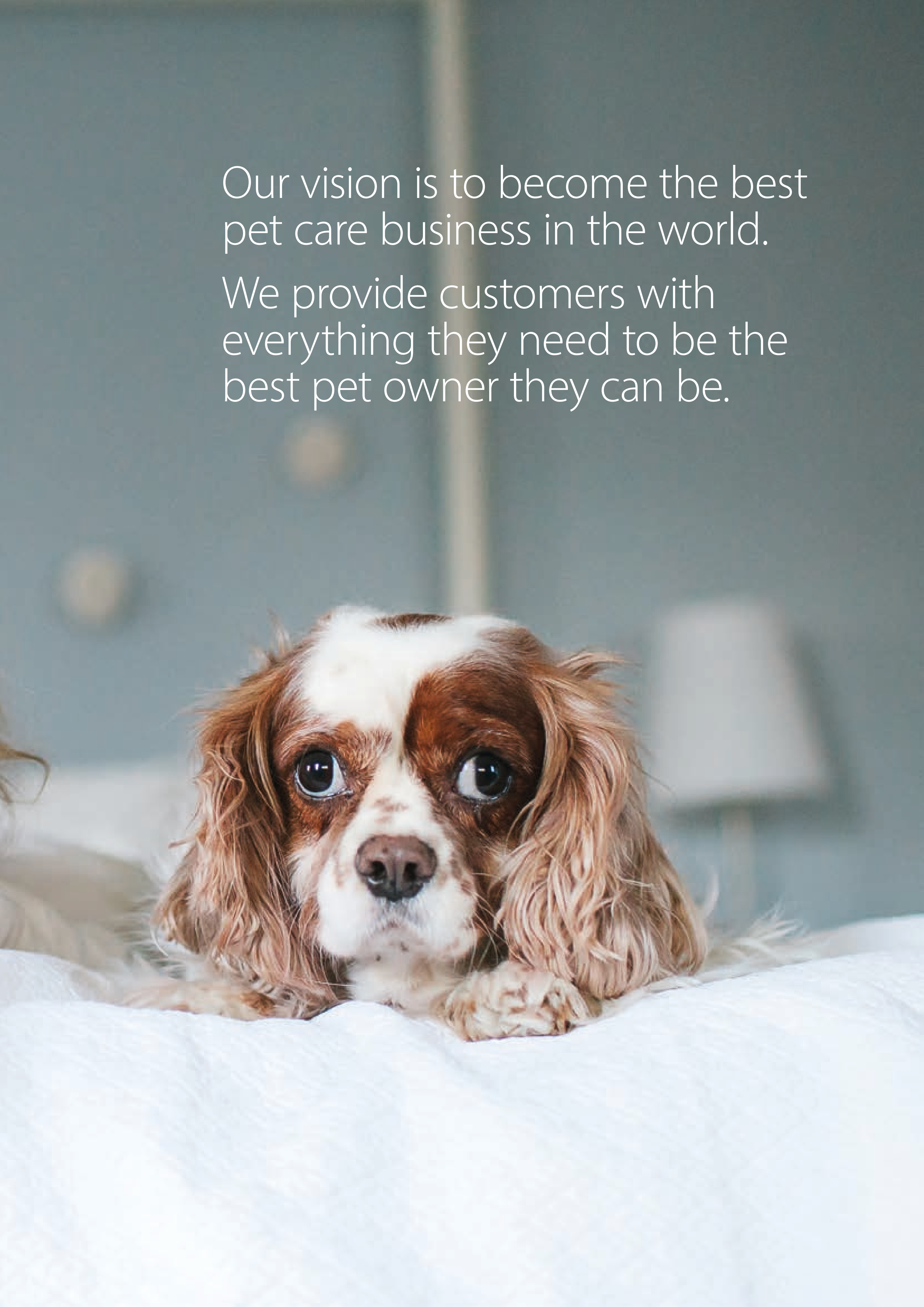
Our vision is to become the best pet care business in the world.

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 reflects the success of our pet care strategy. The pet care market remained in structural growth, and we continue to take share across all channels and key categories of our pet care ecosystem.

Our Retail business has traded particularly well and delivered underlying profit[1] growth, whilst the actions taken in our First Opinion vet business were delivered exactly as planned.

In the closing weeks of FY20 we experienced exceptional levels of demand, both in-store and online, as the COVID-19 crisis developed; leading to incremental sales and profit. Whilst previous investments in omnichannel capacity meant we were well equipped to meet this demand, the subsequent lockdown in the UK meant we had to take decisive action to navigate the business through a period of unprecedented uncertainty. For a detailed review of our response, refer to page 16.

Operational highlights

Growing our pet care ecosystem
The first full year of our pet care strategy has delivered strong results and we have made excellent progress across all four pillars. In doing so, we have taken market share across our chosen segments, and at the same time expanded in to attractive adjacencies.

Link to strategy:
Becoming the best pet care business in the world

Exceptional performance in Retail
Like-for-like[1] revenue growth in Retail of 9.4%, or 15% on a two-year basis, represents sustained momentum. In particular, previous investment in our online platform and automation enabled us to meet the exceptional demand seen in the closing weeks of the year due to the coronavirus outbreak. Together with sustainable pricing and tight cost control, we grew both underlying profit and free cashflow.

Link to strategy:
Bring the pet experience to life
Set our people free to serve

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

Focus on recruitment of puppies and kittens

Our active VIP loyalty club member base is now 5.6m, having grown 31% in the year. This has been driven by a focus on signing up even more of the UK's puppy and kitten owners to our tailored programme of rewards and benefits in the Puppy and Kitten Clubs, and introducing them to all parts of our pet care ecosystem.

Link to strategy:
Use data and VIP to better serve customers
Bring the pet experience to life

First Opinion customer sales growing ahead of the market

Like-for-like[1] customer sales generated by all First Opinion vet practices grew 13.5%. Even those Joint Venture practices which are mature continue to grow ahead of the market, proving the value of our unique shared ownership model.

Link to strategy:
50% of sales from pet services

Recalibration of First Opinion vet business complete

Our plans to buy out and in some cases close a small number of Joint Venture practices, whilst at the same time making adjustments to the fee arrangements for ongoing Joint Ventures, are now complete and will provide a strong foundation to deliver sustainable profit and free cashflow growth over the longer term.

Link to strategy:
50% of sales from pet services

Financial highlights

Revenue (£m)

£1,058.8m +10.2%

Underlying PBT[1] (£m) (pre-IFRS16[2])

£99.5m +11.0%

Statutory PBT (£m)

£85.9m +73.3%

Underlying free cashflow[1] (£m)

£89.6m +40.7%

Statutory basic EPS (pence)

13.5p +121.0%

Dividend per share (pence)

7.5p

2 The impact of IFRS16 on the Group financial statements has been to decrease underlying PBT by £6.0m.

Our pet care ecosystem

A unique combination of products and services

Although we report our Retail and Vet Group businesses separately, in the eyes of our customers they are highly complementary to each other. This allows us to provide complete pet care to customers in a way competitors cannot replicate.

Revenue and underlying EBIT[1,2] contribution by segment

	Revenue (£m)	Underlying EBIT[1,2] (£m)
Retail	937.6	81.7
Vet Group	121.2	30.2

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.
2 Central costs of £(8.6)m not shown above

£6.5bn
UK pet care market, which is resilient and in growth

>5.6m
Active VIP loyalty club members

c16%
Proportion of VIPs who purchase both products and services from us

>8x
Annual spend by VIPs who shop across our ecosystem vs those who shop only in-store

Retail

A range of pet products is available both online and in our stores, which offer far more to the pet owner than just a place to buy food and accessories. Through our in-store experience and services, knowledgeable colleagues and award winning VIP loyalty club, we aim to make pet ownership affordable, convenient and rewarding.

Operating review, Page 44

Vet Group

We provide the full spectrum of veterinary services through a network of First Opinion practices which handle 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 48

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, subscription packages, educational workshops, events and access to expert pet knowledge and advice through our well-trained colleagues.

453

Stores

56%

Of stores have a vet practice and grooming salon

Omnichannel capabilities

Our extended range of food and accessories is available for customers to shop online 24/7, with multiple convenient delivery options to choose from, including collection in-store. Alternatively, colleagues can also place a customer order from our extended range whilst in-store using a dedicated PetPad app. We also offer subscription platforms for monthly flea & worm treatments and regular food deliveries, making pet care even more convenient and affordable.

55%

Of omnichannel[1] revenues are assisted by a colleague

>9,600

Products in our extended online range

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 and operational freedom to veterinary surgeons, supported by our business expertise. We also operate a number of company managed First Opinion practices, which are owned in full by us.

396

Joint Venture First Opinion practices

45

Company managed First Opinion 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

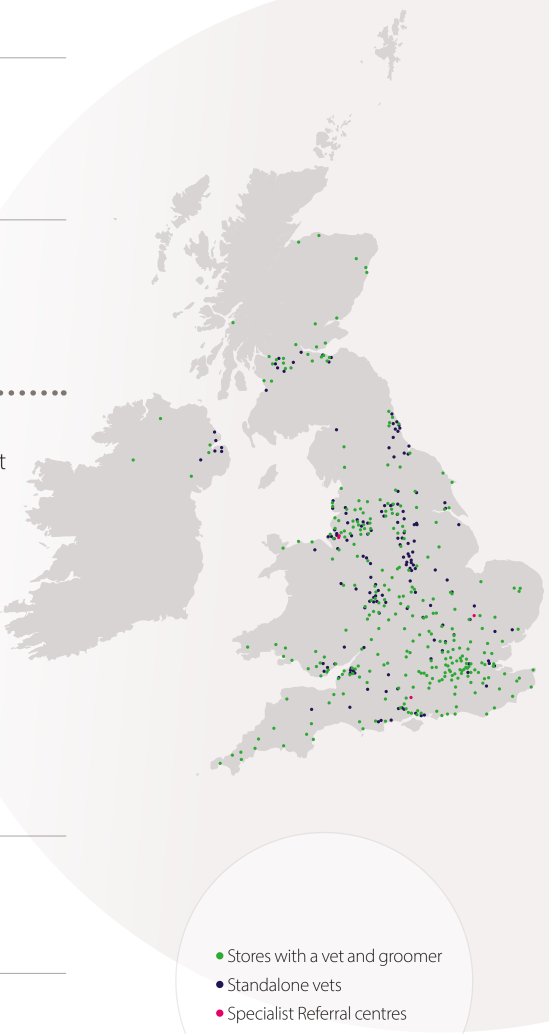
Specialist Referral centres

c17,000

Cases treated by our specialists

Our locations

Our stores, Groom Room salons, First Opinion vet practices and Specialist Referral centres are located nationwide, allowing us to offer convenient pet care to customers across the UK.



The central tenets of a compelling business model

1
Strong position in a large, resilient market that is in structural growth

- We have c19% share of a pet care market worth £6.5bn
- Steady pet population of c18m dogs and cats, where there is increasing humanisation and premiumisation
- Taking share across all key categories and channels through our winning combination of complete pet care

2
A unique proposition of products and services providing competitive advantages

- Shoppers who transact across the full range of products and services spend >8x more each year compared to store-only shoppers
- Only c16% of all VIPs current shop across both product and services – leaving considerable headroom for growth
- An expanding ecosystem of pet care, with multiple revenue streams of non-discretionary, non-seasonal and small ticket spend

3
Trusted and well known brand making pet care affordable, convenient and rewarding

- Over 28 years of serving the nations' pet owners, with knowledgeable in-store colleagues offering expert advice
- Competitive pricing across branded pet food and strong penetration of private label
- Convenient retail proposition of 453 experiential stores and fast growing omnichannel business provide multiple customer acquisition opportunities

4
Investment in data to increase the lifetime value of 5.6m highly engaged VIP loyalty club members

- 75% of all store revenues are spent by VIPs, with over seven years' worth of proprietary transactional data
- By leveraging our data, we aim to introduce customers to all parts of our ecosystem which are relevant to them, and capture more of their overall pet care spend
- Benefits of recent investment in data capabilities still to flow

5

Unique owner-operator Joint Venture model in First Opinion vets

- Largest branded veterinary business in the UK, with practices located in two-thirds of stores plus a number of standalone locations
- Provides entrepreneurial vets the opportunity to run their own business and operate with complete clinical and operational freedom
- Once debt-free, Partners are entitled to all practice profits as a dividend and also realise the capital value of the practice when exiting

6

Significant profit and free cashflow growth opportunity from First Opinion vet practice maturity

- 31% of all First Opinion practices are four years old or less, with all cohorts growing customer sales ahead of the market, even in mature practices
- Up to £40m incremental cash flow opportunity once all existing practices mature
- Further upside opportunity from rollout of new practices, with potential for up to 700 locations

7

Capability and capacity expansion in Specialist Referrals

- Fastest growing part of the pet care market, with large transaction values underpinned by pet insurance
- Complementary adjacency to First Opinion, serving referrals from both our own practices and competitors
- Four acquired centres plus a greenfield site scheduled to open in 2020

8

Growing numbers on subscription platforms, creating a high margin annuity income stream

- Over 865,000 customers currently on some form of subscription package, up 23% year-on-year
- Significant potential to personalise packages and reach more of the c18m dogs and cats in the UK
- Creates loyalty across both Retail and Vet segments

9

Strong financial position and returns potential

- Recent actions in both Retail and the First Opinion vet business provide a strong foundation for future growth
- Resilient balance sheet with good liquidity of £162m, low leverage and significant headroom on banking covenants
- Highly cash generative with free cashflow conversion of 63% and a 7.5p dividend per share maintained in FY20

10

Strong governance and commitment to sustainability

- Executive Management Team with a combination of long tenures and recent new recruits aligned to strategic priorities, with a track record of taking decisive action
- Balanced Board of Directors with a broad range of skills and experience
- Strong sense of social purpose focusing on our CSR agenda and designed to deliver returns for all stakeholders

A year of progress

"The Group has had a successful year and made excellent progress across all pillars of our pet care strategy. Our Retail business delivered sustained revenue growth that converted strongly to profit, and we delivered our recalibration of the First Opinion vet business. Although the final weeks of the year were extraordinary given the impact of the coronavirus pandemic, and the outlook remains uncertain, we believe that now more than ever pets have a crucial role to play in their owners' everyday lives."

Tony DeNunzio
Non-Executive Chairman

In FY20, our pet care ecosystem reached more customers than ever before as we provided convenient, affordable and rewarding pet care to UK pet owners. Overall, we generated revenue growth of 10.2%, to £1,058.8m, within which like-for-like sales[1] grew 9.0%. Underlying profit before tax[1] grew by 11.0% to £99.5m on a comparable pre-IFRS16 basis, and the Board proposes to maintain the ordinary dividend at 7.5 pence per share. This ordinary dividend reflects the strong cash position at year end and our forecast future liquidity. Our overall performance confirms the success of our strategy in bringing our Retail and Vet Group businesses closer together to deliver a winning combination of products and services for customers, setting us apart from our competitors.

We are particularly pleased with this outcome considering the backdrop against which it has been achieved. The general uncertainty created by a Brexit process that impacted both consumer and business behaviour, the well documented challenging retail landscape and, towards the end of the year, the impact of the coronavirus pandemic all posed challenges which we had to overcome.

Despite these unprecedented times, one thing has remained true – the UK is a nation of pet lovers. We have always believed that during times of uncertainty, pets remain 'one of the family' and continue to receive the very best care from their owners.

Strategy

We have made excellent progress in becoming the best pet care business in the world. In particular, I would like to bring the following achievements to shareholders' attention this year.

The performance in Retail has been outstanding. By offering customers great products at competitive prices, and making their experience convenient and rewarding, we have been able to take market share across all key categories. We have seen strong growth in customer transactions, driven by a focus on new customer acquisition, as well as in customers signing up to our subscription plans, where there is considerable headroom to develop an annuity revenue stream.

In the Vet Group, the changes we have made to the First Opinion business have been exactly as we planned. The improved underlying performance of the vet practice estate demonstrates that our Joint Venture model works, and that by taking this decisive action we have positioned the business well for future growth.

In addition to the strategic execution that contributed directly to the financial performance in the year, we have also made considerable progress in laying strong foundations for future growth. In particular, investment in our data capabilities and automation for our omnichannel business will be key to unlocking our growing pet care ecosystem.

Management

After welcoming a number of new members to the Executive Management Team last year as we aligned our structure and capability to the new pet care strategy, I am pleased that there have been no further changes. This demonstrates stability and confidence that we have the right leadership to deliver our pet care strategy and generate long term shareholder returns.

The focus this year has been on ensuring that we have the right people and infrastructure in place to support the Executive Management Team in their objectives, and to that end we have sought to align our internal ways of working across all parts of the Group to ensure we operate efficiently and deliver the best possible service to our customers, Partners and colleagues.

Colleagues

Our people remain the foundation of our business. We provide a number of highly specialised services to customers through our trained veterinarians, vet nurses and grooming colleagues, as well as our knowledgeable store teams – all of whom share the joy of pet ownership with customers every single day. This year, more than ever before, I would like to thank them for their dedication to our business – not least over the past three months when colleagues throughout the entire business have worked tirelessly to overcome the adversity presented by the coronavirus outbreak and serve our customers.

Outlook

We have finished the year in a good position, with a strong balance sheet and having delivered underlying profit[1] and free cashflow[1] growth. However, like all businesses, the future remains uncertain given the ongoing coronavirus pandemic. That said, having taken decisive action across both our Retail and Vet Group divisions in recent years, the Board has every confidence that we have a strong foundation from which to continue serving UK pet owners, and is determined that we emerge an even stronger business.

Finally, it is time to me to sign off after 10 years as Chairman of Pets at Home. It has been a pleasure and privilege to lead such a special business with such an extraordinary group of colleagues. I believe the Company is more strongly positioned now than ever before. The ongoing resilience and growth of the UK pet market, coupled with our adaptable pet care strategy and talented leadership team, mean that I leave as Chairman confident that, despite short term uncertainties, the business has a strong long term future.

Tony DeNunzio
Non-Executive Chairman
21 May 2020

Our response to COVID-19

As we approached the end of the financial year, our focus and attention turned to the far-reaching and devastating effects of COVID-19. Our Executive Management Team responded to the immediate challenges quickly and decisively, implementing protocols to safeguard the wellbeing and safety of colleagues, Partners and customers. These actions enabled the safe continuity of customer service across our Retail and Vet Group operations and had the full support and appreciation of the Board. I would like to thank each member of the management team for their resilience and adaptability as we navigate the business through these unprecedented times.

Amidst this period of uncertainty, it has become clear that Pets at Home, like most businesses across all sectors of the economy, will not be immune to the challenges faced from COVID-19. However, in times of extreme difficulty strong management teams build stronger businesses. I have every confidence that our current management has the requisite skill and energy to ensure that Pets at Home can emerge a stronger business in a post-pandemic world, and means that I hand over my role as Chairman to Ian Burke confident in the long term sustainability of our business.

Read more about our response to COVID-19 in the Chief Executive's statement Page 16

Welcoming our new Chairman

I am delighted that following an extensive search process, Ian Burke will succeed me as Non-Executive Chairman.

Ian has been Chair of Studio Retail Group plc since 2017 and is also a Non-Executive Senior Independent Director of intu properties plc, where he has been a member of various Board committees since 2018. Ian has extensive Board experience, where past positions include CEO of Thistle Hotels, Chair of the privately owned veterinary group Vet Partners, and a long tenure on the Board at Rank Group plc as Non-Executive Chair, Executive Chair and Chief Executive Officer.

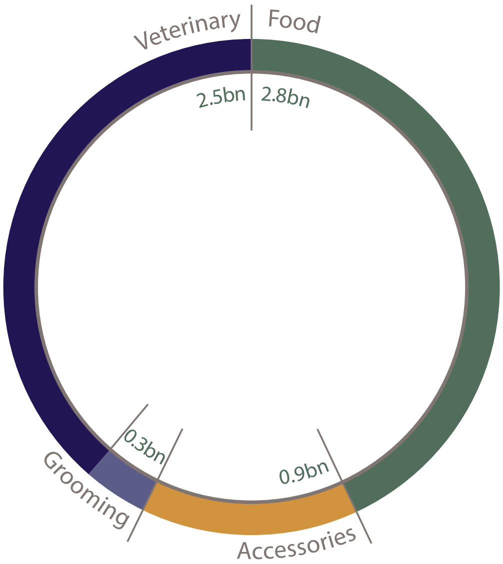
Since announcing Ian's appointment in February, the business has faced extraordinary times and significant uncertainly created by the coronavirus pandemic. Whilst Pets at Home is a high quality and resilient business, it was necessary to take action to protect colleague welfare, strengthen our liquidity position and ensure the long term viability of the business. As such, it was appropriate to have an extended transition period to ensure an orderly handover and I now wish Ian every success in leading Pets at Home.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

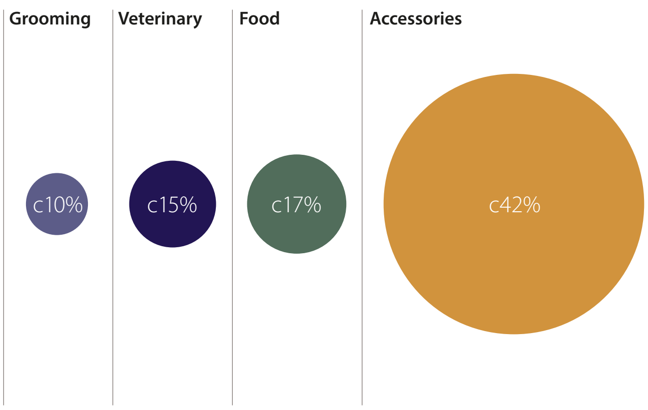
The UK pet care market remains large, resilient and in growth

UK pet care market

By sector value 2019[1] (£)



Our market share in 2019[1] (%)



Market growth during 2019[1]

Retail total	**£4.0bn**
Food[2]	**£2.8bn**
Accessories[2]	**£0.9bn**
Grooming	**£0.3bn**
Veterinary[3]	**£2.5bn**

Retail total	**c3%**
Food[2]	**c3%**
Accessories[2]	**c4%**
Grooming	**c4%**
Veterinary[3]	**c5%**

£6.5bn

Estimated UK pet care market value

c4%

Estimated growth of UK pet care market in 2019

c16%

Online penetration of pet products[4] market

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 adaptable pet care strategy is designed to take share across all sectors

Our unique combination of products and services allows us to deliver complete pet care to our customers and clients in a way competitors cannot replicate. By meeting the needs of pet owners through our winning combination of competitive pricing, convenient shopping, and talented colleagues who deliver pet care services, we are taking share across both our key markets of retail and veterinary. Despite the uncertainty created by the coronavirus pandemic, we are confident our pet care strategy remains the right one. However, we will adapt how we deliver it to ensure it remains appropriate to the changing needs of pet owners.

Strategy and performance
Page 20

Market drivers and our responses

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

The UK is a nation of pet lovers, with the population of dogs and cats remaining stable at an estimated 18m, and around 12m (40% of) households are now believed to own a pet.

Our approach:
We cater for all pet types at accessible locations nationwide and online, whilst offering a range of pet products and pet care services. In particular, we are increasingly focused on acquiring new puppy and kitten customers, introducing them to all parts of our ecosystem, and nurturing lifelong relationships with them.

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 affordability and awareness of the health benefits this provides. Now more than ever before, pets are playing an increasingly important role in their owners' lives.

Our approach:
Through our in-store colleagues and online content, we are able to explain the health benefits of feeding your pet a better quality diet, whilst competitive pricing makes higher quality Advanced Nutrition pet food affordable. With many colleagues pet owners themselves, they understand the emotional bond between customers and their pet.

Market driver 3:
Advances in veterinary care, accessibility of which is supported by increasing levels of 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 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. By locating First Opinion practices across the country, both inside Pets at Home stores and in standalone locations, we make access to this high quality care easy and convenient.

Market driver 4:
Continued channel shift to online.

Online penetration of the pet products market increased again in 2019, and is now c16%. Price competitiveness and convenience remain essential factors in the online shopping journey, driven by ease of price comparison and the different delivery options typically offered.

Our approach:
Recent investment in our online capabilities such as digital platforms and fulfilment automation, together with competitive and sustainable pricing, have enabled us to make strong share gains in the online market. However our approach extends beyond just traditional online shopping, with a multi-faceted omnichannel proposition encompassing collect in-store, order in-store and subscription platforms, all of which offer maximum convenience.

Operating review
Pages 44 to 51

Significant progress across our pet care strategy

Peter Pritchard
Group Chief Executive Officer

We are uniquely positioned in the £6.5bn UK pet care market, which continued to demonstrate resilience and growth in 2019.

We estimate that the overall size of the market increased by c4%, with the retail segment growing at c3% and the veterinary segment at c5%. With the population of cats and dogs in the UK remaining broadly stable at c18million, this growth has been predominantly driven by continued humanisation and premiumisation – highlighting that pets are very much regarded as "one of the family".

Our pet care strategy delivered market share gains across all key areas, across our core product categories of food and accessories (both online and offline) as well as our services offering, which extends from the provision of pet grooming and First Opinion veterinary visits to our Specialist Referral centres.

Key performance indicators

Financial KPIs[1]	FY20	FY19	YoY change
Customer sales[#, 2] (£m)	1,334.7	1,218.2	9.6%
Group underlying PBT (excluding IFRS16)[#] (£m)	99.5	89.7	11.0%
Group underlying free cashflow[#] (£m)	89.6	63.6	40.7%

Strategic KPIs	Measure	FY20	FY19	YoY change
Bring the pet experience to life	No. of customer transactions[3] (m)	63.1	59.2	6.6%
50% of sales from pet care services	Customer sales[#, 2] from services	34.1%	34.0%	9 bps
Use our data to better serve customers	VIP customer sales[#, 2, 4] (£m)	817.2	591.6	38.1%
Set our people free to serve	Customer sales[#, 2] per colleague (£k)	187.0	174.1	7.4%

1. Financial KPIs shown above represent those used by the business to monitor performance. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.
2. Customer sales include gross customer sales made by Joint Venture vet practices of £329.7m (FY19: £309.8m) (unaudited figures), and therefore differs to the fee income recognised within Vet Group revenue
3. Includes customer transactions in-store, online, in First Opinion vet practices, cases treated in Specialist Referral centres plus pets groomed in Groom Room salons
4. VIP customer sales are shown on a rolling 12 month basis and include gross spend at First Opinion vet practices

\# Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220

Strategic review of FY20

Strategic pillar:
Bring the pet experience to life

We had another strong year in Retail, manifested in a two-year LFL growth rate of 15%. This performance reflects the success of maintaining our competitive price position, investing in our omnichannel proposition and focusing on new customer acquisition in our Puppy and Kitten Club.

The rollout of a further 16 pet care centre formats during the year, bringing the total to 18 so far, is a good example of how we "bring the pet experience to life". These centres create a destination for pet owners and pets alike, with dedicated multi-use event space, greater space allocated to pet care services, wider ranges of own brand Advanced Nutrition products and an emphasis on immersive, digital experiences.

While our focus for the immediate future will be on ensuring we are well-placed for a recovery in demand, we will continue to evolve the way in which we serve customers over the longer term, to continue winning market share.

Strategic pillar:
Deliver 50% of sales from pet care services

During FY20 34.1% of customer sales came from pet care services[1]. By providing a variety of services to our customers, we are able to cater for their pet care needs in ways that the majority of our competitors cannot.

The greatest contributor by far was customer sales through First Opinion veterinary practices, which grew 10.4% despite ending the year with 29 fewer practices, largely due to our planned programme to buy out, or in some cases close, specific Joint Venture (JV) practices. Like-for-like customer sales delivered by our JV practices increased 13.2%, reflecting two key drivers: the immaturity of the estate (with 31% of all practices four years old or less) and the value of our unique JV model in incentivising practice growth, even when it reaches maturity.

I am particularly pleased at the way in which we delivered the recalibration of our First Opinion veterinary business over the past 18 months. The decision to buy out 57 JV practices, and subsequently close 36 of them, was made in the best interests of all the Partners involved and the longer term health of the Group. The fee adjustments we have implemented across the remaining JV estate throughout FY20 should allow those practices to mature more swiftly, therefore improving practice cash flow.

The underlying performance of our First Opinion estate improved in FY20. We have fewer loss-making practices, more debt-free practices, and the combined profit of the estate increased significantly. This gives us confidence that our actions will help to release free cash flow as existing practices mature.

Performance across our Specialist Referral centres matched growth in the underlying market, which is the fastest growing segment of pet healthcare. Our capacity extension at Dick White Referrals in Cambridge is advancing, and we remain on track to open our first greenfield site in Scotland later this calendar year. These investments, in an attractive adjacent market to our First Opinion practices, will enable us to provide specialist treatment to even more of the nation's pets in future years.

Our various subscription services represent another key element of our offering, across which we now provide products or services to over 865,000 customers. Our monthly flea & worm service was successfully extended to cat wormers during the year, and subscribers to our flagship veterinary healthcare plan 'Complete Care' grew significantly in the period, while considerable headroom for longer term growth remains.

Strategic pillar:
Use our data to better serve customers

We ended the year with a record 5.6m active VIP loyalty club members comprising 75% of all store revenue. We have seen notable success in new customer acquisition, where new pet owners can benefit from membership of our Puppy and Kitten Clubs. By making the customer central to all aspects of our pet care ecosystem, supported by a structured and highly-engaging CRM experience, we have been able to increase spend per Puppy and Kitten Club member by up to 23%, improving the lifetime value of our members.

A key focus over the past year has been migrating the day-to-day management and analytics of our VIP database in-house, whilst building a team of data scientists and the necessary infrastructure to optimise its output. While the financial results delivered in FY20 were largely achieved without any benefits flowing from this investment, we are increasingly well-placed to increase our share of VIP customer wallet in future years.

Strategic pillar:
Set our people free to serve

Across our Retail estate, we reduced colleague hours by 3% year-on year, whilst delivering strong like-for-like sales growth and higher customer satisfaction scores. These savings were achieved by reducing non-customer facing tasks, thereby affording colleagues more time to share their expertise with customers.

We recently invested almost £5m in automation at our Northampton Distribution Centre to support the continued growth in omnichannel retailing, in particular across our subscription platform. This investment in capacity and efficiency enabled us to meet exceptional levels of demand in Q4 of FY20, as customers brought forward purchases and shopped more frequently online.

We remain focused on providing greater operational support across our First Opinion veterinary practices, recognising that each practice is unique. This has been particularly important during the uncertainty related to COVID-19, and our unwavering support will remain well beyond these challenging times.

Finally, in recognition of all our colleagues' commitment and determination through the recent crisis, we paid an additional colleague bonus amounting to £1.9m. I remain extremely grateful for their continued support.

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.

Our considered business response to COVID-19

Most, if not all of us, have no prior experience of dealing with a pandemic, despite it having wide-ranging consequences on all of our daily lives. We have had to respond quickly, making significant changes to the way we operate our business, and will undoubtedly need to remain focused, disciplined and agile over the coming months.

Broadly speaking, in response to this crisis, our planning and actions have focused on preparing the business for five distinct phases, remaining mindful of the need within each phase to ensure readiness for both the next phase and potential reversion to the previous one. We have categorised these five phases as follows:

We have categorised these five phases as follows:

I **Pre-lockdown**

II **Lockdown**

III **Preparing to emerge**

IV **Post lockdown**

V **A new normal**

I. Pre-lockdown

When the pandemic first appeared in China, we assumed that the main threat was to our supply chain. We engaged quickly and effectively with our Far East suppliers and colleagues to ensure continuity of supply and, as a result, were able to meet exceptional levels of pulled forward demand in the closing weeks of the financial year, both in-store and online, as existing customers increased average basket size ahead of an anticipated lockdown. We also experienced a higher than usual number of new customers shopping across our pet ecosystem, particularly consumables such as pet food and litter as supermarket availability declined, and healthcare services as veterinary peers closed practices. During this period, we were ranked #1 by market share of grocery dog food as consumers turned to our trusted brands and advice.

As the virus started to spread beyond Chinese borders, however, it soon became clear that the risk to demand would be a far greater challenge. Our planning moved to ensuring the wellbeing and safety of our colleagues, vet Partners, customers, suppliers and pets; the safe continuity of customer service across our operations; support for our most vulnerable colleagues and communities; and increased vigilance over cash preservation and allocation of capital.

II. Lockdown

Recognising the need to continue providing the nation's pets with food products and healthcare services, the UK Government deemed Pets at Home an "essential retailer". At the same time, clear public guidance was issued on COVID-19 preventative measures and social distancing.

In seeking to strike a balance between providing those essential products and services alongside safeguarding the health and wellbeing of our stakeholders, we implemented a number of protocols across our Retail and Vet Group operations and provided clear advice and support to our vulnerable colleagues and the communities that rely on us. In view of uncertainty around the duration of lockdown, we also implemented specific measures internally to preserve near-term cash flow.

Retail

Across our stores, we introduced temporary purchase limits, restricted the number and type of products available for sale, removed pets on sale and closed all our Groom Room salons to discourage non-essential customer visits. We implemented all Government advice regarding social distancing by limiting the number of customers allowed in our stores at any one time and introducing a clear queuing protocol for customers both inside and outside of our stores. We also introduced sneeze guards and contactless only payment across all of our points of sale.

Across our two Distribution Centres, we increased the number of shifts and changed shift start times to reduce the number of colleagues on any one shift. We introduced social distancing measures into our centres and recruited around 250 temporary workers to ensure safe continuity of operations during a period of heightened online demand. The measures we implemented to protect our Support Office colleagues included removing all but essential travel and the adoption of alternative working arrangements.

Vet Group

While nearly all of our First Opinion veterinary practices, and all of our Specialist Referral centres, have remained open, albeit on reduced hours, we have strictly adhered to Government guidelines on social distancing and RCVS guidance on permitted procedures, which initially excluded elective and routine work broadly equivalent to half the services offered across our practices. In recent weeks, in line with updated RCVS guidance widening the range of permitted procedures, we have seen a positive response from customers and a partial recovery in practice revenues. We remain in close contact with all of our Joint Venture Partners, to assist them in navigating the current crisis, and have ensured that they are beneficiaries of any relevant Group-wide reliefs relating to COVID-19.

Colleagues and communities

We recognised that being an essential retailer comes with a responsibility to ensure that we can serve all of our pet owner customers through these uncertain times. In support of our truly heroic National Health Service we dedicated the first hour of trading on Tuesdays, Thursdays and Saturdays exclusively to NHS workers. Outside of these hours, across our stores, we implemented a fast track entrance, a dedicated checkout lane and a 10% discount scheme off their shopping and vet costs. We also recognised that vulnerable groups needed specific help and, therefore, opened all our stores exclusively on Mondays, Wednesdays and Fridays between 08.00am and 09.00am to enable our more vulnerable customers to shop in comfort and safety.

The crisis is also having a devastating effect on pet charities with many seeing their fundraising diminish while not being able to rehome pets. These charities need our support more than ever, and in recent weeks we allocated £1.1m to specific charities, comprising £0.4m of emergency grants from our charity, Support Adoption for Pets, and £0.7m of funding thanks to our VIP loyalty programme.

Caring for our hardworking colleagues has never been more important and we ensured that those colleagues who needed to self-isolate for several weeks continued to receive full pay. We also created a Colleague Hardship Fund of £1.0m for colleagues, our vet Partners and their teams should their families experience financial difficulties, and, outside of our normal bonus cycle, paid an additional £1.9m bonus primarily to store and other frontline colleagues in April in recognition of their tireless work in adverse circumstances.

Cash preservation and allocation of capital

Our strong performance during FY20 meant that we entered the new financial year with a resilient balance sheet, low financial leverage, significant headroom on our banking covenants, and total liquidity including cash balances of approximately £162m.

As anticipated, nearly all of the exceptional demand witnessed in the closing weeks of Q4 has unwound during Q1 of the current year which, combined with our adherence to guidelines on social distancing across our operations and restrictions on the sale of pet products and health care services deemed non-essential, has temporarily depressed normal levels of Group turnover. While online sales have remained at materially elevated levels, matched by improved capacity and good product availability, they are, in isolation, unable to mitigate the reduced level of in-store sales, and their weighting towards food, together with an additional £5m of costs relating to our initial response to COVID-19, has had an adverse effect on profits, margins and cash flow in the financial year to date.

We welcomed the government's business rates relief, providing us with approximately £33m for FY21, to partially mitigate the estimated financial impact of COVID-19 this year, as well as specific measures regarding the payment of VAT. At the same time we have taken the decision across our business not to participate in the government's Job Retention Scheme (JRS). We continue to review the position regarding a small proportion of those colleagues for whom a prolonged period of shielding may be necessary – predominantly those who are either highly or extremely vulnerable or are carers - and, dependent upon government guidance, may participate in the JRS for these colleagues in future. Across our Vet Group, our Joint Venture Partners operate independent businesses and are solely responsible for the decisions made in respect of their colleagues, and a number of our Joint Venture Partners have chosen to participate in the JRS.

We also implemented measures internally to preserve near-term cash flow, including, but not limited to, moving to monthly payment of store rents, deferring capital and marketing spend, agreeing a six-month loan repayment holiday with our Vet Group banking partners for all Joint Venture Partners who are not currently debt free, and passing a portion of any rent and rates benefit on to those practices situated in-store. We also ensured that all of our suppliers were paid in full on time.

In view of uncertainty over the duration of lockdown, we arranged a new credit facility of £100m with support from our banking syndicate, to provide sufficient liquidity for the foreseeable future, and our Executive Management Team, Non-Executive Directors and senior leadership team voluntarily implemented a temporary 20% reduction in salary.

III. Preparing to emerge

It remains difficult to make precise judgements about how consumers will react as we emerge from lockdown. Over and above managing the business through the pandemic, however, we must endeavour to continue creating value for our shareholders by being well-placed for a recovery in demand.

Importantly, all of our stores and nearly all our First Opinion practices have remained open through the crisis, providing some insight into likely future trends. Early indications are that some of the shopping habits that consumers have displayed during lockdown, notably social distancing, channel shift and the preference to purchase goods and services safely and conveniently, may persist post lockdown, thereby impacting the volume of customers we can serve in-store.

Preparing for this has meant adapting our working practices and learning new ways to serve our customers across all channels, all the while remaining vigilant across our funding requirements, ongoing measures for cash preservation and prudent allocation of capital.

Retail

Our stores remain open and can respond quickly to changes in footfall. We maintain good availability across all of our product lines, branded and private label, and have extended the number of items we can sell across our full range of consumable and discretionary products.

We have introduced further precautionary measures to enhance safe interaction with our customers, including protective masks for all our store colleagues, and implemented training for specific colleagues on the safe delivery of grooming services and contactless sale of pets.

Recognising that we may need to maintain some form of social distancing post lockdown, we have successfully piloted a "Call and Deliver-to-Car" service, increased the contactless payment limit from £30 to £45, and made it easier for existing and new customers to sign up to our subscription services online as opposed to in-store. Importantly, the vast majority of our stores are situated on retail parks and, with an average trading space of approximately 6,400 sq ft., are more adaptable to social distancing than smaller, high street formats.

Our previous investment in automation, fulfilment and digital capability has given us capacity to process double the pre-COVID-19 level of online orders, both across our UK-wide network of stores, which can be leveraged to meet omni-channel demand, and delivery direct to home. Mindful of the prevailing channel shift to online, which we expect COVID-19 to accelerate, we have been assessing options across our logistics network to ensure that we have a well-invested, fit-for-purpose platform that is capable of managing future growth and driving efficiency benefits.

Vet Group

Across our First Opinion practices, we have implemented training for our vet colleagues to ensure the safe delivery of non-urgent procedures, vaccinations and health checks. Healthcare subscription products, such as flea and worm treatments, can now be delivered direct to home, as well as collected in-practice, and we have accelerated plans to enable remote contact and the performance of remote consults between our Joint Venture Partners and their veterinary customers through an arrangement with "Vet Help Direct".

IV. Post lockdown

It is challenging to forecast the level and shape of demand post lockdown. The speed of the economic downturn has been unprecedented, making comparisons on demand recovery with periods like the global financial crisis unhelpful, in our view. Moreover, while the duration of the recovery will in part depend on a number of variables that we can interpret over time, including levels of employment and consumer confidence, we cannot accurately predict how consumers will react and interact until either herd immunity is achieved or a vaccine has been developed.

While some market commentators have noted the rebound of economic activity in China, extrapolating China's experience into the outlook for developed markets is also unhelpful, in our view, given China's faster and more stringent virus containment measures and its predominance of manufacturing relative to our more consumer-facing services based economy.

We can, however, attempt to provide some sufficiently broad and caveated assumptions on what post lockdown demand might look like across the different areas of our business.

Retail

We expect food demand to remain inelastic given pets need to be fed through all economic cycles. It is, however, possible that consumers' purchasing intent may change during lockdown, potentially switching brands based on either availability, unit size or pricing, and we continue to offer a market leading range of branded and own label products across all price points, both in-store and online.

While accessories undoubtedly have greater demand elasticity, they comprise approximately one third of our retail sales, excluding cat litter and bedding. We have, in recent weeks, restored the full range of accessories on offer in-store, ahead of a potential increase in the attachment rate post lockdown reflecting pent up demand, higher capacity for discretionary spend across specific demographics, and the possibility that lockdown may have accelerated the perception of pets as a key part of the family.

We closed all of our Groom Room salons during lockdown, reflecting Government guidance on social distancing. Subject to consumers' attitude towards social distancing post lockdown, we anticipate a relatively quick resumption of grooming visits, given the procedures we have implemented for safe delivery of the service, a "feel good factor" post lockdown which could extend to pets, and an increasing awareness of the health benefits for pets. Prior to lockdown, grooming and pet sale revenues in FY20 averaged £3.3m per four-weekly period and we do, therefore, anticipate a period of recovery in building to historic levels.

Vet Group

Across our First Opinion practices, we have already seen a positive customer response to the adaptation of RCVS guidelines around permitted procedures, and would expect any further relaxation of guidelines to have a stimulatory effect on this economically-insensitive part of our business. We do, however, anticipate that it will take time post lockdown for our practices to reach normal levels of activity, with aggregate 4-weekly revenues averaging £27.0m for the first 48 weeks of FY20 prior to restrictions being imposed. Nevertheless, with practice recalibration now complete, third party debt and business rate payment holidays in effect, and the clear benefits of our unique owner-managed model still in place, our Vet Group is well-positioned for a recovery.

Mindful of prevailing circumstances, we recognise the potential need to support some of our First Opinion JV practices with additional operating loan funding during the year ahead. Such funding will be available for those businesses that remain viable over the longer term, taking into account the near term benefit of the third party loan repayment holiday.

COVID-19: Pets at Home response timeline

Colleague · Community · Customer

- **26 February** — **First written colleague guidance issued**
- **16 March** — **Distribution Centres social distancing** measures put in place; 67 individual actions taken
- **17** — **Daily videos** from CEO and Chief People Officer began
- **18** — **£1m** donated to colleague hardship fund
- **19** — **£1.1m** donated to support UK animal rescues
- **20** — **Homeworkers group** launched on internal social media site, SAP Jam
- **21** — **First VIP communication** to customers from CEO
- **23** — **Government announce lockdown**
  - **Store social distancing** protocols began
  - **All grooming salons** closed
  - **RCVS guidelines** to focus on emergency care only followed by all practices
- **25** — **Announced all shielded colleagues** to be paid full 12 weeks salary

V. A new normal

There is no precedent of similar pandemics in the UK, making it difficult, therefore, to assess the medium to long term effect on consumer behaviour or when we might see normalisation in shopping habits. This crisis has, however, encouraged us to critique our business model and how we operate. While some things have changed, and will continue to do in a post-pandemic world, we remain confident in the long term sustainability of our business for a number of reasons:

Favourable market dynamics

We operate in a large, growing market with favourable demographics and clear, long term demand drivers. Pets remain an important part of our lives – possibly even more so as a result of our present circumstances – and still need to be fed, loved and cared for. We believe that we can continue to take share of this market over the longer term given the significant headroom in core areas such as nutrition, veterinary services and food and healthcare subscriptions, as well as an increasing willingness among consumers to spend on convenience.

A sustainable retail offering

In Retail, the majority of our inventory is small-ticket, non-seasonal and non-discretionary, and sourced across relatively short supply chains. Our nationwide store estate brings scale advantages, and the combination of our wide range of retail products and price points, as well as our service offering, positions us well across all demand cycles and against all manner of competition. The overwhelming majority of our stores are structurally profitable, and our longer term programme of conversion to new pet care formats, with a greater space weighting towards services, will help in moving the customer relationship from transactional to experiential, resulting in a more rewarding and convenient customer journey.

A scalable multichannel platform

We have a growing multichannel business, which allows customers to shop with us however they choose. Our recent investment in automation and fulfilment has given us the capacity to process a significantly higher volume of online sales than in prior years. This brings a number of opportunities, not least around subscription services where we see considerable scope for expansion. Unlike many multichannel retailers, our unique solutions-based customer proposition allows us, in normal cycles, to grow all channels to market, simultaneously and profitably.

26 (March)
- **Pets** taken off sale in stores
- **Additional £1.9m** recognition payment for colleagues

27 (March)
- **Directors volunteer** to temporary 20% salary reduction

01 April
- **Priority hour for NHS** and vulnerable customers launched, with 10% discount for NHS workers

13 (April)
- **£100k donation** to Retail Trust coronavirus appeal

> While some things have changed, and will continue to do so in a post-pandemic world, we remain confident in the long term sustainability of our business.

A large and growing loyal customer base

We have a large and growing base of 5.6m VIP customers, many of whom already shop across our ecosystem of products, services and trusted advice. We have invested considerably over the past year in our data and analytics capability to drive customer insights that will enable us to offer more personalised, curated and rewarding solutions, both online and in-store, thereby deepening our customer relationships and increasing customer lifetime value. The benefits of this remain ahead of us over the longer term.

A scalable position in a growing veterinary market

Across our First Opinion veterinary business, the recalibration of viable and closure of specific non-viable practices has been completed. Our First Opinion practices benefit from a unique owner-manager structure and typically achieve industry leading operating metrics. Approximately, two thirds of these practices are located in-store, and can benefit from retail referrals, and approximately one third of these practices have been in existence for four years or less, with practice maturity representing a significant future cash flow opportunity.

Attractive financial dynamics

Across normal cycles, our operations generate stable margins and good cash flow returns, and we have a growing stream of predictable annuity income. Our balance sheet is resilient, our leverage is low and we have various levers we can utilise, if required, to further control costs and conserve cash within the business. Over 50% of our store estate, for example, is scheduled to enter lease renewal negotiations over the next five years. Where rent reductions have historically been achieved with landlords, these have typically averaged 23%, even in a more benign rental environment.

Doing good as part of our purpose

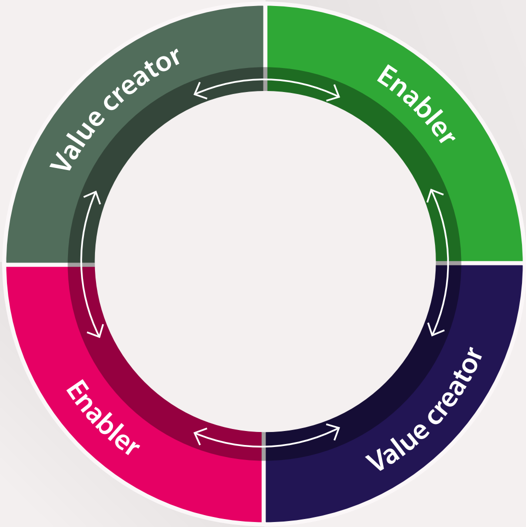
We have raised over £5m for charities across our charitable foundation Support Adoption for Pets and our VIP loyalty programme. We have continued to reduce our environmental impact during our phase of growth through, for example, lowering our carbon footprint, using 100% renewable electricity, and recycling our pet bedding, cardboard and plastic waste.

These are clearly unprecedented times and Pets at Home will not be immune to the challenges that we collectively face. We have had to respond quickly and make significant changes to the way we operate our business, and will undoubtedly need to remain focused yet agile as we respond to pandemic-driven issues and opportunities alike. I am proud to be surrounded by an experienced and adaptable management team, who with the support of our fantastic colleagues and customers, are determined to create a stronger pet care business in a post-pandemic future.

Peter Pritchard
Group Chief Executive Officer
21 May 2020

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

Value Creator

Bring the pet experience to life

Strategic priorities | Progress in the year | Metrics

Principal risks:

– Competition
– Services and store expansion
– Our people
– Supply chain and sourcing
– Liquidity and credit
– Treasury and finance
– Regulatory and compliance
– Sustainability and climate change

Read more Page 14

Strategic priorities

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.

Progress in the year

- Rolled out a further 16 pet care centre formats throughout the year at new, existing and re-located stores
- Invested further in our online shopping experience by upgrading our website functionality and content
- Maintained price competitiveness vs online pureplays
- Launched a new digital subscription sign-up process in-store
- Published the first in a series of pet-related podcasts across Apple, Google and Spotify platforms

Metrics

63.1m
+6.6%
Number of customer transactions#

18
Total number of pet care centres

10.0%
Omnichannel participation of total Retail sales

40%
Private label participation across food and accessories

For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 30

"Despite the unprecedented uncertainty caused by the coronavirus pandemic in the UK, our strategic pillars remain the same. We will adapt how and when we progress certain areas in response to the changing environment, but at a time when pets are playing an increasingly important role in their owners' lives, we remain determined to provide them with complete pet care."

Peter Pritchard
Group Chief Executive Officer

Enabler

Use data and VIP to better serve customers

Principal risks:
- Competition
- Business systems and information security
- Regulatory and compliance
- Brand and reputation
- Liquidity and credit

Read more
Page 14

Strategic priorities

Connect our data across the Retail and Vet Group businesses
- Use all our Group data to develop a complete picture of our customers and their pets.
- Invest in the appropriate expertise and system capabilities to unlock the potential of this unique asset.

Personalise customer experience and offers
- Provide customers with more relevant and engaging content and incentives.
- Increase our share of VIP customers' spend.

Give colleagues information to better serve customers at the point of sale
- Enable our colleagues to make every customer feel special, driving customer satisfaction, loyalty and spend.
- Integrate systems to allow colleagues easy access to customer insight.

Utilise data across the business to drive strategic decision making and automation
- Use data and analytics to drive decision making across the Group.
- Make processes smarter, quicker and more efficient.

Progress in the year

- Significant progress in migrating VIP data from a third party provider to an in-house cloud based platform
- Built a team of 42 data scientists and analysts through a combination of existing colleagues and high calibre external recruits
- Launched internal 'Petcare Analytics Group' aimed at giving colleagues the information they need in an automated way
- Introduced a new complementary CRM system to facilitate increasingly personalised communication to VIPs
- Grew membership of Puppy and Kitten Clubs, where incremental spend vs non-members can be up to 23%

Metrics

£817.2m
+38.1%
VIP customer sales[1,#]

5.6m
Number of active VIP members

c16%
VIPs who purchase both products and services

75%
Store revenues transacted by VIPs

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.

For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 30.

We were able to reduce store colleague hours by 3% year on year due to a number of efficiency initiatives, without reducing the time available to spend with customers.

Enabler

Set our people free to serve

Strategic priorities | Progress in the year | Metrics

Principal risks

- Services and store expansion
- Our people
- Brand and reputation
- Business systems and information security
- Regulatory and compliance

Read more
Page 14

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.

- Invested in automation at our Northampton Distribution Centre to double online order capacity
- Taken non-customer facing tasks out of stores through a series of efficiency initiatives, enabling colleagues to spend more time with customers
- Simplified the Joint Venture fee arrangements in First Opinion vet practices, creating efficiencies at our Support Office
- Launched first phase of Success Factors, a cloud based people management tool, across Support Office
- Transitioned a number of teams to become Group functions rather than operating separately across Retail and Vet Group, as both businesses work closer together

£187.0k
+7.4%

Customer sales[1] per colleague[#]

3%

Reduction in store colleague hours year on year

£1.9m

Additional bonus paid to store colleagues in recognition of their commitment to serving customers through the coronavirus crisis

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\# For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 30.

Our expansion of Dick White Referrals in Cambridge will more than double the number of cases our specialists can treat, allowing us to meet local demand.

Value Creator

50% of sales from pet services

Strategic priorities | Progress in the year | Metrics

Principal risks:

– Competition
– Services and store expansion
– Liquidity and credit
– Treasury and finance
– Regulatory and compliance
– Sustainability and climate change

Read more
Page 14

Strategic priorities

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

- Meet the evolving expectations of the customer with a more digital experience.
- Launch new formats that bring more pet care services and experiences to customers.

Extend our subscription expertise into pet care plans

- Grow customer numbers on existing subscription platforms.
- Work across the Group to introduce new packages aimed at providing complete pet care.

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.

Progress in the year

- Completed the one-off programme of First Opinion vet practice buy outs and closures, whilst making all fee adjustments for the remaining Joint Venture estate
- Like-for-like First Opinion customer sales ahead of the underlying market across all cohorts, including mature practices
- Continued growth in subscription customers, with our monthly flea & worm platform extended to include cat treatments and further penetration of First Opinion healthplans
- Began expansion of Dick White Referrals to more than double capacity, and also announced plans for a fifth Specialist Referral centre at a greenfield location in Scotland
- Formed a strategic partnership with Tailster.com, a leading online marketplace for pet walking, sitting and boarding services

Metrics

34.1%
+9 bps
Customer sales[1] from pet care services[#]

316
Grooming salons

441
First Opinion vet practices, located both in-store and in standalone locations

865,000
Subscription customers across the Group

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.

For an explanation as to what we are measuring and why it is important, please see our key performance indicators on page 30.

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

VIP Puppy and Kitten Clubs

Helping owners care for their pet from the very beginning

>210,000
Current Puppy Club members

>237,000
Graduates of Puppy Club

>80,000
Current Kitten Club members

We launched the VIP Puppy Club in 2017 and currently have c20% of the total UK puppy population signed up.

Alongside the kitten equivalent, these free to join clubs provide a programme of expert advice and exclusive offers designed to introduce pet owners to all parts of our pet care ecosystem in an engaging way. By capturing pet specific data such as name, age and breed, we are able to personalise the customer journey to the individual pet in follow up communications via both email and direct mail.

Customers benefit from an attractive suite of special offers for signing up, including 10% off their first shop in-store, a free bag of private label Advanced Nutrition food, their first month of flea & worm treatments for free, £50 off a Complete Care healthplan at a Vets4Pets practice and 50% off a full puppy groom.

We have seen customers who join the Puppy Club spend up to 23% more in their first year with us when compared to those puppies not in the club, with that spend uplift continuing even after they become a junior dog (i.e. >12 months old).

With the puppy and kitten population in the UK remaining broadly flat at c2m each year, we are becoming increasingly focused on acquiring these customers as soon as possible and then nurturing lifelong relationships with them.

Scan the QR code to trigger the video.

A range of pet care subscription platforms

Making pet care affordable and convenient

The number of subscription customers increased 23% in FY20, and now totals over 865,000 across the Group.

We offer three main subscription packages, all with growing numbers signed up, as subscription becomes a popular trend among consumers. By signing customers and clients up to these schemes, we are able to increase loyalty and generate a predictable revenue stream.

In Retail, our "VIP Subscribe & Save" monthly flea, worm and tick treatments for dogs and cats start from just £4 per month and are delivered direct to the customers' home, providing a convenient and affordable way to maintain the health of their pet. There are an estimated 18m dogs and cats in the UK, each one of which should be treated monthly – representing a considerable opportunity to grow the number of pet owners we have using this service.

Also in Retail, our "Easy Repeat" food subscription service allows customers to completely customise home delivery of their chosen pet food. Subscribers are rewarded with our best prices, typically 2% cheaper than our closest competitor, and have total flexibility over what and when they get delivered.

Preventative healthcare plans in First Opinion vets are designed to provide peace of mind for the predictable elements of pet care, and can represent savings of over 20%. Our flagship package "Complete Care" has a monthly fee from only £12 for a dog, helping to spread the cost of routine care such as monthly treatments, annual booster vaccinations and regular consultations.

Looking ahead, we have aspirations to create increasingly personalised subscription bundles to make complete pet care even more convenient for our customers.

Scan the QR code to trigger the video.

>865,000

Subscription customers across the Group

c18m

Dogs and cats in the UK

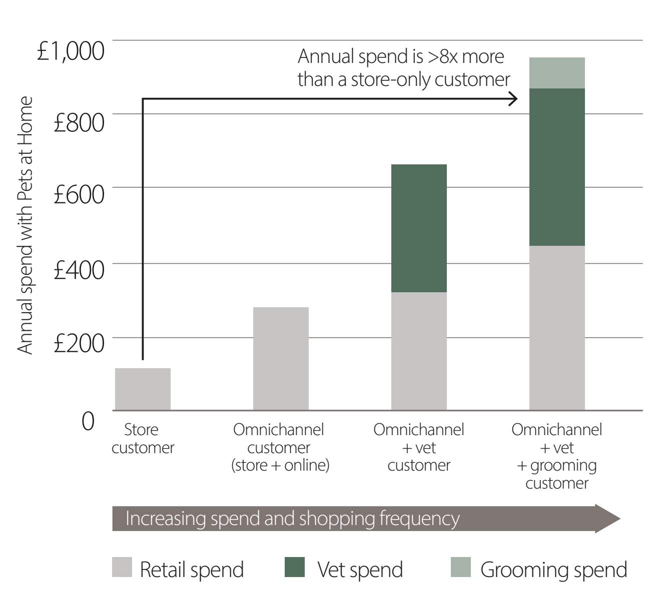
Strategic links:

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

Pet care in action

Shopping across our pet care ecosystem

Our most valuable customers purchase both products and services



>£950

Annual spend of an omnichannel shopper who also uses the Groom Room and Vets4Pets

c16%

Of all VIPs currently shop across both products and services

24%

Growth in number of VIPs shopping both products and services

Scan the QR code to trigger the video.

Strategic links:

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

Introducing VIPs to all parts of our ecosystem is central to our strategy.

We know from analysing our VIP database of 5.6m active members that not only does a retail shopper spend more overall when they also shop online, but if they also use our grooming and First Opinion vet services their total annual spend with us is over 8x more than a store-only customer.

Over the lifetime of a pet, which can typically be more than 13 years for dogs and cats, this represents a considerable opportunity for us to capture incremental pet care spend. With only c16% of VIPs currently shopping across both products and services, recent investment in our data capabilities, both in terms of people and infrastructure, will underpin our strategic progress over the coming years.

Progress across all pillars of our pet care strategy

To support delivery of our strategy, we have a clearly defined set of key performance indicators.

We are committed to generating shareholder value and financial returns, and therefore focus on three financial metrics we believe are the best measure of our performance. Alongside financial KPIs, we also have KPIs specific to each strategic pillar to ensure we can track the impact of our actions.

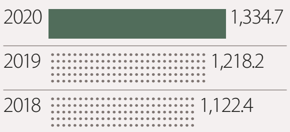
We remain confident in our pet care strategy. However, we recognise that the timing and execution of delivering that strategy will change as we respond to the unique set of circumstances created by the coronavirus pandemic. Whilst we set out some of our future strategic priorities, we will remain agile and adaptable in how we deliver pet care to customers.

Financial performance

Financial KPIs shown below represent those used by the business to monitor performance. Management recognise that as Alternative Performance Measures they differ to statutory metrics, but believe they represent the most appropriate KPIs.

Customer sales[1] (£m)

£1,334.7m +9.6%



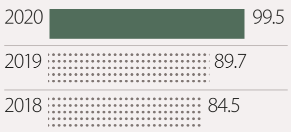
Representing excellent like-for-like[1] growth, both in Retail and in First Opinion vet practices.

What we are measuring
The growth in customer sales generated 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, whether they be under the Joint Venture or company managed model.

Group underlying profit before tax[1] (£m)

£99.5m +11.0%



Reflecting strong profit growth in Retail and the actions we have taken in the Vet Group.

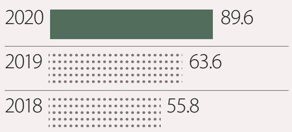
What we are measuring
The underlying profitability of the Group as a result of our strategic progress.

To ensure a meaningful year on year comparison, we have shown underlying profit before tax[1] on a constant accounting basis pre-IFRS16. The impact of IFRS16 in FY20 was to decrease Group underlying profit before tax[1] by £6.0m.

Why is it important?
By generating underlying profit growth, we are able to demonstrate that our pet care strategy is the right one, and that we are delivering against those strategic objectives.

Group underlying free cashflow[1] (£m)

£89.6m +40.7%



Delivered through strong profit conversion in Retail and the positive impact of our Vet Group actions.

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

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

The unprecedented uncertainty created by the coronavirus pandemic and its effects, both in terms of extent and duration, make it impossible to predict how the business will be impacted in the year ahead. As such, it is not possible or appropriate to provide financial guidance for FY21 at the date of this report.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

Strategic performance

Bring the pet experience to life

Number of customer transactions (m)

63.1 +6.6%

2020	63.1
2019	59.2
2018	56.2

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

What we are measuring
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 all First Opinion vet practices and cases treated at our Specialist Referral centres.

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

Future plans
We will continue bringing our Retail and Vet Group businesses closer together, making it easy and affordable for customers to shop across our brands. In addition, we will look to expand our pet care ecosystem further still by considering attractive adjacencies.

50% of sales from pet services

Customer sales[1] from services (%)

34.1% +9 bps

2020	34.1%
2019	34.0%
2018	32.2%

Reflecting a maturing First Opinion vet business and strong growth across our subscription platforms.

What we are measuring
The proportion of total customer sales contributed by our various pet care services. This is defined as gross customer sales made by both Joint Venture and company managed First Opinion vet practices, revenue from our Specialist Referral centres, grooming salons, omnichannel 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.

Future plans
Generating sales from services is an essential part of being a pet care business and not just a retailer. We will continue to focus on helping First Opinion vet practices to mature, whilst also growing the number of customers signed up to our subscription packages.

Use data and VIP to better serve customers

VIP customer sales[1] (£m)

£817.2m +38.1%

2020	817.2
2019	591.6
2018	502.6

Driven by a 31% increase in active members, in particular new puppy and kitten owners.

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

Why is it important?
Our VIP loyalty club of 5.6m active pet owners is a unique asset providing data and insight to help us increase share of wallet, attract and retain customers, and encourage further spend across our ecosystem of products and services.

Future plans
Continued investment in our data capabilities is a key underpin of our future growth plans. We intend to develop deep actionable insights so we can better serve the needs of pet owners and deliver more personalised content and offers relevant to each individual pet.

Set our people free to serve

Customer sales[1] per colleague (£k)

£187.0k +7.4%

2020	187.0
2019	174.1
2018	167.5

Achieved through excellent sales growth and a reduction in store hours through efficiency initiatives.

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

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

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

Our pet care ecosystem

Ecosystem metrics, page 32

Additional performance metrics

Having made strong progress across our pet care strategy, we have become increasingly focused on metrics which relate not just to individual pillars, but our entire pet care ecosystem. By looking at our business in this way, just as our customers do, we are confident we will create even more value for all stakeholders.

Our pet care ecosystem

Proportion of VIPs shopping across both products and services

c16%

By introducing VIPs to all parts of our pet care ecosystem, we are able to increase customer loyalty and capture a greater share of their total pet care spend. In FY20, only around 16% of our 5.6m active members shopped with us across both products and services – representing considerable headroom. As we look to leverage our data to understand customer shopping behaviour more deeply, we expect this measure to increase, with the potential to generate considerable returns for the Group both in terms of revenue and profit growth.

Number of subscription customers

865,000

Subscriptions are a popular consumer trend, and the pet care market is no different. We see considerable potential to create predictable, repeatable and high margin revenue streams from a variety of platforms, whether that is preventative healthplans with First Opinion vets, monthly flea & worm treatments or online food subscriptions. We currently have 865,000 customers signed up to these platforms across the Group, having grown 23% in the year, and expect to see further growth in FY21.

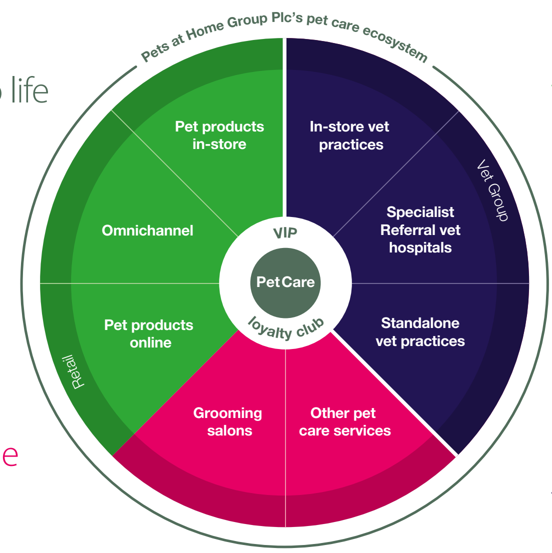
Members of the VIP Puppy and Kitten Clubs

296,000

The success of our Puppy and Kitten Clubs has been instrumental in driving the growth of VIP customer revenues. We currently have around 20% of the puppy and 10% of the kitten population in the UK signed up to the respective clubs, which aim to bring our pet care ecosystem to life in an engaging and rewarding way. With club members spending more than their non-club counterparts by up to 23%, both in the first year and on an ongoing basis, we are focused on using these clubs to help acquire new customers and develop lifelong relationships with them.

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

A unique combination of products, services and expertise

Our business model has pet care at its heart, and allows us to be adaptable.

Differentiators

Trusted and well known brand

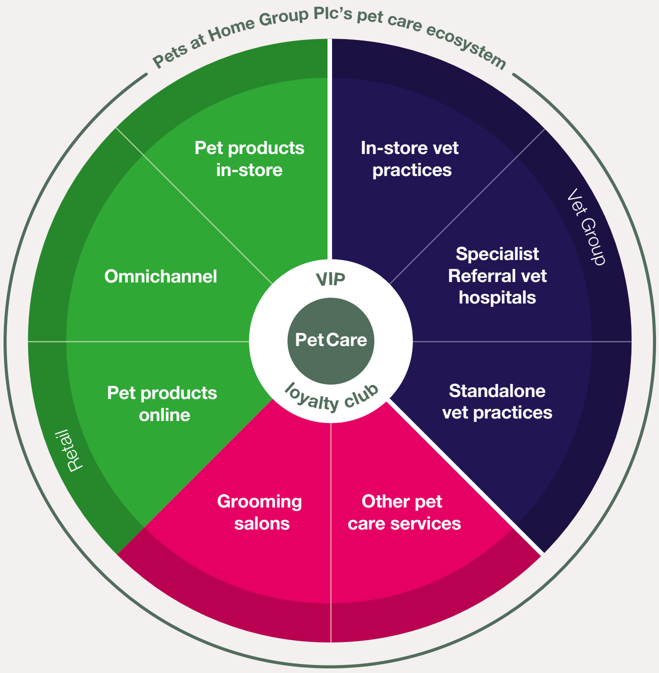
Passionate and expert colleagues, groomers and veterinarians

Customer insights from VIP loyalty club and vet practice data

Strong and stable management team

Corporate Social Responsibility - delivering our purpose

Business activities



Underpinned by CSR activities
We care deeply about the role that we play in society and want to share the value we create as a business. We are committed to developing a long term approach to Pets, People and the Planet, recognising the need to reflect the importance of these areas within our strategy.

Corporate Social Responsibility, Page 62

Our competitive advantage

We offer pet owners complete pet care through our winning combination of pet products and services, all made affordable and convenient.

A pet care ecosystem
With 255 locations offering a retail store, Groom Room salon and First Opinion vet practice all in one place, we are the clear market leader in terms of scale and convenience. Together with a multi-faceted omnichannel business, Specialist Referral centres and expert colleagues, we are able to service the needs of pet owners in one joined-up experience.

Proprietary VIP loyalty club data
We currently have 5.6m active VIP members, including around one in two dogs and one in three cats in the UK. Having over 7 years of pet-specific transaction history, we are able to generate deep insights and deliver an increasingly personalised customer journey.

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 44

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 48

Value created

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

Supported by our welfare and care standards

£5m+
Raised in FY20

Corporate Social Responsibility
Page 62

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

255
Stores with a vet and groomer inside

Pet care in action
Pages 24 to 29

For colleagues
Sector leading reward, benefits and wellbeing

Externally accredited training schemes

76%
Retention of colleagues

Corporate Social Responsibility
Page 62

For the Group
Generate value for shareholders through free cashflow growth

£89.6m
Underlying free cashflow[1]

Key performance indicators
Page 30

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

Extensive ranges and strong penetration of private label brands
Our product ranges are curated yet extensive. Within both food and accessories, we benefit from a high penetration of private labels – helping to increase customer loyalty whilst also providing a margin benefit to us.

Unified brand and unique operating model in First Opinion vets
Vets4Pets is the largest branded veterinary business in the UK, helping to drive customer recognition. Furthermore, our Joint Venture model is unique in the market and is proven to incentivise practice growth.

Passionate and knowledgeable people
Right across our business, our colleagues share a passion for pets and are experts in their respective fields, making them a trusted source of help and advice for pet owners throughout the lifetime of their pet.

The value we create for our stakeholders

At Pets at Home our vision, strategy, culture, values and behaviours underpin everything we do and help us to strengthen the relationship of the business to key stakeholders. The views of stakeholders have been considered in the normal cycle of Board and executive meetings. This has been supplemented with other stakeholder engagement opportunities on an increasing basis.

Stakeholder group	Key metrics	Engagement method
Colleagues	14,988 colleagues employed by the Group (including colleagues employed either directly or indirectly via the JVCos and Specialist Division)	Pets at Home is committed to creating a great place to work and listening to colleagues is a key part of this. The Remuneration Committee chair, Paul Moody, has been appointed as colleague representative. In this capacity he has attended executive and store listening sessions. In addition, the Chairman has attended two listening sessions in April and November as well as regular store and vet practise visits. A Joint Venture Council comprising a representation of our JVCo partners meet every two to three months to discuss strategic, operational and clinical matters. This meeting is attended by members of the Vet Group executive. For the first time the "We C.A.R.E." survey was extended to include employees of the Vet Group, this included employees of JVCos in addition to directly employed colleagues. The results of the survey were reviewed locally by teams and by the board. This annual survey is supplemented by pulse surveys and listening groups, held across the year in all areas of the business. There are channels for colleagues to engage directly with the Executive Management Team, for example "Tell David" and "Email Louise and Peter". During the Covid19 crisis listening and communication have been increased considerably. For example, every Store Manager has been paired with a Director to enable a weekly call to take place, daily video updates have been given by the CEO or one of the Executive Management Team every weekday since 17 March.
Suppliers	>390 active suppliers	Pets at Home has a relatively stable supplier base. Strong relationships have been built over a number of years and the buying, technical and innovation teams work closely together to create unique products for pets and their owners. Over 90% of food product purchases and over 50% of accessory product purchases are from UK based suppliers, which means that the teams are able to meet suppliers on a regular basis, in addition to an annual conference. The sourcing office in Hong Kong manages the day to day relationships with our supplier partners in this region. An annual autumn conference is held in this region where key messages are shared and the suppliers have an opportunity to ask questions, raise concerns and opportunity areas.
Charities and community groups	480 animal rescues visited by Pets at Home colleagues in 2019/20	The Pets at Home charitable foundation, Support Adoption for Pets (SAFP), engages with the animal rescue sector in the UK on a regular basis. The team, which includes a veterinary nurse visited 90 rescues to gain a good understanding of the issues that they face and help that they need which supports the decisions on which grant applications are funded. Additionally 390 stores visited a local rescue as part of the charity of the year selection and engagement process.
Industry bodies	RCVS/BVA All vets are members of the Royal College of Veterinary Surgeons (RCVS) and the British Veterinary Association (BVA)	The Vet Group maintains close working relationships with key industry bodies such as the RCVS and the BVA through membership of the Major Employers Group. All of our JVPs are members of the RCVS and BVA. We have vet and nurse colleagues in both our Support Office and our practices who are senior officers in some of the main veterinary organisations and we are well represented on key policy committees as well. These include the Society of Practising Veterinary Surgeons (SPVA) and the British Veterinary Nursing Association (BVNA). The Group also participates in industry activity such as the RCVS Knowledge Quality Improvement Advisory Board and Veterinary Defence Society Vetsafe initiative, which is an industry-wide significant event reporting system which enables learnings and improvements to be made across the industry. Pets at Home became a member of the British Retail Consortium (BRC) during FY19/20 and have been actively involved particularly during the Coronavirus outbreak.
Customers	5.6m active VIP members	We regularly communicate with our VIP community through a variety of mediums such as email, direct mail and the VIP App. Communications are designed not only to provide discounts and benefits, but also to share helpful pet care content and encourage feedback. In addition to our structured VIP campaigns, we also perform an annual survey of both existing and non-shoppers to get deep understanding of how their shopping behaviours are changing and how we can best meet their needs. We also host regular small listening groups throughout the year, providing detailed direct feedback.
Shareholders and the investor community	103 Institutions met	The CEO, CFO and Investor Relations team are involved in ongoing interaction throughout the year via conference calls, meetings and small roundtable events. At the AGM 100% of resolutions were passed and votes in favour ranged from 93% to 100%. Investor tours were conducted at the flagship Stockport store. A roundtable event was hosted by the Chief Operating Officer of the Vet Group and three Joint Venture Partners who stand on the Joint Venture Council.

How we engage

By understanding our stakeholders, we can factor into Boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns, in accordance with section 172 of the Companies Act 2006.

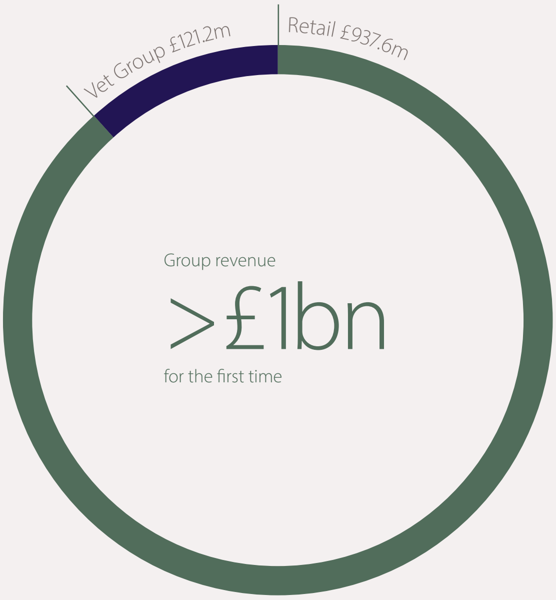
Key messages	Our response
The annual survey provides detailed information but is part of a broad selection of engagement channels available to colleagues. As with any large survey, below the headline themes differences can appear at a local level so follow up sessions have been held at a department level across the Group. These were developed into action plans. At a Group level there were clear messages about career pathways, managing change and opportunities to promote flexible working at our office locations. Recently during the coronavirus crisis the need to engage with all colleagues has been important whether they are working in stores, DCs or vets, shielding or working from home and across all the these groups wellbeing has become an even more important focus for colleagues.	Our focus is on creating a kind and caring company where colleagues feel welcomed and valued and are able to make their best contribution. Digital and flexible working have been prioritised and William Hewish is leading a project to accelerate this at our office locations. New software has been launched across the business to enable virtual meetings and sharing of documents. The coronavirus crisis has accelerated the development of virtual communications, for example a virtual version of the weekly "Shoal" has begun. A social media platform called JAM has been rolled and out and widely used to provide a wealth of resources and information to support colleague wellbeing.
Engagement with suppliers has identified an opportunity to develop more strategic medium term plans to enable investment and financial planning. This will in turn create an even more innovative, efficient and responsive supply chain. The review of the Corporate Responsibility strategy has identified opportunities to strengthen the raw material and packaging sustainability of products.	We are currently reviewing our end to end processes to further improve our ways of working with suppliers. This will include a new IT based process management system, a cross functional balanced scorecard for assessing capability and establishing medium term (three to five year) supplier strategies. This will enable us to work efficiently and effectively with our suppliers to deliver for our customers. During the year a Product and Supply Chain management team has been established to further develop the Responsible Sourcing Strategy.
Local and national rescues face a constant challenge to maintain sufficient income to meet the immediate veterinary and shelter needs of the pets in their care while also investing in infrastructural improvements. There are particular concerns about the impact of coronavirus on the ability of charities to raise sufficient money to maintain their basic operations.	SAFP made 78 grants totalling over £1.5m; 70% of these contributed to capital projects. 85% Pets at Home stores partner with a local charity to enable them to raise awareness and funds by fundraising in our stores over specific weekend events. This raised over £1.2m in the last year. The SAFP foundation and VIP Lifelines have donated £1.1m to support local rescues impacted by the coronavirus.
Joint Venture Partners have the clinical freedom to interpret and follow RCVS guidance. Engagement with industry bodies enables the Vet Group clinical services team to provide informed support and advice to the partners. Of particular note in the year was our work with the BVA to lobby the Government to add veterinary surgeons to the Shortage Occupation List, plus pro-active engagement to support pet shops and vet practices being designated as "essential services" amidst the coronavirus outbreak in March.	The Vet Group launched QI2020, a quality improvement initiative, to bring the latest clinical guidance from the industry into one easy to access location for our JVPs. We continue to work closely with all industry bodies during the coronavirus outbreak to support our colleagues, customers and pets.
Customers are increasingly demanding a highly personalised shopping experience, and one that is seamless across channels. If we are not able to deliver this experience, then we risk losing both existing and potential new customers to competitors.	With an increasing proportion of our customers being from younger generations, where trends such as online shopping and subscriptions are more prevalent, we are ensuring that we invest in these areas of the business. Insights gained throughout the year form an integral part of our annual five-year strategic planning process, to ensure that we are building a business which remains relevant to today's pet owners.
Having made significant changes to both the Retail and Vet Group parts of the business in recent years, our investment case has evolved. As such, it has become increasingly important to spend time with investors to explain the reasons for these changes, the impact on the business, and articulate its future prospects. There has been engagement around specific topics over the course of the year including the update of the CSR strategy, Chairman succession, Director remuneration and capital allocation.	We have positive, ongoing and transparent dialogue with our shareholder base and we value feedback and insight which is considered by the Executive Management Team. The investor website is kept updated with all of the latest announcements and provides information about the Group and its activities.

A record financial performance in FY20 demonstrates the progress we have made

"Customer sales across the Group grew strongly throughout the year, driving underlying profit growth, whilst the impact of coronavirus related purchases in March provided an additional in-year benefit."

Mike Iddon
Chief Financial Officer

	FY20 (post IFRS16)	FY20 (pre IFRS16)	FY19 (pre IFRS16)	YoY change (pre IFRS16)
Group like-for-like revenue growth[#]	9.0%	9.0%	5.7%	
Retail	9.4%	9.4%	5.1%	
Vet Group	5.6%	5.6%	11.2%	
Group revenue (£m)	1,058.8	1,058.8	961.0	10.2%
Retail	937.6	937.6	854.6	9.7%
Vet Group	121.2	121.2	106.4	13.9%
Group underlying gross margin[1]	48.9%	48.9%	50.7%	(174) bps
Retail	49.7%	49.7%	51.0%	(127) bps
Vet Group[1]	42.7%	42.7%	48.0%	(531) bps
Group underlying EBIT[2,3,#] (£m)	111.3	103.3	93.2	10.9%
Retail	89.3	81.7	67.2	21.6%
Vet Group[2]	30.6	30.2	32.1	(5.9)%
Central	(8.6)	(8.6)	(6.1)	41.1%
Group underlying EBIT margin[2,3,#]	10.5%	9.8%	9.7%	6 bps
Retail	9.5%	8.7%	7.9%	85 bps
Vet Group[2]	25.2%	24.9%	30.1%	(526) bps
Group underlying PBT[3,#] (£m)	93.5	99.5	89.7	11.0%
Group statutory PBT[3] (£m)	85.9	91.9	49.6	85.4%
Underlying basic EPS[1,2,3,#] (p)	15.0	16.0	14.1	13.3%
Statutory basic EPS[3] (p)	13.5	14.4	6.1	136.8%
Group non-underlying charges[1,2] (£m)	(7.6)	(7.6)	(40.1)	(81.1)%
Group non-underlying cash costs[4] (£m)	(16.4)	(16.4)	(8.9)	83.6%
Group underlying free cashflow[#] (£m)	89.6	89.6	63.6	40.7%
Dividend (p)	7.5	7.5	7.5	–



7.5p
Full year dividend maintained in FY20

Dividend per share

2020	7.5p
2019	7.5p
2018	7.5p

FY20 financial highlights

Revenue (£m)

£1,058.8m +10.2%

Underlying PBT[1] (£m) (pre-IFRS16)

£99.5m +11.0%

Statutory PBT (£m)

£85.9m +73.3%

Underlying free cashflow[1] (£m)

£89.6m +40.7%

Statutory basic EPS (pence)

13.5p +121.0%

1 FY20 non-underlying charges relating to costs incurred by the Group in buying out, and in some cases closing, certain JV practices include £6.6m charged against Vet Group, and Group, non-underlying gross margin (FY19: £40.4m).
2 FY20 non-underlying charges also include £1.0m relating to an accounting charge for the potential future acquisition of minority stakes owned by vet Partners in the Specialist Referral centres, which has been charged against non-underlying operating costs (FY19: £0.4m).
3 Adjusted financial metrics for FY20, which exclude the impact of the transition of IFRS16, have been provided to aid comparability with the prior period. For further information on the impact of IFRS16, see page 216.
4 FY20 non-underlying cash costs include £10.0m relating to Joint Venture practices that we have bought out (FY19: £8.8m), plus £6.4m in relation to payments made to Shared Venture Partners in our Specialist Referral centres to acquire certain remaining minority stakes (FY19: £0.1m).
Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

Impacts on the FY20 financial statements

Impact of COVID-19 on the FY20 financial statements
As we approached the end of our financial year, the impact of COVID-19 in the UK meant that we experienced exceptionally high levels of demand, notably across food products, both in-store and online. This was characterised by existing customers pulling forward purchases, as well as new customers accessing specific pet products and healthcare services, and delivered an uplift in revenue and profit for the year versus our previous expectations.

Impact of Vet Group recalibration on the FY20 financial statements
As part of the recalibration of our First Opinion veterinary business, a total non-underlying charge of £6.6m (FY19: £40.4m) has been recognised against both Vet Group, and Group, gross profit. This accounts for all costs incurred by the Group relating to practices that have been bought out and/or closed during the year. In addition to this income statement charge, an existing balance sheet provision of £9.3m brought forward from FY19 has been utilised.

Total cumulative non-underlying costs related to buying out a total of 57 Joint Venture practices, and subsequently closing 36 of them, since the beginning of FY19 have been £47.0m. With this one-off recalibration now complete, there will be no further non-underlying charges relating to the actions we have taken, and any further related cash outflow will be recognised within underlying free cashflow.

Impact of IFRS16 on the FY20 financial statements
To aid comparability, the financial information in pages 40 to 43 and associated commentary have been presented on a constant accounting basis and do not reflect the impact of IFRS16. The impact of IFRS16 on the Group financial statements has been to reduce Group underlying profit before tax by £6.0m, and is shown in further detail on page 43.

Following the transition to reporting under IFRS16 in FY20, we will report on a post-IFRS16 basis from FY21 onwards.

10.2%
Group revenue growth

48.9%
Group underlying gross margin[1]

£85.9m
Group statutory PBT

Financial review of FY20

The FY20 audited period represents the 52 weeks from 29 March 2019 to 26 March 2020. The comparative period represents the 52 weeks from 30 March 2018 to 28 March 2019.

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).

The financial statements for FY20 have been prepared under the requirements of IFRS16 for the first time. To aid comparability with the prior period, adjusted financial information shown pre the impact of IFRS16 is also shown in the table below. The impact of IFRS16 on the Group financial statements has been to reduce Group underlying profit before tax by £6.0m, and is shown in further detail on page 43.

Revenue
Group revenue exceeded £1bn for the first time in FY20, growing 10.2% to £1,058.8m (FY19: £961.0m) with like-for-like (LFL) revenue growth of 9.0%#.

Retail revenue grew 9.7% to £937.6m (FY19: £854.6m), with LFL revenue growth of 9.4%#. Strong growth in transaction volumes helped deliver a store LFL of 7.7%, whilst omnichannel revenue, including that generated by our subscription platforms, grew 27.8% to £93.9m.

We made particularly strong share gains in Food, where revenues grew by 13.6% to £517.4m (FY19: £455.4m). Within the Advanced Nutrition category, the ongoing trend of premiumisation enabled us to deliver revenue growth of 15.2% to £242.1m (FY19: £210.1m) and grow category market share. The strong growth in Food revenue reflects not only our success in recruiting new customers throughout the year, particularly puppy and kitten owners, but also the exceptional level of sales seen in the closing weeks of the year as noted above. Accessories revenue grew 5.1% to £375.3m (FY19: £357.0m), with categories such as cat litter, dog toys and Health & Hygiene performing particularly well throughout the year.

Vet Group revenue grew 13.9% to £121.2m (FY19: £106.4m), with LFL growth of 5.6%#. Customer sales made by all First Opinion vet practices were up by 10.4% to £351.3m# (FY19: £318.2m), whilst those made in Joint Venture veterinary practices were up 6.4% to £329.7m# (FY19: £309.8m), all unaudited figures, despite ending the year with 24 fewer JV practices.

Total Joint Venture fee income increased by 2.1% to £53.8m (FY19: £52.6m), whilst LFL fee income growth was also 2.1%# (FY19: 12.2%). This LFL growth in JV fee income was lower than the prior year due to adjustments made throughout FY20 to the fee arrangements for ongoing Joint Venture practices, but which have helped contribute to an improvement in the underlying performance of the estate.

From the point at which any practice buy out was completed, the financial performance of that practice has been consolidated - please refer to note 1 in the financial statements for more detail. This has led to consolidated customer revenue from company managed First Opinion practices increasing significantly to £21.7m (FY19: £8.1m), as we ended the year with 45 practices under our ownership.

Elsewhere in the Vet Group, we also saw steady performance in our Specialist Referral division, where revenue grew 7.0% to £39.6m (FY19: £37.0m).

Gross margin

Group underlying gross margin declined by 174 bps to 48.9% (FY19: 50.7%), whilst Group statutory gross margin increased to 48.3% (FY19: 46.5%).

Underlying (and statutory) gross margin within Retail was 49.7%, a reduction of 127 bps over the prior year (FY19: 51.0%). This was driven by strong performance in Food, as noted above, which delivered an adverse mix effect on margin. In addition, while the growth in participation of Retail revenues from our omnichannel business to 10.0% (FY19: 8.6%) contributed to an overall increase in revenues, its greater mix of food product versus higher margin accessories had a dilutive impact on gross margin.

This combined mix impact of Food and omnichannel sales participation was particularly relevant during the final four weeks of the year when we saw exceptional demand due to COVID-19. Prior to that period, Retail gross margin for FY20 had been 50.4%.

Underlying gross margin within the Vet Group decreased by 531 bps to 42.7% (FY19: 48.0%). This decrease largely reflects the impact of fee adjustments implemented for JV practices throughout the year, which have suppressed JV fee income, while the costs incurred in generating this fee income and charged against gross profit have remained relatively flat. Consolidation of the former JV practices which have been retained under a company managed model also had a dilutive impact on Vet Group gross margin, with the margin profile of an individual practice being significantly lower than that generated on JV fee income.

Finally, we saw a positive impact on Vet Group gross margin resulting from a lower charge of £0.9m (FY19: £2.9m) being made to the underlying provision held against operating loan funding provided to First Opinion veterinary practices, which we expect to continue operating as Joint Ventures. This underlying provision represents c21% of the operating loan gross balance (FY19: c20%). While the year on year provision as a percentage of the gross balance has marginally increased, we believe this is appropriately prudent given we have only recently completed our recalibration actions and still have a Joint Venture estate of which a significant proportion is immature.

Statutory Vet Group gross margin, after all non-underlying charges, increased significantly to 37.2% (FY19: 10.1%). This reflects a reduced charge of £6.6m (FY19: £40.4m) relating to costs incurred by the Group completing the Vet Group recalibration.

Operating profit and operating costs

Underlying Group EBIT was £103.3m# (FY19: £93.2m), with a margin of 9.8%# (FY19: 9.7%).

Underlying Retail EBIT was £81.7m# (FY19: £67.2m) with a margin of 8.7%# (FY19: 7.9%), with operating cost growth, excluding depreciation and amortisation, of 4.5% to £349.2m (FY19: £334.3m). This operating margin expansion was achieved despite the lower gross margin noted above, and represents careful management of operating costs.

Occupation costs (rent, service charges and other property costs) declined as a percentage of Retail sales to 13.7% (FY19: 14.9%) due to rent reductions achieved across a number of lease renewal negotiations. Colleague costs also decreased as a percentage of Retail sales to 16.9% (FY19: 17.8%), driven by efficiency initiatives in-store. Excluding IFRS16 right-of-use assets, depreciation and amortisation in Retail increased slightly to £35.3m (FY19: £34.3m).

Underlying Vet Group EBIT was £30.2m# (FY19: £32.1m) with a margin of 24.9%# (FY19: 30.1%). Operating costs in the Vet Group, excluding depreciation and amortisation, were £18.5m (FY19: £16.5m), growth

> "We are confident in the resilience of our business, enabling the final dividend to be paid."

of 12.5% on the prior year. This was largely due to consolidation of overhead costs relating to those JV practices which have been bought out, plus various pre-opening costs associated with expansion in our Specialist Referral division. Excluding IFRS16 right-of-use assets, depreciation and amortisation in the Vet Group increased to £3.0m (FY19: £2.5m).

In the Vet Group, non-underlying operating costs totalling £1.0m (FY19: £0.4m) were recognised in relation to the Shared Venture ownership model in our Specialist Referral division, where the option Pets at Home has to buy shares held by Shared Venture Partners in the future is accounted for as a forward contract. During the year, we exercised options to purchase shareholdings from certain Partners at a total cash cost of £6.4m, such that three centres are now wholly owned.

Central costs, including Group overheads and colleagues, increased to £8.6m (FY19: £6.1m).

Finance expense

Excluding IFRS16 interest charges, the net finance expense for the year was £3.8m, a slight increase from the prior year (FY19: £3.5m).

Profit before tax

Excluding the impact of IFRS16, underlying pre-tax profit was £99.5m# (FY19: £89.7m) and pre-tax profit after charging for all non-underlying items increased significantly to £91.9m (FY19: £49.6m). This increase in pre-tax profit reflects the strength of underlying trading in Retail, plus a reduced non-underlying charge of £7.6m (FY19: £40.1m), largely relating to the recalibration of the First Opinion veterinary business. Statutory pre-tax profit, including the impact of IFRS16, was £85.9m (FY19: £49.6m).

Taxation, net income & EPS

After removing the impact of IFRS16, the underlying tax expense for the period was £19.8m#, a rate of 19.9% on underlying pre-tax profit.

Excluding the impact of IFRS16, underlying net income for the year, after tax, increased by 13.3% to £79.7m# (FY19: £70.4m) and underlying basic earnings per share were 16.0 pence# (FY19: 14.1 pence).

Statutory basic earnings per share, including the impact of IFRS16, were 13.5 pence (FY19: 6.1 pence).

Cash working capital

The cash movement in trading working capital for FY20 was an inflow of £30.7m# (FY19: inflow of £17.9m). This comprised a £5.7m decrease in inventory, a £16.2m increase in payables and a £8.8m decrease in receivables.

We also provided support to some ongoing Joint Venture First Opinion veterinary practices in the form of £2.5m of cash operating loans in the year (FY19: £9.6m). This reduced the overall Group cash working capital inflow to £28.2m.

The gross value of operating loans at the end of the year was £37.5m (FY19: £42.2m). Following the completion of our buy out programme during the first half of FY20, operating loans totalling £7.2m relating to these practices were written off in full by utilising the 100% non-underlying provision established in FY19. As such, the total provision of £8.0m (FY19: £14.3m) now held against the gross value of operating loans is entirely an underlying provision held against the balance of operating loans for practices which we expect to continue operating as Joint Ventures, at an average of c21%.

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

Capital investment

Excluding IFRS16 right-of-use asset additions, capital investment was £38.3m (FY19: £34.5m), and was fully aligned to our strategic priorities. The ongoing refurbishment and maintenance of our existing store estate, including rollout of our pet care centre format across a further 16 stores during FY20, totalled £11.1m (FY19: £8.8m), and represented just 1.2% of Retail sales. Investment in omnichannel and business systems totalled £14.9m (FY19: £10.8m) as we continue to invest in our digital and data capabilities to support future growth, and a further and £4.8m was invested in the organic growth of our Specialist Referrals division. Cash capital expenditure was £39.6m (FY19: £37.9m), and CROIC# was 19.7% (FY19:18.9%).

Group underlying free cashflow

Group underlying free cashflow (FCF) after interest, tax and before acquisitions increased to £89.6m# (FY19: £63.6m), representing a cash conversion rate of 63%# (FY19: 49%). The increase in FCF compared with the prior year was achieved despite a one-off additional payment of £10.7m relating to a change in timing of Corporation Tax payments, which meant we paid a total of £30.8m during FY20.

Group underlying free cashflow# (pre-IFRS16)	FY20 (£m)	FY19 (£m)
Group operating cashflow#	165.8	126.5
Tax	(30.8)	(18.6)
Net interest	(3.2)	(2.8)
Debt issue costs	–	(2.5)
Net capex	(39.4)	(37.2)
Purchase of own shares to satisfy colleague options	(2.8)	(1.8)
Group underlying free cashflow#	**89.6**	**63.6**

FY20 Group underlying free cashflow#	Underlying FCF (£m)	FCF conversion[2]
Retail	84.8	72.5%
Vet Group	16.7	50.2%
Central[1]	(11.9)	NM
Group underlying free cashflow#	**89.6**	**63.2%**

1 Includes central costs of £8.6m plus interest paid of £3.8m, purchase of own shares of £2.8m and a Corporation Tax credit off £3.0m.

2 Calculated as underlying free cashflow as a percentage of underlying EBITDA.

The Group's net debt position at the end of the year was £85.9m, which represents a leverage ratio of 0.6x underlying EBITDA# on a pre-IFRS16 basis or 2.5x on a post-IFRS16 basis.

Group net debt	FY20 (£m)	FY19 (£m)
Opening net debt (pre-IFRS16)	**(120.5)**	**(135.2)**
Underlying free cashflow#	89.6	63.6
Ordinary dividends paid	(37.1)	(37.2)
Acquisitions[3]	(1.5)	(2.8)
Non-underlying cash outflow[4]	(16.4)	(8.9)
Closing net debt (pre-IFRS16)	**(85.9)**	**(120.5)**
Pre-IFRS16 leverage (Net debt/underlying EBITDA#)	**0.6x**	**0.9x**
Post-IFR16 leverage (Net debt/underlying EBITDA#)	**2.5x**	**3.0x**

Dividend

The Board has recommended a final dividend of 5.0 pence per share, reflecting the strength of our performance last year and our robust liquidity and balance sheet. This takes the total dividend for the year to 7.5 pence per share, equal with the prior year. The final dividend will be payable on 14 July 2020 to shareholders on the register at the close of trading on 19 June 2020.

Transition to IFRS16

The financial statements for FY20 have been prepared under the requirements of IFRS16 for the first time. Implementation of IFRS16 has had no effect on how the business is run, or on cash flows generated. It has, however, had an impact on the assets, liabilities and income statement of the Group, as well as the classification of cash flows relating to lease contracts.

IFRS16 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 under IFRS16 on the Group's Balance Sheet at the end of FY20 is £463.9m.

IFRS16 permits a choice on the method of implementation and after careful consideration the Group has applied the modified retrospective approach. Under this method, all prior year comparative balances have not been restated, but the cumulative effect of adopting IFRS16 has been 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, with the right-of-use asset adjusted for any remaining deferred income relating to landlord incentives and rent free periods, outstanding prepayments or provisions for onerous leases.

In Retail, the application of IFRS16 results in all store and distribution centre rents no longer being included within operating costs but replaced instead by an additional depreciation charge. On a post-IFRS16 basis, Retail operating costs excluding depreciation and amortisation were £272.5m. Including all IFRS16 right-of-use assets, total depreciation and amortisation was £104.3m, leading to an operating margin of 9.5%.

In the Vet Group, right-of-use assets relate predominantly to our Specialist Referral centres. On a post-IFRS16 basis, Vet Group operating costs excluding depreciation were £16.1m. Including all IFRS16 right-of-use assets, total depreciation and amortisation was £5.1m, leading to an operating margin of 25.2%.

Including all IFRS16 interest charges, the net finance expense for the period was £17.8m.

The net impact of IFRS16 in the year was to reduce Group underlying and statutory profit before tax by £6.0m to £93.5m and £85.9m respectively.

3. FY20 includes an investment in Tailster.com and in certain company managed practices. FY19 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.

4. FY20 includes £10.0m relating to practices bought out during the year (FY19: £8.8m), plus £6.4m in relation to payments made to certain Shared Venture Partners in our Specialist Referral centres to acquire remaining minority stakes (FY19: £0.1m)

Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.

In order to clearly show the impact of transitioning to IFRS16, we show a reconciliation of Group underlying profit before tax and cashflow as follows.

£m (unaudited)	Pre IFRS16	Exclude rent	Include depreciation	Include interest	Post IFRS16
Revenue	1,058.8	–	–	–	1,058.8
Operating lease rentals	(79.1)	79.1	–	–	–
Depreciation & amortisation	(38.3)	–	(71.1)	–	(109.4)
Underlying operating profit#	**103.3**	**79.1**	**(71.1)**	**–**	**111.3**
Finance income	0.4	–	–	0.1	0.5
Finance expense	(4.2)	–	–	(14.1)	(18.3)
Group underlying PBT#	**99.5**	**79.1**	**(71.1)**	**(14.0)**	**93.5**

£m (unaudited)	Pre IFRS16	Add back rent	Replace with interest & capital repayment	Post IFRS16
Group operating cashflow#	**165.8**	**79.1**	**–**	**244.9**
Tax	(30.8)	–	–	(30.8)
Interest	(3.2)	–	(14.0)	(17.2)
Repayment of lease obligations	–	–	(67.0)	(67.0)
Net capex	(39.4)	–	–	(39.4)
Purchase of own shares	(2.8)	–	–	(2.8)
Other cashflow items	–	–	1.9	1.9
Group underlying free cashflow	**89.6**	**79.1**	**(79.1)**	**89.6**

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). With the UK currently working towards 31 December as the date we will exit the EU, 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 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 imported products are sourced from outside the EU.

4) Exchange rates – the exit process may prompt movements in the USD/GBP exchange rate. In FY20, the Group purchased products from Asia to a value of around US$85m, although we expect to purchase slightly less than that in FY21. Our policy is to use a mix of foreign exchange forward contracts to hedge our USD requirement to cover the next 18 months. 83% of our FY21 forecast USD spend is currently hedged at an average rate of 1.28 USD:GBP, and we will monitor exchange rates closely as we look to mitigate any pressure on Retail gross margin.

5) A significant number of colleagues, particularly within our Vet Group and Distribution Centres, are non-UK EU nationals. While Brexit may result in changes to UK immigration policy which could increase the risk around the availability, recruitment and retention of these individuals, it may also make it easier to recruit highly skilled workers. Although it is a positive step that the Government has accepted the Migration Advisory Committee's recommendation that veterinary surgeons be restored to the shortage occupation list, we will continue to work closely with professional bodies including the Royal College of Veterinary Surgeons and the British Veterinary Association to assess the potential impact of restrictions on free movement for EU nationals.

Mike Iddon
Chief Financial Officer
21 May 2020

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 £517.4m, pet food is the largest part of our business and represents 55% of all Retail revenue, having grown very strongly in the year at 13.6%. This represents our success in acquiring new customers, particularly puppy and kitten owners, and growing our active VIP loyalty club members by 31% in the year.

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

We always look to offer competitive prices, particularly on those products we know matter most to our customers. Across both branded products and our range of private labels, which represent around a third of all food sales but a much higher proportion of the Advanced Nutrition category, we help pet owners feed their pet the best possible diet for their budget. Our online Easy Repeat food subscription service, where customers can customise regular delivery of pet food across a selection of brands, maximises convenience and rewards our most loyal customers with even better prices.

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
- Cat litter

Pet care services
- Grooming salons
- Pet sales
- Pet insurance

Market overview
Retail

The UK pet market grew an estimated 3% in 2019. With total revenue growth of 9.7% including 27.8% growth in omnichannel revenues, we made strong share gains across key categories, both online and offline.

453
Stores

316
Grooming salons

5.6m
VIP loyalty club active members

Strategic differentiators

Locations nationwide and knowledgeable colleagues
- 453 stores
- 316 grooming salons
- Over 6,900 Retail colleagues with expert pet knowledge

VIP loyalty club
- 5.6m active members
- 75% of store revenues transacted by VIPs
- >£12.6m raised for charities since launch

Fast growing omnichannel business
- Omnichannel[1] revenue growth of 27.8%
- 10.0% participation of Retail revenue
- Increasing traffic and conversion across both mobile and desktop
- Growing numbers signed up to subscription services

Strong penetration of private label
- c33% participation of Food revenue
- Even higher within Advanced Nutrition category
- c50% participation of Accessories revenue

Retail – FY20 financial metrics

9.4%
Like-for-like[1] revenue growth

£937.6m
Retail revenue

£81.7m
Retail underlying EBIT[1] (pre-IFRS16)

£89.3m
Retail statutory EBIT (post-IFRS16)

Accessories

Accessories revenues increased to £375.3m in FY20 and account for 40% of Retail revenues in the year. Our accessory ranges are signposted by pet type both in-store and online, and include cat litter, collars, leads and harnesses, bedding, housing, feeding, health & hygiene, travel, training and enrichment – all of which are important for pets to lead a happy and healthy life.

Due to the more discretionary nature of accessory purchases, innovation remains critical to growth in this category. Customer trends are constantly changing and our dedicated team responsible for product innovation take inspiration from pet markets in other countries to ensure our ranges are always new and exciting – particularly across our private label brands, which represent around half of all accessory sales. Since customers often prefer to touch and feel accessories before purchasing, this category contributes more to store sales than to those made online.

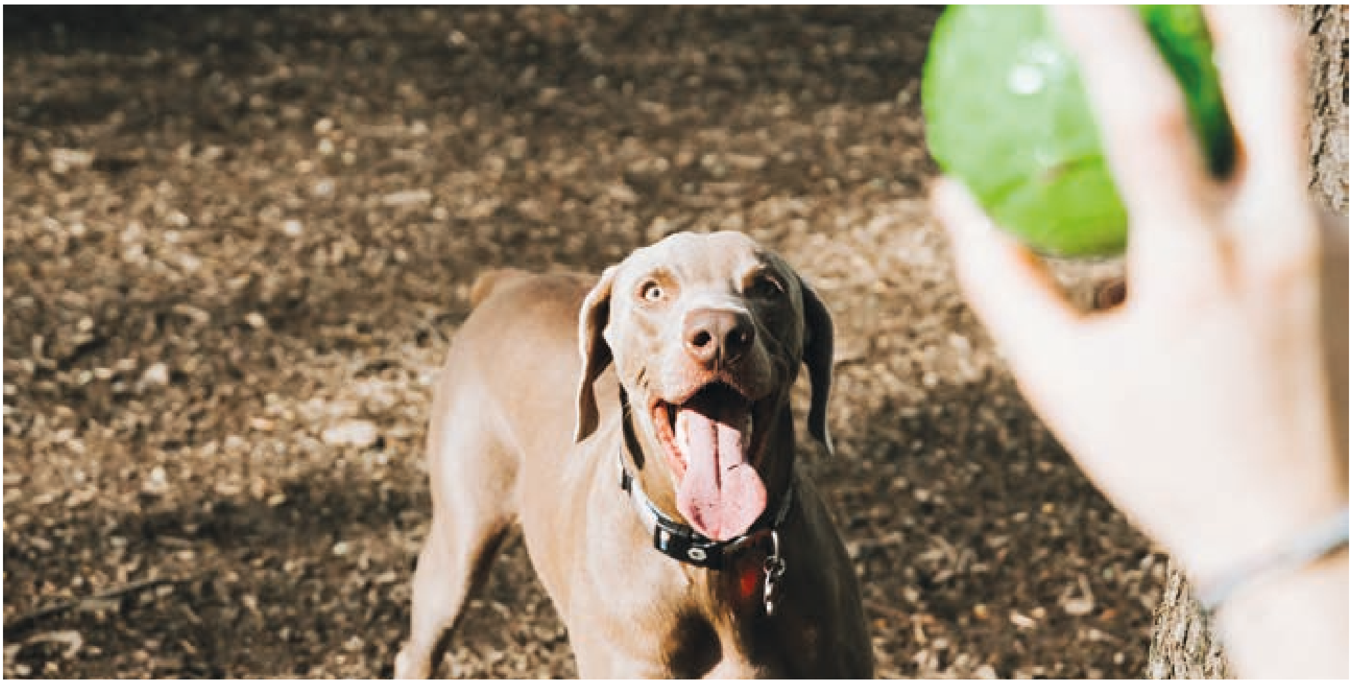
Impact of COVID-19 in FY20

In the closing weeks of the financial year we experienced exceptional levels of demand, both in-store and online, as the COVID-19 crisis developed. We saw existing customers increase average basket size by pulling forward purchases, as well as new customers shopping with us, leading to a significant increase in food purchases and online transactions. Our previous investments in omnichannel capacity, new customer acquisition and subscription services equipped us to meet these above-trend levels of demand, and lead to incremental sales and profit.

Omnichannel

We aim to maximise convenience for customers so they can shop with us however and whenever they want. The flexibility of our omnichannel approach means that customers are always able to get the products they need in a way that suits them, and each component of our omnichannel proposition has grown strongly in the year.

1 Alternative Performance Measures (APMs) are defined and reconciled to IFRS information, where possible, on page 220.



Omnichannel[1] now represents 10.0% of all Retail revenues.

Our in-store ranges are carefully curated and kept relevant to the buying habits of the local customer. Online however, customers have access to our extended range of over 9,600 products. Customers can choose to have their online order delivered to home, or take advantage of being able to collect it for free from over 500 locations nationwide – whether that be their local store or a nearby standalone vet practice, demonstrating the convenience we offer. We see a large proportion of online orders collected in this way, particularly when they include a large bag of pet food.

If a particular flavour or size is not stocked in-store, then our Order-in-Store facility allows colleagues to place orders from our extended online range quickly and easily whilst the customer is still present – meaning the store never needs to miss out on a potential sale.

Finally, our VIP Subscribe & Save service, which allows customers to receive monthly delivery of preventative flea and worm treatments for their dogs and cats, is now well established and has grown strongly in the year as customers value the affordability and convenience it offers.

In total, omnichannel revenues represent 10.0% of all Retail revenues, and around 55% is colleague assisted in some way; proving that our stores are a strategic asset. Supported by recent capital investment at our Northampton Distribution Centre to automate the picking and packing process, allowing us to double capacity, we are well positioned to meet the continued growth we expect to see in our omnichannel business.

Other Retail revenue

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

The Groom Room is the largest branded chain of pet grooming salons in the UK. With fully glazed partition walls creating a focal point in-store, our highly trained stylists perform the full range of pet grooming services including a full groom, bath and brush, microchipping and nail clipping. Grooming revenue grew strongly in the year, driven by more repeat visits from existing customers and introducing new customers to the services we offer, for example through our VIP Puppy Club.

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

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

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 441 practices operating mainly under the Vets4Pets brand name. We also currently operate four Specialist Referral centres around the UK, with a fifth location at a greenfield site in Scotland scheduled to open in the coming year.

First Opinion division
Our preferred model has always been to build value through shared ownership. We operate a total of 396 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 customer sales as fee income from day one, in return for the business support services we provide. Rent and other occupancy costs are also charged to practices located inside a Pets at Home store based on the space that they occupy.

By being business owners, Joint Venture Partners are strongly incentivised to drive performance of their practice. They are entitled to withdraw all the business profits once loans are repaid, with these dividends being in addition to any market rate salary they often choose to take along the way. 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.

During the year, we finalised a number of recalibration actions in our First Opinion business. Firstly, we completed a programme of buying out, and in some cases closing, certain Joint Venture practices; in total we bought out 57 Joint Venture practices, subsequently closing 36. Secondly, we implemented a series of fee adjustments for the remaining estate in order to rebalance the economics of the Joint Venture model. Such adjustments are designed to help practices mature more swiftly and to generate improved returns for both Joint Venture Partners and Pets at Home.

In addition to our Joint Venture practices, we also operate 45 practices under a company managed model, including the 21 former Joint Venture practices that were not closed as part of the recalibration actions noted above. In these practices, the vet and all other practice colleagues are employed directly by the Vet Group and rather than take a fee income as under the Joint Venture arrangement, the financial results of these practices are consolidated in the Group financial statements. By operating company managed practices, it 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.

Market overview
Vet Group

In 2019, the veterinary segment of the UK pet care market grew at c5% whilst in FY20 total customer sales across all of our First Opinion vet practices and Specialist Referral centres grew 10.2%.

396
Joint Venture practices

301
First Opinion practices inside Pets at Home stores

Strategic differentiators

Partnership model which incentivises growth
- 510 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
- 301 practices inside Pets at Home stores and 140 in standalone locations
- World class specialist clinicians able to treat pets with specific requirements at our Referral centres

Unique benefits from being part of Pets at Home Group
- Cross-sell opportunities with Pets at Home VIP loyalty club
- Introductions made by store colleagues
- Increased footfall for practices located in-store

Completing the recalibration of our First Opinion vet business

In November 2018, our review of the First Opinion vet business identified four areas of action with regards to Joint Venture (JV) vet practices. During the second half of FY19 and throughout FY20 we have delivered against each one of those areas such that our Joint Venture estate is now well positioned for sustainable growth.

Simplify the Joint Venture fee structure

Throughout FY20 we implemented a series of adjustments to the Joint Venture fee structure, the size and phasing of which was exactly in line with our original plans. Such adjustments are designed to rebalance the economics of the JV model and although they initially suppress JV fee income to Pets at Home, they should allow those practices to mature more swiftly, thereby creating cash flow benefits for both the individual practices and Pets at Home over the longer term.

Operate some practices under a company managed model

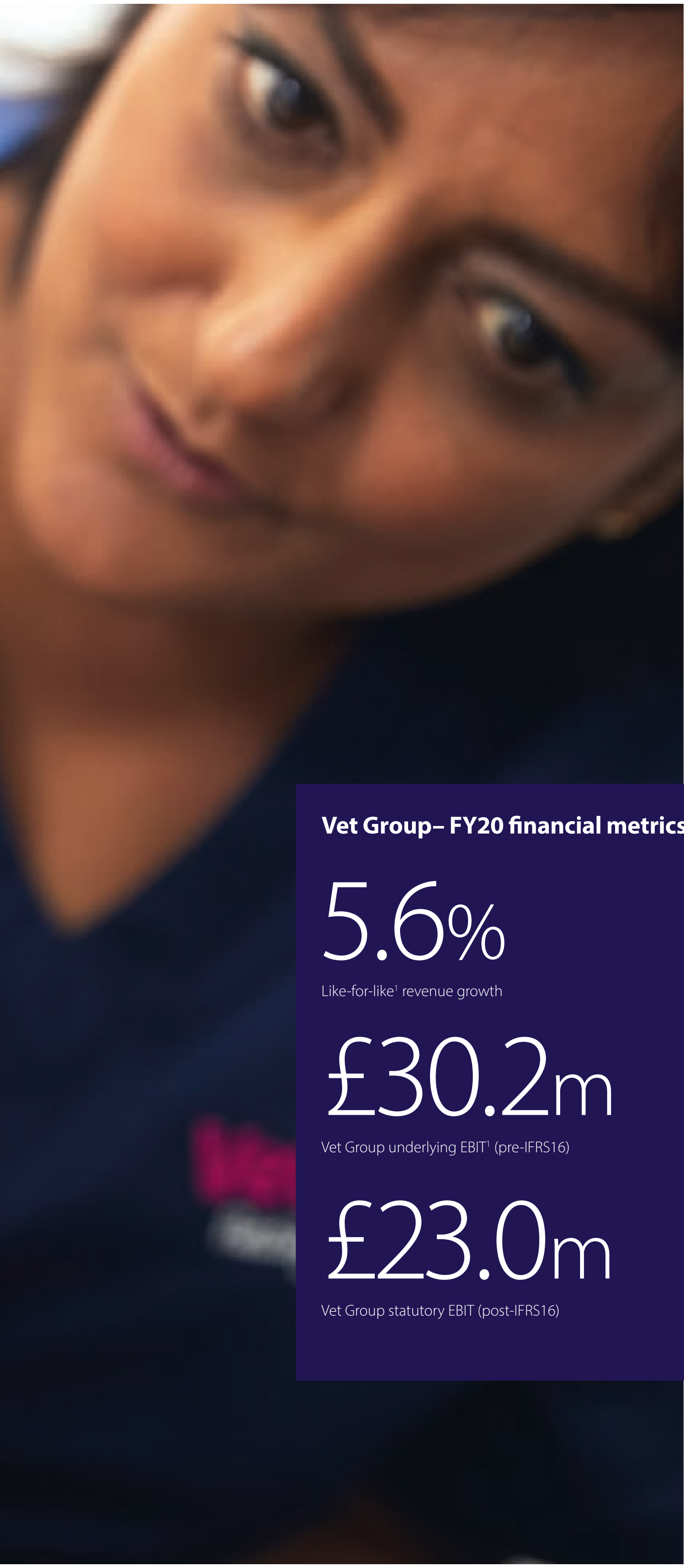
We ended the year with 45 company managed practices, which included 21 former JV practices which we bought out as part of our recalibration, but did not subsequently close. We are currently operating these practices ourselves and regard them as having a viable future, potentially with a new Joint Venture Partner.

Consider some practice closures

We bought out a total of 57 Joint Ventures between November 2018 and November 2019. The decision to subsequently close 36 of these practices was made in the best interests of all Partners involved and the longer term health of the Pets at Home Group. All costs associated with this one-off programme have been recognised as a non-underlying charge in either FY19 or FY20, and no further charges are expected.

Slow rollout to focus on existing portfolio

In FY20, we opened just six new vet practices. This was significantly fewer than our historical run rate, but represents a deliberate decision to focus our attention on nurturing our existing practice estate through to maturity.



Specialist Referral centres

Specialist Referral centres are considerably larger than First Opinion practices, and handle the most complex veterinary cases that must be referred by a First Opinion vet – be that one of our practices or from elsewhere in the market. The Specialist Referral segment is characterised by low volume but high value procedures, due to their specialised nature. As such, a large majority of the cases treated are underwritten by pet insurance, supporting the robust growth of the segment.

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 for a period of time, whilst we retain the experience of the talented individuals who have been instrumental in establishing and developing these centres of excellence.

In these centres, Pets at Home has an option to buy the shares owned by those individuals in the future. The price payable to acquire those shares is related to profit performance targets, and as such the accounting treatment of such an option is structured as a forward contract. Within the Group income statement, the discounted future value of the shares is recognised as an expense over the period to which the option can be exercised, and recognised as a non-underlying expense.

By significantly extending the site at Dick White Referrals and opening our fifth centre in Scotland later this year, we recognise the attractiveness of this adjacency to our core First Opinion business, as we look to grow our market share in the segment.

Vet Group– FY20 financial metrics

5.6%
Like-for-like[1] revenue growth

£30.2m
Vet Group underlying EBIT[1] (pre-IFRS16)

£23.0m
Vet Group statutory EBIT (post-IFRS16)

£121.2m
Vet Group revenue

Principal risks and uncertainties

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 strategic risks due to execution of our strategy; operational risks in our day-to-day operations; and external risks emerging from our sector, the competitive market, the environment, and any change in political or regulatory frameworks. The Board is responsible for the nature and level 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 see pages 54 to 61.

We have a risk management framework that helps us identify, assess and manage 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.

Risk management framework

The responsibility for risk management operates at all levels throughout the Group

COVID-19 pandemic and Brexit

The Board has reviewed the risks and opportunities that may arise as a result of both the COVID-19 pandemic and Brexit.

Uncertainty around Brexit remains, therefore we are preparing for a scenario that has the most potential for disruption.

In response to the unprecedented challenges presented by COVID-19, we have clearly set out our priorities and have appropriate, balanced and calibrated mitigation plans for our people, our customers and their pets, supply chain, operating model and liquidity.

Our priorities are first and foremost to safeguard the wellbeing and safety of our colleagues, Partners, customers and pets, and suppliers as well as ensuring the continuity of customer service in our stores.

Whilst the longer term effects remain unclear, we continue to monitor the risks and the ongoing impacts closely. Based on our scenario planning and latest view from government we have assessed that our risk profiles, other than liquidity, remain stable.

We will remain vigilant, continue to plan, stay agile, and communicate with our colleagues and stakeholders accordingly to put our business in the strongest position possible for the future.

Both have the potential to affect the following principal risks:

- Competition
- Our people
- Supply chain and sourcing
- Services and stores expansion
- Liquidity and credit
- Treasury and finance
- Regulatory and compliance

Please see the risk management section on pages 54 to 61 and our response to the COVID-19 crisis on pages 16-19 for further detail.

Identify

- Each business and function identifies their most significant risks taking into account their strategic plan, objectives and external environments.
- Principal and strategic risks are reviewed by the Board.
- Horizon scanning exercises with senior management teams and independent experts as part of both the strategic planning and risk management processes. Identify key emerging trends and developments and opportunities for innovation.

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 into a Group wide view.
- Senior management teams add their view on strategic, financial, operational and emerging risks.
- In addition to the risk register we hold a "Watch List" of emerging or developing threats, where the timeline, impact or potential mitigation is not clear.

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

- Each risk register is reviewed by the senior management team in each business and function at least four times a year.
- Threats on the watch list are reviewed alongside the risk registers to monitor any changes to the likely impact and proximity.
- 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

- The Audit and Risk Committee, the Board and the Executive Management Team review risks four times per year. In addition risks are reviewed as part of the annual strategy planning cycle.
- The Group's principal risks are reviewed and agreed by the Board.

Top down

Board of Directors
- Overall responsibility for the Group's risk and internal control frameworks.
- Determines the nature and level of principal risks and sets risk appetite.
- Undertakes a robust assessment of the Group's principal risks.

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.

Executive Management Team
- Collectively responsible for managing risk.
- 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.

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.
- Recommends improvements and corrective actions.

Operational Management
- Own and manage operational and project risks.
- Ensure Group policies and procedures are implemented and complied with and implement mitigating actions.
- Communicate significant risks via reporting processes to the senior management team.

Bottom up

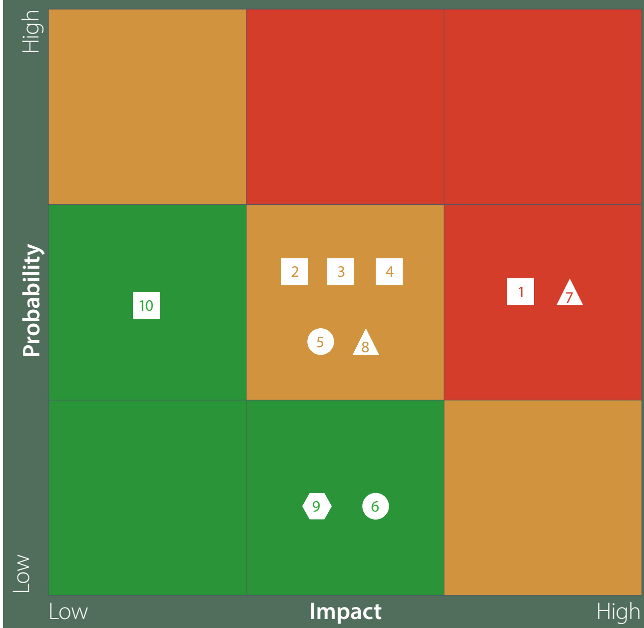
For further details about key roles and responsibilities within our governance structure, please see the Governance report on page 82.

Principal risk rating matrix

Principal risk status

The heat map shows our principal risks which have a higher probability and significant impact on our strategy, reputation, operations or finance.

The principal risks also relate to the material issues considered in the Sustainability section on page 63.



Risks are categorised into four main areas

- Strategic
- Operational
- Financial
- Legal & Compliance

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

↔ Stable ↑ Up ↓ Down

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

Risks rated as "low" are not considered principal risks, although they may appear on a business or functional risk register and are managed at that level.

Risks and uncertainties

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

Brand and reputation

Description and impact	Mitigation	Outlook
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 in the Group brands by customers, colleagues and other stakeholders.	Advancing pet welfare continues to be a priority. Pet welfare across the Group is overseen by the Corporate Social Responsibility and Pets Come First Committee. 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. 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 that are focused on maintaining the highest pet welfare standards in stores and grooming salons. 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, who is a qualified veterinary surgeon. Any call to this line results in appropriate action to address the concerns raised. Examples of where we prioritise pet welfare include our decision to suspend the sale and adoption of rabbits at 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. The Group also interacts with customers' pets on a daily basis through its First Opinion veterinary practices and Specialist Referral centres. All veterinary surgeons and nurses are subject to the Royal College of Veterinary Surgeons' (RCVS) Code of Conduct. 283 practices are accredited under the RCVS Practice Standards Scheme (PSS), with a further 66 currently enrolled to become accredited. This is a voluntary scheme, which through setting standards and carrying out regular assessments, aims to promote and maintain the highest standards of veterinary care. To become accredited, practices volunteer for rigorous assessment every four years and will have met a range of standards. Practices are also subject to independent spot-checks between assessments. We will continue to drive and support PSS accreditation. To support our colleagues further our clinical development team, who are all veterinary surgeons, audit to our internally developed "Aspiring to Clinical Excellence" audit programme which has helped improve clinical standards and processes across the Group. We are also leading the way in First Opinion clinical practice with ground-breaking initiatives. A new quality improvement system (Q12020) has been launched which gathers granular detail about practice clinical standards to enable clinical services support to be tailored and targeted to provide maximum benefits. Our STAR (Stop and Think, are Antibiotics Required?) programme 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. The result of antibiotic usage auditing was shared and demonstrate a positive reduction in antibiotic use across the Group, over time.	As we continue to increase the 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. Following Government requirements for COVID-19 and RCVS guidance our First Opinion practices and Specialist Referral centres remain open to deliver emergency care. As professionals we are taking each case on its own merit and continue to undertake what is essential for the pet's health and welfare needs. **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 ● Set our people free to serve

Competition

Description and impact

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

We offer pet owners the complete pet care experience, something our competitors cannot. Through our combination of pet products and related services, which we make affordable, convenient and rewarding, we are able to differentiate ourselves and take share across all market segments.

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

Market research is carried out to review the pet market to understand what our competitors are doing worldwide. This helps identify further changes or initiatives that can be implemented to help keep Pets at Home a leader in the UK market. In addition we are constantly reviewing expansion opportunities into new adjacencies that would contribute to our ecosystem.

We have a competitive pricing strategy across private label Advanced Nutrition foods, branded food lines and pet essentials. We are executing the plan to keep our prices competitive, and to deliver everyday low prices for our most loyal customers. 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 and have maintained competitiveness against pure online competitors.

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 with the regular introduction of new and exclusive products into our food and accessory ranges.

COVID-19 has created a significant shift towards online, home delivery and contactless delivery options with our omnichannel participation of Retail sales almost doubling. We are expecting more customers to use online as part of their new shopping repertoire as it has been the life line for many pet owners over the past few weeks. Customer buying behaviour was already rapidly changing in an increasingly challenging and competitive retail landscape. Consumers have greater demands around price, convenience, service and experience. In response our online range of food and accessories has been extended and online shopping is available 24/7 for our customers, whilst offering a choice of delivery options.

As part of our continued investment in the digital shopping experience we have upgraded our website functionality and content to bring together our unique combination of products and services. The recent capital investment in automating the picking and packing process at our Northampton Distribution Centre means we are well positioned to meet the continued growth we expect to see in our omnichannel business.

We are attracting and retaining even more of the UK's pet lovers, building lifetime relationships with over 5.6m VIP (Very Important Pet) club members whose purchases of products and services has grown 24% year-on-year.

We are uniquely positioned with our VIP data; it is the key driver for one of our strategic pillars' "using data to better serve customers". Our strategy is to establish "Pet Care Analytics for All" where analytics will become the lifeblood of our pet care ambitions across the Group. We are focusing on creating an internal analytics capability that will drive strategic decision making, enables an increasingly personalised customer experience and optimises the working life of our colleagues and partners.

Our veterinary business is the largest branded veterinary business in the UK and 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. We continued to leverage these competitive advantages during the past year to drive above market customer sales growth across our estate, and also took important action to recalibrate our First Opinion veterinary business to create a foundation to return a sustainable profit and cash return profile for our Group and our Joint Venture Partners.

Outlook

We are in a strong position in a large, resilient market that is both in structural growth and largely defensive.

However, the impact of COVID-19 response both in terms of society and consumer behaviour means the outlook for next year is inherently uncertain, with the longer term effects largely unknown. Our designation by the UK Government as an "essential retailer" means we continue to trade and provide pet products and health care services that are deemed essential to the nation's pet owners.

We are expecting to see a different competitive landscape due to COVID-19 driving shifts in customer behaviours to online, which is expected to continue, and some bricks and mortar retailers not surviving an extended period of reduced trading.

As the flow of goods from the Far East was not severely impacted we are expecting to see over availability of goods, which may increase the levels of deals for customers when unrestricted trading commences.

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. We continue to invest in our online capabilities to maximise this route to market.

Circa 75% of the small animal veterinary market in the UK is corporately owned. We can benefit from our strong strategic footing as the only corporate vet business in the UK that provides an owner-operator model that gives entrepreneurial First Opinion vets the ability to own their own business and operate with complete clinical freedom.

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

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 offer, store proposition and portfolio to maximise the potential from our retail estate and are continuing to evolve our network with our stores of tomorrow format that bring pet care services and experiences to customers. We have launched 18 pet care centre format stores, including the in-store Groom Rooms and First Opinion veterinary practices, and one standalone First Opinion veterinary practice.

As we move through the roll out programme, our customers' experience and store performance is monitored, and where required we are refining the concept and design. Our colleagues remain our biggest asset and are fundamental to the success of the new store concept.

We also 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. We will ensure we have the right number of stores as we respond to continued channel shift to online.

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.

In response to COVID-19 all our stores will be subject to a 12 months business rates holiday, which will also apply to the in-store vet practices. For those stores where we still pay rents quarterly, we are in the process of negotiating a temporary move from quarterly to monthly rent payments which may affect circa 250 stores.

There has been continued growth in subscription customers across our three subscription schemes. There are now over 850k subscription customers across the Group from which we build loyalty and a predictable revenue stream.

Our VIP Subscribe and Save monthly flea and worm offering has been extended to include cat treatments. Our food subscription service "Easy Repeat" allows customers to customise their home delivery of their pet food, rewarded with our best prices. Whilst our First Opinion healthcare plans are designed to provide peace of mind for the predictable elements of pet care. Our flagship healthcare plan "Complete Care" helps to spread the cost of routine treatments.

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 FY20. In our First Opinion vet business, we completed 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 capabilities and capacity and to achieve national coverage of Specialist Referral centres. We are completing an extensive expansion programme at one of our existing sites, plus opening a new Specialist Hospital in Scotland, with state-of-the-art facilities and a highly-experienced team which will come on stream later in the year. We remain active in looking for opportunities for growth.

Following Government requirements for COVID-19 we are maintaining social distancing protocols in our stores, Distribution Centres and practices. We have ceased any operation where the health and safety of our colleagues and customers may be compromised, meaning we have temporarily closed our grooming salons. Furthermore, to comply with requirements and RCVS guidance our First Opinion practices and Specialist Referral centres remain open to deliver emergency care.

Outlook

In light of the unprecedented uncertainty shaped by the on going pandemic, we remain confident in our long term strategic plan to deliver 50% of sales from pet care services, given the strong competitive position of our Group to capture this opportunity through our differentiated pet care offering and plan to further develop our services offering over the coming years.

We expect to see services and subscription participation to increase, especially as customers take advantage of our subscription packages.

As we continue to monitor developments, there is a high likelihood however that our strategic plans are re-evaluated as we progress through the year.

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

Our people

Description and impact

Our People Strategy recognises that our colleagues are fundamental to the success of our business and key to us achieving our objective of becoming 'The Best Pet Care Business in the World'. We must attract, develop and retain talented, engaged colleagues that will deliver quality service and clinical care to our customers and their pets if we are to achieve our Group strategic ambitions.

Mitigation

This year we have taken the opportunity to focus on the alignment of key people activities across the Group. We are currently shaping our colleague and leadership capability framework which will clearly articulate our expectations of what great looks like for colleagues and leaders. Our reward and grading schemes will be embedded within this framework which will also support career pathways and all future learning and development programmes.

All our learning and development programmes will be underpinned by our new capability framework. Our leader programmes are under review and will focus on leading and mobilising our business strategy, and strengthening our change leadership. We will also be reviewing our colleague development programmes at store level to ensure our colleagues are able to bring the pet experience to life and supporting our customers with regards to their pet care needs. We will continue to map more training programmes to apprenticeships over the coming year, focusing on the development of critical clinical, customer facing and leadership talent groups to shape the future of the Group by attracting, growing and retaining best in class next generation talent that inspires us to discover new ways of wowing our pet care customers.

This year will also see us launch programmes targeted at those who face barriers to employment to ensure we are utilising all available talent pools whilst also enabling better social mobility and creating a lasting impact on people and society.

We continue to develop a healthy pipeline of talented veterinary graduates through our Graduate Programme and in the last three years we have recruited over 300 graduates. This year we will be launching our Graduate Next Steps Alumni fund to support long term professional and personal development and increase retention of our graduates once they have completed the programme.

We have run our first Group wide listening survey and we have robust action plans to support the importance of improving our colleague experience, differentiating our culture, and our people proposition. We recognise the importance of articulating our people proposition internally and externally and work is now underway to develop our story and find effective ways to communicate our unique culture.

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

We are working closely with professional bodies including the Royal College of Veterinary Surgeons and the British Veterinary Association to continue to ensure the veterinary voice is heard during the transition period as the draft immigration bill evolves. Now the 'settled status' process for EU citizens' right of settlement 'indefinite leave to remain' is known, we have an on going communication strategy with our Joint Venture Partners and all affected colleagues to clarify an EU citizen's right of settlement and to provide support to all our EU colleagues.

We are committed to developing a culture of inclusivity across the Group. We are at the start of our journey, and with the implementation of Success Factors this year, we will capture the data to provide us with our starting position. This will help set out our ambition, starting with our policy and process reviews, to shaping an inclusive leadership approach. Diversity and inclusion is already called out as significant within our values and behaviours which run through our Group. This will be embedded further within our leadership capability framework which launches later this year.

We continue to monitor and review Government advice with regards to the COVID-19, to ensure the safety and wellbeing of all our colleagues and customers at this difficult time. We have provided detailed protocols; daily podcasts followed by written communications with commonly asked Q&As' to ensure our colleagues are kept fully informed and reassured by the measures we have taken to safeguard our business.

Outlook

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

We continue to seek new opportunities to further enhance our colleague experience; however uncertainties associated with CoVID-19 will need a careful and considered approach.

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

Information security and business systems

Description and impact

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

Protecting customer and colleague data against increasingly sophisticated attacks comes with additional cost linked to the remediation of associated risks (data, people, and infrastructure). Our ability to balance these challenging demands is vital to delivering our strategy, maintaining target growth levels and be secure from data security breaches and legal challenges.

Mitigation

We remain committed to delivering secure high-performance systems that underpin our strategic plan. We continue to move to scalable, secure, cloud-based solutions where they support our strategy.

We maintain a risk-based information security management system, designed to protect the confidentiality, integrity, and availability of business-critical information. The management system ensures that information security controls are reviewed and improved on a continual basis. A risk-based methodology allows us to identify, assess and react to the ever-changing threat landscape, including vulnerabilities exploited at other organisations.

Our established information security training and awareness programme ensures colleagues understand the risks and threats associated with protecting data.

In response to the challenges raised by COVID-19 our Information Security Policies covering people, process and technology continue to be followed and monitored. Risks are being continually assessed and managed as business processes evolve. Home working and social isolating ensures we have sufficient resource to maintain our core functions and information security management system, whilst continuing to identify opportunities for improvement.

Outlook

To deliver our vision to become the best pet care business in the world we will continue to monitor the threat landscape, utilise a risk management methodology that will allow us to balance risk versus investment and ensure appropriate controls are implemented.

We continue awareness campaigns to educate colleagues about the risks associated with data and physical security.

Cloud-based solutions will continue to be our go-to platform where the technology aligns to our security, strategic and operational goals.

Risk profile
Low ● Medium High

Change on prior year
Stable

Links to strategy
- Use data and VIP to better serve customers
- Set our people free to serve

Supply chain and sourcing

Description and impact

During the financial year, approximately US$85m of the Group's merchandise cost of goods and £110m of the Vet Group pharmaceutical purchases was globally sourced, and therefore we are exposed to the risks associated with international trade, such as inflation, changing regulatory frameworks and currency exposure.

We are also exposed to the risks associated with the quality and safety of products produced locally and globally on behalf of the Group, many of which are own brand or exclusive private labels.

We must also ensure that our suppliers share and uphold our approach to business ethics, human rights (including safety and modern slavery) and the environment.

A failure to manage this risk adequately could lead to significant reputational damage.

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.

As the Brexit transition starts, the impact to our domestic and overseas supply chains may still be significant, particularly in view of probable changes to the UK's trading terms with the EU and the rest of the world.

The impact of COVID-19 is dependent on the supply chain and the risk to overseas manufacturing and shipping plus the priority of the vet channel versus the NHS.

Mitigation

During such a challenging period, the strength of our long-standing relationships with key suppliers is crucial to preserving our supply chain. Across third party brands, private label food manufacturers in the UK and accessory suppliers in the Far East, we were able to minimise disruption to customers and continue meeting their pet care needs. Our previous investments in omnichannel capacity, new customer acquisition channels and subscription services had equipped us to meet above-trend levels of demand and, with disruption in Far East supply stabilising relatively quickly, our product availability held up well.

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.

We continue 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.

In the Vet Group we continue to work closely with all suppliers. Key contract renewals will be due during the financial year which may be postponed due to COVID-19. However contract extensions are in place to ensure supply and other contractual obligations are met. We are also working closely with the NHS in the requisition of ventilators and personal protective equipment from our Specialist Hospitals.

Five management teams have been established to develop and deliver our CSR strategy. One of these, the Product and Supply Chain Management team, is responsible for developing the Responsible Sourcing strategy in relation to all products sourced for the Group. The scope of this covers the full value chain impact of products including packaging, raw materials, and the environmental impacts of manufacture, Human Rights and product sustainability innovation. During the year the team has focused on evaluating all own brand product packaging to establish the recyclability of materials and creating plans to change packaging where necessary.

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

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

We will continue to actively monitor COVID-19 and Brexit developments 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. The Vet Group has also secured the provision of critical stock lines, including medicines, by contractually ring fencing stock with our wholesaler and suppliers and has built relationships with manufacturers should we encounter any difficulties in our supply chain.

Outlook

The longer term effects of COVID-19 are still largely unknown, however we have plans in place and continue to monitor daily.

Exposure to foreign currency movements will be a heightened risk.

By bringing forward stock orders scheduled for later in the year, we were also able to send a confident signal to our suppliers that we expect the pet care market to remain resilient.

We are aligning our 2030 strategy to the UN Sustainable Goals, recognising that our actions can impact issues globally and locally and both are important. There is a real consciousness and accelerating trend for ecologically sustainable products. We have ambitions across our key brand strategies to be a fully British brand whilst bringing sustainability into our innovation plans and range architecture going forward.

For the Vet Group, we are expecting to see an impact in the availability of a few critical supply lines in the near future as priority is given to NHS rather than veterinary channels.

We continue to monitor the Brexit transition and manage our mitigation plan accordingly.

Risk profile
● Low ○ Medium ○ High

Change on prior year
Stable

Links to strategy
- Bring the pet experience to life

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 and of the wider economic landscape. The Group's financing facilities were reviewed in September 2018 and are in place until September 2023. The Group maintains close working relationships with its banking partners to ensure sufficient liquidity and credit is available. The Group monitors a range of potential cash flow sensitivities to ensure the banking facilities in place remain sufficient and adequate in light of evolving macro and micro-economic factors. 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 completed a project to buy out and consolidate a number of Joint Venture veterinary practices, as part of which, the Group settled any liabilities for third party bank loans and leases within these practices on behalf of the Joint Venture Partner, with all such liabilities being written off. For the practices which the Group continues to operate under a Joint Venture Agreement, the Group has established a credit impairment provision to reflect the assessment of extended loans and investments being repaid over different lengths of time, with different risks of return, to provide for any potential shortfall.

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

Outlook

The evolving position in relation to COVID-19 has created increased uncertainty in relation to forecast cash flows, liquidity and credit requirements. We continue to monitor our finances and build relationships with our finance providers to ensure that the business is well positioned to manage its cash flows effectively and ensure sufficient liquidity is available.

Mindful of these prevailing circumstances, we recognise the potential need to support some of our Joint Venture veterinary practices with additional funding during the year ahead. Such funding will be available for those businesses that remain viable over the longer term, taking into account the near term benefit of the third party loan repayments secured.

We do not anticipate any other 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 profile
Low ○ Medium ○ High ●

Change on prior year
Increase ↑

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

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 uncertainty regarding the expected cessation of LIBOR by the FCA as the interest rate benchmark by the end of 2021, 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, and continues to monitor and engage in the determinant of an alternative benchmark to LIBOR. Further details can be found on page 187. 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

On-going currency movements between the US dollar and GBP may result in further exchange risk, particularly in light of the evolving position in relation to coronavirus, and the Brexit process. We will continue to monitor this and adjust our approach to hedging where necessary.

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, Equality Act, modern slavery, bribery, data protection, environment, the RCVS Code of Professional Conduct for Veterinary Surgeons and what will be the implementation of the off-payroll regulations (IR35). 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). The Group's Data Protection Officer, and executive sponsored steering committee, monitors Group compliance with legal requirements, ensuring relevant policies are up to date and works with our Information Security Steering Committee which monitors data security.

The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations 2018 was implemented in October 2018. The licensing process across the Group was dealt with as a priority but has been delayed by Councils. It is therefore ongoing and will continue into 2020, with all stores expecting to receiving a licence. DEFRA (the Department for Environment, Food and Rural Affairs) is planning to review the regulations again and 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 continues to monitor any potential changes to law and regulations which could be brought about by, for example, the withdrawal from the EU and any longer term implications of COVID-19. We have already seen the introduction of the Coronavirus Act 2020 and the Job Retention Scheme by the UK Government and we continue to assess their impact on the Group.

We have also refreshed all relevant agreements in light of the HMRC's off-payroll regulations (IR35) in readiness for the changes which will come into force from April 2021. The Group will continue to monitor any impact on the regulatory and compliance landscape that this and other issues bring.

Outlook

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

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
- Set our people free to serve

Sustainability and climate change

Description and impact

The success of our business over the long term will depend on the social and environmental sustainability of our operations, the resilience of our supply chain and our ability to manage the impact of any potential climate change on our business model and performance. The key risk to the Group relates to assessing and reducing the environmental impact of the direct operations and across the value chain. This could result in an impact to the Group's reputation and strategic plan. Examples of risk include extreme weather events affecting demand, sales, our operations and supply chains and more stringent environmental regulation could affect the cost of production and operational flexibility.

Mitigation

The Corporate Social Responsibility and Pets Come First Committee meet three times a year to approve and review the impact of CSR strategy. During the year the new role of Group Chief People and Culture Officer was created to take overall responsibility for the agenda. As part of the process a detailed materiality assessment was carried out see page 63 and five management groups, each sponsored by a member of the Executive Management Team, were established to develop and deliver the strategy for: Climate Change & Waste; Product & Supply Chain; People; Charity & Community; and Pet Welfare.

For extreme weather 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

The updated 2030 environment and sustainability strategy, outlined in pages 64-81, will be finalised and launched during FY 2020/21. This will include an assessment of scope 3 carbon impact and the development of a long term carbon reduction target.

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 profile

● Low ○ Medium ○ High

Change on prior year

Stable

Links to strategy

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

Corporate Social Responsibility

Context

During FY2019/20 we have begun a process to create and embed into our vision a social purpose strategy which will describe the role that we play in society, and include our people culture and our environmental and community activities. The importance of this strategy has been reflected in the creation of two new roles. Firstly, a new Group Executive position of Chief People and Culture Officer, which Louise Stonier has been appointed to, demonstrating that culture is being put into the heart of decision making. Secondly, supporting Louise, a new position of Group Head of Social Value, responsible for the creation and delivery of the strategy and its integration into the business plan. Under Louise's guidance the Executive Management Team developed a set of words to encapsulate their intent.

"We care deeply about the role that we play in society and we want to share the value we create as a business. Therefore, the Executive Management Team, in consultation with key stakeholders, will write and then embed into the way we operate a 10 year promise that makes at least 10 quantified commitments across the three pillars of: Pets, People and Planet."

Demonstrating our social value

The strategy will build on the strong foundations and current value that the Group is creating but not necessarily communicating effectively to all stakeholders.

This report includes more data and information about our work in communities and our people and culture and how this aligns to the United Nations Sustainable Development Goals (UN SDGs)

Acting responsibly and sustainably is at the heart of our business

Interim governance

An interim governance approach has been established during the year with an Executive Management Team member taking sponsorship of one of five Management Teams covering Climate Change & Waste; Product & Supply chain; Pet Welfare; People; and Charity & Community.

Materiality review

A materiality review has been developed to help identify what matters most. To inform this work we used international frameworks such as the UN SDGs.

The process has been inclusive. We have engaged with our colleagues and our external stakeholders through listening groups, emails and roundtable events.

Through this consultation the materiality review identified 20 high level topics that the strategy will address.

These have been mapped against the ten principal risks within the company wide risk and assurance approach to ensure clarity on governance.

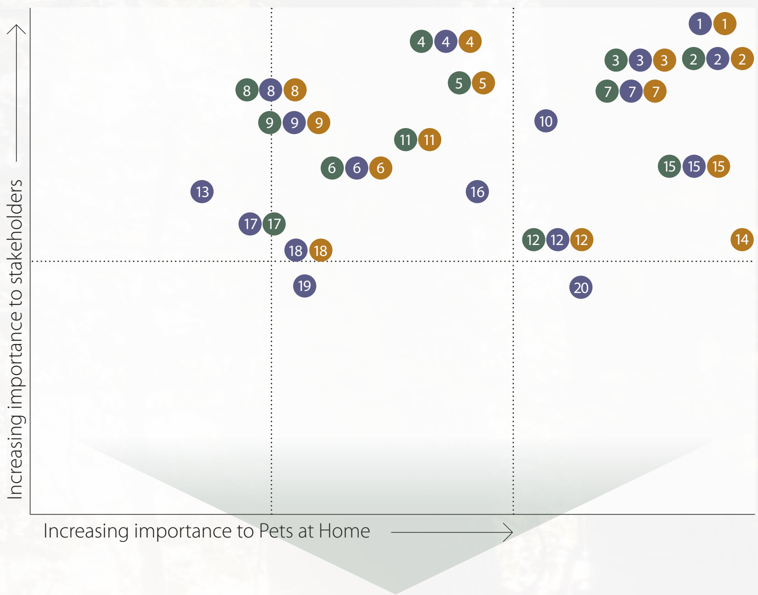
Initial progress

Work has begun straight away to accelerate opportunity areas such as packaging, phasing out our single use carrier bags and partnerships that will help us to support more people from vulnerable groups through employment and mentoring opportunities. The Group is also considering how to approach longer term sustainability risks and opportunities which will require collaboration and partnerships. We have begun work to establish a Net Zero Carbon target for our scope 1 and 2 emissions. In parallel, the process is underway to assess our scope 3 emissions which will enable a carbon emissions target to be set in line with limiting global temperature rises to below 1.5c.

Next steps

High level targets have been developed, along with supporting milestones, and these will be published during FY20/21 on the Investor Website. We are taking the time to develop what will be a multi year social purpose plan that will reflect the changing environmental and social risks and opportunities that arise.

Materiality review



Alignment of sustainability material topics to principal risks

	Sustainability Material Topic	Principal Risk	Main Governance Forum
1	Pets' physical and emotional health	1	CSR & PCF Committee
2	Pets' role in society	CSR	Pet welfare
3	Health and wellbeing	4	People
4	Climate change risk assessment & action	10	Climate change & waste
5	Social mobility and inequality	4	People
6	Diversity and inclusion	4	People
7	Biodiversity	CSR	Climate change & waste
8	Waste	CSR	Climate change & waste
9	Resource consumption & circularity*	CSR	Product & supply chain
10	Sustainability of product packaging	6	Product & supply chain
11	Data ethics	5	
12	Purpose led business & careers	4	People
13	Supply chain transparency	6	Product & supply chain
14	Community contribution	CSR	Charity
15	Ethical business practices	6,8,9	
16	Sustainable product raw materials	CSR	Product & supply chain
17	Labour practices and Human Rights	6,9	Product & supply chain
18	Sustainability of pet ownership*	CSR	Product & supply chain
19	Environmental impacts of product production	10	Product & supply chain
20	Animal welfare impacts of product production	6	Product & supply chain

* Emerging topic

Delivering our purpose

We are a business built on strong values that guide everything that we do every day. Our aim is to create a better world for pets and the people who love them and so we organise our activity into the three areas where we have a material impact and create value.

Pets

Our charitable foundation Support Adoption for Pets (SAFP) is the number one financial supporter of pet rescues in the U.K. and this year it raised over £3m. The VIP club, our customer loyalty scheme, runs a unique point system called Lifelines which enables every customer swipe to be converted into support for a charity. This year over £2.1m was raised through customers shopping on line, in the Groom Room, Vets4Pets or Companion Care or swiping their card when they shop in store.

Read more
Page 66

People

For the first time the colleague engagement survey "We C.A.R.E." was extended to all colleagues including the JVCo colleagues. 75% of colleagues completed the survey and the engagement rate was 83%.

Read more
Page 72

Planet

At Pets at Home we have had another year of strong environmental performance, delivering a 7% reduction in carbon emissions while growing Group revenue by 10.2%.

Read more
Page 78

Our big 3 highlights of the year:

Over £5m raised to support over 800 charities

83% colleague engagement

7% reduction in CO_2e emissions vs. 2018/19

Pets

Pets are at the heart of everything we do and everyone who is a part of our Group has a special responsibility to help keep pets happy, healthy and safe. 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. Our retail and grooming colleagues are trained for many hours in order to provide the best welfare possible for the pets in our care.

Acting responsibly
Page 62

Putting pets first

Looking after the pets in our care

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 two third party auditors 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. Our stores have been assessed by local councils and this will continue on an ongoing basis.

All our grooming salon colleagues undergo extensive training, aligned to the City and Guilds levels, 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 an increasing number of practices achieving further awards within the scheme.

We are also leading the way in First Opinion clinical practice with ground breaking initiatives such as our quality improvement programme called QI2020. QI2020 provides granular detail about practice clinical standards, enabling clinical services support to be tailored and targeted to provide maximum benefits.

Supporting pets in our communities

We are proud to operate at the heart of communities across the UK, supporting pets and the people who love them. Our support for our pet communities is organised around three main programmes: our charitable foundation, Support Adoption for Pets, our customer loyalty community programme, VIP Lifelines, and our programme of fun educational workshops for children.

Support Adoption for Pets

SUPPORT ADOPTION FOR PETS™

Support Adoption for Pets (SAFP) is an animal rescue and pet adoption charitable foundation which has raised over £35m since it was established in 2006. The foundation is run by a small team of experts including a registered veterinary nurse, a fundraising manager and a number of colleagues with expertise in assessing and supporting the small rescues that we work with.

How SAFP raises money
390 of the Pets at Home stores selected a local animal rescue charity to support this year and hold regular fundraising events, including supporting the national events like the "Santa Paws" Christmas appeal where we collect donations in our stores and vet practices to help a pet in need at Christmas.

At the end of the year the local charities receive 50% of the funds raised in that store which reached £1.2m last year, the remaining 50% is invested in the SAFP grant programme.

How this money is spent
The money raised is used to issue grants on a quarterly basis to animal rescue charities across the UK. Last year 78 grants with a value of over £1.5m were issued. In addition at the end of the year an emergency fund of £400k was allocated to support rescues impacted by the coronavirus crisis.

The charity also runs a network of animal adoption centres in most of our Pets at Home stores. The adoption centres accept rabbits, guinea pigs, gerbils and other similar small pets. All animals are given a thorough health assessment and any required veterinary treatment.

The adoption centres received additional financial support from Pets at Home through the provision of free bedding, estimated at £325k at retail selling prices, and colleague time to provide care to the animals estimated at over £800k per annum.

We are proud that this activity makes SAFP the number one financial supporter of pet rescues in the U.K.

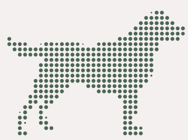
The impact of the money spent
The grants awarded cover a wide variety of requests from immediate veterinary bills, through to infrastructural investments like buildings and vehicles. Each grant request is individually considered by the Trustee board of the charity. Over 70% of the grant value awarded went to capital related projects that create a sustainable improvement to the rescue, enabling it to have a bigger impact on the pets in their care. The grants impacted rescues whose reach extended to over 19,000 animals in the last year.

£1.5m
issued in grants to rescues

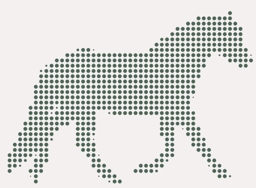
£1.2m
Raised for local charities through the charity of the year programme

78
Grants awarded to rescue centres who, in the last year helped:

10,034 Cats



6,459 Dogs



197 Horses

2,573 Rabbits and small animals

Case study

Woodlands Animal Sanctuary

SAFP funded the sanctuary (and four other animal rescue charities) to attend the two day Association of Dogs and Cats Homes (ADCH) conference. This enabled the rescue to review their strategy and to consider how they could reach more animals in need and have an even bigger impact. SAFP went on to grant their biggest ever grant of £176k which was used to build a new cattery at the sanctuary.

"The new cattery will give us first class facilities for our cats with much better infection control and ease of cleaning than our current cattery. We will have proper isolation and maternity facilities completely separate from our cats for rehoming which is a huge improvement on what we currently have.

We can't thank Support Adoption for Pets enough for helping us turn our dream of a purpose built, state of the art cattery into reality."

Liz Gould, Trustee, Woodlands Animal Sanctuary

£176,422

Grant awarded to Woodlands Animal Sanctuary

"The Cat Watch project helps the cats in our society that may not otherwise be reached by working with communities and offering support in unique ways. The interventions in place mean that cat caretakers have the opportunity and capability to improve the welfare of these cats. The grant received from Support Adoption for Pets has been so valuable in enabling this work to develop and recognises the impact it has had, for which we are very grateful."

Jane Clements, Head of Neutering, Cats Protection

CATS PROTECTION

Case study

Cats Protection

Cats Protection was awarded a grant of £100,000 in 2019 from Support Adoption for Pets towards the development of the Cat Watch project in Nottingham and Liverpool.

Cat Watch aims to improve our understanding of the unowned cat population in urban areas and to work with, and alongside, communities to improve cat welfare. Its long term aim is a citywide welfare approach to the community cats in our society.

£100,000

Grant awarded to Cats Protection

VIP Lifelines

How VIP Lifelines supports charities
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 or grooming salons.

Customers can choose their favourite charity to support with their Lifelines from ten national charities or a charity registered locally to them. Every point earned has an impact - unredeemed points or those accrued without a chosen beneficiary charity are then used for further good causes where specific donations can be made that are important to our customers. This year, £2.1m has been raised by VIP members which makes a total of over £12.6m since the VIP club launched in November 2012.

The impact of Lifelines
This year 782 local charities across the country have received funds that have helped charities buy essentials from our stores to feed their pets and keep them healthy and comfortable whilst they await their forever home.

782
Local charities supported with vouchers worth £716k

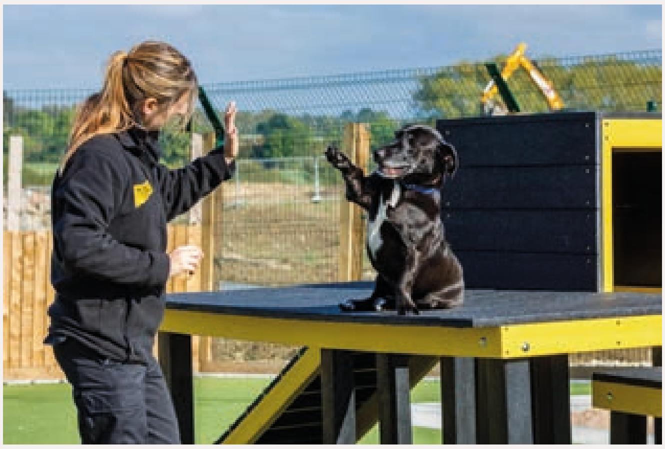
10
National charities supported with vouchers worth £909k

15,000
All dogs being cared for by the Dogs Trust fed with Pets at Home dog food

£100k
Amount donated to the Worldwide Fund for Nature, thanks to our VIP club members

Case study
Australian Bush Fires Appeal
As animal lovers it was heart breaking for us to see the news coverage of the bush fires burning across Australia and the impact on thousands of families and millions of animals. The loyalty of our customers enabled a donation of £100,000 to be made to the WWF, to contribute towards restoring habitats, emergency animal care and helping to protect the existing wildlife.

Case study
UK floods
During February 2020, the UK experienced the wettest February since records began in 1766 with record levels of rainfall after three weekends of successive storms battered communities across the UK. The subsequent flooding devastated many communities. Lifelines were used to support various communities in need including in Telford where, with the local store, Joe Whitaker travelled to Ironbridge to donate bedding and food to help the pets who had been evacuated from their homes due to the terrible flooding.



over £400k

of dog food donated between December 2018 to December 2019

Case study

Dogs Trust

Dogs Trust cares for around 15,000 dogs each year at its 20 rehoming centres located across the UK. Our customers' VIP Lifelines have been used to provide Wainwright's dry dog food for the dogs being cared for while they await their their forever homes, and ensures that they have a bag of their favourite food to help them settle into their new home. The food provided equates to over £400k if the charity had purchased Wainwright's from our stores, meaning they can free up funds to help fund the rest of their vital works.

DogsTrust

"Every one of our incredible dogs has a special someone out there just waiting to give them a loving home. Until they find that perfect person, we're there to give them all the support they need. It takes a lot of love, a lot of walks, and several tonnes of dog food to keep our 15,000 dogs going every year, and we couldn't do it without the vital support of Pets at Home."

Nick Daniel, Director of Fundraising at Dogs Trust

Case study

Soldiering On Awards

We understand the amazing impact animals can have on people, and that's why we also used VIP Lifelines to sponsor the Animal Partnership Award category of the Soldiering on Awards 2020. The special Award honours the unique relationships and companionship provided by animals, and/or the achievements of individuals or organisations engaged with animals that support or empower members of the Armed Forces community. The amazing stories of the finalists were featured on the Pets at Home social media pages during March so that our customers could then cast their vote for the winner. Over 6,500 votes were received for the four finalists; the winner will be announced later in 2020.

>6,500

Votes received for the four finalists; the winner will be announced later in 2020

Animal Partnership Award

Education

At Pets at Home we bring animal welfare to life by using our store network, at the heart of communities, to engage with children (and their parents and carers) about how to look after pets through knowledge, empathy and kindness.

Supporting the Scout Association

We are really proud to work with the Scout Association, a national charity helping 400,000 young people across the UK to build skills for life. Our partnership involves sponsoring the "Animal Friend" Beaver activity badge and the "Animal Carer" Cub Scouts activity badge. Beaver colonies and Cub packs are able to register to join a session at one of our stores to help build their understanding of how to be a responsible pet owner and care for pets to work towards these badges. Last year we ran 797 of these sessions across the year in our stores with 14,000 children registering to attend.

51,000
Pet Pal and Scouting workshops

138,000
Children registered to attend

Pet Pals workshops

During the school holidays we invite children and their parents and carers to join us for some fun and educational My Pet Pals workshops. During the last year we were delighted to register over 124,000 children to over 50,000 workshops.

"At Scouts we are both delighted and grateful to be celebrating 10 years of partnership with Pets at Home.

Thank you for all you do to promote a key Scout value – caring for others and the world we live in, in this case animals in our care. Your partnership with us helps Scouts sustain our support for young people and help them to find their place in the world, especially when times are tough. We look forward to working with you for a long time to come. Once again, thank you"

Kathy O'Brien, Partnerships Manager, Scouts

In addition there are other partnerships and activities across the Group that align with our aim to create a better world for pets and the people who love them.

- We partner with Battersea Dogs and Cats home and offer all dogs rehomed through them free vaccinations for the life of each pet adopted through our Vets4Pets "Vac4Life" care plan.
- Since 2018 we have been partnering 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. Four of our practices have volunteered their veterinary premises to be the Street Vet base within the town they operate in and many of our vets and nurses across the country volunteer with this charity, giving their veterinary skills for free. We are the main supporters of their National Volunteer Conference which is now going into its third year and this year we provided media training for all lead Street Vet volunteers across the country.
- During 2019 the Vet Group selected Vetlife as its charity of the year. Vetlife provides mental health support to the veterinary industry through education, a 24/7 helpline, benevolent fund and online resources for industry members to name just some of the support available. Supporting the mental health of all our colleagues and our JVPs is of paramount importance and this is especially true in the veterinary industry where the incidence of mental health issues is reported to be higher than the general population.
- All of our vet practices are aligned to administer the Blue Cross Emergency Fund which enables vets to provide free veterinary care to those who may face financial barriers to paying for it themselves.
- 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.
- We have donated £185k to the Royal British Legion and £34k to Marie Curie from our Poppy and Daffodil appeals.
- Our colleagues are able to take a charity day every year for volunteering purposes. For example, during 2019 the Vet Group support office ran a third community day in Swindon where colleagues supported over 8 local community outreach projects and charities. Over 60 colleagues participated with over 500 volunteer hours being completed in one day.

Coronavirus

Our most pressing priority is to support the pet rescue sector who are facing financial uncertainty due to the impact of the coronavirus on fundraising and their ability to run their operations. At the end of March as a response to the impact of coronavirus on local rescues and animal charities we allocated £1.1m, comprising £400k from SAFP and £700k funding thanks to VIP Lifelines. We will continue to work closely with the rescue sector and support them in any way that we are able to over the coming months. See pages 16 to 19 for a complete summary of our coronavirus response.

People

As we look to progress on our journey to achieve our vision of becoming ‘the best pet care business in the world’, our culture is the enabler to delivering our strategy. Focusing on our colleagues and our culture has never been more critical as we continue on our transformation journey. For us it is all about kindness: to each other, our Partners, communities, the environment, customers and pets. Kindness builds trust and creates an emotional connection to who we are and what we do. This year we have focused on reviewing and aligning the key people activities across the Group and creating our overall People Strategy for the next five years.

Acting responsibly
Page 62

Our values and culture

"

I love the people I work with – we're like one big family."

"The culture is friendly, everyone is approachable and every day is different.

Our values
Our values are what make us different from other organisations. They are unique to us and they reflect our very special culture. They give us clarity about what we do here.

We recognised that although our values have been tweaked over the years, they have fundamentally remained the same and as a Group we still passionately believe that our values reflect our business.

Our behaviours
Our behaviours underpin and bring to life our values. They run throughout our business from recruitment, through to on-boarding, through our learning and development programmes, our performance management and reward frameworks and our talent and succession.

#1 **be courageous**
#2 **be honest**
#3 **be respectful**
#4 **be inspiring**
#5 **be supportive**

Colleague and leadership capability

We are currently shaping our colleague and leadership capability framework which will clearly articulate our expectations of what great looks like for colleagues and leaders. Our reward and grading schemes will be embedded within this framework which will also support career pathways and all future learning and development programmes.

All our learning and development programmes will be underpinned by our new capability framework, our leadership programmes are under review and will focus on leading and mobilising our business strategy and strengthening our change leadership.

Training and development

We are reviewing our colleague development programmes at store level to ensure our colleagues are able to bring the pet experience to life and thereby support our customers and their pet care needs. We will continue to map more training programmes to apprenticeships over the coming year, focusing on the development of critical clinical, customer facing and leadership talent groups to shape the future of the Group by attracting growing and retaining best in class next generation talent that inspires us to discover new ways of wowing our pet care customers. In England, on average we had 71 colleagues actively engaged in a dog grooming apprenticeship. Each month of the year 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. We have other apprenticeship programmes in other areas of the business including our Support Offices, specialist division and distribution. We continue to develop a healthy pipeline of talented veterinary graduates through our Graduate Programme and in the last three years we have recruited over 300 graduates. This year we will be launching our Graduate Next Steps Alumni fund to support long term professional and personal development and increase retention of our graduates once they have completed the programme. We have an in house Learning Academy the aim is to support development, learning and to gain experience in any area that is relevant to an individual role or of great personal interest to a colleague.

Our aim is to provide the Continuing Professional Development (CPD) support required whether this is Clinical CPD, such as Emergency Surgery and Soft Tissue courses or non-clinical CPD such as Leadership Courses and Bereavement courses. We create learning and development opportunities as we develop and grow our business. For example the Discovery Project created cross functional teams who work together over a short timescale of a few months to find creative solutions to real business challenges, many of which will now be taken forward. The Store and Support Office Appreciation Days are another example of an opportunity for teams to learn from each other.

4,087
Number of grooming development and expertise training courses completed by colleagues across the Group

247
Average number of apprenticeships across the Group

Listening to colleagues

Listening is very much part of our DNA and we adopt an "always listening" approach, it is a very important part of our culture that everyone's contribution is important and valued. There are many mechanisms available to colleagues to ensure that there is an accessible route for any idea or concern.

We have run our first Group Wide Listening Survey which we call "We C.A.R.E." and we have action plans to support the key themes of flexible working, managing change and career pathways. The Annual Survey is supplemented throughout the year by Pulse Surveys and Listening Groups. The Remuneration committee chair, Paul Moody, has been appointed as colleague representative. In this capacity he has attended executive and store listening sessions. In addition, the Chairman has attended two listening sessions in April and November as well as regular store and vet practice visits.

Our response to the coronavirus crisis demonstrates our commitment to listening and communicating to our colleagues. Daily weekday video updates from the CEO or a member of the Executive Management Team started on 17th March to supplement the written protocols; Directors have buddied with an Area to ensure that every Store Manager received a weekly call; the social network platform SAP JAM was used to create networks of colleagues such as homeworkers; a wellbeing survey was sent to colleagues at the beginning of May to understand colleague concerns and how we can provide further support.

we C.A.R.E survey
Capture · Action · Review · Engage

Diversity and inclusion

We are committed to developing a culture of inclusivity across the Group and we are at the start of our journey. We aim to create a culture where everyone is able to come to work, be themselves and make their best contribution. We believe that by focusing on creating an inclusive culture that welcomes everyone irrespective of what makes us each unique and different the benefits of diversity will be realised.

We were delighted that in the 'We C.A.R.E' colleague engagement survey 88% of colleagues agreed with the statement that "colleague individual differences are respected here (e.g. cultures, working styles, backgrounds, ideas)".

The 'We C.A.R.E' survey highlighted that for some colleagues a more flexible and agile workplace was important. This has continued to be a focus for this year and in addition to our flexible working policies more digital platforms have been launched to make this possible.

This year we have also partnered with the Retail Week Be Inspired campaign for future female leaders and four of our colleagues have benefited from participating in the Senior Leadership Academy element of the programme. They have been bringing back their learnings to support our internal programmes. Information has been cascaded and accessible for all regardless of gender via our new collaborative working and social media tool, SAP Jam. Our CEO, Peter Pritchard, our Chief People and Culture Officer, Louise Stonier, and our COO for Retail, David Robinson, have all signed up to be ambassadors in supporting and promoting the programme both internally and externally. Although it began as a gender focused programme, we have recognised that the content and themes are applicable and valuable to all of our colleagues so we have made the content of The Be Inspired virtual conference in June 2020 available to all colleagues from across the business.

RWRC BE INSPIRED

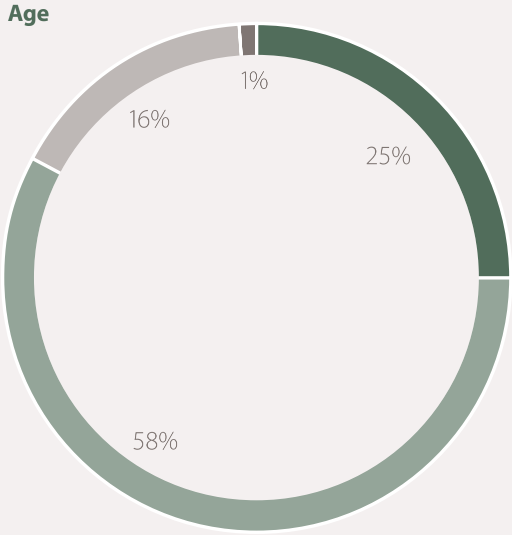
Gender pay gap report 2019

We have reported our gender pay information for the third year and we have reported for the second 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. In the report we have included the comparisons across the years that we have published data. Overall we are pleased with our numbers and the progress we have made, however, there is still an imbalance. Whilst we are delighted we have over 50% female representation in management and senior management levels, our gender pay gap is caused by the factors we outlined last year; we have more men than women in the higher paying STEM careers across both Support Office and the veterinary Specialist Hospitals and more women than men in our hourly paid roles. The full report can be found on our investor site.

With the implementation of Success Factors in 2020, we will capture the data to provide us with a more detailed understanding of the diversity of our colleague base in addition to gender and age. This will help set out our ambition, starting with our policy and process reviews, to shaping an inclusive leadership approach. Diversity and inclusion will be embedded further within our leadership capability framework which launches in 2020. Our existing data enables us to view diversity through the lens of gender, age and tenure and and the table on page 75 illustrates the position for 2019/20.

People data

Age



- Colleagues aged under 25 years old 25%
- Colleagues aged 25 to 44 years old 58%
- Colleagues aged 45 to 64 years old 16%
- Colleagues aged 65 and over 1%

Experience

53%

Pets at Home store managers have over 10 years' experience

Retention

76%

colleague retention

Gender diversity all colleagues

Colleague engagement

Diversity data

Gender	Combined Group	Pets at Home retail	Vet Group
% of women on plc board	25%	n/a	n/a
% of women on Executive Management Team	30%	n/a	n/a
% of roles held by women total business	76%	67%	88%
% of senior management roles held by women	39%	38%	42%
% of store managers women	n/a	41%	n/a
% of JVP women	n/a	n/a	54%
Age	**Combined Group**	**Pets at Home retail**	**Vet Group**
% Colleagues aged under 25 years old	25%	33%	15%
% Colleagues aged 25 to 34 years old	39%	36%	42%
% Colleagues aged 35 to 44 years old	19%	15%	24%
% Colleagues aged 45 to 54 years old	11%	10%	13%
% Colleagues aged 55 to 64 years old	5%	5%	5%
% Colleagues aged 65 and over	1%	1%	1%
Experience	**Combined Group**	**Pets at Home retail**	**Vet Group**
% Colleagues with under 2 years' service	41%	38%	43%
% Colleagues between 2 and 5 years' service	29%	27%	33%
% Colleagues between 5 and 10 years' service	19%	19%	19%
% Colleagues over 10 years' service	11%	16%	5%
% of store managers over 10 years' service	n/a	53%	n/a
% of JVPs over 10 years' service	n/a	n/a	17%
Engagement	**Combined Group**	**Pets at Home retail**	**Vet Group**
% engaged	83%	83%	76%
% completed	75%	90%	54%
Training	**Combined Group**	**Pets at Home retail**	**Vet Group**
Average number of apprenticeships across the Group	247	178	69
Number of grooming development and expertise training courses completed by colleagues	4,087	4,087	n/a
Turnover data			
Total turnover %	24%	22%	27%
Unplanned turnover %	20%	19%	22%

Colleague wellbeing

During the year we have developed our colleague wellbeing strategy. The strategy builds on the strong foundations from the last few years, when the Group began its wellbeing journey with an initial focus on mental health. The new strategy covers all the components of our wellbeing: emotional wellbeing, physical wellbeing, financial wellbeing and nutritional wellbeing. It also recognises that wellbeing is one element of the overall colleague experience and there is a high level of interdependency between wellbeing, our culture, listening to our colleagues and engagement.

Pets at Home became signatories to the "Time to Change" pledge in 2019 and committed to deliver the six standards of mental health at work, building on our successful partnership with the charity Mind. The resources and support that Mind have given us have been invaluable in supporting our colleagues and building our strategy. In FY20, the Vet Group has selected Vet Life as their charity of the year. Vet Life is a charity that provides emotional, financial and mental health support to those that work in the veterinary profession.

We have wellbeing ambassadors in place 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.

Our colleague hardship fund has been in existence for a number of years. During FY19/20 we granted £30k in awards through this fund. It complements the support that colleagues can reach through our Retail Trust membership and enables colleagues to apply for grants to help them in times of financial hardship. The fund was topped up by £1m in March 2020 as a consequence of the coronavirus crisis and the impact that this may have on our colleagues and their families.

In April 2020 we established a wellbeing social media group that had over 1,000 members in the first few days of establishment. Our internal platforms include specific wellbeing pages where we are providing colleagues with resources to support their wellbeing, focusing on different topics across the year. Our new social media and collaborative working tool, SAP Jam, contains a wealth of information and resources across all of our wellbeing focus areas and will be updated throughout the year.

Coronavirus

We continue to monitor and review Government advice with regards to the coronavirus, to ensure the safety and wellbeing of all our colleagues and customers at this difficult time.

To ensure that colleagues have been kept fully informed and reassured by the measures taken to safeguard them and our business a selection of communication channels have been used. Detailed written protocols have been provided for colleagues, the first was published on 26th February and there have been 19 subsequent updates until 5th May. Daily weekday video briefings have been lead by the CEO or one of the Executive Management Team. Additional briefing sessions have taken place for specific parts of the business to provide an opportunity for questions to be asked. See pages 16 to 19 for a complete summary of our coronavirus response.

Looking ahead

Developing our future talent pipeline
We will focus on generating talent and skills to meet the needs for critical roles in the future and supporting those that face barriers to employment where we have opportunities.

Diversity and inclusion
We will create our strategy, supporting policies and measurement framework.

Wellbeing
We will be supporting our colleagues' wellbeing throughout the year and delivering support across our four wellbeing focus areas: emotional, physical, financial and nutritional.

Health and safety

We are committed to providing a safe and healthy environment for all of our colleagues, customers and third party contractors. The management team recognises its responsibility for Health and Safety and we have robust control measures in place.

Along with the management team we have a dedicated health and safety function which oversees compliance across the Group. In our stores and practices our colleagues are responsible for the implementation of the policies and procedures. We continue to promote health and safety through the Group to all of our colleagues.

Lucy Williams, our Group Legal Director and Company Secretary, 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.

There have been no Health and Safety Enforcement Notices served on any part of 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.

The number of RIDDOR accidents decreased 0.26 to 0.19 in our stores, practices and Specialist Referral centres. In our Distribution Centres, there was an increase of 0.17 accidents per 100,000 hours worked, and RIDDOR accidents decreased by 0.09 per 100,000 hours worked. During the financial year, we have continued to focus on colleagues reporting all accidents, no matter how small, and we believe that this focus has resulted in the total number of reported accidents across the Group increasing; there was an increase in the colleague accident rate by 1.13 from 9.16 to 10.29 accidents per 1,000 colleagues and there was an increase in customer accidents from 1.20 to 1.30 per 100,000 transactions.

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. Please see page 16 to 19 for an overview of our comprehensive response to the coronavirus crisis from a colleague and customer perspective.

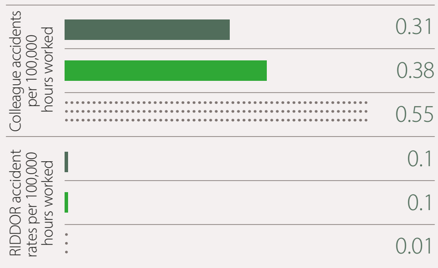
100%

All our retail area managers completed 100% of the health and safety audits required of them during the year 19/20

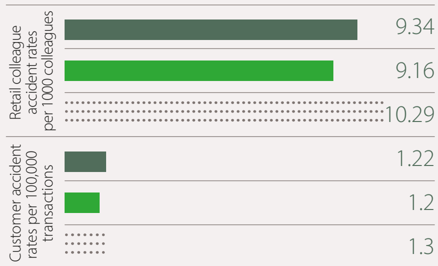
100%

Vet practices have a valid audit and during the year 75% received an audit renewal

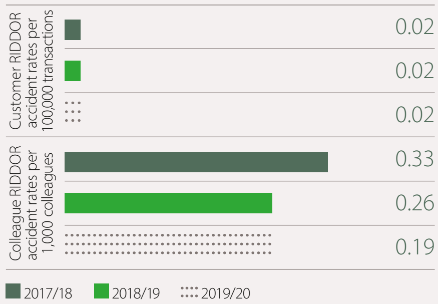
Distribution accident rates



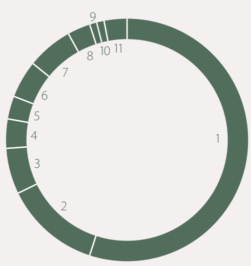
Accident rates stores/practices



Group RIDDOR rates



Accident causations



1. Animal bite	55%
2. Animal scratch	13%
3. Injured while using knives, scissors, needles or surgical equipment	6%
4. Cut or scratch due to sharp object	4%
5. Other	3%
6. Hit by moving, flying or falling object	5%
7. Slipped, tripped or fell on the same level	6%
8. Hit something fixed or stationary	3%
9. Exposed to or in contact with a harmful substance	1%
10. Fell from a height	1%
11. Injured due to handling, lifting or carrying	3%

Planet

It is important that we minimise the environmental impact of our business and focus on the material impacts across the value chain. We have made significant progress on our direct operational impact and we are now focusing on our supply chains, particularly products, which are complex and diverse.

Acting responsibly
Page 62

Product packaging

During the year we have completed a large project to review the primary packaging across all of our own brand and exclusive branded products. We have identified that over 75% of our packaging, by weight, is currently recyclable as defined by the OPRL guidelines. We have identified opportunities to progressively move existing packaging to improved materials and we have set a target to ensure that 100% of our packaging will be recyclable, recycled or compostable by 2025.

Waste and recycling processes

During the year we have focused on building a full and detailed picture of all of our waste streams across the Group to enable us to optimise the reduction and treatment of our waste materials. Our Distribution Centres currently handle key waste streams backhauled from our stores. Our three main volume backhauled waste streams all have solutions to avoid landfill:

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.

Case study
Wainwright's moves into recyclable packs
Wainwright's, one of our flagship dog food brands, has moved the entire core range of dry dog foods from multilayer laminated plastic polymer bags to a combination of paper bags for the smaller bag formats and a single polymer PE bag format, that is fully recyclable in the carrier bag recycling recovery system, for the much larger volume sacks.

In volume terms this is a significant shift from previously non-recyclable materials to simpler to recover products that continue to offer the strength and shelf-life required for heavy, bulky products whilst reducing their long term environmental impact.

As new ranges are introduced and our packaging is updated we will continue to review the use of un-recyclable material and remove it at every opportunity in line with our 2025 target.

Minimising our direct operational 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 we have moved our carbon mitigation scheme to a new partnership with the Woodland Trust to absorb 1,500 tonnes of carbon dioxide, equivalent to our use of natural gas in our buildings, through the planting of 6,000 trees, helping our strategy to reduce our business carbon footprint while helping to support the other benefits that our woodlands give us such as biodiversity and a sense of wellbeing.

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. We include electric and hybrid vehicles in our car fleet options for colleagues and the number of these vehicles in our fleet has increased by 32% in a year.

Official Woodland Carbon partner • Turning CO_2 into trees • WOODLAND TRUST

The Woodland Trust is a charity registered in England and Wales (No. 294344) and in Scotland (No. SC038885)

1,500

tonnes carbon mitigation purchased

Our energy reduction programme

We have installed Building Energy Management System (BEMS) 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 save 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. LED lights are installed in all our in-store vet practices.

–1.9%

Reduction in electricity consumption during FY19/20 vs the previous year, through installing LED lighting and BEMS across our store estate

How our building energy management system works

Pets need to be kept at the appropriate temperature for their welfare and our BEMS helps us to achieve this. Temperatures are constantly monitored via up to eight sensors which are placed in key areas of our buildings. The temperatures are recorded every ten seconds which means live temperatures are recorded 8,640 times every day for each sensor. The BEMS ensures that these temperatures are within the welfare ranges set by the Head of Pets. In the unlikely event of a fault, additional manual reads are used, in combination with the system reads until this is rectified, to ensure the correct temperatures are maintained for the pets in our care.

Our carbon emissions in detail

Summary

We are pleased that our absolute CO_2e emissions have reduced by 7% vs 18/19. This is a particularly good result given that we have grown our Group revenue by 10.2% vs 18/19.

Our 19/20 performance has continued to benefit from the previous investments made in LED lighting and BEMS management systems in stores and in-store vet practices. We have included our 158 stand alone Joint Venture vet partners' carbon emissions in our 19/20 and 18/19 disclosure, although we are not required to do so by the Streamlined Energy and Carbon Reporting (SECR) requirements, in the spirit of transparency and increased value chain reporting.

Scope 1 emissions

Scope 1 emissions remained broadly flat. The biggest contributor to our Scope 1 emissions is diesel used by our haulage fleet which represents 74% of Scope 1 emissions and 22% of total emissions, and they have been broadly flat year on year. Our distribution network has become more efficient; we have travelled 123.4 km per 1,000 cases delivered in 2019/20 vs 119.4 km in 2018/19, an improvement of 3.2%. We have maintained our fuel efficiency at 2.89 km per litre. This performance also includes our backhauling operations where we collect goods from our suppliers on the way back from store deliveries. We made 4,468 collections during the year which is 3.6% growth vs 18/19 and represents 20% of our domestic intake. This adds to our km driven but will contribute to an overall societal carbon benefit compared to unique journeys taking place by our suppliers to make these deliveries. Natural gas usage in buildings has fallen by 3% vs 18/19 yr/yr and by 58% vs 17/18. The remaining 739 tonnes of CO_2e derived from natural gas use in buildings is driven by existing gas systems in leased buildings, including two office locations, one Distribution Centres and Retail Stores. We continue to offset this gas use and have moved our carbon mitigation to the Woodland Trust's scheme detailed on page 79.

Scope 2 emissions

Our electricity consumption decreased by 1.9% during the year. We continue to benefit from the investments made in LED lighting and BEMS. All of our Retail Stores and In-store Vet Practices now have LED lighting in place. Because of favourable carbon emissions conversion factors the 1.9% reduction delivered a carbon improvement of 11%. Since 2017 we have purchased renewable electricity and we continue to do so. The Asia office represents a very small proportion of our total energy use at 0.04% or 25,576 kWh in the year so we include this consumption in our total emissions table.

Scope 3 emissions

There has been a 2.6% reduction on our reported Scope 3 emissions. The majority of this reduction is due to the reduced electricity transmission and distribution losses that flow through from the reduced carbons emissions for our electricity use. Diesel use from our third party hauliers is included in this Scope 3 calculation and there has been a 4.3% reduction in CO_2e emissions in relation to this vs last year driven by a 3.4% reduction in km travelled. Personal business travel is included in Scope 3. It is a relatively small proportion of the overall carbon emissions at 3.7%. The number of hybrid or electric cars chosen by colleagues who qualify for a company car has increased by 32% from 38 to 50 during the year and they now represent 17% of the fleet. We expect this trend to continue at the point of lease renewal.

Looking ahead

ESOS phase 2 recommendations

Our priorities over the next year are to continue to reduce our direct operational carbon impact by implementing the ESOS phase 2 recommendations that remain viable and operationally feasible following the coronavirus crisis.

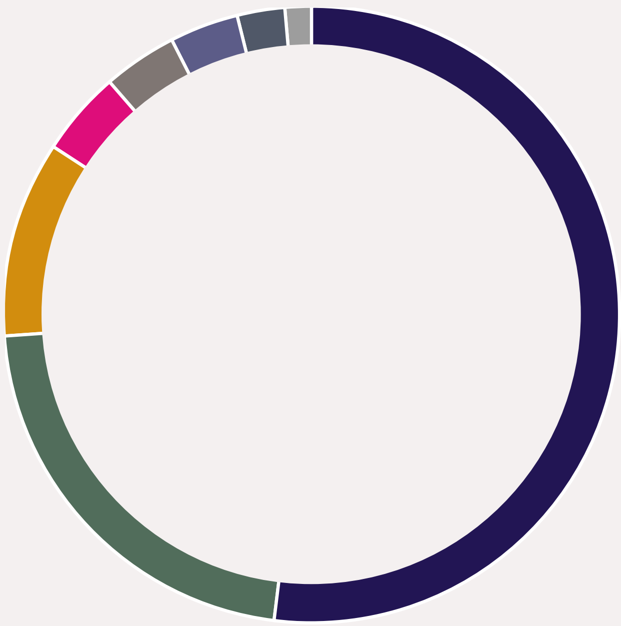
Gas removals – We will review the feasibility of removing a further 12 gas meters from our portfolio.

BEMS system – We plan to install the BEMS into our three buildings at the Pets at Home Support Offices in Handforth, to help with colleague comfort and to reduce energy consumption during both working hours and out of hours. This will ensure that essential heating is set to pre-determined temperatures and is switched off during closed office hours.

Long term Carbon Target

As part of our strategic review, we have begun the work to establish a net zero carbon target for our scope 1 and 2 emissions, In parallel, the process is underway to assess our scope 3 emissions across our value chain. This is an important but complex piece of work which will enable us to create an emissions reduction target in line with limiting global temperature rises to below 1.5c.

Carbon emissions breakdown by source 2019/20



	Tonnes CO_2e	%
Electricity	15,133	52.2
Diesel (Core Fleet)	6,279	21.7
Diesel (3rd Party)	3,039	10.5
Electricity T&D losses	1,284	4.4
Business Travel (Company Fleet)	1,082	3.7
Business Travel (Third Party)	1,071	3.7
Gas	739	2.6
Red Diesel	345	1.2

Carbon emissions summary by Scope 2019/20

	Tonnes CO_2e emissions		
	2018/19	2019-20 (Scope 2 location-based)	2019-20 (Scope 2 market-based)
Scope 1	8431	8,445	8,445
Scope 2	17066	15,133	677
Scope 3	5,538	5,394	4,110
Total	31,035	28,972	13,232
Inclusion of 1,500 tonnes of carbon mitigation		27,472	11,733
Scope 1 and Scope 2 kWh	66,359,660	65,069,778	
Normalisation of CO_2e to £m revenue	32.29	27.38	

- **Methodology:** We have applied the UK Government's 2019 Conversion Factors for Company Reporting and GHG standards and the Streamlined Energy and Carbon Reporting guidance to quantify and report our greenhouse gas emissions.
- **Methodology:** An operational control approach has been used to define the reporting process. This is the same approach as last year 2018/19.
- **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 and air 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 2019 Scope 1, 2 and 3 emissions are verified to a limited level of assurance by Ramboll UK 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 tonnes of CO_2e per £m revenue as this is a common metric used in corporate greenhouse gas reporting.
- **Market-based criteria:** Since October 2017 we have procured 100% renewable electricity backed by REGOs and assessed for conformance with GHG Protocol Scope 2 Quality Criteria. An emission factor of zero has therefore been applied since that date to calculate our Scope 2 market-based figure, whilst a location-based factor was used to calculate Scope 3 emissions from transmission and distribution losses. A small amount of electricity has been purchased outside of the Group renewable energy contract and this is included in the market based calculation.
- **Carbon mitigation:** Pets at Home Ltd is donating £22,500 to the Woodland Trust (a company limited by guarantee (Company Number: 1982873 and a registered charity, Charity Number England and Wales: No. 294344, Scotland No. SC038885 whose registered office is at Kempton Way, Grantham, Lincolnshire NG31 6LL) to absorb 1,500 tonnes of carbon dioxide (equivalent to our use of natural gas in our buildings and electricity procured outside of the Group renewable contract), through the planting of 6,000 trees, helping with our strategy to reduce our business carbon footprint.

Enhancing our governance framework

"A governance framework that aims to place key stakeholder engagement, company purpose, culture and strategy at its heart."

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 26 March 2020 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.

This year has seen a number of key changes to the corporate governance landscape, with the updated UK Code of Corporate Governance applying to the Company for the first time this year. The Governance Report sets out how we have enhanced the Company's governance framework in order to comply with the 2018 Code's principles and ensure that engagement with key stakeholders, company purpose, culture and strategy are at its heart.

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 issued by the Financial Reporting Council in July 2018 ("2018 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.

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. We understand the importance of stakeholder trust and engagement. It is of significant value to our decision making and strategic planning processes and ultimately, the long-term success of the business. 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.

Further detail on our key stakeholders, how we have engaged with them and our responses to the insights gained is set out on pages 36 and 37.

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.

Principal governance activities during the financial year

Board and Executive Management Team changes

On 26 November 2019, we announced that after over nine years as Chairman and in accordance with the 2018 Code, I had advised the Board that I considered it an appropriate time to step down as Chairman. Following a thorough recruitment process, the Board made a formal recommendation to appoint Ian Burke as Chairman with effect from the start of the new financial year.

Ian has a wealth of experience in retail and leisure (as further detailed on pages 92 and 108) and joined as Chairman Designate on 27 March 2020. Ian will succeed me as Chairman on 21 May 2020.

More recently, Paul Moody, Independent Non-Executive Director, advised that he would be stepping down from the Board at the conclusion of the AGM on 9 July 2020. Sharon Flood, Independent Non-Executive Director, will succeed Paul as Chair of the Remuneration Committee. Sharon is currently Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance, Remuneration, Corporate Social Responsibility and Pets Come First Committees. We have commenced our search for a new Chair of the Audit and Risk Committee.

A new Group Executive role of Chief People and Culture Officer was created this year to which Louise Stonier was appointed. The creation of this role further highlights the Board's intention to place culture at the heart of decision making. Louise Stonier stepped down as Company Secretary on 1 January 2020, handing responsibility for company secretarial matters to Lucy Williams, Group Legal Director.

Governance framework
During the financial year, the Group's governance framework was reviewed to ensure it remained fit for purpose and aligned with our strategy, following the changes last year. The Committees detailed on pages 84 and 89 were considered effective with no further changes deemed necessary to structure or terms of reference.

Board evaluation
We progressed the actions that were highlighted from the 2019 external Board evaluation undertaken by Lintstock 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 an internal Board evaluation was carried out to identify areas where the performance and procedures of the Board might be further improved by building on the actions identified by the Lintstock report and a number of other key themes. 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 91 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 2019 where the Board assessed the Group's culture and reviewed the results and trends arising out of the Group colleague "We C.A.R.E." listening surveys.

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 was 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 extended our listening forums across the Group to help ensure that views, thoughts and opinions are directly heard by the Board on a regular basis. The results of these surveys are shared with the Board as part of developing our wider understanding of how our colleagues view certain 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 114 of the Directors' Remuneration Report.

Oversight of development and implementation of revised strategy
The Board continues to oversee and support the transformation and development of the strategic vision for the Group.

AGM
Our next Annual General Meeting will be held on 9 July 2020 at 11.00 a.m. at the Pets at Home Group Plc Support Office at Stanley Green Trading Estate, Epsom Avenue, Handforth, Cheshire, SK9 3RN.

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 2018 Code.

Tony DeNunzio
Chairman, Pets at Home Group Plc
21 May 2020

Governance structure

Pets at Home Group Plc Board of Directors

The Board is collectively responsible for the long term success of the Company. The business of the Company is managed by the Board which may exercise all of the powers of the Company. The Board delegates certain matters to Board Committees, and delegates the detailed implementation of matters approved by the Board and the day-to-day operational management of the business to the Group Chief Executive Officer. Further details can be found on pages 92 to 93.

Board Committees

- Audit and Risk Committee
- Nomination and Corporate Governance Committee
- Remuneration Committee
- Corporate Social Responsibility and Pets Come First Committee

Chief Executive Officer

Leads the Executive Management Team and represents management on the Board in conjunction with the Group Chief Financial Officer

Executive Management Team

The Executive Management Team supports the Chief Executive Officer with the day to day management of the Group's operations and executes the Group's strategy once agreed by the Board

- Retail Executive Management Team
- Vet Group Executive Management Team

- Investment Committee
- Corporate Social Responsibility Committee
- Health and Safety Committee
- Pension Committee
- People Committee
- Data Committee
- Opex SteerCo

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 2018 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 2018 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 (for the remaining period of his office) 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.

The Board further considers that on his appointment as Chairman, Ian Burke meets the independence criteria set out in the 2018 Code.

Board composition

Board balance and independence

The 2018 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 92 to 93. 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 (Tony DeNunzio) are considered to be independent in accordance with the 2018 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 Culture Officer	• The Chief People and Culture 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 26 November 2019, we announced that after over nine years as Chairman and in accordance with the 2018 Code, I had advised the Board that I considered it an appropriate time to commence a succession plan. The Board recommended Ian Burke be appointed as Chairman Designate with effect from the start of the new financial year and Ian takes over as Chairman on 21 May 2020. Paul Moody, Independent Non-Executive Director, steps down from the Board at the close of this year's AGM and Sharon Flood, Independent Non-Executive Director, replaces him as Chair of the Audit and Risk Committee.

A new Group Executive role of Chief People and Culture Officer was created this financial year, to which Louise Stonier was appointed. The creation of this role further highlights the Board's intention to place culture at the heart of decision making. Louise Stonier stepped down as Company Secretary, handing responsibility for company secretarial matters to Lucy Williams, Group Legal Director, on 1 January 2020.

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 page 122. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours.

At each Annual General Meeting of the Company all Directors will stand for re-election in accordance with the 2018 Code. Each financial year the 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 92 to 93 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 Culture Officer, 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.

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.

Gender diversity

Group

Male	24%
Female	76%

Total colleagues 14,988

Board

Male	75%
Female	25%

Group Executive Management Team

Male	70%
Female	30%

Retail Executive Management Team

Male	67%
Female	33%

Vet Group Executive Management Team

Male	57%
Female	43%

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.

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.

2020 Board considerations

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

- Development of the Group's strategic plan;
- 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 and talent framework;
- 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 talent mapping and framework development and Group culture, retention, values and behaviours;
- Colleague listening surveys;
- Considering key strategic projects across the Group;
- 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:

Financial performance / reporting	20%
Governance inc. shareholder engagement	20%
Risk management and internal controls	15%
Project approvals	10%
Leadership, culture and people development inc. succession	15%
Strategic matters	20%

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 and Pets Come First Committee
Number of meetings [1]	9	4	4	3	3
Director					
Tony DeNunzio (Chairman)	9/9	–	–	3/3	3/3
Dennis Millard (Deputy Chairman)	9/9	4/4	4/4	1/3[3]	3/3
Peter Pritchard [2]	9/9	–	–	–	–
Mike Iddon [2]	9/9	–	–	–	–
Paul Moody	9/9	4/4	4/4	2/3[3]	3/3
Sharon Flood	9/9	4/4	4/4	1/3[3]	3/3
Stanislas Laurent	9/9	–	4/4	3/3	3/3
Susan Dawson	9/9	4/4	–	3/3	3/3

1 Excludes the strategy day which all Directors attended.

2 Although not formally appointed as members of the Audit and Risk and CSR and Pets Come First Committee, Peter Pritchard and Mike Iddon attended meetings of those Committee as observers. Peter Pritchard has also attended two meetings of the Nomination and Corporate Governance Committee at the invitation of the Chairman.

3 Dennis Millard, Paul Moody and Sharon Flood were unable to attend certain Nomination and Corporate Governance Committee meetings during the year. They were appropriately briefed following such meetings.

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 and Pets Come First Committee which comprised both Non-Executive Directors, Executive Directors and colleagues.

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 and 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.
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 which includes: the Group Chief Executive Officer, Chief Financial Officer, Retail Chief Operating Officer (David Robinson), Vet Group Chief Operating Officer (Jane Balmain), Chief Data Officer (Robert Kent), Chief People and Culture Officer (Louise Stonier), Chief Information Officer (William Hewish), Group Legal Director and Company Secretary (Lucy Williams), Head of Group Strategy & Transformation (Matthew Diffey) and Group Productivity Director (Nigel Fletcher). Supporting the Executive Management Team is an appointed divisional executive management team for both the Retail and the Vet Group for which roles are clearly defined. The Retail Executive Management Team and the Vet Group Executive Management Team support the Executive Management Team in the implementation of strategy and risk and governance oversight across their respective divisions.

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 leases on stores including any sub-letting, assignments, surrenders or relocations and approving or rejecting any such proposals as appropriate. Each of the matters approved by the Investment Committee is subject to the further approval of the Board where it falls within the level of expenditure requiring full Board approval. The Investment Committee formally updates the Board at least once a year 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 Group Legal Director and Company Secretary with the agenda led by the Group Head of Health and Safety. The Committee is attended by key individuals in the business who are responsible for certain areas of health and safety including the veterinary business, retail and grooming and the Committee is tasked with reviewing the Group's overall health and safety performance. A health and safety policy is in place for the Group which is reviewed on a regular basis.

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

Further details of the work of the Health and Safety Committee are contained on page 77 of the Corporate Social Responsibility Report.

Other management committees

Established last financial year, the People Committee, Pension Committee and Data Committee continue to provide governance and oversight of projects and strategic initiatives relevant to their areas of remit. This financial year, the Opex SteerCo was also established to provide governance and oversight to the Group's opex programme. 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 and information security governance.

People Committee:

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

Pension Committee:

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

Corporate Social Responsibility Committee:

Led by the Chief People and Culture Officer, 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.

Opex SteerCo

Led by the Group's Chief Data Officer, the Opex SteerCo is responsible for providing governance for and overseeing the Group's opex programme including tracking project work, following Group initiatives, reviewing deep dives on project opex spend and reporting to the Group Executive Management team on such matters.

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 52 to 53. 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 page 105 of the Audit and Risk Committee Report.

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

- The annual Group-wide strategic review of the existing five-year strategic plan took place in November 2019 and was reviewed and approved by the Board. Following this approval, the business carried out its annual business plan and budget cycle, again culminating in formal review and approval by the Board on 26 March 2020.
- 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 105.
- 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.
- The Opex SteerCo has provided oversight and governance to the Group's opex programme. This has included tracking project work, following Group initiatives, reviewing deep dives on project opex spend and reporting to the Group Executive Management Team on such matters.
- Board discussion of the key risks and uncertainties facing the Group and the risk management system. Further details are contained in the Audit and Risk Committee Report on page 103.

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 the financial year, the Chair of the Remuneration Committee consulted with major shareholders on the proposed new remuneration Policy; further details on the consultation are contained on page 115 of the Remuneration Report.

In accordance with s172 of the Companies Act 2006 we can factor into Boardroom discussions the potential impact of our decisions on each stakeholder group and consider their needs and concerns, as discussed further on pages 36 and 37.

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 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 carried out an internal evaluation of Board and Board Committee performance which also sought to identify areas where the performance and procedures of the Board might be further improved. The assessment included the completion of an online survey that considered topics covered in the 2019 evaluation and other areas which the Board wanted to assess in the following areas:

- Board size, composition and performance;
- Stakeholder oversight;
- Board dynamics;
- Management of meetings;
- The Chairman;
- Board support;
- Board Committees;
- Strategic and operational oversight;
- Risk management and internal controls;
- Succession planning and people management (including oversight of the Group's people strategy);
- Priorities for change;
- Effectiveness of monitoring culture and behaviours;
- Effectiveness of the Board in ensuring market leading welfare to customers and pets;
- Understanding of improvements in pet welfare;
- Board understanding of performance against competitors and the pet care market; and
- Board understanding of stakeholder views.

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 meeting, the findings from the internal evaluation were presented to the Board, recommendations discussed and specific areas of focus were agreed for this financial year. Overall, most areas saw an improvement in scoring. The overall performance of the Board was rated highly, as were relationships between individual Board members. Areas highlighted as requiring additional focus during the new financial year included:

- Board composition, particularly diversity and the mix between Non-Executive and Executive Directors;
- an increased focus on the Group's strategy rather than operational matters; Further refinement of the KPIs; and
- improvement of the Board's understanding of competitors, customers and the wider community.

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

Chairman

Ian Burke
Non-Executive Chairman

Appointment to the Board
2020 – **new appointment**

Committees
N C

Current roles
- Non-Executive Chairman of Studio Retail Group plc
- Non-Executive Senior Independent Director of intu properties plc
- Member of the Board of Governors of Birmingham City University

Past roles
- Chairman and Chief Executive Officer of Rank Group plc
- Chief Executive Officer of Holmes Place Health Clubs
- Chief Executive Officer of Thistle Hotels plc
- Chairman of Vet Partners Holdings Ltd

Contribution to the Board
Wealth of experience from the leisure and retail sectors. Ian has significant prior experience of participation in audit and remuneration committees.

Non-Executive Directors

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

Appointment to the Board
2014

Committees
N A R C

Current roles
- Non-Executive Chairman of Watches of Switzerland Group 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
- Senior Independent Director of Superdry 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
N A R C

Current roles
- 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
- Chair of ST Dupont S.A.
- Group Chief Financial Officer at Sun European
- Finance Director at John Lewis Department Stores
- Chair of Audit at Shelter

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

Stanislas Laurent
Independent Non-Executive Director

Appointment to the Board
2017

Committees
N A C

Current roles
- Partner at Highland Europe (Growth equity) and Non-Executive Director at various portfolio companies

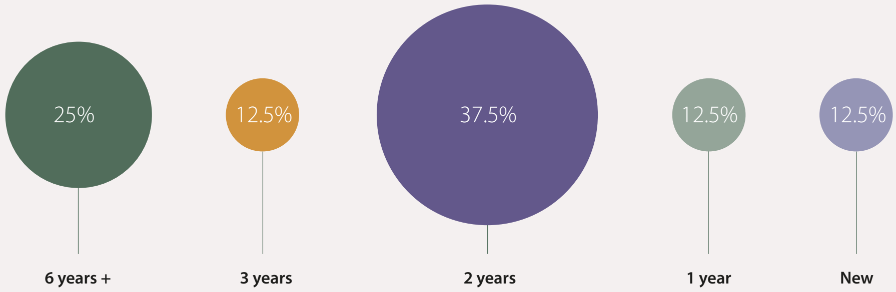
Past roles
- President and CEO of Photobox Group
- COO of AOL Europe

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

Committees

- **N** Nomination and Corporate Governance
- **A** Audit and Risk
- **R** Remuneration
- **C** Corporate Social Responsibility and Pets Come First
- Chair of committee

Board tenure



Executive Directors

Paul Moody
Independent Non-Executive Director

Appointment to the Board
2014

Committees
N A R C

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

Committees
N R C

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

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.

Directors' Report

This section of the Annual Report includes additional information required to be disclosed under the Companies Act 2006 (Companies Act), the UK Corporate Governance Code 2018 ("2018 Code"), the Disclosure Guidance and Transparency Rules and the Listing Rules of the Financial Conduct Authority.

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

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.

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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
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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 44 to 51 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 continued working on a combined PhD in partnership with Mars Fishcare and the University of West Scotland, looking at stress caused during transportation of fish from source right through into the Group's stores.

We are also continuing our 'working together' relationship with the University of Wales Cardiff where we are collaborating 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. This partnership will continue to provide us with a deeper insight and understanding of what impacts fish health and provide us with ways to improve our fish health and welfare even further.

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

We know that our high levels of colleague engagement and unique culture continue to be recognised externally as a key differentiator and we have continued deepening this by running our first Group wide listening survey in addition to regular pulse surveys. Listening Groups also take place across the business and Paul Moody, our Chair of the Remuneration Committee's appointment as Board Representative for wider colleague engagement ensures our colleagues are heard by the Board.

Further information on colleague engagement is included in the Corporate Social Responsibility Report on pages 72 to 75.

Colleague share ownership and plans

This pillar of our engagement strategy will start to come to fruition this year with the maturity of the first RSP plan which is offered to both salaried and hourly colleagues at all levels. We will have enhanced the holdings or created new shareholders amongst over 5,000 of our colleagues and are starting to achieve our aim of widespread share ownership. All eligible colleagues received an award again last year and will do so again in 2020. We had a further offering of the share save scheme in September 2019, with a take up of 11%, and we believe the favourable business performance combined with the first maturity of the RSP will encourage further share save interest this year. Colleagues with non performance related CSOP that vested in June 2019 saw the share price rise above the grant price and a significant number remain in the scheme. We also saw colleagues who still have options from previous years' CSOP benefit from the share improvement over the year with a number choosing to exercise options as the share price rose above water.

Further details of the Group's colleague share plans are contained in the Directors' Remuneration Report on page 112.

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. Further information can be found in the Corporate Social Responsibility Report on page 74.

The Group is now into the third year of reporting our gender pay information. This year we decided to publish a combined Group figure, excluding the Joint Venture Partners; this showed a mean gap of 17.9% with the gap being driven by the lower percentage of female colleagues in the upper quartile roles. This is despite the Group having over 50% female representation in management and senior management levels. Further information on our Gender Pay Gap Report is contained in the Directors' Remuneration Report on page 129. 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
Paul Moody	24 May 2017 (re-appointed)	n/a
Mike Iddon	17 October 2017 (re-appointed)	n/a
Sharon Flood	11 July 2017 (re-appointed)	n/a
Stanislas Laurent	11 July 2017 (re-appointed)	n/a
Peter Pritchard	27 April 2018 (re-appointed)	n/a
Susan Dawson	12 July 2018 (re-appointed)	n/a

On 26 November 2019, we announced that after nine years as Chairman and in accordance with the 2018 Code, Tony DeNunzio advised the Board that he considered it an appropriate time to commence a succession plan for a new Chair of the Board and the Board made a formal recommendation to appoint Ian Burke as Chairman with effect from the start of FY21. Given the current unprecedented environment due to COVID-19, the Board agreed to extend the transition period between Tony and Ian by eight weeks, to ensure an orderly handover at a challenging time. Ian joined the Board on 27 March 2020 as Chairman Designate and succeeds Tony as Chairman on 21 May 2020.

Paul Moody, Independent Non-Executive Director, advised that he would be stepping down at the conclusion of the AGM on 9 July 2020. Sharon Flood, independent Non-Executive Director, will succeed Paul as Chair of the Remuneration Committee. Sharon is currently Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance, Remuneration, Corporate Social Responsibility and Pets Come First Committees. We have commenced our search for a new Chair of the Audit and Risk Committee.

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 2018 Code.

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

Vacation of office: The office of a Director shall be vacated if (amongst other circumstances): (i) he 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 127.

In accordance with Disclosure Guidance and Transparency Rule 9.8.6R(1)(a) and (b), in the period between the end of the financial year and 20 May 2020 (being not more than one month prior to the date of the Notice of Annual General Meeting), there have been no changes to such interests.

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

Compensation for loss of office
The Company does not have any agreements with any Director or colleague that would provide compensation for loss of office or employment (whether through resignation, redundancy or otherwise) resulting from a takeover bid except that it should be noted that provisions of the Company's share schemes may cause options and awards granted to Directors or colleagues under such schemes to vest on a takeover. For further information on the change of control provisions in the Company's share schemes refer to the Directors' Remuneration Report on page 121.

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 26 March 2020 was 500,000,000 Ordinary Shares of 1 pence each. As at 20 May 2020, 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 185 of the Group's financial statements.

There have been no movements in the Company's issued share capital in the 2020 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 11 July 2019 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 9 July 2020 (or, if earlier, until the close of business on 09 October 2020). 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 11 July 2019 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 2019 Annual General Meeting, seek to renew these powers at the 2020 Annual General Meeting.

Powers for the Company to buy back its shares: The Company was authorised by its shareholders on 11 July 2019, at the 2019 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 2020 Annual General Meeting to be held on 9 July 2020. 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 26 March 2020, 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 26 March 2020	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	68,041,706	13.608%	Indirect
Merian Global Investors (UK) Limited	55,374,121	11.07%	Indirect
Blackrock Inc	26,901,837	5.91%	Indirect
Nordea 1 SICAV	24,816,413	4.96%	Direct
Norges Bank	22,565,545	4.51%	Direct
Morgan Stanley	-	Below 3%	-
Portland Hill Asset Management Ltd	-	Below 3%	-

No changes have been disclosed in accordance with Disclosure Guidance and Transparency Rule 5.1.2R in the period between 27 March 2020 and 20 May 2020 (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 20 May 2020	Percentage of issued share capital (%)	Nature of holding (direct / indirect)
Schroders plc	64,880,378	12.976%	Indirect
Merian Global Investors (U) Limited	60,652,432	12.13%	Indirect

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.

The Company is taking the opportunity at the 2020 Annual General Meeting to propose certain amendments to the Company's Articles, principally in order to reflect developments in technology and practice and to provide clarification and additional flexibility. In particular, the proposed new Articles shall include provisions enabling the Company to provide additional opportunities for shareholders to participate in general meetings electronically. A copy of the proposed new Articles and a copy marked to show the changes from the current Articles will be available for inspection at the 2020 Annual General Meeting, and on the Company's website.

Profits and dividend

The consolidated profit for the year after taxation and all non-underlying items was £67,375,000 (FY19: £30,492,000). The results are discussed in greater detail in the Chief Financial Officer's review on pages 38 to 43.

A final dividend of 5 pence per ordinary share (FY19: 5 pence per ordinary share) will be recommended to the Company's shareholders in respect of the 2020 financial year. The final dividend will be proposed by the Directors at the 2020 Annual General Meeting on 9 July 2020 in respect of the financial year ended 26 March 2020 to add to an interim dividend of 2.5 pence per ordinary share paid on 10 January 2020 (FY19: 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 2020 financial year to 7.5 pence per ordinary share. The ex-dividend date will be 18 June 2020 and, subject to shareholder approval being obtained at the 2020 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 19 June 2020.

Political donations

The Group made no political donations and incurred no political expenditure during the year (FY19: 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 FY20 were 50 days (FY19: 49 days).

Post balance sheet events
There are no post balance sheet events.

Going concern
The unprecedented uncertainty created by COVID-19 and its effects, both in terms of extent and duration, make it impossible to predict how the business will be impacted in the year ahead, but on the basis of current financial projections and facilities available, the Directors are satisfied that the Group is well placed to manage its business risks successfully and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the financial statements. Accordingly, the financial statements continue to be prepared on a going concern basis.

The considered business response to COVID-19 is discussed in detail in the Chief Executive Officer's statement on pages 16 to 19.

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

The SBP process covers a five-year period. The five-year plan provides a robust planning tool against which strategic decisions can be made. In making their viability assessment, the Board has taken into consideration that financing facilities are maintained for the duration of the Strategic Plan and the potential impact of COVID-19 on future cash flows and liquidity. The Directors have considered a combination of risks and uncertainties and the mitigating controls operated by the Group as detailed on pages 52 to 61 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 453 stores, many of which also have vet practices and grooming salons. Pets at Home also operates a UK-leading small animal veterinary business, supporting 441 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 launched LMS training modules on Anti-Bribery, Modern Slavery, the Ethical Trading Policy and the Code of Ethics and Business Conduct to colleagues.

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 and continue to deliver our newly launched LMS training modules on Anti-Bribery, Modern Slavery, the Ethical Trading Policy and the Code of Ethics and Business Conduct to colleagues.

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 12 September 2019.

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. This senior facilities agreement expires on 24 September 2023 (unless extended in accordance with its terms), and contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.
- On 13 May 2020, the Group entered into a 364 day senior facilities agreement with a total facility amount of £100m. This 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 92 to 93) 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

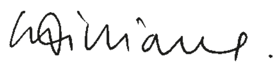
During the 2016 financial year, a competitive tender process of audit services was completed in accordance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 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 2020 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 105 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 21 May 2020.

This Directors' Report was approved by the Board on 21 May 2020 and signed on its behalf by:



Lucy Williams
Group Legal Director and Company Secretary

21 May 2020

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

21 May 2020

Audit and Risk Committee Report

Sharon Flood
Chair of the Audit and Risk Committee

Who is on the Audit and 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 2020

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.

Engaged with the Financial Reporting Council's Corporate Review Team following their review of our Annual Report and Accounts to 29 March 2018, which has now concluded. We have improved our disclosure in relation to accounting for Joint Venture veterinary practices, with respect to judgements and estimates surrounding operating loans, and our assessment of control, along with impairment testing of goodwill and investments in subsidiaries.

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. Further review and challenge was undertaken in light of the recent COVID-19 outbreak.

Monitored the control environment of the Group, including pet welfare protocols, and the controls and processes relating to 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 the newly adopted accounting standard, IFRS16 'Leases', and the ongoing appropriateness of the judgements made in applying existing accounting standards.

Continued to monitor the process and controls around extending financial support to First Opinion Joint Venture veterinary practices, and the recoverability of those loans. We have also continued to review whether the level of practice indebtedness infers additional control to the Group of a 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 bought out by the Group.

What we will do in 2021

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. Further reviews will be undertaken of our general risk management processes in light of the COVID-19 situation.

Continue to monitor the effectiveness of the Group's Internal Audit function and whistleblowing procedures. We will agree an Internal Audit strategy for 2021 and beyond, defining ways of working as well as specific projects.

Review the approach and judgements made in applying forthcoming financial reporting standards, and the ongoing appropriateness of the judgements made in applying existing accounting standards.

Continue to monitor the level of financial support provided to our Joint Venture veterinary practices and keep under review any activity that might change existing accounting practices.

Continue to monitor the accounting treatment for Joint Venture veterinary practices which have been bought out by the Group, and those which are indebted to the Group.

Introduction

This is my third 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 highly engaged 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 internal controls and risk management systems, and the effectiveness of both the Internal Audit function and external audit relationship.

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 reviewed and updated the Group risk register regularly throughout the year, maintaining alignment of our internal audit risk review efforts with the Group's strategic priorities.

In addition to our regular agenda, this year we have considered the accounting for recently adopted changes in accounting standards, notably 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 and the level of indebtedness of certain practices, and whether this might lead to the Group having practical ability to exercise control over the Joint Venture. We have also reviewed the correspondence between the Group and the Financial Reporting Council's Corporate Review Team with reference to the Annual Report and Accounts to 29 March 2018, which is now concluded. We have taken the opportunity to enhance our disclosure in relation to accounting for Joint Venture veterinary practices, with respect to judgements and estimates surrounding operating loans, and our assessment of control, along with impairment testing of goodwill and investments in subsidiaries.

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 92 to 93.

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

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

Committee 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 28 March 2019 • 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 correspondence with the Financial Reporting Council	• Review of development of the Corporate Risk Register • Review of Code of Ethics and Whistleblowing policy • Review of Tax policy • Review of Treasury policy • Review of Brexit readiness	• 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 correspondence with the Financial Reporting Council • Review of progress of subsidiary financial statements for the year ended 28 March 2019	• Review development of the Corporate Risk Register • Loss prevention plan and fraud risk update	• Internal audit engagement renewal • Review reports on progress of Internal Audit Plan	• Process to assess external auditor
November	• Review of correspondence with the Financial Reporting Council • Review of the Interim Financial Statements • Review of goodwill impairment • Review of considerations of the Group's longer term viability and going concern • Review of reporting under new standard on Leases (IFRS16) • Review of operating loan provisioning policy • Review of consolidation consideration for JVCos	• Review development of the Corporate Risk Register • 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 • Review of external audit strategy for the year ended 26 March 2020
January	• Review of correspondence with the Financial Reporting Council	• Review of development of the Corporate Risk Register • Review of progress on the finance transformation plan (Vet Group)	• Review reports on progress of Internal Audit Plan • Consideration of Internal Audit Plan for the year ended 25 March 2021 • Process to assess internal auditor	• 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 has made an assessment of the key risks and emerging risks, and considers 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, the accounting treatment for consolidation of Joint Venture veterinary practices and accounting for the adoption of IFRS16 'Leases'.

The Committee considered the following in making its 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 and cash flows of the business (e.g. the near and long term impact of COVID-19, 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. This review was enhanced to consider the potential impact of COVID-19 on the Group's financial performance and future cash flows and therefore the carrying value of the Group and Company's intangible assets. 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.
Carrying value of inventory	The business carries a wide range of Stock Keeping Units (SKUs) 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 are appropriate.
Carrying value of operating loans	The business provides financial support to First Opinion Joint Venture veterinary practices depending on the circumstance of each practice. This includes 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 these loans can be over an extended period. The business has undertaken a strategy whereby the Group has bought out certain practices, as part of which the Group wrote off operating loans due from the practice on consolidation. These loans were fully provided against from the point at which the decision was made to offer to buy out the practices. Management have established a policy in order to ensure that the initial fair value and subsequent carrying value of operating loans is in accordance with all relevant accounting standards, including IFRS 9, IFRS 15 and IFRS 13.	The Committee reviewed management's judgement, as informed by independent analysis and review, in assessing the initial recognition and subsequent measurement of operating loans in accordance with relevant accounting standards. The Committee is satisfied that the initial recognition and 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. This review was conducted with cognisance of the potential impact of the COVID-19 outbreak on Joint Venture veterinary practice performance and indebtedness. 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 either contractually or practically.
Accounting for consolidation of Joint Venture veterinary practices	The business announced during the previous 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 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 until the point at which the 'A' shares were acquired, and subsequent consolidation thereafter. 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.
Accounting for the adoption of IFRS16 'Leases'	The Group has applied IFRS16 'Leases' with effect from 29 March 2019, using the modified retrospective approach. A process has been undertaken to collect the relevant data, implement a new property and lease accounting system, and agree the appropriate accounting policies and disclosures.	The Committee reviewed all aspects of management's policy and process for IFRS16 adoption, and is satisfied that the methodology used and the judgements and assumptions applied are reasonable.

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 cash flow management. Sensitivities to these key assumptions were also reviewed based on the impact of the Group's key risks, individually and conflated, as set out on pages 52 to 61. The review was enhanced to include a sensitivity based on the potential impact of COVID-19 on future cash flows.

Following a review of the detailed considerations set out above by the Committee and Executive Management Team, the Committee is satisfied that it is appropriate for the Group to continue to adopt the going concern basis in preparing the Annual Report and Accounts of the Group and, further, that the Longer Term Viability Statement on page 99 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 52. The Group's key risks and uncertainties are set out on pages 52 to 61.

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. To strengthen our assurance framework, internal capabilities and connectivity between internal audit and the business, we have recruited an experienced internal audit manager to partner with the Vet Group. This gives the internal audit team the opportunity to be more agile, and to better support the business.

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

Risk area	Work undertaken
Strategic	Finance Transformation Project – pre-implementation (Vet Group)
	Accounting for Joint Venture veterinary practices bought out (Vet Group)
	Pet welfare processes (Retail)
Operational	Cyber scenarios and controls (Group)
	Goods not for resale processes (Group)
	Insurance management (Group)
	SAP Success Factors pre-implementation – key process design (Group)
	Rx Works – post implementation follow up (Vet Group)
Financial	Key financial processes: balance sheet reconciliation, payroll controls and reconciliation, brand development fees, cash transfer, sales negotiation fees, management fees, cash and banking, bad debt and provisions, management to statutory accounts, rebates (Vet Group)
	Key financial controls – Anderson Moores and Dick White Referrals (Specialist Hospitals)
	Colleague expenses – follow up (Group)
	Treasury processes (Group)
	SAP user access management – role design (Group & Retail)
Legal and regulatory compliance	Health and Safety management (Group)
	Compliance with Right to Work legislation (Group)
	Compliance with National Living and working wage obligations (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 parent company's investment in subsidiaries, recoverability of operating loans to Joint Venture veterinary practices, accounting for the Vet Group restructuring, the carrying value of inventory, and IFRS16 lease arrangements. 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 Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and performed a tender process which concluded in January 2015. We will undertake and conclude our next tender process by no later than January 2025, and will undertake and conclude this process earlier if it is deemed in the best interest of shareholders to do so, by reference to our annual programme of reviewing the effectiveness of the external audit process. KPMG, who have audited the Group since 2000, were reappointed at the AGM on 11 July 2019. Stuart Burdass has been the audit partner since 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, delivering focused insight into KPMG's effectiveness through questions for both the Committee members, management and members of the Finance team.

Auditor independence

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

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

Audit and non-audit fees paid to KPMG in the year were £468,000 and an analysis is presented in note 3 to the consolidated financial statements. Non-audit fees represent 15% 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 9 July 2020.

Financial Reporting Council

During the year, the Financial Reporting Council ("FRC") Corporate Review team concluded its review of our Annual Report and Accounts for the year to March 2018. All correspondence received during the review and our responses were discussed with the Committee. As a result of the FRC's review, 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, 16, 17 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 13 and 28 to the financial statements; and
- 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, 2019 and 2020, and these areas have warranted enhanced audit focus as a result.

Sharon Flood
Chair Audit and Risk Committee

21 May 2020

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)	3/3
Dennis Millard	1/3
Paul Moody	2/3
Sharon Flood	1/3
Stanislas Laurent	3/3
Susan Dawson	3/3

What we did in 2020

- Undertook the search for and identification of a suitable new Chairman, being Ian Burke, for the Group.
- Recommended that Sharon Flood succeed Paul Moody as Chair of the Remuneration Committee when he steps down from the Board at the conclusion of the Company's AGM on 9 July 2020.
- 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.
- Reviewed the skills and capabilities of the Group's Executive Management Team to ensure members had the requisite skills, experience and knowledge to execute the Group's strategy.
- Commenced the search for a new Chair of the Audit and Risk Committee.
- Reviewed and approved the appointment of Lucy Williams as Company Secretary.

What we will do in 2021

- Support the new Group Chairman in his new role and integration into the business.
- Support in the search for a new Chair of the Audit and Risk Committee to replace Sharon Flood when she succeeds Paul Moody as Chair of the Remuneration Committee.
- Continue to assess Board composition and how it may be enhanced.
- Implement further reviews and assessment of succession planning, talent mapping 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 Paul Moody, Dennis Millard, 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

There were three 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 FY20

Board appointments and resignations

This year one of the key areas of focus for the Nomination Committee has been on the search for my successor and this year's report on behalf of the Nomination and Corporate Governance Committee will therefore be my last.

This process was led by Stanislas Laurent, Independent Non-Executive Director, due to the involvement in the process of internal candidates.

Stanislas Laurent
Independent Non-Executive Director

On 26 November 2019, we announced that after over nine years as Chairman and in accordance with the 2018 Code, Tony had advised the Board that he considered it an appropriate time to commence a succession plan for a new Chair of the Board. The Board appointed recruitment consultants and considered both external candidates as well as existing Non-Executive Board members, before making a formal recommendation to appoint Ian Burke as Chairman with effect from the start of the new financial year.

Over the last 10 years, Tony has overseen the Company's transition from a private business to a listed company. More recently he supported the business in implementing the strategic plan to become "The World's Best Pet Care Business", bringing everything together for the pet owner, driven by data and insight. Our recent performance is reflective of the progress we are making by focusing on our core capabilities and differences.

The Board would like to thank Tony for his contribution over the years and wish him every success for the future.

Ian has been chair of Studio Retail Group plc since 2017 and is also a non executive senior independent director of intu properties plc, where he has been a member of various board committees since 2018. Ian has extensive board experience; past board positions include CEO of Thistle Hotels, Chair of the privately owned veterinary group Vet Partners, and a long tenure on the board at Rank Group plc. as non executive chair, executive chair and CEO.

We initially planned that Tony would stay in his current role in order to ensure an orderly handover to Ian who would assume his position at the start of the new financial year. Given the unprecedented environment due to COVID-19, the Board agreed to extend the transition period between Tony and Ian by eight weeks, to ensure an orderly handover at this challenging time. Ian joined the Board on 27 March 2020 as Chairman Designate and succeeds Tony as Chairman on 21 May 2020.

We are delighted to welcome Ian as new Chairman, and the Board looks forward to working alongside him to continue to deliver the Group's exciting strategy.

Recently, Paul Moody, Independent Non-Executive Director, advised that he would be stepping down from the Board at the conclusion of the AGM on 9 July 2020. Paul was appointed to the Board in 2014 and has been a member of the Audit and Risk, Remuneration (currently appointed), Nomination and Corporate Governance, Corporate Social Responsibility and Pets Come First Committees. Sharon Flood, Independent Non-Executive Director, will succeed Paul as Chair of the Remuneration Committee. Sharon is currently Chair of the Audit and Risk Committee and member of the Nomination and Corporate Governance, Remuneration, Corporate Social Responsibility and Pets Come First Committees. We have commenced our search for a new Chair of the Audit and Risk Committee. We thank Paul for his valuable contribution and convey the Group's best wishes to him going forward.

A new Group Executive role of Chief People and Culture Officer was created this financial year, to which Louise Stonier was appointed. The creation of this role further highlights the Board's intention to place culture at the heart of decision making. Louise Stonier stepped down as Company Secretary, handing responsibility for company secretarial matters to Lucy Williams, Group Legal Director.

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 three financial years, the Committee has increased its focus on talent development, retention and succession below Board and Executive Management Team level. This work has involved considering skills and capability gaps along with succession planning immediately below the Executive Management Team and the development of a talent framework whereby colleagues are assessed against the Group's core competencies and development plans put in place to support colleagues in reaching their full potential. Considerable progress has been made in identifying gaps in the talent pool in addition to mitigating the risks associated with unforeseen events such as key individuals leaving the business. The Group's Talent Strategy is continuing to evolve and the Group's Talent Director is working with us on leadership capability, talent mapping and succession planning, having presented a detailed mapping and talent identification review to the Board.

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.

Board evaluation and effectiveness
Last year, 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. This year, we carried out an internal Board evaluation that included the completion of an online questionnaire that considered topics covered in the 2019 evaluation and other areas which the Board wanted to assess. Other areas which the Board wished to focus on since the last evaluation included: effectiveness of monitoring culture and behaviours, understanding of pet and customer welfare, understanding of performance against competitors and the pet care market and understanding of key stakeholder views. As part of the evaluation, I also held discussions with each Board member. The Board considered the output from the review in March 2020 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 91 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 86 and 87 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 85 of the Governance Report.

For further information on Board composition, diversity and independence, see the Governance Report on pages 85 to 87.

Tony DeNunzio
Chair Nomination and Corporate Governance Committee

21 May 2020

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 (Chair)	3/3
Tony De Nunzio	3/3
Dennis Millard	3/3
Paul Moody	3/3
Sharon Flood	3/3
Stan Laurent	3/3

What we did in 2019

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.

Supporting our stores in the licensing application process in relation to the Licensing of Activities Involving Animals (England) Regulations 2018.

Reviewed the Support Adoption for Pets (SAFP) charitable foundation development plans and approved an expansion of objectives to enable more of the Group's charitable activities to be including and the continued development of a rebranding of the foundation.

Reviewed the objectives and approach to the development of a new Social Purpose strategy (with a working title of the "2030 Pledge").

What we will do in 2020

Continue to focus on the monitoring and delivery of the best pet welfare standards across the Group.

Continue to ensure the highest standards are maintained in relation to licensing activities in England.

Continue to engage with the Scottish Parliament and their proposal to update pet shop licensing regulations.

Develop and approve the "2030 Pledge" strategy including the expansion of objectives and rebranding of the SAFP charitable foundation.

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

During the year five new management committees were established, each sponsored by a Group executive member to support the development of the 2030 Pledge strategy and manage the delivery of our CSR commitments. These are in addition to the existing Director lead governance to monitor and continuously improve pet welfare standards.

Committee membership

The CSR and PCF Committee, which meets three times a year, is chaired by Susan Dawson. Its other members are Tony DeNunzio, Dennis Millard, Paul Moody, Sharon Flood and Stan Laurent. Acknowledging the importance of pet welfare and CSR to the Group, all other Board members are required to attend the meetings.

Strategic approach

Our strategic approach to CSR and Pets Come First is organised around three pillars of Pets, People and Planet where the Group has material impact and creates value. We believe these pillars are the right way through which to approach our responsibilities and align with our Group vision, to become the best pet care business in the world.

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 62 to 81.
- 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 inline with our expectations.
- The business retained the services of two third party auditors to review standards and processes at our pet suppliers. This has generated feedback and ideas to further improve suppliers' welfare standards which are reviewed.
- The two academic projects that the Group sponsored and supported were completed and the Committee received an update on the results of these projects and recommendations. The projects were relating to understanding stress that fish may experience from transportation and tank conditions and catching techniques. The findings of both research projects were published.
- In October 2018, updates to The Animal Welfare (Licensing of Activities Involving Animals) (England) Regulations came into force. Our stores have had an initial assessment by local councils and these are renewed on an ongoing basis. All stores that are required to hold a valid licence.
- Excellent progress continues to be 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 continued to help to improve clinical standards and processes across the Group. A new quality improvement system called QI2020 has been launched, which gathers granular detail about practice clinical standards to enable clinical services support to be tailored and targeted to provide maximum benefits. The results of antibiotic usage auditing were shared and demonstrate a positive reduction in antibiotic use across the Group over time.
- The current charity work across the Group was discussed in the context of extending the objectives of the Group's charitable foundation SAFP to cover more of the Group community activity.
- Our business raised over £5m for charities that support the rehoming of pets, or bringing the health and therapeutic benefits of pets to people in need.
- The "2030 Pledge" strategy development has been reviewed and discussed. The materiality review and establishment of supporting management teams reviewing different areas of the ESG agenda were reviewed. The emerging areas of focus for the strategy were shared and debated.

Susan Dawson

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

21 May 2020

Paul Moody
Chair of the Remuneration Committee

Who is on the Remuneration Committee?

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

What we did in FY20

- Agreed the annual bonus targets for the Executive Management Team for FY20 and measured performance against them.
- Approved awards to all eligible colleagues in the Group under the Long Term Incentive Plans (LTIP).
- Reviewed the wider colleague population remuneration and benefits structures.
- Engaged with the wider colleague population on remuneration as well as a range of other issues.
- Reviewed the processes in place for the Group pension schemes.
- Reviewed the gender pay reporting information for the Group.
- Agreed the method for calculation and reporting of the Chief Executive Officer (CEO) pay ratio.
- Reviewed and agreed the Directors' Remuneration Report (DRR) for FY20.
- Reviewed and agreed the proposed changes to the remuneration Policy for approval at the 2020 Annual General Meeting (AGM) of the company.
- Consulted extensively with shareholders and proxy advisors throughout the remuneration policy review.
- Discussed and reviewed attainment against the performance conditions of the Group's LTIPs due to vest during the period.
- Considered and recommended the remuneration package for the new Chairman.
- Reviewed the terms of reference of the Remuneration Committee.

What we are going to do in FY21

- Approve share awards under the LTIP to all eligible colleagues in the Group.
- Agree the annual bonus targets for the Executive Management Team for FY21 and measure performance against them.
- Continue to engage with shareholders on the new remuneration policy.
- Review the votes received for the DRR and the new remuneration Policy at the 2020 AGM.
- Review the remuneration structure of the wider colleague population.
- Review the longterm plans for the structure of the Group pension scheme.
- Review the Group's longterm reward strategy.
- Continue to assess the impact of COVID-19 on the business to ensure the appropriate executive remuneration response.

Introduction

On behalf of the Remuneration Committee (Committee), I am pleased to present our Directors' Remuneration Report (DRR) for FY20.

FY20 has been a unique year for Pets at Home, and would have been so even without the events of the final quarter that occurred across the globe. As outlined in the Chairman's statement, and reflected in the trading updates through the year, FY20 was the year in which the implementation of our integrated pet care strategy and the investments we have made across the Group to support it, helped to deliver results ahead of market expectations and saw a return to profit growth. Our colleagues have helped deliver consistently strong results throughout the year and this has been reflected in the increase in our share price.

Our colleagues are an extremely important stakeholder group; we are pleased with the progress in reward levels that we have made over the year, increasing our average hourly rate across our stores and grooming business by 6.29% to £9.10 and paying a bonus to the majority of our colleagues, recognising and rewarding their hard work and dedication over the course of FY20. The first awards made under our Restricted Share Plan (RSP) will vest in June 2020. As a result of these awards, we will have enhanced the holdings of existing, or created new, shareholders in over 5,000 of our colleagues and are starting to achieve our aim of widespread share ownership. We have also taken steps to provide enhanced protection for our colleagues considering the impact of COVID-19 see below.

Impact of COVID-19 on pay decisions

The Committee has been mindful of the impact of COVID-19 on our FY20 results and the consequential influence that it will have on our business plans and, probably, performance in FY21 in reaching the following decisions:

Executive Management Team

The Committee and the Executive Management Team have agreed:

- to delay the annual pay review until at least 1 October 2020 in line with wider management but potentially for the entirety of the financial year;
- for the entire Executive Management Team and the Non-Executive Directors to take a 20% pay cut effective from 20 April to the end of May. This is in line with the timing of the voluntary furlough option we offered to some of our colleagues; and
- that whilst RSP awards will be made in FY21 in line with the usual timeline and at the levels outlined, those awards will be subject to an explicit commitment from the Committee that it will use its discretion, as required, to prevent any windfall benefit arising in the future.

These measures were proposed by the Executive Management Team and agreed by the Committee.

Our colleagues

We provide an essential role in keeping the nation's pets happy and healthy, but we have taken significant steps to ensure that this is appropriately balanced with the need to focus on our colleagues' health and wellbeing.

You can read the full details of the Group's actions in the CEO statement on page 16, but the pay-related actions taken to date include:

- Paying those colleagues undertaking 12 weeks of self-isolation 100% of their average earnings throughout this period.
- Furloughing colleagues on a voluntary and non-mandatory basis, and paying them 80% of their normal earnings.

- We have taken the decision across the Group not to participate in the Government's Job Retention Scheme (JRS) for any of these colleagues. However, we continue to review the position regarding a small proportion of colleagues for whom a prolonged period of shielding may be necessary; predominantly those who are either highly or extremely vulnerable or are carers - and, dependent upon government guidance, may participate in the JRS for these colleagues in future.
- Across our Vet Group, our Joint Venture Partners operate independent businesses and are solely responsible for the decisions made in respect of their colleagues. A number of Joint Venture Partners have elected to participate in the JRS.
- Paying an additional recognition payment which in total exceeded £1.9m to all those colleagues in our stores whose outstanding commitment meant we could continue to supply the nations' essential pet care needs.
- Ensuring all eligible colleagues will still receive their bonuses in respect of FY20 in line with the usual timeline.
- Whilst not directly pay related, to further support our colleagues' financial wellbeing through this period, we have added £1m to our colleague hardship fund and relaxed the application criteria to make it possible for colleagues to access these funds should they be experiencing significant financial hardship as a result of the COVID-19 crisis.

Review of our remuneration policy

FY20 is the final year of our current remuneration policy and we have therefore spent significant time reviewing our policy in order to assess whether it remains fit for purpose in light of our new strategy, the wider economic environment in which we operate and the developing legislative guidance on executive remuneration.

I was delighted to be able to speak with shareholders as we reviewed the policy and was encouraged by the constructive discussions and the support given to the principles and detail of our proposed changes. We consulted in particular on the need to ensure that total remuneration is at an appropriate level to retain and attract executive talent relative to the wider marketplace. As part of this we considered whether the weighting between short and longterm incentives within the current remuneration package was appropriate and whether the existing LTIP (RSP) was suitable in driving behaviours in the longterm interests of shareholders. The majority of shareholders who participated in the consultation process:

- Supported amendments that would ensure our remuneration policy remained competitive;
- Acknowledged that our proposals regarding pensions were extremely positive;
- Supported the introduction of an element of bonus deferral in order to switch the focus towards longer term business performance;
- Recognised that the CEO pay levels needed to be market competitive and reflect the performance of the business;
- Supported the proposal for an amended vesting / post vest holding period and for the introduction of post-cessation shareholding guidelines.

Following review and shareholder feedback, the Committee concluded that for the most part our existing policy remains appropriate. However, there were some key areas where changes are required to ensure competitiveness and to reflect changing market practice and good governance. As such the following changes are being proposed and will, unless indicated otherwise, be effective following approval of the new policy at the 2020 AGM:

1) Pension contributions for new Executive Directors will be set in line with the rate provided to the majority of our salaried colleagues, which is currently 6.5% of salary (a reduction from the current policy maximum of 15%). Pension contributions for incumbent Executive Directors will be reduced to 6.5% by the end of FY22 at the latest in order to ensure compliance with the UK Corporate Governance Code 2018 and the guidance published by the Investment Association on this matter.
2) Annual bonus maximum will be increased from 100% to 170% of salary for the CEO and from 100% to 150% of salary for the CFO.
3) One-third of any bonus paid to the Executive Directors will be deferred into shares and released after a two-year holding period.

However, in the light of the current economic climate, whilst we hope our shareholders will approve these proposals at the 2020 AGM such that the policy will provide the capacity to increase bonus and apply deferral, the implementation of Policy in FY21 will not include those features and bonus opportunity levels will remain at 100% for both Executive Directors regardless of any revised policy maxima.

4) The Committee will have the ability to exercise appropriate discretion if required in line with the new policy.
5) There will be no change to annual levels of Restricted Share Plan awards (RSA) for incumbent executive Directors, which will remain 75% of salary. However, we are proposing the introduction of additional headroom of 25% of salary for use only when / if required for new executive director hires (a total RSA maximum for new hires of 100% of salary per annum). The RSA absolute TSR underpin will remain.
6) Subject to the achievement of the absolute TSR underpin, new Restricted Share Plan awards for Executive Directors will vest 100% on the third anniversary of grant and will be followed by a two-year holding period, making a total restricted period of five years. The current policy is for 50% of shares to vest after three years and 25% after each of years four and five with no subsequent holding period in any year. RSAs granted under the current policy will continue to vest in this way.
7) The holding period for any deferred bonus shares and the holding period for new RSAs will continue to apply post-cessation of employment.
8) In addition, a post-cessation shareholding policy will be introduced at 2 x salary for the first year and 1 x salary for the second year post-cessation of employment. Deferred bonus shares and RSAs that have vested, will count towards these limits (even if they are being held subject to a holding period).

Our remuneration principles which apply across all levels of our organisation are simplicity, alignment and longterm share ownership. We believe the new policy helps us to achieve each of these.

How we have rewarded performance and strategic progress in FY20.

Results for FY20

FY20 saw an exceptional performance in a challenged retail market, with consistent revenue growth across the Group and excellent progress across all pillars of our pet care strategy resulting in underlying profit exceeding market expectations. Highlights include:

- Group total revenue growth of 10.2%, with Retail revenue up 9.4% like for like and Vet Group LFL revenue up 5.6%;
- Vet Group LFL customer sales growth across all First Opinion practices of 13.5% and Joint Venture practices of 13.2%.
- The completion of our Vet Group recalibration;
- Year-on-year VIP membership growth of 24% to 5.6 million
- Subscription customers increasing to over 865,000;
- Total dividend payable of 7.5 pence per share.

We have continued our transition in increasing the percentage of our total revenue from pets services, with now 16 stores refitted into our new format, and record sales from grooming services (see page 15 for more details). In the Vet Group the underlying performance of the Joint Venture First Opinion practices continued to improve across a range of metrics (see page 15 for further details). Overall as outlined in the Chairman and CEO statements the business performance has been very strong in a continually challenging market.

Remuneration for FY20

- **Annual bonus** (detailed information on page 125): The Executive Directors were assessed against stretching PBT and cash flow targets. Underlying PBT, on a like for like basis excluding the impact of IFRS16, was £99.5m, representing an increase of £9.8m on FY19, which was above the maximum target. Free cash flow after interest, tax and before acquisitions was £92.4m before purchase of own shares, and £89.6m after purchase of own shares (FY19: £65.5m before purchase of own shares, and £63.6m after purchase of own shares) which also exceeded the maximum target. As a result, the annual bonus paid out at 100% of potential. It is important to note that with respect to both metrics, the bonus outcome would have been the same even with a normalised final period i.e. excluding the spike in trading caused by COVID-19 in the last three weeks of the trading year.
  - **COVID-19:** The Committee carefully considered whether the bonus outcome should be adjusted or payment deferred due to the uncertainty caused by COVID-19. However after significant assessment and in the light of the Company’s ability to continue to pay its final dividend to shareholders and in recognition of the pay decisions that have been made in respect of all colleagues, the Committee has decided that the fairest outcome for all colleagues, including the Executive Management Team, is to pay bonus on the usual payment date as planned without adjustment given the hard work and dedication of all colleagues over FY20.
- **Restricted Stock Plan** (more information on page 125): The 2017 awards were subject to an absolute TSR underpin which was met, therefore awards will vest according to the relevant timetable. For Executive Directors this means 50% immediately, 25% in 2021 and the remaining 25% in 2022.

The Committee has reviewed the outcomes of the variable incentive plans as well as the overall levels of remuneration to ensure that, notwithstanding the impact of COVID-19, they remain consistent with the underlying performance of the business and are in line with both colleague and shareholder experience. On this basis, we are satisfied that this is the case.

Remuneration for FY21

- **Salary review** (more information on page 130): The Committee concluded that having taken stakeholder feedback and considered the relative market comparisons the CEO’s base pay has fallen behind the general market level for equivalent roles and as such that the package is considered uncompetitive and therefore poses a risk both to retention and succession planning. We therefore propose a salary increase of 9%. We also propose an increase of 2.5% for the CFO, slightly less than the pay review budget for the wider workforce.
  - **COVID-19:** We have delayed the effective date of these changes until later in the year when we hope to have more certainty about the impact of COVID-19 on our business. Therefore, these increases will be effective at the earliest from 1 October 2020 but may be deferred for the entire financial year at the Committee’s discretion.
- **Annual bonus** (more information on page 130): The annual bonus will be structured in accordance with the same parameters set out in the Policy with no more than 25% of the annual bonus based on performance against non-financial measures. Bonus maxima for FY21 will be unchanged at 100% of salary for both the CEO and CFO, even though new policy limits are being submitted for approval at the 2020 AGM. One third of any bonus paid will be deferred into shares for two years when the new policy limit is implemented.
  - **COVID-19:** Given the uncertain trading environment, setting stretching, meaningful performance measures and targets that will be accurate is currently impossible. We will continue to monitor the situation and set robust performance measures and targets as soon as is reasonable, which we anticipate being soon after the first quarter. These targets will then be disclosed retrospectively at the end of the performance year as usual.
- **Restricted stock awards** (more information on page 130): 2020 awards will be made in June and subject to the absolute TSR underpin. The new three-year vesting schedule and two year post-vest holding period as outlined above will apply to these awards subject to approval at the 2020 AGM. However, the Committee is mindful of the current COVID-19 potential impact on share prices and has indicated that if necessary, it will use its discretion to prevent any windfall benefit arising in the future.

Closing remarks

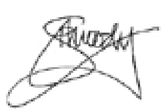
As ever, we would welcome any feedback or comments on this report. We have already actively consulted with many of our shareholders during the formulation of our new proposed policy and as always we remain committed to considering all our shareholders' views. We believe that the new remuneration policy ensures that the interests of the Executive Directors are aligned with those of our shareholders, our colleagues and our wider stakeholders.

At our AGM on 9 July 2020 we will be asking shareholders to pass resolutions on:

- Our new Directors' remuneration policy.
- Our Directors’ Remuneration Report which sets out how we have applied our existing policy during FY20.

I would like to thank the shareholders who took part in the consultations on our new remuneration policy and we hope that all our shareholders will support these resolutions.

Finally, I would like to highlight that this will be my last report as Chairman of the Committee. Having served in the role since 2015, I will be resigning from the role and stepping down from the Board following our AGM on 9 July. Sharon Flood will be succeeding me in the role and I would like to wish Sharon every success in the future in her new role.



Paul Moody
Chair of the Remuneration Committee

21 May 2020

Our Directors' remuneration Policy

Directors' remuneration policy

The Committee considered a range of materials when undertaking the policy review including:

- Feedback following interviews with 12 key internal stakeholders (including Executive and Non-Executive Directors, HR and Reward and other management team members) as well as feedback obtained from our colleague listening programme further details on which can be found at page 113;
- Consultations with investors received prior to the 2019 AGM;
- Proxy agency reports on our FY19 DRR;
- The feedback received from Director engagement with our largest shareholders and their proxy advisors undertaken between December and January on the potential changes in our policy;
- Company performance over the policy review period;
- Recent governance updates, including the 2018 UK Corporate Governance Code;
- The total pay opportunity in comparison to highly relevant external market benchmarks;
- The experience of our colleagues, shareholders and wider stakeholders.

(a) Introduction

The Committee presents our Directors' remuneration policy (the Policy) which will apply to all of the Executive Directors and the Non-Executive Directors (as well as any individuals who may become Directors or cease to be Directors whilst this Policy is in effect). This will be put to the shareholders for binding vote at the Annual General Meeting on 9 July 2020 and become effective on the date it is approved.

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

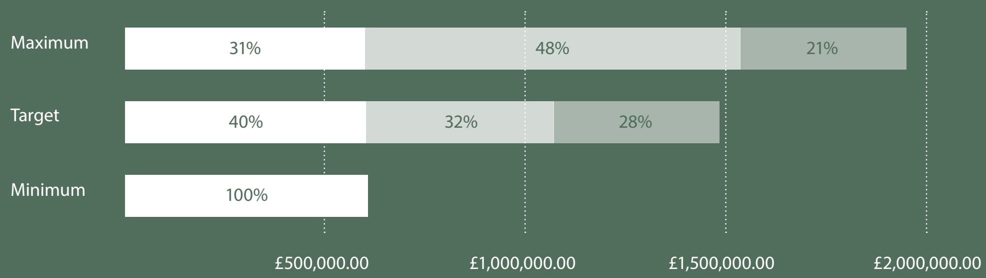
Overall remuneration is structured and set at levels to enable us to recruit and retain high calibre colleagues necessary for business success, whilst ensuring that our reward structure and performance measures are aligned to the strategy and are simple to communicate to participants and shareholders.

The charts below show how each Executive Directors' remuneration under the new Policy when fully implemented is weighted between fixed and performance elements and how different performance scenarios influence total remuneration.

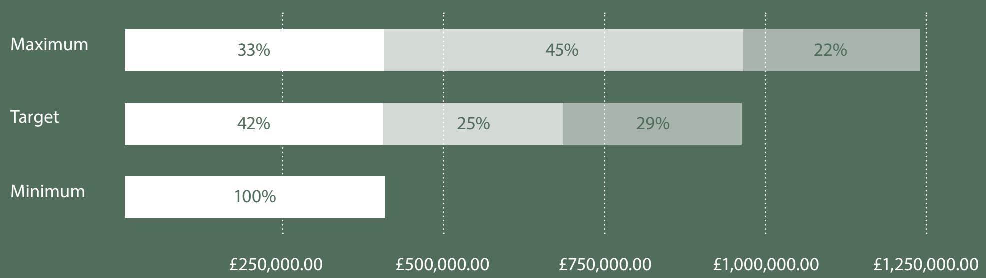
Pay and performance analysis

Base Pay, Benefits & Pensions
Bonus
Long-term incentive

Chief Executive Officer
Peter Pritchard



Chief Financial Officer
Mike Iddon



A significant portion of the package is performance related via the annual bonus plan and total remuneration is reviewed annually considering business performance and prevailing conditions. We routinely benchmark our total remuneration against similar positions within comparable companies.

Remuneration principles

The objectives of our Directors' remuneration policy are:

Strategy	To have incentives that are appropriate for our business for the next three years as we focus on delivering long term, sustainable returns to investors. To reward in ways that support delivery of our integrated pet care strategy.
Culture	To adopt a 'bottom-up' approach to remuneration – a policy that works for our colleagues and can be applied to our executives. To support our ongoing desire to embed share ownership across the organisation. To assist with succession planning.
Retention	To simplify and therefore enhance perceived value of awards and thereby reduce flight risk.
Shareholders	To deliver better value to shareholders 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 and any bonus achieved is paid 2/3rd cash and 1/3rd shares with a two-year deferral period to ensure a link with longer term performance and shareholder experience. • 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, long term vesting and holding horizon and post-cessation shareholding guidelines incentivise Executive Directors to increase focus on long term, sustainable performance and value creation.

Pay element – Fixed pay

Base salary		
Purpose and link to strategy The Company provides competitive salaries suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	**Operation** • Base salaries are paid in cash and are pensionable. • Base salaries will be reviewed annually by the Remuneration Committee. Any changes will usually take effect from 1 October in line with the wider management and salaried colleague group. The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators, including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group.	**Maximum opportunity** • Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population. • Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – Increase in the scope and/or responsibility of the individual's role; and – Development of the individual within the role. **Changes** Annual review date moved to 1 October to align with wider colleague salaried groups.

Benefits		
Purpose and link to strategy The Company provides colleagues with market competitive benefits suitable to attract and retain individuals of the right calibre to develop and execute the business strategy.	**Operation** • The Company provides a range of benefits, which may include: – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance • These benefits are not pensionable. • Other benefits may be offered from time to time, if considered appropriate by the Committee and consistent with the Company's overriding purpose for offering such benefits. • The Company may also meet any reasonable home working and/or certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing home working and/or mobility policies and practice for other senior executives • Executive Directors are eligible to participate in any tax-approved all-colleague share plans operated by the Company on the same basis as other eligible colleagues such as the SAYE scheme.	**Maximum opportunity** • The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits. • The Committee keeps the level of benefit provision under regular review. **Changes** No change

Pensions		
Purpose and link to strategy	**Operation**	**Maximum opportunity**
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 employer contribution level for any new executive appointments to the Board post 26 March 2020 will be capped at the rate provided to the majority of salaried colleagues from time to time (currently 6.5%). • The employer contribution level for any new executive appointments to the Board post 26 March 2020 are capped at the rate provided to the majority of salaried colleagues from time to time (currently 6.5%). **Changes** • For new hires, the pension policy maximum has been reduced from 15% to the rate provided to the majority of salaried colleagues (currently 6.5%). • The maximum for incumbent Executive Directors is reduced from 15% to their current level of 9%, and will be aligned to the same maximum rate as for new hires by the end of FY22.

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. • The Committee may amend the performance targets and measures during the relevant financial year if events occur which result in the original targets and measures no longer being a fair measure of performance. • The Committee may amend formulaic bonus outcomes if they do not reflect the wider shareholder experience over the period or the performance of the Executive Director in delivery of the business strategy and results. • Malus and clawback provisions apply to these awards in circumstances as set out on page 121 of the policy. • Change of control provisions apply as set out on page 121 of the policy. • Leaver provisions apply as set out on page 121 of the policy.	The maximum bonus opportunity shall be 170% of base salary for the CEO and 150% of base salary for the CFO provided 1/3 of any bonus achieved will be paid in shares (or share awards) and subject to a two year holding period.	Each year, the Committee determines the measures and weightings within the following parameters: • 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 performance metrics for the annual bonus for the Executive Directors are set out retrospectively within the Annual Report. **Changes** • The policy maximum bonus opportunity available has increased from 100% to 170% for the CEO and 150% for the CFO. • A new bonus deferral mechanism has been added to coincide with the increase in bonus opportunity with 1/3 of any achieved bonus paid in shares and subject to a 2 year holding period. • Wider discretion has been granted to the Committee to amend formulaic bonus outcomes if they do not reflect the wider shareholder experience over the period or the performance of the Executive Director in delivery of the business strategy and results. Previously discretion only applied to amend performance targets and measures. In both cases, where discretion is applied this will be summarised within the Annual 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. (other than partially, to facilitate the net-settlement of an award). • No award will vest under the RSP unless the TSR underpin has been achieved. • 100% of the award will vest on the third anniversary of grant, subject to the achievement of the TSR underpin and continued employment. • Following vesting, the award will vest after three years followed by a two-year holding period until the fifth anniversary of grant. If the vested award is exercised during this two-year period, the net number of shares acquired (after taxes have been settled) must continue to be held (and cannot be sold) until the fifth anniversary of grant. • Additional shares (or cash) may be awarded in lieu of dividends on any shares which vest, which would have been paid during the vesting period and, in the case of a vested but unexercised awards, the holding period. • Malus and clawback provisions apply to these awards in circumstances as set out on page 121 of the policy. • Change of control provisions apply as set out on page 120 of the policy. • Leaver provisions apply as set out on page 121 of the policy.	The maximum value of restricted shares that may be awarded in respect of any financial year for new hires effective 27 March 2020 may be up to 100% of salary. Existing Executives may only be awarded a maximum of 75% of salary.	• 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. **Changes** • Awards have to be held for a total of five years before they can be sold. • The Committee may now award up to 100% RSP to new hires only, which is an increase on the current maximum of 75%.

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 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 out of taxed income). • Options are normally granted at a discount to market price at the time of invitation, as per HMRC regulations (currently a maximum of 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. **Changes** **No change**

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 126. • 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. **Changes** **No change**

1 The Committee may in the event of any variation of the Company's share capital demerger, delisting, or other event which may affect the value of awards, adjust or amend the terms of awards in accordance with the rules of the relevant share plan. In the case of the SAYE, any changes may be subject to HMRC approval if required.

Legacy matters

The Committee will honour remuneration related commitments to former, current and future Executive and Non-Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to them becoming a Director (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director or Non-Executive Director of the Company) and/or where the terms were agreed and commitments made in accordance with the previous remuneration Policy approved by the Company's shareholders in July 2017.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. This includes allowing the vesting of outstanding awards under the CSOP, PSP and RSP, the terms of which are detailed in the previous policy that was approved by shareholders at the Company's AGM in July 2017.

Remuneration Committee discretion

As described elsewhere in this Policy, the Committee may exercise its discretion to (i) determine the size of the annual bonus and restricted share plan awards granted to Executive Directors; (ii) set the performance measures and targets attaching to the annual bonus and restricted share plan awards granted to Executive Directors; (iii) amend such performance measures and targets if events occur which result in the original measures and targets no longer being a fair measure of performance; (iv) override the formulaic outcomes of such performance measures and targets to ensure that payments under the annual bonus plan and restricted stock plan reflect the underlying performance of the business or of the Executive Director concerned; (v) decide whether and to what extend dividend equivalents should apply to awards under the deferred share bonus arrangements and/or the restricted stock plan; (vi) apply malus and clawback; (vii) adjust the shares subject to the deferred share bonus arrangements, the SAYE options and the restricted stock plan awards in the event of a variation of the Company's share capital (or similar corporate event); (viii) apply the holding period; (ix) apply the leaver provisions; and (x) apply the change of control provisions.

In addition, the Committee may exercise its discretion in order to make such other non-material decisions affecting the Executive Directors' awards in order to facilitate the administration of the annual bonus plan, RSP and SAYE respectively. Any and all decisions will be made within policy maxima and in accordance with the applicable plan rules. Use of discretion will be disclosed in the relevant Directors' Remuneration Report.

Remuneration arrangements throughout the Company

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company. The Company believes in having a consistent approach to remuneration rather than designing alternative plans for our Executive Directors.

All our reward arrangements are built around the common objectives and principles outlined below:

- Aligned incentives – A meaningful proportion of remuneration is based on performance. Individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- Colleagues as shareholders – Our culture is built on a cohesive team approach and widespread shareholding amongst colleagues which we believe enhances our long term sustainable success by promoting stewardship and alignment amongst a wide colleague participation group.
- Transparency – our Policy seeks to reflect our culture and values in being open and transparent about our reward offering at all levels in our organisation, from how we operate reward in our supply chain and stores, right through to our Support Offices.

(b) Recruitment policy

The following table sets out the various components which would be considered for inclusion in the remuneration package for the appointment of an Executive Director and the approach to be adopted by the Committee in respect of each component and which remain unchanged from the previous Policy.

Element	Policy and operation	
Overall	The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and not to pay more than necessary to facilitate the recruitment of the individual.	Where an Executive Director is appointed from within the business, in addition to considering the matters detailed for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions as set out under legacy matters on page 119.
Fixed elements (Base salary, pension and other benefits)	We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time. The maximum level of opportunity will be no greater than that set out in the Policy Table above i.e. in line with the rate provided to the majority of our salaried colleagues, unless the Executive Director is appointed from within the business, in which case the rate will be as set out for incumbent Executive Directors in the policy table on page 116.	The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short term incentives	The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 170% of base salary for the CEO and 150% for the CFO).	
Long term incentives	The individual will be eligible to participate in the RSP, in accordance with the rules and terms of the plan in operation at the time.	The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 75% of base salary for current Executive Directors and up to 100% of salary for new hires effective 27 March 2020 onwards).
Buy-out awards	• The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. • 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 as set out under legacy matters on page 119. • If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

(c) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is on page 121. In principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances, including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules. For the avoidance of doubt, Non-Executive Directors will not receive compensation for loss of office.

Annual Report on Remuneration

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. • Where an Executive Director holds shares pursuant to a deferred share bonus arrangement, the shares will be retained upon a loss of office event but the holding period will continue to apply (unless the Committee determines otherwise in its absolute discretion). • Deferred shares that are subject to a holding period will still count towards the Company's post-cessation shareholding policy (in force from time to time).
Long term incentives	• The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan, which are summarised below: **CSOP, PSP, RSP and SAYE** • 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. • Under the RSP, the default position is for vested awards to be exercisable on the usual date and unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good leaver" (which includes for reasons of death, illness, injury, disability, retirement, sale or transfer out of the Group or any other reason at the discretion of the Committee) the Committee may allow vested awards (to the extent not yet exercised) to be retained and unvested awards to continue to subsist until the relevant vesting date(s), subject to satisfaction of the performance conditions/financial underpin and pro-rated for time served. • Alternatively, the Committee may, at its discretion, allow unvested awards to vest at an earlier date, having regard to the achievement of performance conditions/financial underpin to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances. • Either way, vested RSP awards (or the shares acquired upon the exercise of vested RSP awards) will continue to be subject to a two-year holding period upon a loss of office event (unless the Committee determines otherwise in its absolute discretion). • 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). • Vested (but unexercised) awards under the CSOP, PSP, RSP and SAYE will count towards the Company's post-cessation shareholding policy (in force from time to time), including vested RSP awards (or shares acquired upon the exercise of vested RSP awards) that are subject to a holding period.
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 and the RSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders. • Under the RSP, any holding periods applicable to vested awards (including awards that vest early because of the change of control) will fall away on/immediately prior to the change of control. • Under any deferred share bonus arrangements, any holding periods applicable to deferred shares will fall away on/immediately prior to a change of control. • Under the SAYE, awards shall vest pro-rata by reference to the period of time that has elapsed since the date of grant and up to six months following the change of control.
Malus and clawback	• Annual bonus payments and long term incentive awards (but not including SAYE awards) are subject to malus and clawback for a period beginning on the date of award and ending two years following vesting in the event of: • 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 of regulation. • Serious reputational damage or material loss caused by the participant's actions; and • Material contravention by the participant of the Company's ethics and values. • 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 126.
Expiry of current term	• See page 96 for details of the expiry of the current term of Non-Executive Directors' letters of appointment.

Availability of documentation

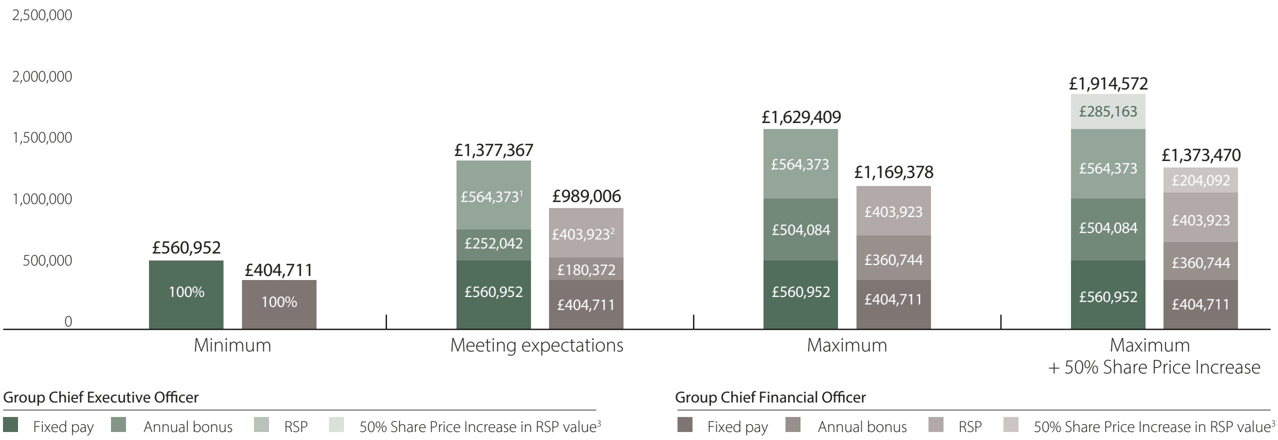
Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Handforth, Cheshire. They will also be available for inspection during the 30 minutes prior to the start of our AGM.

(d) Illustration of the remuneration Policy

Our remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets, aligned with the creation of sustainable shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders.

The charts on the below provide illustrative values of the remuneration package for Executive Directors in FY21, prior to any salary increase not yet awarded and after deferral of any policy changes until FY22, 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



These charts are for illustrative purposes only and actual outcomes may differ from those shown.

1 207,157 options granted 2019, closing share price £2.724 March 26
2 148,263 options granted 2019, closing share price £2.724 March 26
3 Based on 3 month average share price up to financial year end

Scenario	Assumptions
Fixed pay	
All performance scenarios	• Consists of total fixed pay, including base salary, benefits and pension • Base salary – excludes any potential salary increase not yet awarded. • Benefits – amount estimated to be received by each Executive Director in FY21 • Pension – based on existing 9% contribution levels.
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 for the CEO and 50% for the CFO) • 100% vesting under the RSP (i.e. 75% of salary)[1]
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 100% of salary for the CEO and 100% for the CFO) • 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 FY20[2]

1 Under the RSP, the normal maximum limit of 75% of salary has been shown.

2 All-colleague share plans (i.e. the SAYE) have been excluded. Any legacy awards made in accordance with the policy for 2014 which Executive Directors hold have been excluded.

Table showing fixed and variable pay components:

	Chief Executive Officer	Chief Financial Officer
Base salary	£504,084	£360,744
Benefits	£11,500	£11,500
Pension	£45,368	£32,467
Total fixed pay	**£560,952**	**£404,711**
Bonus maximum	£504,084	£360,744
RSP value at grant	£378,063	£270,581
Total variable pay	**£882,147**	**£631,302**
Total	**£1,443.099**	**£1,036,036**

(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 also ensures that our colleagues' voice is heard by the Remuneration Committee and gives them direct access to the Remuneration Committee Chair via our listening sessions. This will continue under our new incoming Remuneration Committee Chair Sharon Flood. In addition, during the COVID-19 crisis the buddy programme has given colleagues across the Group the chance to directly engage with both the CEO and CPCO in raising concerns and feeding into solutions to address issues including remuneration matters. Further details on this are outlined in the Chief Executive's statement in this report on page 16.

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 has always been committed to dialogue with the Company's shareholder base; we consulted actively with shareholders during the formulation of our 2017 policy, and in the creation of our RSP made changes to the scheme including the introduction of an absolute TSR underpin following shareholder feedback. Which is why prior to finalising our new Policy for FY21 onward we consulted directly with our major shareholders and their proxies to gather opinion on thoughts and direction in amending our Policy to both comply with the new regulations and in order to be fit in supporting our strategic direction.

Our major shareholders were written to outlining the approach we took to our review and the conclusions that came out of it, including a high level overview of our potential policy changes, and the supporting rationale for our decisions. These shareholders and their proxies were then given the opportunity to feedback their views and opinions to the Committee Chair before a final decision on the Policy was taken. Clarification was sought on a number of points by these shareholders but the overall response was supportive with recognition of the performance of both the Company and the CEO over the last two years.

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.

Having concluded our consultation on the design of the new remuneration Policy we are pleased to be presenting it to the AGM and firmly believe it ensures 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 26 March 2020

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 (2017 Policy), has been applied in the financial year being reported on. The new Policy proposed for adoption for the next financial year will be voted on at the AGM. A copy of the 2017 Policy can be found on the Group's website **https://investors.petsathome.com/ar2017/ within our Corporate Governance report**.

The information presented from this section up until the relevant note on page 127 represents the audited section of this report.

(b) Single total figure of remuneration for Executive Directors for the year ended 26 March 2020

The following table sets out the total remuneration for Executive Directors for the year ended 26 March 2020. All payments are in line with the Policy.

Director	Base salary (£)	Benefits (£)	Pension (£)	Annual bonus (£)	Long term incentives (£)	Total (£)
FY20						
Peter Pritchard	504,084	11,500	45,368	504,084	564,373[5]	1,601,691
Mike Iddon	360,774	11,500	32,470	360,774	403,923[5]	1,212,732
FY19						
Peter Pritchard[1]	465,308	10,615	41,878	374,604	37,893[4]	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

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.
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 in 2017 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 on 17 March and were made available on the first working day being 18 March 2019. The value is based on the share price of 160p being the share price on 15 March 2019, being the last working day before the shares were released.
5. The performance conditions of the CSP and PSP plan were not met and therefore lapsed in their entirety in 2019. The 2017 RSP will vest in full on 25 July 2020 since the absolute TSR underpin which is calculated as at the end of FY20 has been achieved. The value has been calculated using 272p being the three month average share price prior to the financial year end which corresponds to the end of the performance period. The true value will vary due to the phased release over the three years: 50% in FY21, 25% FY22 and 25% FY23, and will be subject to the share price at the time.

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 Executive Directors were assessed against stretching PBT and cash flow targets. Underlying PBT, on a like for like basis excluding the impact of IFRS16, was £99.5m (£93.5m post IFRS16), representing an increase of £9.8m on FY19, which was above the maximum target. Free cash flow after interest, tax and before acquisitions was £92.4m before purchase of own shares, and £89.6m after purchase of own shares (FY19: £65.5m before purchase of own shares, and £63.6m after purchase of own shares) which also exceeded the maximum target. It is important to note that with respect to both metrics, the bonus outcome would have been the same even with a normalised final i.e. excluding the spike in trading caused by COVID-19 in the last three weeks of the trading year.

- The maximum annual bonus opportunity for Executive Directors in respect of FY20 was 100% of base salary.
- For FY20, 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 set on a post IFRS basis, and the achieved pay out levels for Executive Directors:

		Target		Achieved		Total
Performance measures	% Base salary	Minimum	Maximum	£m	%	%
Group PBT (post IFRS16)	75%	£77m	£86m	£93.5m	100%	75%
Group free cashflow	25%	£51.3m	£57.3m	£92.4m[1]	100%	25%
Total	100%				100%	100%

1 As we approached the end of our financial year, the impact of COVID-19 in the UK meant that we experienced exceptionally high levels of demand, notably across food products, both in-store and online. This translated in part to the over-delivery against our free cash flow target. It is noted that even without the exceptional demand driven by COVID-19, the Group was still on track to deliver in excess of the maximum free cash flow target of £57.3m.

In order to achieve full pay-out the Committee had set stretching targets which required the individuals to deliver performance which significantly exceeded business expectations. The Committee has reviewed whether the payments achieved do reflect the wider business performance and the experience of shareholders during the year.

The Committee carefully considered whether the bonus outcome should be adjusted or payment deferred due to the uncertainty caused by COVID-19. However after significant assessment and in the light of the Company's ability to continue to pay its final dividend to shareholders and in recognition of the pay decisions that have been made in respect of all colleagues, the Committee has decided that the fairest outcome for all colleagues, including the Executive Directors, is to pay bonus on the usual payment date as planned without adjustment given the hard work and dedication of all colleagues over FY20.

Long term incentives

Awards granted under the CSOP and PSP for 2016 vested 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%	EEPS 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.

Awards for the Executive under the RSP granted in 2017 with the agreed TSR underpin will vest in July 2020. The 2017 awards were subject to an absolute TSR underpin which was met, therefore awards will vest according to the relevant timetable. For Executive Directors, this means 50% immediately, 25% in 2021 and the remaining 25% in 2022. The absolute TSR was calculated using a standard methodology that calculates returns to shareholders based on change in share price and dividends paid to shareholders, assuming that those dividends are reinvested into Pets at Home shares. The averaging period for TSR and share price was 3 months prior to the start and end of the performance period for the 2017 award.

The Committee has reviewed the outcomes of the variable incentive plans as well as the overall levels of remuneration to ensure that, notwithstanding the impact of COVID-19, they remain consistent with the underlying performance of the business and are in line with both colleague and shareholder experience. On this basis, we are satisfied that this is the case. In light of this, the Committee decided not to make any adjustments.

Performance metric	Targets	Performance achieved
TSR	A baseline performance underpin applies, which requires absolute TSR performance to be positive over the first three years of the vesting period. If the underpin is not achieved, the awards lapse in full.	TSR performance positive 58.7% Underpin met and award vesting will be 50% in 2020, 25% 2021, 25% 2022.

(c) Single total figure of remuneration for Non-Executive Directors for the year ended 26 March 2020

The following table sets out the total remuneration for Non-Executive Directors and the Chairman of the Board for the year ended 26 March 2020.

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chair (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chairman (£)	CSR and Pets Come First Committee Chair (£)	Total single figure 2020 (£)	Total single figure 2019 (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	200,000	200,000
Dennis Millard [1]	50,000	20,000[1]	n/a	n/a	n/a	n/a	70,000	70,000
Tessa Green [2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	18,642
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	50,000
Sharon Flood	50,000	n/a	n/a	10,000	n/a	n/a	60,000	60,000
Prof Susan Dawson [2]	50,000	n/a	n/a	n/a	n/a	10,000	60,000	46,154

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 on 12 July 2018 and Prof Susan Dawson was appointed to the Board on 12 July 2018.

(d) Scheme interests awarded during the financial year

In FY20 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	30 May 2019	207,157	Nil cost awards	75%	24 March 2022
Mike Iddon	30 May 2019	148,263	Nil cost awards	75%	24 March 2022

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 182.5p.

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 (FY20-FY22). A positive absolute TSR using a standard methodology that calculates returns to shareholders based on change in share price and dividends paid to shareholders, assuming that those dividends are reinvested into Pets at Home shares, is required in order for the awards to vest. The averaging period for TSR and share price was 3 months prior to the start and end of the performance period for the 2019 award. 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.

(f) Payments to past Directors

No payments were made to past Directors during the year.

(g) Statement of Directors' shareholding and share interests

The Committee believes that colleague share ownership is an important means to support long term commitment to the Company and the alignment of colleague interests with those of shareholders.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. Under the new remuneration Policy applicable from FY21 onwards it is proposed that Executive Directors will also be subject to a post cessation shareholding requirement of 200% of salary for 1 year and 100% of salary for two years.

The Committee reviews share ownership levels annually.

Current shareholding levels for Directors are set out in the table below:

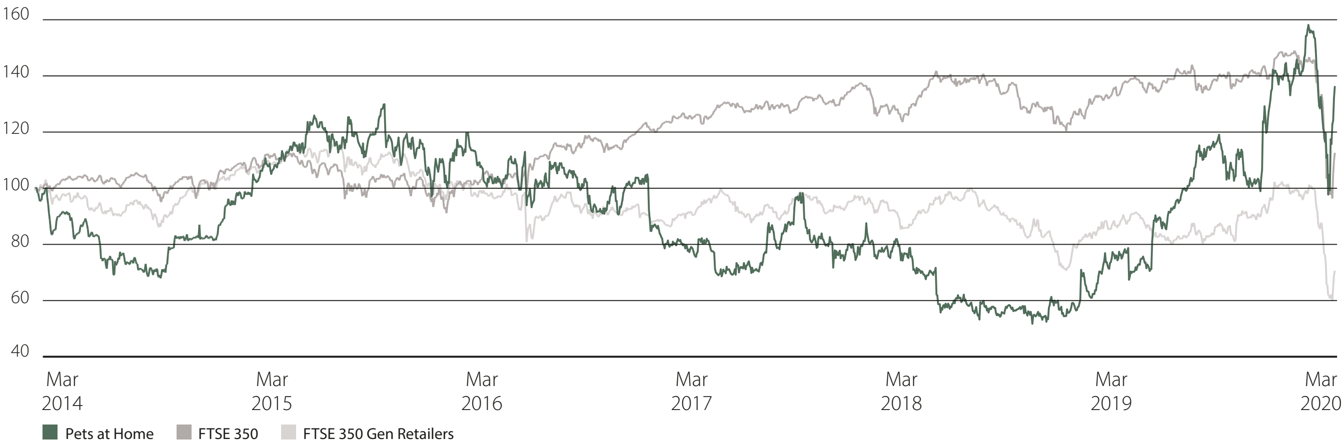
Director	Shareholding requirement as a % of salary (target – % achieved)[1]	Number of shares: Shares owned outright at 28 March 2020	Interests in share incentive schemes, awarded without performance conditions at 26 March 2020	Interests in share incentive schemes, awarded subject to performance conditions at 26 March 2020	Shares owned outright at 28 March 2019
Peter Pritchard	1432.3.%	2,664,214	19,116	674,085	3,024,214
Mike Iddon	97.5%	129,855	19,116	505,638	129,855
Tony DeNunzio	–	3,713,026	–	–	3,713,026
Dennis Millard	–	30,000	–	–	30,000
Paul Moody	–	27,470	–	–	27,470
Stanislas Laurent	–	30,000	–	–	30,000
Sharon Flood	–	60,088	–	–	60,088
Prof Susan Dawson	–	0	–	–	0

1 For the purposes of determining the target shareholding achieved, we have used the individual's salary and the closing share price (£2.71 pence) as at 26 March 2020 and the shares owned outright at the same date.

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 FY20. This disclosure will be expanded in subsequent years in line with the regulations.



CEO		FY14[1]	FY15	FY16	FY17	FY18	FY19	FY20
CEO single figure of remuneration	Peter Pritchard[7]	–	–	–	–	–	930,298	1,601,691
	Ian Kellett[2]	–	–	–	662,087	575,953	122,037	n/a
	Nick Wood[3]	19,460	790,461	962,224[4]	129,696	n/a	n/a	n/a
Annual bonus pay-out (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	75.8%	100%
	Ian Kellett	–	–	–	20.4%	n/a[5]	n/a	n/a
	Nick Wood	73%	75%	60%	–	n/a	n/a	n/a
Long term incentive vesting (as % of maximum opportunity)	Peter Pritchard	–	–	–	–	–	16.8%	100%
	Ian Kellett	–	–	–	16.8%[6]	n/a	n/a	n/a
	Nick Wood	n/a	n/a	96%[4]	–	n/a	n/a	n/a

1 In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.

2 Ian Kellett was appointed on 4 April 2016 and stepped down from his role on 27 April 2018 before leaving the Group effective 31 May 2018.

3 Nick Wood resigned as an Executive Director on 4 April 2016, however, he continued in the business until 1 July 2016. His payment in FY17 relates to the period from 1 April 2016 to 1 July 2016.

4 Under the early leaver provisions of the plan rules, Nick Wood received 19.2% of his total Matching Award under the Co-Investment Plan, as shown in the single figure table. Given that this included time pro rating, with performance against the performance conditions being at 96% of maximum, the latter is shown here and the value of £198,168 of the Matching Awards.

5 Ian Kellett waived his bonus for FY18.

6. Shares were awarded on 17 March 2014 under the Co-Investment Plan. Based on performance in the period March 2014 to March 2017 the performance conditions for these shares were measured in 2017 and the Committee determined that 16.8% of the awards would vest. The vested award 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 17th March and were made available on the first working day being the 18th March 2019. The value is based on the share price of 160p being the share price on 15 March 2019, being the last working day before the shares were released.

7 Peter Pritchard was appointed on 27 April 2018 therefore his single figure remuneration as CEO for 2018/19 reflects this partial year of service in role. His FY20 single figure includes the full value of his total 2017 RSP award which will vest on a phased basis in line with the Policy, 50% in July 2020 and 25% of the award will vest in each of years four and five. The true value will vary due to the phased release over the three years and will be subject to the share price at the time.

(i) Percentage change in remuneration of the Group CEO

The table below sets out the increase in total remuneration of the CEO and that of all colleagues for FY20:

	% Change in base salary FY19 to FY20	% Change in bonus earned FY19 to FY20	% Change in benefits FY19 to FY20
Chief Executive[2]	2.0%	24.2%	No change
All colleagues[1]	2.78%	27.38%	No change

1 All colleague information is presented by comparing the average colleague information used in FY19 to the equivalent average colleague population in FY20.
2 The CEO information excludes the approved increase of 9% to base salary which has been deferred until later in FY21 at the earliest, which will not be back dated.

The table below sets out the historical changes in CEO annual increase compared to those granted to all colleagues as previously reported:

	% Change in base salary FY16	% Change in base salary FY17	% Change in base salary FY18	% Change in base salary FY19	% Change in base salary FY20
Chief Executive	3%	6.4%	2%	2%	0%
All colleagues	3%	2%	2%	2.51%	2.78%

The 2017 CEO change reflects the appointment and promotion of Ian Kellett into the role of CEO replacing Nick Wood.

(j) Relative importance of the spend on pay

The following table shows the relationship between the Group's EBITDA, distributions to shareholders and the total remuneration paid to all colleagues.

	FY20 £m	FY19 £m	FY18 £m	FY17 £m
EBITDA[1]	141.6	130.0	123.3	130.5
Returned to shareholders:				
Dividend	37.1	37.2	37.3	39.9
Payments to colleagues:				
Wages and salaries	213.1	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) Our CEO pay ratio FY20

This year for the first time we will be reporting our CEO ratio for the first time in line with the new Code requirements.

The table below sets out the single figure total remuneration of the CEO compared to the median, lower quartile and upper quartile of the colleague population remuneration calculated on the same basis under methodology A of The Companies (Miscellaneous Reporting) Regulations 2018. The ratio when calculated as required by the regulations can vary substantially from year to year as the CEO total remuneration is more heavily weighted towards variable pay elements. For this reason, we have also included a base pay comparison which we believe will be a more consistent method of comparison between each reporting year.

		Ratio		
	CEO	25th%tile	Median	75th%tile
Base Pay (FTE)	£504,084	29.7.1:1	26.82:1	23:1
Single figure remuneration	£1,601,691	89.6:1	77.5:1	59.1:1

We expect to see substantial variations in our ratio as long term incentive plans and deferred bonus schemes mature creating substantial variation in the ratio when compared at the single figure level. However, at the base pay level we believe our CEO ratio compares favourably with the wider retail sector and comparable FTSE companies.

(l) Consideration of wider colleague pay

Our culture and colleague engagement

Pets at Home's unique culture and high levels of colleague engagement continue to be a key differentiator in attracting talent to our Group. Our regular colleague listening in all our divisions combined with our annual engagement survey and regular pulse surveys ensure that our colleagues have a voice. Paul Moody in his role as Committee Executive for wider colleague engagement has attended executive and store listening sessions this year where he was able to gauge the wider colleague population in their views on the senior leadership and management of the business as well as seeing first-hand how our pet care strategy is coming to fruition.

The Committee also receives feedback on the results from the engagement and pulse surveys to ensure the colleague voice and opinions from across the Group as well as our joint venture veterinary partners are heard and considered as part of our decision making.

The decision this year to appoint Louise Stonier to the new role of Chief People and Culture Officer, is designed to ensure that our unique culture continues to thrive and is at the heart of all we do. I have enjoyed working closely with Louise on ensuring that our Committee delivers an executive and wider workforce remuneration strategy that nurtures and reflects our culture. I am sure my successor will take as much pleasure in engaging with our colleagues as I have.

During the current COVID-19 crisis the value we place on listening within our culture has been reflected in our response and the new buddy programme involving both the CEO and CCPO has ensured that our colleagues have been engaged in the developing our response to the key issues and challenges we have faced.

Colleague share ownership

It is pleasing that this pillar of our engagement strategy will start to come to fruition this year with the maturity of the first RSP plan which is offered to both salaried and hourly colleagues at all levels. We will have enhanced the holdings or created new shareholders amongst over 5,000 of our colleagues and are starting to achieve our aim of widespread share ownership. All eligible colleagues received an award last year and will do so again in 2020.

The Executive Management Team and Board will continue to actively encourage this process and we see it as a key differentiator in both attracting talent and aiding colleague retention. We had a further offering of the Sharesave scheme in September 2019, with a take up of 11%, and we believe the favourable business performance combined with the first maturity of the RSP will encourage further Sharesave interest this year.

Colleagues with non performance related CSOP that vested in June 2019 saw the share price rise above the grant price and a significant number remain in the scheme. We also saw colleagues who still have options from previous years' CSOP benefit from the share improvement over the year with a number choosing to exercise options as the share price rose above water.

Gender Pay Gap report

We published our Gender Pay Gap report on 27 March this year and we decided this year to publish a combined Group figure. This does not include figures for our Joint Venture, veterinary partnerships since these are all individual businesses owned by the veterinary partner(s).

Overall we are pleased with our numbers and the progress we made, however, there is still an imbalance. Whilst we are delighted we have over 50% female representation in management and senior management levels, our gender pay gap is caused by the factors we outlined last year; we have more men than women in the higher paying STEM careers across both support offices and the veterinary specialist hospitals and more women than men in our hourly paid roles.

At Group level, our quartile position is really positive with the three bottom quartiles having gaps of around 1% or less, continuing to give us certainty on the fairness of our pay systems. Overall we have a mean gap of 17.9% with the gap being driven by the lower percentage of female colleagues in the upper quartile roles.

We continued to publish reports for our Retail Division (Pets at Home Limited), our Vet Division (Companion Care Services Limited only which is our Vet Group Support Office) and our Specialist Hospital, Dick White Referrals as those entities that require individual publication under the gender pay reporting regulations.

In our Retail Division, we continue to see progress in our mean position with a drop of 0.5% to 17.2%. We can also see that within the bottom three quartiles the gender pay gap is either around 1% or less or in some cases favours female colleagues. Our improvement is again driven by our lowest earning colleagues receiving on average the highest percentage increases.

Within both our Vet Division and Dick White Referrals our mean position worsened to 29% and 63.3% respectively with pay inflation in the higher level Specialist functions driving the Dick White Referral change in particular. Whilst the results for these two companies are disappointing they are reflective of this sector and STEM sectors in general. We remain confident that with a greater proportion of female talent in the development pipelines within these businesses that the positions will change in the medium to long term.

Our actions in supporting internal development through our leadership programmes and our commitment to the Be Inspired programme, as outlined on page 74 of the Corporate Social Responsibility report, combined with our work on promoting dynamic working as outlined within our gender pay report will all help address the current imbalance over the forthcoming years. A full copy of the full Gender Pay Gap report can be found here **https://investors.petsathome.com/responsibility/policies-and-procedures/gender-pay-gap-report/**.

(m) Dilution limits

In accordance with the IA Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to maximum of 10% of its issued share capital in a rolling ten-year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans (i.e. the CSOP, PSP and RSP). As at 26 March 2020, the Company's dilution position was 2.8% for all plans and 1.8% for the Executive plans.

(n) External appointments

Executive Directors are entitled to accept one external appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director.

As at the date of this report, neither of the Executive Directors held an external appointment for which they receive a fee.

(o) Non-Executive Directors – letters of appointment

A summary of the Non-Executive Directors' letters of appointment is contained on page 122 of the report.

3. Statement of implementation for FY21

This section provides an overview of how the Committee is proposing to implement our Policy in FY21.

Base salary

The proposed increase for the CEO is 9%. The increase for the CFO is 2.5% which is slightly less than the average increase of 2.78% awarded to colleagues across the Group. We have delayed the effective date of the salary changes until later in the year when we hope to have more certainty about the impact of COVID-19 on our business. Therefore, these increases will be effective at the earliest from 1 October 2020 but may be deferred for the entire financial year at the Remuneration Committee's discretion. We have therefore shown two figures.

Executive Director	Base Salary until 1 October 2020	Base salary post 1st October 2020 if implement pay review
Chief Executive Officer	£504, 084	£550,000
Chief Financial Officer	£360,744	£370,000

Benefits

The Committee sets benefits in line with the Policy set out on page 116 of the report. There are no proposed changes in the benefits Policy for FY21.

Pensions

Pension for incumbent Directors will be remain at the current level of 9% of salary.

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY21 will remain at 100% for both the CEO and CFO regardless of any newly approved policy maxima. Subject to shareholder approval, the Board has also agreed to introduce a 1/3 bonus deferral policy where 1/3 of bonus will be awarded in shares and not released until a two year holding period is complete. We believe this will support in maintaining the alignment of Executive and shareholder interests.

The annual bonus framework will be in line with that presented in the Policy table on page 117. Given the uncertain trading environment setting stretching, meaningful performance measures and targets that will be accurate is currently impossible. We will continue to monitor the situation and set robust performance measures and targets as soon as is reasonable, which we anticipate being soon after our first quarter. These targets will then be disclosed retrospectively at the end of the performance year as usual.

As with previous years, the annual bonus will be subject to malus and clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Long Term Incentive Awards

It is proposed that awards under the RSP will be made in FY21 following the preliminary results announcement at 75% of salary for Executive Directors in line with the Policy and subject to the absolute TSR underpin. The new three-year vesting schedule and two year post-vest holding period as outlined above will apply to these awards subject to approval at the 2020 AGM. However, the Committee is mindful of the current COVID-19 potential impact on share prices and has indicated that if necessary, it will use its discretion to prevent any windfall benefit arising in the future.

Sharesave

The Company intends to operate the Sharesave scheme again for FY21. 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 FY21. The table below shows the Non-Executive Director fee structure for FY21:

	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 operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by WTW during the year and is comfortable that it has been objective and independent. Total fees received by WTW in relation to the remuneration advice provided to the Committee during FY20 amounted to £79,149 (FY19: £64,694) based on the required time commitment.

During FY20 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all-colleague share plans.

Committee membership and meetings

The Directors listed below in the table served on the Committee during the year. The Committee met four times during FY20 and the Committee members' attendance is also shown in the table below:

Member	Period from	To	Meetings attended
Paul Moody (Chairman)	28 March 2019	26 March 2020	4/4
Dennis Millard	28 March 2019	26 March 2020	4/4
Sharon Flood	28 March 2019	26 March 2020	4/4
Prof Susan Dawson	28 March 2019	26 March 2020	4/4

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 Culture Officer
Peter Pritchard	CEO
Mike Iddon	CFO
Stanislas Laurent	Non-Executive Director
Nick Rumble	Group Head of Reward
Lucy Williams	Group Legal Director and 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 FY20 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 11 July 2019, the total number of shares in issue with voting rights was 500,000,000. The resolution to approve the Directors' Remuneration Report received the following votes from shareholders:

Ordinary resolutions To approve the Directors' Remuneration Report for the year ended 28 March 2019	
Votes for[1]	362,089,073
%[2]	98.59
Votes against	5,179,674
%	1.41
Votes total	367,268,747
% of isc[3]	73.45
Votes withheld[4]	9,514,475

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 112, our Directors' Remuneration Report will be subject to an advisory vote at our AGM to be held on 9 July 2020.

On behalf of the Board

Paul Moody
Chair of the Remuneration Committee

21 May 2020

Financial statements

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 26 March 2020 which comprise 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 cashflows, 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 26 March 2020 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 7 financial years ended 26 March 2020. 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 (2019:£3.75m) 4.0% (2019: 4.2%) of Normalised Group profit before tax
Coverage		95% (2019: 95%) of Group profit before tax
Risks of material misstatement		**vs 2019**
Recurring risks	Carrying value of Group goodwill and parent Company's investments in subsidiaries	>
	Operating loans to joint venture practices	v
	Carrying value of inventory	< >
	Accounting for Vets restructuring	v
Event driven risks	The impact of uncertainties due to the UK exiting the European Union.	< >
	Going concern	^
	IFRS 16 lease arrangements (transition)	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 104 (Audit and Risk Committee Report), page 149 (accounting policy) and page 149 (financial disclosures)	**Brexit uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular in relation to the carrying value of the Group goodwill and the parent Company's investments in subsidiaries, operating loans to joint venture practices and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. 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 its effects are subject to unprecedented levels of uncertainty of consequences, 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 Group'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 to 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 cashflows 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:** • As reported under the key audit matters 'Carrying value of the Group goodwill and the parent Company's investments in subsidiaries' and 'Operating loans to joint venture practices', we found the resulting estimates and related disclosures, 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 including the impact of COVID-19 Refer to page 105 (Audit and Risk Committee Report), page 149 (accounting policy) and page 149 (financial disclosures).	**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 parent 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: • The uncertainty of the impact of COVID-19, with the future range of possible effects currently unknown to performance, given the rapidly evolving nature. • 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: • **Sensitivity analysis:** Considering sensitivities over the Group's future cashflows and the level of available financial resources indicated by the financial forecasts, including the Group's COVID-19 adjusted cashflows forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise as a result of the forecast decrease in sales post year end due to COVID-19; • **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 COVID-19 and the adequacy of disclosures in relation to the specific risks these pose. 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 (2019:acceptable). However, no audit should be expected to predict the unknown factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

	The risk	Our response
IFRS 16 – Lease arrangements (Transition) Right of use liability £463.9 million Refer to page 104 (Audit and Risk Committee Report), page 149 (accounting policy) and page 174 (financial disclosures).	**Subjective estimate:** The Group has over 450 stores, the majority of which are leased and the impact to the financial statements this year of adopting IFRS 16 is therefore significant. The calculation of lease liabilities involves assumptions of the lease term and the discount rate, each of which can have a material impact on the value of lease liabilities recognised. Judgement arises in determining the lease term as this relies on assessing the likelihood of continued use of the leased asset after the contractually committed period. Estimation uncertainty arises in respect of the discount rate where the implicit rate in the lease is not available, as is typical in the Group's leases. In those circumstances the Group use their incremental borrowing rate as the basis for the discount rate. The incremental borrowing rate is an unobservable input based on assumptions of the Group's credit risk and specific risks of leased assets. Small changes in either of these assumptions across a number of leases could lead to a material change in the valuation of lease liabilities. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the valuation of lease liabilities had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 12) disclose the sensitivity estimate by the Group	Our procedures included: • **Accounting analysis:** assessing the calculation methodology driving the lease liability and right-of-use asset against the requirements of the accounting standard; • **Our sector experience:** evaluating assumed lease terms with reference to contracts and legal rights, as well as our understanding of the facts and circumstances surrounding the practices trade; • **Test of detail:** evaluated the completeness, accuracy and relevance of data used in preparing the transition adjustments by comparing the stores included in the calculation of the liability and asset with the lease data accumulated from our prior year audits and lease changes in the current year; • **Benchmarking assumptions:** comparing the incremental borrowing rate to the Group's cost of borrowing; and • **Assessing transparency:** Assessing the adequacy of the group's disclosures about the sensitivity of the valuation of lease liabilities to changes in the discount rate. **Our results** • We found the resulting estimate of the lease term assumed and discount rate used to be acceptable.
Carrying value of the Group goodwill and the parent Company's investments in subsidiaries £981.2 million; 2019: £981.3m Investments: £936.2 million; 2019: £936.2m Refer to page 104 (Audit and Risk Committee Report), page 159 (accounting policy) and page 176 (financial disclosures).	**Forecast based valuation:** Goodwill in the Group and parent's investments in subsidiaries are significant. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cashflows, 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 for audit planning purposes, we determined that the carrying value of goodwill and the carrying value of the parent Company's investments in subsidiaries had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 13) 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 is 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. (2019: acceptable).

	The risk	Our response
Operating loans to joint venture practices £37.5 million; 2019: £42.2m Refer to page 104 (Audit and Risk Committee Report), page 154 (accounting policy) and page 180 (financial disclosures).	**Subjective estimate:** A proportion of Group's joint venture veterinary practices have not performed in line with expectations, which results in a risk of recoverability of the associated operating loan. Assessing the recoverability of operating loans involves judgement over a number of assumptions in the triggers used to identify default and the percentage of loss given default, both of which are used in calculating the expected credit loss. There is a risk that the assumptions used in calculating 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 decreased in the year as a result of restructuring of the joint venture model, resulting in the quantum of loans decreasing. However, the risk is still considered to be significant. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the operating loans to joint venture 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. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality. The financial statements (note 17) 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 triggers used to identify default and those to calculate the loss given default for those in default; • **Sensitivity analysis:** Performing sensitivity analysis on the key assumptions above; • **Assessing transparency:** Assessing whether the Group's disclosures about the estimate appropriately reflect the risks inherent in the operating loan provision. • **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 • **Assessing transparency:** Assessing whether the Group's disclosures appropriately reflect the judgements relating to non consolidation of indebted practices. **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 (2019: acceptable). • We found the non- consolidation of the joint venture veterinary practices to be acceptable (2019: acceptable).
Carrying value of inventory £62.8 million; 2019: £68.2m Refer to page 104 (Audit and Risk Committee Report), page 154 (accounting policy) and page 177 (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, particularly in light of COVID-19, which are primarily driven by wider trends in the pet product industry as well as seasonality. There is a recoverability risk associated with new product launches and 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 for audit planning purposes, we determined that carrying value of inventory had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that materiality.	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 yearend 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 (2019: acceptable).

	The risk	Our response
Accounting for vets restructuring Non-underlying items associated with the purchase of joint venture veterinary practices: £6.6million (2019: £40.4m). Refer to page 104 (Audit and Risk Committee Report), page 151 (accounting policy) and page 169 (financial disclosures).	**Subjective estimate and presentation:** The restructuring project to purchase and subsequently consolidate veterinary practices, which had previously been accounted for as joint ventures by the Group, began during FY19. The restructuring of the veterinary practices is significant to the financial statements due to the utilisation in the year of material provisions created in FY19, and the presentation of costs as non- underlying has potential implications for the accounting of joint venture practices. The level of risk associated with the accounting for restructuring has decreased in the year as a result of the restructure completing, resulting in the quantum of costs and remaining provisions decreasing. However, the risk is still considered to be significant with regard to the utilisation of provisions for costs incurred in the year and presentation of those costs as non-underlying. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the costs associated with the Vets restructuring project 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. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than materiality.	Our procedures included: • **Benchmarking assumptions:** Challenging key assumptions used by the Group in utilising joint venture restructuring provisions relating to exit and closure costs, 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 challenge whether the costs incurred and provisions created have been recognised and presented in line with accounting standards; and • **Assessing transparency:** Assessing whether the Group's disclosures about the restructuring appropriately present costs as non-underlying. **Our results** • We found the accounting treatment and the presentation of costs as non-underlying related to the Vets restructuring to be acceptable (2019: 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 (2019: £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 £93.5m of which it represents 4.0% (2019: 4.2%). We consider normalised Group profit before tax to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax.

Materiality for the parent Company financial statements as a whole was set at £3.0m (2019: £3.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.2% (2019: 0.2%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £180,000 (2019: £180,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The work on 1 of the 9 components (2019: 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.

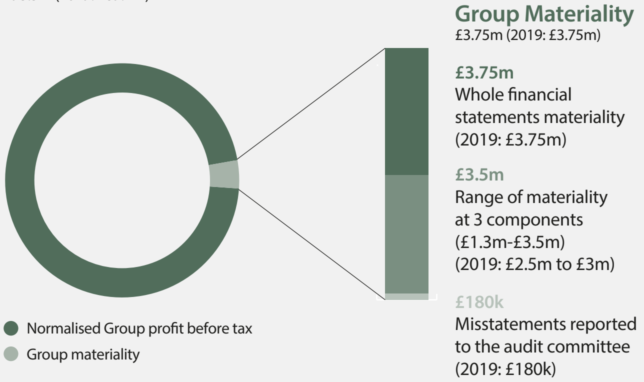
Of the Group's 9 (2019: 9) reporting components, we subjected 3 (2019: 3) to full scope audits for Group purposes and 0 (2019: 0) to specified risk focused audit procedures.

The components within the scope of our work accounted for the percentages illustrated opposite.

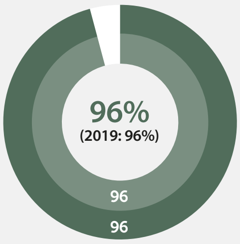
The Group team instructed the component auditors as to the significant areas to be covered, which included the relevant risks of material misstatement detailed above, and set out the information required to be reported back to the Group audit team. The Group audit team approved the component materiality range of £1.3m to £3.5m (2019: £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.

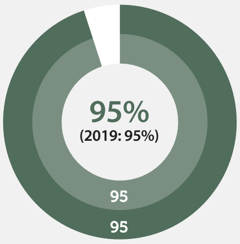
Normalised Group profit before tax
£93.5m (2019: £89.7m)



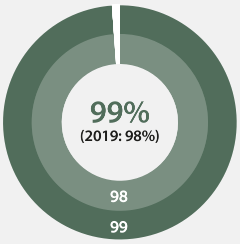
Group revenue



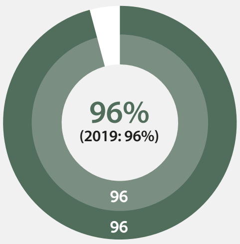
Group profit before tax



Group total assets



Normalised group profit before tax



- Full scope for Group audit purposes 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- 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 82 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

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 99 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks 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 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 140, 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

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

21 May 2020

Consolidated income statement

	Note	52 week period ended 26 March 2020			52 week period ended 28 March 2019		
		Underlying trading £m	Non-underlying items (note 3) £m	Total £m	Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	1,058.8	–	1,058.8	961.0	–	961.0
Cost of sales		(540.0)	(6.9)	(546.9)	(471.2)	(22.5)	(493.7)
Impairment losses on receivables	3,17	(0.9)	0.3	(0.6)	(2.9)	(17.9)	(20.8)
Gross profit		517.9	(6.6)	511.3	486.9	(40.4)	446.5
Selling and distribution expenses		(313.8)	–	(313.8)	(314.5)	–	(314.5)
Administrative expenses	3	(92.8)	(1.0)	(93.8)	(79.2)	0.3	(78.9)
Operating profit	2, 3	111.3	(7.6)	103.7	93.2	(40.1)	53.1
Financial income	6	0.5	–	0.5	0.6	–	0.6
Financial expense	7	(18.3)	–	(18.3)	(4.1)	–	(4.1)
Net financing expense		(17.8)	–	(17.8)	(3.5)	–	(3.5)
Profit before tax		93.5	(7.6)	85.9	89.7	(40.1)	49.6
Taxation	8	(18.6)	0.1	(18.5)	(19.3)	0.2	(19.1)
Profit for the period		74.9	(7.5)	67.4	70.4	(39.9)	30.5

All activities relate to continuing operations.

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

	Note	52 week period ended 26 March 2020	52 week period ended 28 March 2019
Equity holders of the parent – basic	5	13.5p	6.1p
Equity holders of the parent – diluted	5	13.2p	6.0p

Dividends paid and proposed are disclosed in note 9.

The notes on pages 149 to 219 form an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Profit for the period		67.4	30.5
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	22	(0.1)	(0.1)
Effective portion of changes in fair value of cashflow hedges	22	(5.5)	1.0
Other comprehensive income for the period, before income tax		(5.6)	0.9
Income tax on other comprehensive income	15, 22	0.9	(0.4)
Other comprehensive income for the period, net of income tax		(4.7)	0.5
Total comprehensive income for the period		62.7	31.0

The notes on pages 149 to 219 form an integral part of these financial statements.

Consolidated balance sheet

	Note	At 26 March 2020 £m	At 28 March 2019 £m
Non-current assets			
Property, plant and equipment	11	117.1	123.7
Right-of-use assets	12	425.2	–
Intangible assets	13	1,006.4	1,000.7
Other non-current assets	16	20.9	18.7
		1,569.6	1,143.1
Current assets			
Inventories	14	62.8	68.2
Other financial assets	16	1.5	1.6
Trade and other receivables	17	55.9	68.9
Cash and cash equivalents	18	79.1	60.5
		199.3	199.2
Total assets		1,768.9	1,342.3
Current liabilities			
Trade and other payables	20	(196.6)	(185.8)
Lease liabilities	12	(83.7)	–
Corporation tax		(0.5)	(10.2)
Provisions	21	(3.9)	(15.4)
Other financial liabilities	16	(2.2)	(7.3)
		(286.9)	(218.7)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(163.3)	(178.8)
Other payables	20	–	(33.6)
Lease liabilities	12	(380.2)	–
Provisions	21	(1.3)	(1.7)
Other financial liabilities	16	(5.8)	(2.5)
Deferred tax liabilities	15	(0.4)	(4.0)
		(551.0)	(220.6)
Total liabilities		(837.9)	(439.3)
Net assets		931.0	903.0
Equity attributable to equity holders of the parent			
Ordinary share capital	22	5.0	5.0
Consolidation reserve		(372.0)	(372.0)
Merger reserve		113.3	113.3
Translation reserve		(0.1)	(0.0)
Cashflow hedging reserve		(2.8)	0.8
Retained earnings		1,187.6	1,155.9
Total equity		931.0	903.0

On behalf of the Board:

Mike Iddon
Group Chief Financial Officer

Company number: 08885072

The notes on pages 149 to 219 form an integral part of these financial statements.

Consolidated statement of changes in equity
As at 26 March 2020

	Share capital £m	Consolidation reserve £m	Merger reserve £m	Cashflow hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 28 March 2019	5.0	(372.0)	113.3	0.8	(0.0)	1,155.9	903.0
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	67.4	67.4
Other comprehensive income (note 22)	–	–	–	(4.6)	(0.1)	–	(4.7)
Total comprehensive income for the period	–	–	–	(4.6)	(0.1)	67.4	62.7
Hedging gains & losses reclassified to inventory	–	–	–	1.0	–	–	1.0
Total hedging gains & losses reclassified to inventory	–	–	–	1.0	–	–	1.0
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37.1)	(37.1)
Share based payment charge	–	–	–	–	–	4.2	4.2
Purchase of own shares	–	–	–	–	–	(2.8)	(2.8)
Total contributions by and distributions to owners	–	–	–	–	–	(35.7)	(35.7)
Balance at 26 March 2020	5.0	(372.0)	113.3	(2.8)	(0.1)	1,187.6	931.0

Consolidated statement of changes in equity
as at 28 March 2019

	Share capital £m	Consolidation reserve £m	Merger reserve £m	Cashflow hedging reserve £m	Translation reserve £m	Retained earnings £m	Total equity £m
Balance at 29 March 2018	5.0	(372.0)	113.3	(1.0)	0.1	1,160.9	906.3
Total comprehensive income for the period							
Profit for the period	–	–	–	–	–	30.5	30.5
Other comprehensive income (note 22)	–	–	–	0.6	(0.1)	–	0.5
Total comprehensive income for the period	–	–	–	0.6	(0.1)	30.5	31.0
Hedging gains & losses reclassified to inventory[1]	–	–	–	1.2	–	–	1.2
Total hedging gains & losses reclassified to inventory	–	–	–	1.2	–	–	1.2
Transactions with owners, recorded directly in equity							
Equity dividends paid	–	–	–	–	–	(37.2)	(37.2)
Share based payment charge	–	–	–	–	–	3.5	3.5
Purchase of own shares	–	–	–	–	–	(1.8)	(1.8)
Total contributions by and distributions to owners	–	–	–	–	–	(35.5)	(35.5)
Balance at 28 March 2019	5.0	(372.0)	113.3	0.8	(0.0)	1,155.9	903.0

1 The comparative consolidated statement of changes in equity has been restated to show hedging gains & losses reclassified to inventory to enhance comparability.

Consolidated statement of cashflows

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m[1]
Cashflows from operating activities		
Profit for the period	67.4	30.5
Adjustments for:		
Depreciation and amortisation	109.4	36.8
Non-underlying impairment	3.4	–
Financial income	(0.5)	(0.6)
Financial expense	18.3	4.1
Settlement of 'put & call' liabilities (growth element)	(0.8)	(0.1)
Share based payment charges	4.2	3.5
Taxation	18.5	19.1
	219.9	93.3
Decrease/(increase) in trade and other receivables	5.4	(1.8)
Decrease/(increase) in inventories	5.7	(7.3)
Increase in trade and other payables	16.9	12.6
(Decrease)/increase in provisions	(0.7)	1.9
(Decrease)/increase in working capital relating to non-underlying items	(1.2)	27.7
	246.0	126.4
Tax paid	(30.8)	(18.6)
Net cashflow from operating activities	215.2	107.8
Cashflows from investing activities		
Proceeds from the sale of property, plant and equipment	0.4	0.6
Interest received	0.5	0.6
Investment in other financial assets	(1.0)	–
Loans issued	–	(0.2)
Acquisition of subsidiaries, net of cash acquired (underlying)	(0.5)	(1.1)
Acquisition of subsidiaries, net of cash acquired (non-underlying)	(0.5)	(0.7)
Other costs associated with acquisition of subsidiaries (non-underlying)	(3.7)	(2.4)
Repayment of borrowings owed by JV practices in advance of acquisition of subsidiaries (underlying)	–	(0.7)
Repayment of borrowings owed by JV practices in advance of acquisition of subsidiaries (non-underlying)	(5.9)	(5.7)
Acquisition of property, plant and equipment and other intangible assets	(39.6)	(37.4)
Net cash used in investing activities	(50.3)	(47.0)
Cashflows from financing activities		
Equity dividends paid	(37.1)	(37.2)
Proceeds from new loan	61.0	181.0
Repayment of borrowings	(77.0)	(195.0)
Debt issue costs	–	(2.5)
Capital lease payments	(67.0)	–
Settlement of 'put and call' liabilities (minimum amount)	(5.6)	(1.0)
Purchase of own shares	(2.8)	(1.8)
Finance lease obligations	(0.1)	(0.2)
Interest paid	(3.7)	(3.4)
Interest paid on lease obligations	(14.0)	–
Net cash used in financing activities	(146.3)	(60.1)
Net increase in cash and cash equivalents	18.6	0.7
Cash and cash equivalents at beginning of period	60.5	59.8
Cash and cash equivalents at end of period	**79.1**	**60.5**

1 The comparative cashflow statement has been restated to enhance comparability.

The notes on pages 149 to 219 form an integral part of these financial statements.

Company balance sheet

	Note	At 26 March 2020 £m	At 28 March 2019 £m
Non-current assets			
Investments in subsidiaries	28	936.2	936.2
		936.2	936.2
Current assets			
Other financial assets	16	0.3	–
Trade and other receivables	17	579.2	578.3
Cash and cash equivalents	18	–	–
Deferred tax assets	15	0.4	0.0
		579.9	578.3
Total assets		1,516.1	1,514.5
Current liabilities			
Trade and other payables	20	(387.8)	(330.1)
Other financial liabilities	16	–	(0.1)
		(387.8)	(330.2)
Non-current liabilities			
Other interest-bearing loans and borrowings	19	(163.3)	(178.8)
Other financial liabilities	16	(2.3)	–
		(165.6)	(178.8)
Total liabilities		(553.4)	(509.0)
Net assets		962.7	1,005.5
Equity attributable to equity holders of the parent			
Ordinary share capital	22	5.0	5.0
Merger reserve		113.3	113.3
Cashflow hedging reserve		(1.6)	(0.1)
Retained earnings		846.0	887.3
Total equity		962.7	1,005.5

On behalf of the Board:

Mike Iddon
Group Chief Financial Officer

Company number: 08885072

The notes on pages 149 to 219 form an integral part of these financial statements.

Company statement of changes in equity
As at 26 March 2020

	Share capital £m	Merger reserve £m	Cashflow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 28 March 2019	5.0	113.3	(0.1)	887.3	1,005.5
Total comprehensive income for the period					
Loss for the period	–	–	–	(5.6)	(5.6)
Other comprehensive income	–	–	(1.5)	–	(1.5)
Total comprehensive income for the period	–	–	(1.5)	(5.6)	(7.1)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37.1)	(37.1)
Share based payment charge	–	–	–	4.2	4.2
Purchase of own shares	–	–	–	(2.8)	(2.8)
Total contributions by and distributions to owners	–	–	–	(35.7)	(35.7)
Balance at 26 March 2020	5.0	113.3	(1.6)	846.0	962.7

Company statement of changes in equity
As at 28 March 2019

	Share capital £m	Merger reserve £m	Cashflow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 29 March 2018	5.0	113.3	0.8	932.8	1,051.9
Total comprehensive income for the period					
Loss for the period	–	–	–	(6.9)	(6.9)
Other comprehensive income	–	–	(0.9)	–	(0.9)
Total comprehensive income for the period	–	–	(0.9)	(6.9)	(7.8)
Transactions with owners, recorded directly in equity					
Equity dividends paid	–	–	–	(37.2)	(37.2)
Share based payments charge	–	–	–	0.4	0.4
Purchase of own shares	–	–	–	(1.8)	(1.8)
Total contributions by and distributions to owners	–	–	–	(38.6)	(38.6)
Balance at 28 March 2019	5.0	113.3	(0.1)	887.3	1,005.5

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 26 March 2020 was £5.6m (loss for the 52 week period ended 28 March 2019 was £6.9m).

Company statement of cashflows

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Cashflows from operating activities		
Loss for the period	(5.6)	(6.9)
Financial expense	4.2	4.1
Share based payment charges	4.2	0.4
Tax	(2.6)	–
	0.2	(2.4)
Increase in trade and other receivables	(1.3)	(1.5)
Increase in trade and other payables	57.7	61.1
Tax paid	3.0	–
Net cashflow from operating activities	59.6	57.2
Cashflows from financing activities		
Equity dividends paid	(37.1)	(37.2)
Proceeds from new loan	61.0	181.0
Repayment of borrowings	(77.0)	(195.0)
Debt issue costs	–	(2.5)
Interest paid	(3.7)	(3.4)
Purchase of own shares	(2.8)	(1.8)
Net cash used in financing activities	(59.6)	(58.9)
Net (decrease)/increase in cash and cash equivalents	–	(1.7)
Cash and cash equivalents at beginning of period	–	1.7
Cash and cash equivalents at end of period	**–**	**–**

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 29 March 2019 and these have been applied 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.

Leases in which the Group is a lessee
The majority of the Group's trading stores, standalone veterinary practices, Specialist Referral centres, 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.

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is 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. The rate implicit in the lease cannot be readily determined and therefore a rate based on the Group's incremental borrowing rate is used. This rate is adjusted to take into account the risk associated with the length of the lease. A higher discount rate is applied to a longer lease. Lease payments will include any fixed payments, including as a result of stepped rent increases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date and any lease incentives received or premiums paid.

Under IAS 17, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Lease incentives received or paid were recognised as an integral part of the total lease expense over the term of the lease. Rent prepayments were disclosed within prepayments, and deferred income in respect of landlord incentives on property leases was disclosed within trade and other payables. Under IFRS 16, the rent charge is replaced by a depreciation charge for the right-of-use asset and an interest expense on the lease liability.

After the commencement date, the lease liability will be increased as interest is charged and reduced as lease payments are made. The carrying value of the lease liability will be reassessed on agreement of a lease modification event, such as a change in the fixed amount payable or a change in the lease term. The discount rate used will be reassessed if the length of the lease is extended.

There are recognition exemptions for low-value assets and short-term leases with a lease term of 12 months or less. Any leases under a short term licence agreement are excluded as they fall into the lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the term of the lease. The total value of leases where the Group has taken a recognition exemption is disclosed in note 12.

Leases in which the Group is a lessor
Lessor accounting remains similar to current accounting under IAS 17. At lease inception, lessors will determine whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is considered to be the case, then the lease is recognised as a finance lease, if not then it is recognised as an operating lease. As part of this assessment, the Group considers certain factors such as whether the lease is for the majority of the economic life of the asset.

The Group has a small number of leases where it is an intermediate lessor. For these leases, it accounts for the interest in the head lease and sub-lease separately. It assesses the lease classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

1 Significant accounting policies (continued)

1.1 Basis of preparation (continued)

The Group has reassessed the classification of sub-leases in which the Group is a lessor. Under IAS 17, the sub-leases were classified with reference to the underlying asset which resulted in all sub-leases being classified as operating leases. The Group will reclassify a small number of sub-leases as a finance lease, resulting in recognition of a finance lease receivable of £2.4m as at 29 March 2019. Under IFRS 16, the finance lease is assessed by reference to the right-of-use asset under the head lease rather than the underlying asset. There will be no change to the accounting for the remaining sub-leases which continue to be accounted for as an operating lease, and income from these leases will continue to be recognised on a straight-line basis over the term of the lease, as disclosed in note 3.

The Group currently receives rental income from related Joint Venture veterinary practices which are located within the Group's retail stores. These rental incomes are disclosed in note 3. Under IFRS 16, the lease classification of sub-leases is assessed by reference to the right-of-use asset under the head lease rather than the underlying asset. Therefore there will be no change in accounting for this rental income, which will continue to be presented as other income within operating expenses.

Transition

The Group has adopted IFRS 16 on 29 March 2019 using the modified retrospective approach. The cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance sheet as at 29 March 2019 with no restatement of comparable information. There is no impact to the statement of changes in equity. Further details and the impact of changes are disclosed in note 29.

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, including a detailed COVID-19 assessment within the Chief Executive's Statement. The financial position of the Company, its cashflows, liquidity position and borrowing facilities are described in the Chief Financial Officer's review. In addition, note 23 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In assessing the Group's continued adoption of the going concern basis of preparation, the Directors have carefully considered the impact of COVID-19 on the Group's financial position, liquidity and future performance. The Group is deemed an 'essential retailer' by the Government and as such stores and veterinary practices have continued to trade throughout, albeit at restricted levels, and higher levels of online orders have continued to be fulfilled from distribution centres. In forecasting cashflows over 12 months from the date of signing of the financial statements, the Directors have adjusted the Board approved business plan to reflect continued reduced sales in Retail and Vets within the first half of 2021 financial year – (COVID-19 adjusted forecast), with a return to our original business plan thereafter. In the period post year end, online sales have remained at materially elevated levels compared to business plan, and in-store sales have outperformed the depressed level included within the COVID-19 adjusted forecast.

Strong performance during the financial year ended 26 March 2020 has meant that the Group has entered the next financial year with total liquidity including cash balances of £162m. The Group has access to a revolving facility of £248m, which expires in September 2023, with £165m drawn down at 26 March 2020. The lowest level of headroom forecast over the next 12 months from the date of signing of the financial statements under COVID-19 adjusted forecast referred to above is in excess of £80m; this is before the additional £100m facility discussed below. The Group has been in compliance with all covenants applicable to this facility within the financial year, and is forecast to continue to be in compliance for 12 months from the date of signing of the financial statements, including under the COVID-19 downside sensitivity discussed above. Given current uncertainty over the duration of lockdown/social distancing measures, post year end the Group have arranged for an additional credit facility of £100m to provide further certainty over liquidity, should it be required.

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 26 March 2020.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group and Company operate an Employee Benefit Trust (EBT) for the purposes of acquiring shares to fund share awards made to employees. The EBT is deemed to be a subsidiary of the Group and Company as Pets at Home Group Plc is considered to be the ultimate controlling party for accounting purposes. The assets and liabilities of this trust have been included in the consolidated financial information. The cost of purchasing own shares held by the EBT is accounted for in retained earnings.

Investment in Joint Venture veterinary practices

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as Joint Venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the Joint Venture Partner, and do not give the Group power over decision making to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profits, losses, or any surplus on winding up or disposal of the Joint Venture veterinary practices, and as such no participatory interest is recognised. The Group's category of shareholding in the Joint Venture veterinary practices entitles the Group to charge management fees for support services provided. For further details see notes 16, 17 and 27.

The 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 cost less impairment, which is deemed to be their carrying value as explained further in note 16.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cashflow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

Functional currency

The consolidated financial statements are presented in sterling which is the Group and Company's functional currency and have been rounded to the nearest million.

1.6 Classification of financial instruments issued by the Group

Following the adoption of 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 Significant accounting policies (continued)

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 1.12.

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 cashflow 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).

Cashflow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cashflows 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 cashflow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1.9 Intra-group financial instruments

Financial guarantee contracts to guarantee the indebtedness of companies within the Group are considered to be insurance arrangements and accounted for as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

1.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	– 50 years
Fixtures, fittings, tools and equipment	– 3-10 years
Leasehold improvements	– the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.11 Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Customer lists are valued based on the forecast net present value of the future economic relationship with those customers, adjusted for forecast retention rates. 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.

Acquisitions on or after 26 March 2010

For acquisitions on or after 26 March 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss. 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 1.22 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 the length of time it is expected to take to sell, and applies a progressive provision against the gross inventory based on the numbers of days stock on hand. Where necessary, further specific provision is made against inventory lines, where the calculated provision is not deemed sufficient to carry the inventory at net realisable value.

To the extent that the ageing profile of gross inventory as calculated by this provision methodology results in a material provision, it will be disclosed as an estimate that may have an impact on subsequent periods. To the extent this is material, it will be disclosed in note 1.22.

1.16 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

Measurement of ECLs and definition of default

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cashflows due to the entity in accordance with the contract and the cashflows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The definition of default is applicable to intercompany and related party receivables, but not relevant to trade receivables where the lifetime expected credit loss is considered. The Group defines default based on both qualitative and quantitative risk criteria. The Company considers a Joint Venture operating loan asset to be in default when the underlying veterinary practice is significantly under-performing against its business plan. Each practice is reviewed against this set of criteria and their appropriate risk weightings on an ongoing basis by management. Practices categorised within the high and medium credit risk categories are those considered to be in default, with the former category including those that have the highest loss given default due to their score card performance. Those within the low credit risk category are not deemed to be in default. The Company considers other intercompany and related party assets to be in default when the entity does not have the forecasted future funds available to repay the balance, if recalled.

Credit-impaired financial assets

At each reporting date, the 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 cashflows of the financial asset have occurred.

1.16 Impairment excluding inventories and deferred tax assets (continued)

Financial assets (including receivables)

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Details of these provisions are explained in note 1.22 and in note 17.

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 cashflows 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 in Pets at Home Group Plc or rights over shares.

Share based payments are measured at fair value at the date of grant. The fair value of transactions involving the granting of shares is determined by the share price at the date of grant. The fair value of transactions involving the granting of share options is calculated by an external valuer based on a binomial model. In valuing share based payments, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Pets at Home Group Plc ('market conditions').

The cost of share based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Company's estimate of how many of the awards will eventually vest. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of a share based payment award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

1 Significant accounting policies (continued)

1.17 Employee benefits (continued)

Share based payments

Where a share based payment award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification to the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group and Company accounts. The assets of the EBT are held separately from those of the Company. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the Group consolidated statement of comprehensive income.

Investments in the Company's own shares held by the EBT are presented as a deduction from reserves and the number of such shares is deducted from the number of shares in issue when calculating the diluted earnings per share. The trustees of the holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trust have waived or otherwise foregone any and all dividends paid.

1.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cashflows 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 resaleable 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.

1.19 Revenue and cost of sales (continued)

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.

In accordance with IFRS 15, revenue for the period ended 26 March 2020 excludes certain fee income, on the basis of increased uncertainty of recoverability. This relates to fee income from Joint Venture veterinary practices in which the Group had announced the intention to buy out the 'A' shares from the Joint Venture Partners, or where the Group has recognised an operating loan as being in default (as explained in note 1.16). This is recognised from the point at which the default event was recognised until the point at which the buy out was completed (at which point the practice was consolidated, see note 1.4). 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 12 months of the period end. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract.

Cost of sales

Cost of sales includes costs of goods sold and other directly attributable costs, promotional income and rebate income received from suppliers, including costs to deliver administrative support services to Joint Venture veterinary practices and costs to deliver grooming services.

Non-underlying items

Income or costs considered by the Directors to be non-underlying are disclosed separately to facilitate year on year comparison of the underlying trade of the business. The Directors consider that changes to the fair value of the put and call liabilities warrant separate disclosure due to the nature of these arrangements as they do not relate to the underlying trade of the business.

Alternative Performance Measures

The Directors measure the performance of the Group based on a range of financial measures, including measures not recognised by 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 220.

1 Significant accounting policies (continued)

1.19 Revenue and cost of sales (continued)

Supplier income

A number of different types of supplier income are negotiated with suppliers via the joint business planning process in connection with the purchase of goods for resale, the largest of which being overrider income and promotional income, which is explained below. The supplier income arrangements are typically 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.

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

Financing income and expenses

Financing expenses comprise interest payable under the effective interest rate method, incorporating amortisation of loan arrangement fees, finance charges on shares classified as liabilities, unwinding of the discount on provisions, interest on lease liabilities and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprises interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payment is established. Foreign currency gains and losses are reported on a net basis.

1.21 Taxation
Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.22 Accounting estimates and judgements
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgements are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are explained below.

Impairment of goodwill and other intangibles (significant estimate)
Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cashflows expected to arise from the cash-generating unit (CGU) and a suitable discount rate in order to calculate present value. Details of CGUs as well as further information about the assumptions made are disclosed in note 13. The Group considers 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 26 March 2020.

Joint Venture receivables (significant estimate)
The Group provides longer term operating loans and other loans to a number of Joint Venture veterinary practices as detailed in notes 16, 17 and 27 to support their working capital requirements. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. As detailed in these notes, provisions for expected credit losses are held in respect of operating and other loans to Joint Venture veterinary practices. In line with IFRS 9, judgement is applied in determining expected credit losses on these receivables, the qualitative and quantitative risk-related criteria used to assess default and therefore also the probability of default (as defined in note 1.16), and in estimating an appropriate 'loss given default' percentage to apply to each loan. In assessing the qualitative and quantitative information, the Group takes into account factors including current performance against business plan, availability of suitable personnel to operate effectively, and level of indebtedness. The revenue, profit, and cashflow expectations of the practices are taken into account in determining the length of time that the practice is expected to take in order to repay the loans. This is also the period over which losses are estimated should default occur within the contractual period. The provision for expected credit loss 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. The quantum of Joint Venture receivables and provision made against these receivables is disclosed in notes 16, 17 and 27.

1 Significant accounting policies (continued)

1.22 Accounting estimates and judgements (continued)

Assessment of control with regard to Joint Ventures (significant judgement)

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 or other 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, the partners run their practices with complete operational and 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.

Put and call options (significant estimate)

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 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 considers 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 26 March 2020.

Carrying value of inventory (significant estimate)

A 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 26 March 2020 the inventory provision amounted to £3.2m (28 March 2019: £2.6m). The value of inventory against which an ageing provision is held is £7.1m (28 March 2019: £7.1m). 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 26 March 2020.

IFRS 16 Leases (significant judgement)

Under IFRS 16, the Group recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate, adjusted to take into account the risk associated with the length of the lease which ranges between 1 and 27 years and the location of the lease. The Group has therefore made a judgement to determine the incremental borrowing rate used. As a result of the significant impact the transition to IFRS 16 has had on the Group's opening balance sheet (£473.1m right-of-use asset and £506.2m lease liability recognised as at 29 March 2019), the discount rate is considered to be a significant judgement. The discount rate applied ranges between 2.3% and 3.3% dependent on the length of the lease term. The length of the lease term is based on the contractual right to utilise the asset and is not considered to involve a significant level of judgement because the Group has not taken into account break clauses unless they have been approved.

1.23 Dividends

Final dividends are recognised in the Group's financial statements as a liability in the period in which the dividends are approved by shareholders such that the Company is obliged to pay the dividend. Interim equity dividends are recognised in the period in which they are paid.

2 Segmental reporting

The Group has two reportable segments, Retail and Vet Group, which are the Group's strategic business units. The Group's operating segments are based on the internal management structure and internal management reports, which are reviewed by the Executive Directors on a periodic basis. The Executive Directors are considered to be the Chief Operating Decision Makers.

The Group is a pet care business with the strategic advantage of being able to provide products, services and advice, addressing all pet owners' needs. Within this strategic umbrella, the Group has 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.

	52 week period ended 26 March 2020			
Income statement	**Retail £m**	**Vet Group £m**	**Central £m**	**Total £m**
Revenue	937.6	121.2	–	1,058.8
Gross profit	466.2	51.7	–	517.9
Underlying operating profit / (loss)	89.3	30.6	(8.6)	111.3
Non-underlying items	–	(7.6)	–	(7.6)
Segment operating profit / (loss)	89.3	23.0	(8.6)	103.7
Net financing (expense)	(13.3)	(0.3)	(4.2)	(17.8)
Profit / (loss) before tax	76.0	22.7	(12.8)	85.9

IFRS 16 has been adopted during the period ended 26 March 2020 and has had a significant impact on the Group's income statement. Further details of the impact of transition to IFRS 16 have been disclosed in notes 12 and 29.

The share based payment charge recognised in the statement of changes in equity is split across the 3 segments listed in the above table.

Non-underlying operating expenses in the periods ended 26 March 2020 and 28 March 2019 are explained in note 3.

	52 week period ended 28 March 2019			
Income statement	**Retail £m**	**Vet Group £m**	**Central £m**	**Total £m**
Revenue	854.6	106.4	–	961.0
Gross profit	435.8	51.1	–	486.9
Underlying operating profit / (loss)	67.2	32.1	(6.1)	93.2
Non-underlying items	0.5	(40.6)	–	(40.1)
Segment operating profit / (loss)	67.7	(8.5)	(6.1)	53.1
Net financing expense	0.3	0.3	(4.1)	(3.5)
Profit / (loss) before tax	68.0	(8.2)	(10.2)	49.6

2 Segmental reporting (continued)

Reconciliation of EBITDA before non-underlying items	52 week period ended 26 March 2020			
	Retail £m	Vet Group £m	Central £m	Total £m
Underlying operating profit/(loss)	89.3	30.6	(8.6)	111.3
Depreciation of property, plant and equipment	25.8	2.5	–	28.3
Depreciation of right-of-use assets	69.0	2.1	–	71.1
Amortisation of intangible assets	9.5	0.5	–	10.0
Underlying EBITDA	193.6	35.7	(8.6)	220.7

Reconciliation of EBITDA before non-underlying items	52 week period ended 28 March 2019			
	Retail £m	Vet Group £m	Central £m	Total £m
Underlying operating profit/(loss)	67.2	32.1	(6.1)	93.2
Depreciation of property, plant and equipment	26.7	1.8	–	28.5
Depreciation of right-of-use assets	–	–	–	–
Amortisation of intangible assets	7.6	0.7	–	8.3
Underlying EBITDA	101.5	34.6	(6.1)	130.0

EBITDA before non-underlying items is defined on page 221.

Segmental revenue analysis by revenue stream	52 week period ended 26 March 2020			
	Retail £m	Vet Group £m	Central £m	Total £m
Retail – Food	517.4	–	–	517.4
Retail – Accessories	375.3	–	–	375.3
Retail – Services	44.9	–	–	44.9
Vet – First Opinion fee income	–	53.8	–	53.8
Vet – Company managed practices	–	21.6	–	21.6
Vet – Other income	–	6.2	–	6.2
Vet – Specialist	–	39.6	–	39.6
Total	937.6	121.2	–	1,058.8

Segmental revenue analysis by revenue stream	52 week period ended 28 March 2019			
	Retail £m	Vet Group £m	Central £m	Total £m
Retail – Food	455.4	–	–	455.4
Retail – Accessories	357.0	–	–	357.0
Retail – Services	42.2	–	–	42.2
Vet – First Opinion fee income	–	52.6	–	52.6
Vet – Company managed practices	–	8.1	–	8.1
Vet – Other income	–	8.7	–	8.7
Vet – Specialist	–	37.0	–	37.0
Total	854.6	106.4	–	961.0

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Non-underlying items		
Write off and provisions for operating loans, initial set-up loans, and trading balances with Joint Venture veterinary practices	(0.3)	17.9
Other costs associated with the purchase of Joint Venture veterinary practices	3.5	22.5
Impairment of right-of-use assets following acquisition of Joint Venture veterinary practices	1.6	–
Impairment of property, plant & equipment and intangible assets following acquisition of Joint Venture veterinary practices	1.8	–
Increase in fair value of put and call liability	1.0	0.4
Closure of Barkers stores	–	(0.5)
Aborted property and acquisition costs	–	(0.2)
Total non-underlying items	7.6	40.1
Underlying items		
Impairment losses on receivables	0.9	2.9
Depreciation of property, plant and equipment	28.3	28.5
Amortisation of intangible assets	10.0	8.3
Depreciation of right-of-use assets	71.1	–
Interest on lease liabilities	14.0	–
Rentals under operating leases:		
Hire of plant and machinery	–	5.0
Property	–	76.9
Expenses relating to short-term leases[1]	0.1	0.1
Other income:		
Rental income from sub-leasing right-of-use assets to third parties[2]	(0.3)	(1.0)
Rental income from related parties[2]	(7.4)	(7.9)
Share based payment charges	4.2	3.5

1 The comparative numbers have been restated to enhance comparability.
2 This other income is presented within selling and distribution expenses.

During the periods ended 26 March 2020 and 28 March 2019, the Group completed a review and recalibration exercise of the First Opinion veterinary practices. As part of this review, the Group has completed a buy out of the 'A' shares from the Joint Venture Partners in a total of 51 Joint Venture veterinary practices; with 24 of these occurring in the 52 week period ended 26 March 2020. In addition, the Group acquired a total of 9 further practices which did not form part of this review, with 4 of these occurring in the period ended 26 March 2020.

The non-underlying operating expenses in the period ended 26 March 2020 of £7.6m relate to:

- (£0.3m) in relation to the release of allowances for expected credit losses for operating loans, initial set-up loans, and trading balances to Joint Venture veterinary practices which were provided for under IFRS 9 by the Group in the period ended 28 March 2019. At 26 March 2020, all of the outstanding loans with these practices have been written off resulting in a balance of £nil on the balance sheet.
- £3.5m in relation to exit and closure costs (provided for under IAS 37) payable in relation to Joint Venture veterinary practices which the Group has acquired. 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. This balance includes £0.2m in relation to the profit from the disposal of assets acquired in the 52 week period ended 28 March 2019.
- £1.6m in relation to the write down of right-of-use assets to their expected recoverable amount, relating to First Opinion veterinary practices acquired in the period with the intention of being closed. Further details are disclosed in note 12.
- £1.8m relating to the impairment of property, plant and equipment and intangible assets relating to the review and recalibration exercise of the First Opinion veterinary practices. Further details are disclosed in notes 11 and 13.
- £1.0m of non-underlying operating expenses relating to an increase in the financial liability for put and call options over shares held by clinicians in Dick White Referrals Limited and Veterinary Specialists (Scotland) Limited. The charge represents an increase in the equity 'option' value held by those clinicians based on the Directors' best estimate of the future settlement on exercise of the put and call. 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.

3 Expenses and auditor's remuneration (continued)

- 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.

The non-underlying operating expenses in the period ended 28 March 2019 of £40.1m related to:

- £17.9m 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 were provided for under IFRS 9. In total £12.7m of loans and receivables were written off in the year in relation to Joint Venture veterinary practices that have been acquired by the Group. The balance of £5.2m was held within provisions against receivables.
- £22.5m 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 acquired. The release of negative goodwill and impairment of goodwill arising on the acquisition of the Joint Venture veterinary practices, as detailed in note 10, was included within these costs. At 28 March 2019, £8.6m had been incurred, and £5.4m was included within provisions in note 21 under IFRS 9, whilst £8.5m was included within provisions in note 21 under IAS 37.
- £0.4m of non-underlying operating expenses relating 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 represented 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.
- Release of £0.5m in relation to a provision which was created in the period ended 29 March 2018 associated with the closure of seven trial Barkers stores.
- Release of £0.2m of provisions which were created in the period ended 29 March 2018 associated with aborted property and acquisition costs.

Auditor's remuneration

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Audit of the parent company financial statements	0.0	0.0
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	0.4	0.4
Review of interim financial statements	0.1	0.1
All other services	0.0	0.0
	0.5	0.5

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 26 March 2020 Number	52 week period ended 28 March 2019 Number
Sales and distribution – FTE	6,432	6,400
Administration – FTE	707	597
	7,139	6,997
Sales and distribution – total	8,506	8,447
Administration – total	1,055	614
	9,561	9,061

The aggregate payroll costs of these persons were as follows:

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Wages and salaries	203.1	187.8
Social security costs	17.5	16.1
Contributions to defined pension contribution plans	6.9	6.2
	227.5	210.1

Remuneration of Executive Directors and Executive Management Team

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Executive Directors' emoluments including social security costs	1.8	1.9
Non-Executive Directors' emoluments including social security costs	0.5	0.5
Executive Directors' amounts receivable under share options	0.0	0.0
Executive Directors' pension contributions	0.1	0.1
Total Directors' remuneration	2.4	2.5
Executive Management Team emoluments including social security costs	2.6	2.7
Executive Management Team amounts receivable under share options	0.1	0.0
Executive Management Team pension contributions	0.1	0.1
Total Executive Management Team remuneration	2.8	2.8

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 26 March 2020		52 week period ended 28 March 2019	
	Underlying trading	After non-underlying items	Underlying trading	After non-underlying items
Profit attributable to equity shareholders of the parent (£m)	74.9	67.4	70.4	30.5
Basic weighted average number of shares	500.0	500.0	500.0	500.0
Dilutive potential ordinary shares	9.6	9.6	5.1	5.1
Diluted weighted average number of shares	509.6	509.6	505.1	505.1
Basic earnings per share	15.0p	13.5p	14.1p	6.1p
Diluted earnings per share	14.7p	13.2p	13.9p	6.0p

6 Finance income

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Interest receivable on loans to Joint Venture veterinary practices	0.4	0.5
Other interest receivable	0.1	0.1
Total finance income	0.5	0.6

7 Finance expense

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Bank loans at effective interest rate	4.4	4.1
Interest expense on lease liability	14.0	–
Other interest expense	(0.1)	0.0
Total finance expense	18.3	4.1

8 Taxation

Recognised in the income statement

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Current tax expense		
Current period	22.0	20.6
Adjustments in respect of prior periods	(0.8)	(0.7)
Current tax expense	21.2	19.9
Deferred tax expense		
Origination and reversal of temporary differences	(3.4)	(1.9)
Impact of difference between deferred and current tax rates	0.2	0.1
Adjustments in respect of prior periods	0.5	1.0
Deferred tax expense	(2.7)	(0.8)
Total tax expense	18.5	19.1

The UK corporation tax standard rate for the period is 19% (2019: 19%). A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly. The deferred tax liability at 26 March 2020 has been calculated at 19% (2019: 17%).

Deferred tax recognised in comprehensive income

	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Effective portion of changes in fair value of cashflow hedges (note 22)	(0.9)	0.4

Reconciliation of effective tax rate

	52 week period ended 26 March 2020			52 week period ended 28 March 2019		
	Underlying trading £m	Non-underlying items £m	Total £m	Underlying trading £m	Non-underlying items £m	Total £m
Profit for the period	74.9	(7.5)	67.4	70.4	(39.9)	30.5
Total tax expense	18.6	(0.1)	18.5	19.3	(0.2)	19.1
Profit excluding taxation	93.5	(7.6)	85.9	89.7	(40.1)	49.6
Tax using the UK corporation tax rate for the period of 19% (52 week period ended 28 March 2019: 19%)	17.8	(1.5)	16.3	17.0	(7.6)	9.4
Impact of change in tax rate on deferred tax balances	0.2	–	0.2	0.1	–	0.1
Depreciation on expenditure not eligible for tax relief	0.9	–	0.9	0.6	–	0.6
Expenditure not eligible for tax relief	0.1	1.4	1.5	1.3	7.4	8.7
Adjustments in respect of prior periods	(0.4)	–	(0.4)	0.3	–	0.3
Total tax expense	18.6	(0.1)	18.5	19.3	(0.2)	19.1

The UK corporation tax standard rate for the 52 week period ended 26 March 2020 was 19% (52 week period ended 28 March 2019: 19%). The effective tax rate before non-underlying items for the 52 week period ended 26 March 2020 was 20%.

9 Dividends paid and proposed

	Group and Company	
	52 week period ended 26 March 2020 £m	52 week period ended 28 March 2019 £m
Declared and paid during the period		
Final dividend of 5.0p per share (2019: 5.0p per share)	24.8	24.8
Interim dividend of 2.5p per share (2019: 2.5p per share)	12.3	12.4
Proposed for approval by shareholders at the AGM		
Final dividend of 5.0p per share (2019: 5.0p per share)	24.7	24.8

The trustees of the following holdings of Pets at Home Group plc shares under the Pets at Home Group Employee Benefit Trust have waived or otherwise foregone any and all dividends paid in relation to the periods ended 26 March 2020 and 28 March 2019 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 26 March 2020: 5,749,377 shares, holding at 28 March 2019: 4,596,471 shares).

10 Business combinations

Acquisition of Joint Venture veterinary practices

In the 52 week period ended 26 March 2020, the Group has acquired 100% of the 'A' shares of 28 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 26 March 2020, £7.1m operating loans, £1.1m initial loans and £0.7m other loans relating to these practices were written off in advance of the acquisitions. In addition £5.9m 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 16, 17 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

In the 52 week period ended 28 March 2019, the entities listed below were all accounted for as a Joint Venture veterinary practice where the Group held 100% of the non-participatory 'B' ordinary shares. A detailed explanation for the basis of consolidation can be found in note 1.4. On the dates listed below, the Group acquired 100% of the 'A' shares of the practices, leading to control and consolidation.

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Total proportion of voting equity instruments owned following the acquisition	Cash consideration transferred £m
Market Harborough Vets4Pets Limited	Veterinary practice	14 August 2019	50%	100%	0.0
Leicester St Georges Vets4Pets Limited	Veterinary practice	14 August 2019	50%	100%	0.0
Doncaster Vets4Pets Limited	Veterinary practice	5 September 2019	50%	100%	0.2
Companion Care (Maidstone) Limited	Veterinary practice	17 January 2020	50%	100%	0.4

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the acquisitions are as follows.
The acquisition disclosures have been combined as each acquisition is considered to be individually immaterial to the Group.

	Book value of assets and liabilities acquired £m	Adjustments on acquisition £m	Fair value of assets and liabilities acquired £m
Current assets			
Cash and cash equivalents	0.2	–	0.2
Trade and other receivables	0.4	–	0.4
Inventories	0.1	–	0.1
Non-current assets			
Intangible assets	0.2	–	0.2
Tangible fixed assets	0.6	(0.3)	0.3
Current liabilities			
Bank loans and overdrafts	(0.1)	–	(0.1)
Trade and other payables	(0.3)	–	(0.3)
Net assets	1.1	(0.3)	0.8

Goodwill arising on acquisition

	£m
Consideration	0.6
Less: Fair value of assets acquired	(0.8)
Negative goodwill arising on acquisition	(0.2)
Release of negative goodwill	0.2
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

In the 52 week period ended 26 March 2020 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 £m
Companion Care (Perth) Limited	Veterinary practice	15 April 2019	50%	100%	–
Companion Care (Stevenage) Limited	Veterinary practice	15 April 2019	50%	100%	–
Barnwood Vets4Pets Limited	Veterinary practice	23 April 2019	50%	100%	–
Pentland Vets4Pets Limited	Veterinary practice	24 April 2019	50%	100%	–
Prescot Vets4Pets Limited	Veterinary practice	2 September 2019	50%	100%	–
Leeds Kirkstall Vets4Pets Limited	Veterinary practice	4 October 2019	50%	100%	–
Bearsden Vets4Pets Limited	Veterinary practice	9 October 2019	50%	100%	–

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the 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 £m	Adjustments on acquisition £m	Fair value of assets and liabilities acquired £m
Current assets			
Cash and cash equivalents	0.0	–	0.0
Trade and other receivables	0.3	–	0.3
Inventories	0.1	–	0.1
Non-current assets			
Tangible fixed assets	0.6	(0.1)	0.5
Right-of-use assets	0.5	–	0.5
Non-current liabilities			
Lease liabilities	(0.5)	–	(0.5)
Current liabilities			
Bank loans and overdrafts	(0.4)	–	(0.4)
Trade and other payables	(0.4)	–	(0.4)
Net assets	0.2	(0.1)	0.1

Goodwill arising on acquisition

	£m
Consideration	0.1
Less: Fair value of assets acquired	(0.1)
Negative goodwill arising on acquisition	0.0
Release of negative goodwill against non-underlying provisions	(0.0)
Carrying value of goodwill	–

The consideration shown within the table above relates to the cash settlement of 'A' shareholder Joint Venture Partner loans, which were repaid to the 'A' shareholder at the point of acquisition.

10 Business combinations (continued)

Joint Venture veterinary practices acquired without the exchange of significant cash consideration, with the intention of being closed

In the 52 week period ended 26 March 2020 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 £m
Companion Care (Newport) Limited	Veterinary practice	15 April 2019	50%	100%	–
Davidsons Mains Vets4Pets Limited	Veterinary practice	15 April 2019	50%	100%	–
Marlborough Vets4Pets Limited	Veterinary practice	15 April 2019	50%	100%	–
Sheldon Vets4Pets Limited	Veterinary practice	15 April 2019	50%	100%	–
Thamesmead Vets4Pets Limited	Veterinary practice	15 April 2019	50%	100%	–
Wokingham Vets4Pets 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%	–
Bonnyrigg Vets4Pets Limited	Veterinary practice	24 April 2019	50%	100%	–
Musselburgh Vets4Pets Limited	Veterinary practice	24 April 2019	50%	100%	–
Haverfordwest Vets4Pets Limited	Veterinary practice	29 April 2019	50%	100%	–
Linlithgow Vets4Pets Limited	Veterinary practice	28 May 2019	50%	100%	–
East Kilbride (South) Vets4Pets Limited	Veterinary practice	24 June 2019	50%	100%	–
Clitheroe Vets4Pets Limited	Veterinary practice	11 July 2019	50%	100%	–
Carmarthen Vets4Pets Limited	Veterinary practice	15 July 2019	50%	100%	–
Inverurie Vets4Pets Limited	Veterinary practice	24 July 2019	50%	100%	–
Uttoxeter Vets4Pets Limited	Veterinary practice	19 August 2019	50%	100%	–

Assets acquired and liabilities recognised at the date of acquisition

The amounts recognised in respect of identifiable assets and liabilities relating to the 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 £m	Adjustments on acquisition £m	Fair value of assets and liabilities acquired £m
Current assets			
Cash and cash equivalents	0.0	–	0.0
Trade and other receivables	0.4	–	0.4
Inventories	0.2	–	0.2
Non-current assets			
Tangible fixed assets	2.6	(2.6)	–
Right-of-use assets	2.2	–	2.2
Non-current liabilities			
Lease liabilities	(2.2)	–	(2.2)
Current liabilities			
Bank overdrafts	(0.3)	–	(0.3)
Trade and other payables	(0.7)	–	(0.7)
Net assets / (liabilities)	2.2	(2.6)	(0.4)

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

	£m
Consideration	0.4
Less: Fair value of liabilities acquired	0.4
Goodwill arising on acquisition	0.8
Impairment of goodwill	(0.8)
Carrying value of goodwill	–

The tangible assets have been written down to their expected recoverable amount.

The consideration shown within the table above relates to the cash settlement of 'A' shareholder Joint Venture Partner loans, which were repaid to the 'A' shareholder at the point of acquisition.

In line with IFRS 3, the right-of-use asset has been brought on at value equal to the lease liability, adjusted for any unfavourable market conditions. These leases relate to standalone veterinary practices. Subsequent to the acquisition, the right-of-use assets have been fully impaired as the Group does not expect to receive any benefit for these assets. This is disclosed in note 12.

Other acquisitions
On 26 July 2019, the Group acquired the 25% minority interest in Anderson Moores Veterinary Specialists Limited for a consideration of £4.0m, leading to 100% of the share capital being owned.

On 10 September 2019, the Group also acquired a further 15% minority interest in Dick White Referrals Limited for a consideration of £2.4m, leading to 91% of the share capital now being owned.

These acquisitions have had no impact on goodwill.

Other investments
On 26 June 2019, the Group acquired a 12% minority interest in Tailster.com (Dog Stay Limited) for a consideration of £1.0m. This has been accounted for as an investment, measured at fair value through other comprehensive income.

11 Property, plant and equipment

	Freehold property £m	Short leasehold property £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost				
Balance at 28 March 2019	2.5	59.4	222.9	284.8
Additions	–	5.4	17.6	23.0
On acquisition (note 10)	–	0.5	0.3	0.8
Disposals	(0.1)	(1.4)	(0.9)	(2.4)
Balance at 26 March 2020	2.4	63.9	239.9	306.2
Depreciation				
Balance at 28 March 2019	0.3	22.5	138.3	161.1
Depreciation charge for the period	0.0	4.3	24.0	28.3
Impairment of assets (non-underlying)	–	1.3	0.4	1.7
Disposals	(0.0)	(1.3)	(0.7)	(2.0)
Balance at 26 March 2020	0.3	26.8	162.0	189.1
Net book value				
At 28 March 2019	2.2	36.9	84.6	123.7
At 26 March 2020	2.1	37.1	77.9	117.1

	Freehold property £m	Short leasehold property £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost				
Balance at 29 March 2018	2.5	53.7	206.9	263.1
Additions	–	4.7	16.0	20.7
On acquisition (note 10)	–	1.6	0.6	2.2
Disposals	–	(0.6)	(0.6)	(1.2)
Balance at 28 March 2019	2.5	59.4	222.9	284.8
Depreciation				
Balance at 29 March 2018	0.3	18.7	114.2	133.2
Depreciation charge for the period	0.0	4.0	24.5	28.5
Disposals	–	(0.2)	(0.4)	(0.6)
Balance at 28 March 2019	0.3	22.5	138.3	161.1
Net book value				
At 29 March 2018	2.2	35.0	92.7	129.9
At 28 March 2019	2.2	36.9	84.6	123.7

12 Leases

As lessee

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

The majority of the Group's trading stores, standalone veterinary practices, Specialist Referral centres, Distribution Centres and Support Offices are leased under operating leases, with remaining lease terms of between 1 and 27 years. The Group also has a number of non-property operating leases relating to vehicle, equipment and material handling equipment, with remaining lease terms of between 1 and 6 years.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets	Property £m	Equipment £m	Total £m
Cost			
Balance at 29 March 2019	463.0	10.1	473.1
Additions	20.6	1.5	22.1
On acquisition (note 10)	2.7	–	2.7
Balance at 26 March 2020	486.3	11.6	497.9
Depreciation			
Balance at 29 March 2019	–	–	–
Depreciation charge for the period	67.5	3.6	71.1
Impairment (non-underlying)	1.6	–	1.6
Balance at 26 March 2020	69.1	3.6	72.7
Net book value			
At 29 March 2019	463.0	10.1	473.1
At 26 March 2020	417.2	8.0	425.2

The costs relating to leases for which the Group applied the practical expedient described in paragraph 5a of IFRS 16 (leases with a contract term of less than 12 months) amounted to £0.1m in the 52 week period ended 26 March 2020.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

Maturity analysis – contractual undiscounted cashflows	At 26 March 2020 £m	At 29 March 2019 £m
Less than one year	82.2	82.6
Between one and five years	258.0	282.6
More than 5 years	182.6	208.3
Total undiscounted lease liabilities	522.8	573.5
Carrying value of lease liabilities included in the statement of financial position	463.9	506.2
Current	83.7	82.7
Non-current	380.2	423.5

For the lease liabilities at 26 March 2020, a 0.1% change in the discount rate used would have increased the carrying value of lease liabilities by £2.2m.

Surplus leases

The Group has a small number of leases on properties from which it no longer trades. A small number of these properties are currently vacant or the sublet is not for the full term of the lease and there is deemed to be a risk on the sublet.

On transition to IFRS 16, the Group has elected to apply the relief option which allows it to adjust the right-of-use asset by the amount of any provision for an onerous lease. £2.7m of the onerous lease provision has been offset against the opening right-of-use asset as at 29 March 2019. The remaining onerous lease provision relates to rates, service charge and other costs and will remain classified within provisions. In the 52 week period ended 26 March 2020, the Group has charged a further £1.6m within non-underlying costs in relation to expected lease obligations (under IFRS 16). This provision has been offset against the right-of-use assets.

12 Leases (continued)

The non-underlying impairment loss recognised in the period relates to the veterinary practices acquired in the period with the intention of being closed. In line with IAS 36, the carrying value of these right-of-use assets was assessed for indicators of impairment and the planned closure was considered to be an indicator of impairment. The right-of-use asset has been written down to its expected recoverable value and costs of £1.6m have been charged in the year within non-underlying costs.

Operating leases

The Group has a small number of leases on properties from which it no longer trades, or a subsection of a trading retail store. These properties are sublet to third parties at contracted rates. The Group has classified these leases as operating leases, because they do not transfer substantially all the risks and rewards incidental to ownership of the right-of-use asset.

In line with IAS 36, the carrying value of the right-of-use asset will be assessed for indicators of impairment and an impairment charge will be recognised if necessary. Under IAS 17, an onerous lease provision was recognised where management believed there was a risk of default or where the property remained vacant for a period of time. As part of this review the Group has assessed the ability to sub-lease the property and the right-of-use asset has been written down to £nil where the Group does not consider a sub-lease likely.

13 Intangible assets

	Goodwill £m	Customer list £m	Software £m	Total £m
Cost				
Balance at 28 March 2019	981.3	1.7	47.5	1,030.5
Additions	–	0.2	15.6	15.8
Balance at 26 March 2020	981.3	1.9	63.1	1,046.3
Amortisation				
Balance at 28 March 2019	–	0.3	29.5	29.8
Amortisation charge for the period	–	0.1	9.8	9.9
Impairment of assets (non-underlying)	0.0	0.1	–	0.1
Impairment of goodwill (underlying)	0.1	–	–	0.1
Balance at 26 March 2020	0.1	0.5	39.3	39.9
Net book value				
At 28 March 2019	981.3	1.4	18.0	1,000.7
At 26 March 2020	981.2	1.4	23.8	1,006.4

	Goodwill £m	Customer list £m	Software £m	Total £m
Cost				
Balance at 29 March 2018	979.8	0.8	33.8	1,014.4
Additions	1.5	0.9	13.7	16.1
Disposals	–	–	–	–
Balance at 28 March 2019	981.3	1.7	47.5	1,030.5
Amortisation				
Balance at 29 March 2018	–	0.2	21.3	21.5
Amortisation charge for the period	–	0.1	8.2	8.3
Disposals	–	–	–	–
Balance at 28 March 2019	–	0.3	29.5	29.8
Net book value				
At 29 March 2018	979.8	0.6	12.5	992.9
At 28 March 2019	981.3	1.4	18.0	1,000.7

The goodwill impairment in the 52 week period ended 26 March 2020 relates to goodwill acquired as part of the buy out of Bicester Vets4Pets Limited in the 52 week period ended 28 March 2019.

13 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, online operations, 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 26 March 2020 and 28 March 2019, the Group is deemed to have CGUs as follows:

	Goodwill	
	At 26 March 2020 £m	At 28 March 2019 £m
Retail	586.1	586.1
Vet Group	395.1	395.2
Total	981.2	981.3

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 26 March 2020		52 week period ended 28 March 2019	
	Retail	Vet Group	Retail	Vet Group
Period on which management approved forecasts are based (years)	5	5	5	5
Growth rate applied beyond approved forecast period	2.0%	3.5%	2.0%	3.5%
Discount rate (pre-tax)	10%	11%	12%	11%
Like-for-like sales growth	4%	11%	4%	9%
Gross profit margin	48%	49%	49%	51%

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 cashflow projection based on a five-year plan approved by the Board. For the purposes of intangible asset impairment testing, the model removes all cashflows 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 cashflows used in modelling for impairment exclude any cashflows 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 cashflows. The Group reviews components within CGUs such as stores and veterinary practices for indicators of impairment. This approach is consistent with impairment reviews carried out in the 2019 financial statements. Following the adoption of IFRS 16, the goodwill impairment model now includes right-of-use assets in the asset base and cashflows have been adjusted to reflect this.

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.

13 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, with the exception of the goodwill impaired immediately following the acquisition of certain First Opinion veterinary practices as part of the review and recalibration exercise (see note 10).

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
- Reduction in FY21 H1 Retail sales by 30% as a COVID-19 sensitivity

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
- Reduction in FY21 H1 Vet Group sales by 50% as a COVID-19 sensitivity

None of the above, considered reasonably possible changes in assumptions, would result in impairment when applied either individually or collectively.

The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess of the recoverable amount over the carrying value.

14 Inventories

	At 26 March 2020 £m	At 28 March 2019 £m
Finished goods	62.8	68.2

The cost of inventories recognised as an expense and included in 'cost of sales' is £438.3m (period ended 28 March 2019: £388.1m).

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 26 March 2020 the inventory provision amounted to £3.2m (28 March 2019: £2.6m). The inventory provision is calculated by reference to the age of the SKU and the length of time it is expected to take to sell. The provision percentages applied in calculating the provision are as follows:

- Discontinued stock greater than 365 days: 100%
- Current stock greater than 365 days with a use by date: 50%
- Current stock within 180 and 365 days with a use by date: 25%
- Greater than 180 days with no use by date: 25%

In addition, a provision is held to account for store stock losses during the period since which the SKU was last counted.

The value of inventory against which an ageing provision is held is £7.1m (2019: £7.1m).

In the 52 week period ended 26 March 2020, the value of inventory written off to the income statement amounted to £8.7m (52 week period ended 28 March 2019: £8.1m).

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	At 26 March 2020			At 28 March 2019		
	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Property, plant and equipment	2.4	–	2.4	0.2	–	0.2
Financial assets	0.9	–	0.9	0.1	–	0.1
Financial liabilities	–	(0.2)	(0.2)	–	(0.3)	(0.3)
Other short term timing differences	2.2	(5.7)	(3.5)	1.5	(5.5)	(4.0)
Net deferred tax assets / (liabilities)	5.5	(5.9)	(0.4)	1.8	(5.8)	(4.0)

Movement in deferred tax during the period

	28 March 2019 £m	Recognised in income £m	Recognised in equity £m	26 March 2020 £m
Property, plant and equipment	0.2	2.2	–	2.4
Net financial (liabilities) / assets	(0.2)	–	0.9	0.7
Other short term timing differences	(4.0)	0.5	–	(3.5)
	(4.0)	2.7	0.9	(0.4)

Other short term timing differences primarily relate to share based payment schemes and inventory provisions.

Movement in deferred tax during the period

	29 March 2018 £m	Recognised in income £m	Recognised in equity £m	28 March 2019 £m
Property, plant and equipment	(0.8)	1.0	–	0.2
Net financial (liabilities) / assets	0.2	–	(0.4)	(0.2)
Other short term timing differences	(3.8)	(0.2)	–	(4.0)
	(4.4)	0.8	(0.4)	(4.0)

Company
Movement in deferred tax during the period

	28 March 2019 £m	Recognised in income £m	Recognised in equity £m	26 March 2020 £m
Net financial assets	0.0	–	0.4	0.4

The rate used to calculate deferred tax assets and liabilities is 19% in line with the corporation tax rate.

16 Other financial assets and liabilities

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Non-current assets				
Investments in Joint Venture veterinary practices	0.4	0.4	–	–
Loans to Joint Venture veterinary practices – initial set up loans	13.3	13.3	–	–
Loans to Joint Venture veterinary practices – other loans	4.0	3.9	–	–
Other investments	1.1	0.1	–	–
Other receivables	1.8	1.0	–	–
Interest rate swaps	0.3	–	0.3	–
	20.9	18.7	0.3	–

Investments in Joint Venture veterinary practices
Investments represent £0.4m (2019: £0.4m) of the 'B' share capital in Joint Venture veterinary practice companies. These investments are held at cost less impairment. The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cashflows 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 they are entitled to appoint Directors to the Board and carry the same shareholder voting rights as 'A' ordinary shareholders.

The agreements entitle the Group to receive income in relation to support services offered in such areas as clinical development, promotion and methods of operation as well as service activities including accountancy, legal and property.

Loans to Joint Venture veterinary practices – initial set up loans
Loans to Joint Venture veterinary practices of £13.3m (2019: £13.3m) are provided to Joint Venture veterinary practice companies trading under the Companion Care and Vets4Pets brands, in which the Group's share interest is non-participatory. These loans represent a long term investment in the Joint Venture, supporting their initial set up and working capital, and are held at amortised cost under IFRS 9. The carrying value is cost as the impact of discounting future cashflows at a market rate of interest has been assessed as not material. Under the terms of the loans provided to veterinary companies trading under the Companion Care and Vets4Pets brands the loans attract varying interest rates between 2% and 3%. There is no set date for repayment of the loans due to the Group.

The balances above are shown net of provisions of £nil (2019: £1.1m). The provision was in relation to loans with Joint Venture veterinary practices which the Group was in the process of offering to buy out and had therefore provided in full for the remaining loans on these practices, which were considered to be in default and credit impaired. These costs were charged to non-underlying operating cost of sales. The movement on the loans is detailed below.

	Gross loan value £m	Provision £m	Carrying value of loan £m
As at 28 March 2019	14.4	(1.1)	13.3
Net repayment and further advances	0.0	–	0.0
Provisions utilised during the period (non- underlying)	(1.1)	1.1	–
As at 26 March 2020	13.3	–	13.3
Closing position (underlying)	13.3	–	13.3
Closing position (non-underlying)	–	–	–

£1.1m of loans (2019: £1.5m) have been written off in the year in advance of the acquisition of 28 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 £4.0m (2019: £3.9m) 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 under IFRS 9. The carrying value is considered to be cost as the impact of discounting future cashflows at a market rate of interest has been assessed as not material. The loans are typically to support capacity expansion. The balances above are shown net of provisions held of £nil (2019: £1.1m). The movement on the loans is detailed below.

£0.7m (2019: £0.4m) of these loans have been written off in the year in advance of the acquisition of 28 Joint Venture veterinary practices in the period, with the remaining provision released through non-underlying costs in the income statement. Further details of this are provided in note 3.

	Gross loan value £m	Provision £m	Carrying value of loan £m
As at 28 March 2019	5.0	(1.1)	3.9
Net repayment and further advances	(0.3)	–	(0.3)
Provisions utilised during the period (non-underlying)	(0.7)	0.7	–
Provisions released during the period (non- underlying)	–	0.4	0.4
As at 26 March 2020	4.0	–	4.0
Closing position (underlying)	4.0	–	4.0
Closing position (non-underlying)	–	–	–

16 Other financial assets and liabilities (continued)

Other investments

Other investments are held at fair value through other comprehensive income ('FVOCI'). The fair values of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cashflows has been assessed as not material and the investment is non-participatory.

	Group		Company	
Other financial assets	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Current assets				
Fuel forward contracts	–	0.0	–	–
Forward exchange contracts	0.8	1.6	–	–
Other receivables	0.7	–	–	–
	1.5	1.6	–	–

	Group		Company	
Other financial liabilities	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Current liabilities				
Fuel forward contracts	(0.4)	–	–	
Forward exchange contracts	(1.7)	(0.5)	–	–
Interest rate swaps	(0.0)	(0.1)	(0.0)	(0.1)
Put and call liability	–	(6.6)	–	–
Finance lease liabilities	(0.1)	(0.1)	–	–
	(2.2)	(7.3)	(0.0)	(0.1)

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Non-current liabilities				
Interest rate swaps	(2.3)	–	(2.3)	–
Put and call liability	(3.4)	(2.3)	–	–
Finance lease liabilities	(0.1)	(0.2)	–	–
	(5.8)	(2.5)	(2.3)	–

17 Trade and other receivables

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Trade receivables	17.4	15.8	–	–
Amounts owed by Joint Venture veterinary practices – funding for new practices	1.6	0.3	–	–
Amounts owed by Joint Venture veterinary practices – operating loans	29.5	27.9	–	–
Other receivables	2.2	7.1	–	–
Amounts owed by Group undertakings	–	–	579.2	578.3
Prepayments	1.5	12.4	–	–
Accrued income	3.7	5.4	–	–
	55.9	68.9	579.2	578.3

Trade and other receivables
The impairment of trade and other receivables is assessed in line with IFRS 9. As at 26 March 2020 and 28 March 2019 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 may increase due to operating requirements. Based on a projected cashflow forecast on a practice by practice basis, the funding is expected to be required for a number of years, however as cash is applied against opening loan balances, the Group's expectation is that the brought forward balance will be repaid in cash within 12 months. The loans have been classified as current on this basis and the Group has chosen not to charge interest on these balances, which are repayable on demand, and they are initially recognised under IFRS 9 at their nominal value as the effect of discounting the expected cashflows based on the effective interest rate at the market rate of interest is not material. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. No facility exists and the levels of loans are monitored in relation to review of the practices performance against business plan and a number of financial and non-financial KPIs.

For those practices in default, a credit impairment charge is recognised under IFRS 9, taking into account the expected cash shortfall over the workout period. For other practices, a credit impairment charge is recognised under IFRS 9, taking into account both the probability of loss and the loss proportion given default.

The balances above are shown net of allowances for expected credit losses held for operating loans of £8.0m (2019: £14.3m). The basis for this allowance and the movement in the period is set out below and further detail is provided in note 1.22.

Group

	Underlying £m	Non-underlying £m	Total £m
Gross value of operating loans			
As at 28 March 2019	35.0	7.2	42.2
Loans written off	–	(7.2)	(7.2)
Net repayment and further advances	2.5	–	2.5
Gross value of operating loans as at 26 March 2020	37.5	–	37.5
Provision against operating loans			
As at 28 March 2019	7.1	7.2	14.3
Utilisation of provision against loans written off	–	(7.2)	(7.2)
Provisions made during the period	0.9	–	0.9
Provision against operating loans as at 26 March 2020	8.0	–	8.0
Carrying value of loan at 28 March 2019	27.9	–	27.9
% provision as at 28 March 2019	20.3%	100%	33.9%
Carrying value of loan at 26 March 2020	29.5	–	29.5
% provision as at 26 March 2020	21.3%	–	21.3%

17 Trade and other receivables (continued)

Group (continued)
During the period ended 26 March 2020, £7.2m of operating loans, which were deemed to be in default due to the significant underperformance of the practices, were written off as part of the review and recalibration exercise on Joint Venture veterinary practices. This balance had been provided for in full at 28 March 2019.

The Group holds an underlying provision of £8.0m against the remaining operating loans of £37.5m. The underlying provision has increased by £0.9m in the year (£2.9m as at 28 March 2019) 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 risk of debt securities, held at amortised cost, and indicates whether they were credit impaired.

Based on their score card performance, loans are categorised as high, medium or low credit risk. The loss allowance is calculated in accordance with the policy set out in note 1.16, depending on the credit risk of each loan.

	Not credit impaired	Credit impaired	Not credit impaired	Credit impaired
Credit grade	**At 26 March 2020 £m**	**At 26 March 2020 £m**	**At 28 March 2019 £m**	**At 28 March 2019 £m**
Low	26.6	–	4.5	–
Medium	6.7	–	30.5	–
High	4.2	–	–	7.2
Gross carrying amount	37.5	–	35.0	7.2
Loss allowance	(8.0)	–	(7.1)	(7.2)
Net carrying amount	29.5	–	27.9	–

Practices categorised as high risk, and credit impaired, in the prior year related to those practices the Group had identified to buy out as part of the review and recalibration exercise of the First Opinion veterinary practices.

Should each operating loan risk, as defined by the risk criteria in note 1.16, increase by 10%, this would lead to an increase in the required provision for operating loans of £1.9m (28 March 2019: £3.5m). This sensitivity is considered by management to represent a reasonably possible range of estimation uncertainty, based on the variance in current trading performance within these Joint Venture veterinary practices. The factors which give rise to the estimation uncertainty include macro-economic and industry specific factors, including the level of industry growth, as well as gross margin percentages achieved within the industry, which contain a number of factors including the availability of suitably qualified veterinary personnel. Further details are provided in note 27.

Accrued income
Accrued income relates to income in relation to fees to Joint Venture veterinary practices, revenues generated through Specialist Referral centres, and overrider and promotional income from suppliers which have not yet been invoiced. Accrued income is classified as current as it is expected to be invoiced and received within 12 months of the period end date. Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. As detailed in note 1.19, supplier income is recognised as a credit within gross margin to cost of sales and is outside of the scope of 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.

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 26 March 2020 and 28 March 2019 the impact of expected credit loss on these balances was deemed to be immaterial and as such no provision has been made.

18 Cash and cash equivalents

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Cash and cash equivalents	79.1	60.5	–	–

19 Other interest-bearing loans and borrowings

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Non-current liabilities				
Unsecured bank loans	163.3	178.8	163.3	178.8

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 26 March 2020 £m	Carrying amount at 26 March 2020 £m	Face value at 28 March 2019 £m	Carrying amount at 28 March 2019 £m
Revolving credit facility	GBP	LIBOR +1.15%	2023	165.0	163.3	181.0	178.8

The Group has a revolving credit facility of £248.0m which expires in 2023.

The drawn amount was £165.0m at 26 March 2020 and this amount is reviewed each month. Interest is charged at LIBOR plus a margin based on leverage on a pre-IFRS 16 basis (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 26 March 2020 £m	At 28 March 2019 £m
Within one year or repayable on demand	–	–
Between one and two years	–	–
Between two and five years	165.0	181.0
	165.0	181.0

The loans at 26 March 2020 and 28 March 2019 are held by the Company.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Group has entered into one fixed rate interest rate swap agreement over a total of £162.4m of the senior facility borrowings at the balance sheet date at a fixed rate of 0.814%, which expires on 30 March 2020. The Group has a further fixed interest rate swap agreement over a total of £137.6m of the senior facility borrowings at the balance sheet date at a fixed rate of 0.918% which commences on 31 March 2020 and expires on 31 March 2021. The Group has further fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which commences on 31 March 2021 and expires on 25 September 2023.

The hedges are structured to hedge at least 70% of the forecast outstanding debt for the next 12 months.

19 Other interest-bearing loans and borrowings (continued)

Analysis of changes in net debt

	At 28 March 2019 £m	Cashflow £m	Non-cash movement £m	At 26 March 2020 £m
Cash and cash equivalents	60.5	18.6	–	79.1
Debt due within one year at face value	–	–	–	–
Debt due after one year at face value	(181.0)	16.0	–	(165.0)
Net debt	(120.5)	34.6	–	(85.9)

20 Trade and other payables

	Group		Company	
	At 26 March 2020 £m	At 28 March 2019 £m	At 26 March 2020 £m	At 28 March 2019 £m
Current				
Trade payables	110.8	108.8	–	–
Accruals	45.1	43.5	0.1	0.6
Amounts owed to Joint Venture veterinary practices	6.7	4.0	–	–
Deferred income in relation to lease incentives	–	5.1	–	–
Other payables including tax and social security	34.0	24.4	–	–
Amounts owed to Group undertakings	–	–	387.7	329.5
	196.6	185.8	387.8	330.1
Non-current				
Deferred income in relation to lease incentives	–	33.6	–	–

The current and non-current deferred income in the period ended 28 March 2019 represents deferred income in respect of store leases where incentives are spread over the life of the lease. This has been adjusted against the right-of-use assets as part of the transition to IFRS 16 in the 52 week period ended 26 March 2020.

Amounts owed to Joint Venture veterinary practices that relate to trading balances are interest free and repayable on demand.

Within accruals above, contract liabilities under IFRS 15 of £0.7m (2019: £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.

Within accruals above, contract liabilities under IFRS 15 of £3.2m (2019: £0.2m) relate to advanced consideration received from customers in relation to online orders which have not yet been delivered. This revenue will be recognised as the online orders are delivered to customers, which is expected to be in less than one week.

21 Provisions

	Dilapidation provision £m	Closed stores provision £m	Provisions for guarantees and lease obligations relating to Joint Venture veterinary practices £m	Provisions for exit and closure costs relating to Joint Venture veterinary practices £m	Total £m
Balance at 28 March 2019	0.7	2.3	5.4	8.6	17.0
Provisions made during the period	1.3	1.2	0.9	5.2	8.6
Provisions utilised during the period	(0.1)	(1.6)	(6.3)	(9.7)	(17.7)
Provisions reclassified against right-of-use assets	–	(0.8)	–	(1.9)	(2.7)
Balance at 26 March 2020	1.9	1.1	–	2.2	5.2

	At 26 March 2020 £m	At 28 March 2019 £m
Current	3.9	15.4
Non-current	1.3	1.7
	5.2	17.1

The closed stores provision relates to the rates, service charge and utilities payable on sublet or vacant stores. The timing of the utilisation of these provisions is variable dependent upon the lease expiry dates of the properties concerned, which vary between 1 and 5 years. Market conditions have a significant impact and hence the assumptions on future cashflows are reviewed regularly and revisions to the provision made where necessary.

The provision is discounted in line with the discount rates used to calculate the value of a right-of-use asset. A decrease in this rate of 100 bps would increase the provision by £0.0m.

The provisions for 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 out from Joint Venture Partners 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 for any Joint Venture veterinary practices that the Group has bought out from Joint Venture Partners, and therefore which have been provided for under IAS 37. 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 14 years. Market conditions have a significant impact and hence the assumptions on future cashflows are reviewed regularly and revisions to the provision made where necessary.

22 Capital and reserves

Share capital

Group

	Share capital Number	Share capital £m
At 29 March 2018	500,000,000	5.0
At 28 March 2019	500,000,000	5.0
At 26 March 2020	500,000,000	5.0

Company

	Share capital 26 March 2020 £m
At beginning of period	5.0
On issue at period end	5.0

22 Capital and reserves (continued)

Company (continued)

	Share capital 28 March 2019 £m
At beginning of period	5.0
On issue at period end	5.0

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

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.

Cashflow hedging reserve
The cashflow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cashflow 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 26 March 2020, the EBT held 5,749,377 ordinary shares (28 March 2019: 4,596,471) with a cost of £11,805,745 (2019: £7,905,930). The market value of these shares as at 26 March 2020 was 268.80 pence per share (26 March 2019: 160.50).

Other comprehensive income

26 March 2020	Translation reserve £m	Cashflow hedging reserve £m	Total other comprehensive income £m
Other comprehensive income	(0.1)	–	(0.1)
Effective portion of changes in fair value of cashflow hedges	–	(5.5)	(5.5)
Deferred tax on changes in fair value of cashflow hedges	–	0.9	0.9
Total other comprehensive income	(0.1)	(4.6)	(4.7)

28 March 2019	Translation reserve £m	Cashflow hedging reserve £m	Total other comprehensive income £m
Other comprehensive income	(0.1)	–	(0.1)
Effective portion of changes in fair value of cashflow hedges	–	1.0	1.0
Deferred tax on changes in fair value of cashflow hedges	–	(0.4)	(0.4)
Total other comprehensive income	(0.1)	0.6	0.5

23 Financial instruments

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cashflow 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 cashflow and earnings volatility resulting from financial market movements;
- To protect the expected cashflow and earnings from interest rate and foreign exchange fluctuations to within parameters acceptable to the Board and shareholders; and
- To control banking costs and service levels.

Market risk

(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 cashflow 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 26 March 2020, 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:

26 March 2020	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.8	0.4	0.0	1.2
Trade payables	(1.1)	(6.5)	–	(7.6)
Forward exchange contracts	(0.0)	(1.0)	–	(1.0)
Balance sheet exposure	(0.3)	(7.1)	0.0	(7.4)

28 March 2019	Euro £m	US Dollar £m	HKD £m	Total £m
Cash and cash equivalents	0.5	–	0.0	0.5
Trade payables	–	(7.7)	–	(7.7)
Forward exchange contracts	(0.2)	1.4	–	1.2
Balance sheet exposure	0.3	(6.3)	0.0	(6.0)

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	
	26 March 2020 £m	28 March 2019 £m	26 March 2020 £m	28 March 2019 £m
US Dollar	0.0	(0.1)	0.3	0.4
Euro	–	0.0	0.0	(0.0)

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.

23 Financial instruments (continued)

Market risk (continued)

(ii) Interest rate risk

Cashflow and fair value interest rate risk

The Group's interest rate risk arises from long term borrowings. As at 26 March 2020, the Group had a revolving credit facility with a face value totalling £165.0m. The Group's borrowings as at 26 March 2020 incur interest at a rate of 1.15% plus LIBOR at the leverage prevalent in the period, which exposes the Group to cashflow interest rate risk. The analysis of loan repayments is detailed in note 19.

The Group's policy with regard to interest rate risk is to hedge the appropriate level of borrowings by entering into fixed rate agreements. The Group has a fixed rate interest rate swap agreement over a total of £162.4m of the revolving credit facility borrowings at the balance sheet date at a fixed rate of 0.814%, which expires on 30 March 2020. The Group has a further fixed interest rate swap agreement over a total of £137.6m of the senior facility borrowings at the balance sheet date at a fixed rate of 0.918% which commences on 31 March 2020 and expires on 31 March 2021. The Group has further fixed interest rate swap agreements over a total of £100.0m of the senior facility borrowings at the balance sheet date at a blended fixed rate of 0.811% which commences on 31 March 2021 and expires on 25 September 2023. The hedge is structured to hedge at least 70% of the forecast outstanding debt for the next year.

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group		Company	
	Book value At 26 March 2020 £m	Book value At 28 March 2019 £m	Book value At 26 March 2020 £m	Book value At 28 March 2019 £m
Fixed rate instruments				
Financial liabilities	162.4	142.1	163.3	142.1
Variable rate instruments				
Financial liabilities	0.9	36.7	–	36.7
Total financial liabilities	163.3	178.8	163.3	178.8

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 26 March 2020 £m	At 28 March 2019 £m
Equity		
Increase	0.8	0.7
Decrease	(0.8)	(0.7)
Profit or loss		
Increase	–	0.2
Decrease	–	(0.2)

Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, investment securities and operating loans to Joint Venture veterinary practices.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group ensures that the banks used for the financing of the revolving credit facilities and interest rate swap agreements hold an acceptable risk rating by independent parties.

The Group has in place certain guarantees over the bank loans taken out by a number of Joint Venture veterinary practice companies in which it holds an investment. Further details of these guarantees are disclosed in note 27. The performance of the Joint Venture veterinary practice companies is reviewed on an ongoing basis.

Exposure to credit risk

The Group's maximum exposure to credit risk, being the carrying amount of financial assets, is summarised in the table within the fair values section below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Management prepares and monitors rolling forecasts of the Group's cash balances based on expected cashflows 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

26 March 2020	Carrying amount £m	Contractual cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	163.3	165.0	–	–	165.0	–
Trade payables (note 20)	110.8	110.8	110.8	–	–	–
Finance lease liabilities (note 16)	0.2	0.2	0.1	0.1	–	–
Put and call liability (note 16)	3.4	3.4	–	3.0	0.2	0.2
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow (note 16)	2.3	2.3	0.0	1.0	1.3	–
Forward exchange contracts used for hedging:						
Outflow (note 16)	1.7	1.7	1.7	–	–	–
Fuel forward contracts used for hedging:						
Outflow (note 16)	0.4	0.4	0.4	0.0	–	–
	282.1	283.8	113.0	4.1	166.5	0.2

23 Financial instruments (continued)

Group (continued)

28 March 2019	Carrying amount £m	Contractual cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	178.8	181.0	–	–	181.0	–
Trade payables (note 20)	108.8	108.8	108.8	–	–	–
Finance lease liabilities (note 16)	0.3	0.3	0.1	0.1	0.1	–
Put and call liability (note 16)	8.9	8.9	6.6	–	2.3	–
Derivative financial liabilities						
Interest rate swaps used for hedging:						
Outflow (note 16)	0.1	0.1	0.1	–	–	–
Forward exchange contracts used for hedging:						
Outflow (note 16)	0.5	0.5	0.5	–	–	–
	297.4	299.6	116.1	0.1	183.4	–

Company

26 March 2020	Carrying amount £m	Contractual cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	163.3	165.0	–	–	165.0	–
	163.3	165.0	–	–	165.0	–

28 March 2019	Carrying amount £m	Contractual cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Non-derivative financial liabilities						
Bank loans (note 19)	178.8	181.0	–	–	181.0	–
	178.8	181.0	–	–	181.0	–

Liquidity risk and cashflow hedges

Cashflow hedges

The following table indicates the periods in which the cashflows associated with cashflow hedging instruments are expected to occur and to affect profit or loss:

Group

26 March 2020	Carrying amount £m	Expected cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Interest rate swaps:						
Assets (note 16)	0.3	0.3	–	–	0.3	–
Liabilities (note 16)	(2.3)	(2.3)	0.0	(1.0)	(1.3)	–
Forward exchange contracts:						
Assets (note 16)	0.8	0.8	0.8	–	–	–
Liabilities (note 16)	(1.7)	(1.7)	(1.7)	–	–	–
Fuel forward contracts:						
Liabilities (note 16)	(0.4)	(0.4)	(0.4)	(0.0)	–	–
	(3.3)	(3.3)	(1.3)	(1.0)	(1.0)	–

Group (continued)

28 March 2019	Carrying amount £m	Expected cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Interest rate swaps:						
Liabilities (note 16)	(0.1)	(0.1)	(0.1)	–	–	–
Forward exchange contracts:						
Assets (note 16)	1.6	1.6	1.6	–	–	–
Liabilities (note 16)	(0.5)	(0.5)	(0.5)	–	–	–
Fuel forward contracts:						
Assets (note 16)	0.0	0.0	0.0	–	–	–
	1.0	1.0	1.0	–	–	–

Company

26 March 2020	Carrying amount £m	Expected cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Interest rate swaps:						
Assets (note 16)	0.3	0.3	–	–	0.3	–
Liabilities (note 16)	(2.3)	(2.3)	–	(1.0)	(1.3)	–
	(2.0)	(2.0)	–	(1.0)	(1.0)	–

28 March 2019	Carrying amount £m	Expected cashflows £m	1 year or less £m	1 to <2 years £m	2 to <5 years £m	5 years and over £m
Interest rate swaps:						
Liabilities (note 16)	(0.1)	(0.1)	(0.1)	–	–	–
	(0.1)	(0.1)	(0.1)	–	–	–

Fair values of financial instruments

Investments

The fair values of investments are considered to be their carrying value as the impact of discounting future cashflows 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 cashflows 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 cashflows, 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 are 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.

23 Financial instruments (continued)

Fair values of financial instruments (continued)

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)

26 March 2020

Carrying amount	Fair value – hedging instruments £m	FVOCI – equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Investments in Joint Venture veterinary practices (note 16)	–	0.4	–	–	0.4
Other investments (note 16)	–	1.1	–	–	1.1
Forward exchange contracts used for hedging (note 16)	0.8	–	–	–	0.8
Interest rate swaps used for hedging (note 16)	0.3	–	–	–	0.3
	1.1	1.5	–	–	2.6
Financial assets not measured at fair value					
Current trade and other receivables (note 17)	–	–	19.6	–	19.6
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	31.1	–	31.1
Cash and cash equivalents (note 18)	–	–	79.1	–	79.1
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	13.3	–	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	4.0	–	4.0
Other receivables (note 16)	–	–	2.5	–	2.5
	–	–	149.6	–	149.6
Financial liabilities measured at fair value					
Fuel forward contracts used for hedging (note 16)	(0.4)	–	–	–	(0.4)
Forward exchange contracts used for hedging (note 16)	(1.7)	–	–	–	(1.7)
Interest rate swaps used for hedging (note 16)	(2.3)	–	–	–	(2.3)
	(4.4)	–	–	–	(4.4)
Financial liabilities not measured at fair value					
Finance lease liabilities (note 16)	–	–	–	(0.2)	(0.2)
Current lease liabilities (note 12)	–	–	–	(83.7)	(83.7)
Non-current lease liabilities (note 12)	–	–	–	(380.2)	(380.2)
Trade payables (note 20)	–	–	–	(110.8)	(110.8)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	–	(6.7)	(6.7)
Put & call liability (note 16)	–	–	–	(3.4)	(3.4)
Other interest-bearing loans and borrowings (note 19)	–	–	–	(163.3)	(163.3)
	–	–	–	(748.3)	(748.3)

26 March 2020

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Investments in Joint Venture veterinary practices (note 16)	–	–	0.4	0.4
Other investments (note 16)	–	–	1.1	1.1
Forward exchange contracts used for hedging (note 16)	–	0.8	–	0.8
Interest rate swaps used for hedging (note 16)	–	0.3	–	0.3
Financial assets not measured at fair value				
Amounts owed by Joint Venture veterinary practices – Funding and operating loans (note 17)	–	–	31.1	31.1
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	13.3	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	4.0	4.0
Other receivables (note 16)	–	–	2.5	2.5
Financial liabilities measured at fair value				
Fuel forward contracts used for hedging (note 16)	–	(0.4)	–	(0.4)
Forward exchange contracts used for hedging (note 16)	–	(1.7)	–	(1.7)
Interest rate swaps used for hedging (note 16)	–	(2.3)	–	(2.3)
Financial liabilities not measured at fair value				
Put & call liability	–	–	(3.4)	(3.4)
Other interest-bearing loans and borrowings (note 19)	–	(165.0)	–	(165.0)

28 March 2019

Carrying amount	Fair value – hedging instruments £m	FVOCI – equity instruments £m	Financial assets at amortised cost £m	Other financial liabilities £m	Total carrying amount £m
Financial assets measured at fair value					
Investments in Joint Venture veterinary practices (note 16)	–	0.4	–	–	0.4
Other investments (note 16)	–	0.1	–	–	0.1
Fuel forward contracts used for hedging (note 16)	0.0	–	–	–	0.0
Forward exchange contracts used for hedging (note 16)	1.6	–	–	–	1.6
	1.6	0.5	–	–	2.1
Financial assets not measured at fair value					
Current trade and other receivables (note 17)	–	–	22.9	–	22.9
Amounts owed by Joint Venture veterinary practices – funding and operating loans (note 17)	–	–	28.2	–	28.2
Cash and cash equivalents (note 18)	–	–	60.5	–	60.5
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	13.3	–	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	3.9	–	3.9
Other receivables (note 16)	–	–	1.0	–	1.0
	–	–	129.8	–	129.8
Financial liabilities measured at fair value					
Forward exchange contracts used for hedging (note 16)	(0.5)	–	–	–	(0.5)
Interest rate swaps used for hedging (note 16)	(0.1)	–	–	–	(0.1)
	(0.6)	–	–	–	(0.6)
Financial liabilities not measured at fair value					
Put and call liability (note 16)	–	–	–	(8.9)	(8.9)
Finance lease liabilities (note 16)	–	–	–	(0.3)	(0.3)
Trade payables (note 20)	–	–	–	(108.8)	(108.8)
Amounts owed to Joint Venture veterinary practices (note 20)	–	–	–	(4.0)	(4.0)
Other interest-bearing loans and borrowings (note 19)	–	–	–	(178.8)	(178.8)
	–	–	–	(300.8)	(300.8)

23 Financial instruments (continued)

Fair values of financial instruments (continued)

28 March 2019

Fair value	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Investments in Joint Venture veterinary practices (note 16)	–	–	0.4	0.4
Other investments (note 16)	–	–	0.1	0.1
Fuel forward contract used for hedging (note 16)	–	0.0	–	0.0
Forward exchange contracts used for hedging (note 16)	–	1.6	–	1.6
Financial assets not measured at fair value				
Amounts owed by Joint Venture veterinary practices – funding, trading and operating loans (note 17)	–	–	28.2	28.2
Loans to Joint Venture veterinary practices – initial set up loans (note 16)	–	–	13.3	13.3
Loans to Joint Venture veterinary practices – other loans (note 16)	–	–	3.9	3.9
Other receivables (note 16)	–	–	1.0	1.0
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging (note 16)	–	(0.5)	–	(0.5)
Interest rate swaps used for hedging (note 16)	–	(0.1)	–	(0.1)
Financial liabilities not measured at fair value				
Put & call liability (note 16)	–	–	(8.9)	(8.9)
Other interest-bearing loans and borrowings (note 19)	–	(181.0)	–	(181.0)

Changes in liabilities arising from financing activities

	Loans and borrowings £m	Lease liabilities £m	Total £m
Balance at 29 March 2019	178.8	506.2	685.0
Changes from financing cashflows			
Proceeds from loans and borrowings	61.0	–	61.0
Repayment of borrowings	(77.0)	–	(77.0)
Payment of lease liabilities	–	(81.0)	(81.0)
Total changes from financing cashflows	162.8	425.2	588.0
Other changes			
Interest expense on lease liabilities	–	14.0	14.0
Additions to lease liabilities	–	24.7	24.7
Amortisation of debt issue costs	0.5	–	0.5
Total other changes	0.5	38.7	39.2
Balance at 26 March 2020	163.3	463.9	627.2

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 cashflows 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

Hedging accounts

Cashflow hedges

At 26 March 2020 and 28 March 2019, the Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity					
	1-6 months	6-12 months	More than 1 year	1-6 months	6-12 months	More than 1 year
	2020	**2020**	**2020**	2019	2019	2019
Foreign currency risk						
Forward exchange contracts						
Net exposure (£m)	36.6	15.0	–	29.2	28.8	–
Average GBP-USD forward contract rate	1.27	1.31	–	1.38	1.32	–
Average GBP-EUR forward contract rate	1.14	1.19	–	1.13	1.11	–
Interest rate risk						
Interest rate swaps						
Net exposure (£m)	162.4	–	237.6	142.1	–	167.5
Average fixed interest rate	0.814%	–	0.865%	0.183%	–	0.814%

Company

The Company held interest rate swaps as at 26 March 2020 and 28 March 2019 which are valued as above.

Capital management

The Group's objectives when managing capital, which is deemed to be total equity plus total debt, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating and headroom on financial covenants. The Group manages its capital structure and makes appropriate decisions in light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Group.

The funding requirements of the Group are met by the utilisation of external borrowings together with available cash, as detailed in note 19.

A key objective of the Group's capital management is to maintain compliance with the covenants set out in the revolving credit facility and to maintain a comfortable level of headroom over and above these requirements.

Management have continued to measure and monitor covenant compliance throughout the period and the Group has complied with the requirements set.

24 Share based payments

At 26 March 2020, 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.

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.

2 CSOP (continued)

(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.

(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.

24 Share based payments (continued)

3 PSP (continued)

(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 15.2% of eligible colleagues.

The options are granted once a year, and in normal circumstances they are not exercisable until completion of a three-year savings period, beginning on 1 December each year, and will then be exercisable for a period of six months following completion of the relevant savings period.

(a) Eligibility

All colleagues and full-time Directors of the Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option and who are liable to UK income tax, are eligible to participate in the SAYE.

Participation may also be offered, at the discretion of the Board (taking account of the recommendations of the Remuneration Committee), to other Directors or employees who otherwise do not satisfy all of the above criteria, although Non-Executive Directors are not eligible to participate in the SAYE.

(b) Issue of invitations

Invitations to participate in the SAYE may be made during each 42 day period from (and including) (i) the date on which any amendment to the SAYE is approved or adopted by the Company's shareholders, (ii) the announcement of the Company's final or interim results for any financial period, (iii) the occurrence of an event which the Remuneration Committee considers to be an non-underlying event concerning the Group or (iv) changes to the legislation affecting tax approved SAYE option schemes coming into effect. If any of the above periods is a 'close period' as a result of the application of the Model Code for Securities Transactions by Directors of Listed Companies (or as a result of the Company's equivalent internal share dealing rules) and the Company is prohibited from issuing invitations and/or granting options as a result, then invitations may be made within 42 days of the end of the close period.

Invitations may be issued by the trustee of an employee benefit trust. No invitations may be issued or options granted more than ten years after the adoption of the SAYE.

(c) Exercise price

The price at which an option holder may acquire shares on the exercise of an option shall be determined by the Board but shall not be less than the greater of 80% of the market value of a share at the time of grant and its nominal value.

(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.

4 SAYE (continued)

(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.

(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.

24 Share based payments (continued)

5 RSA (continued)

Fair value of share awards

The expected volatility is based on historical volatility of a peer group of companies over a relevant period prior to award. The expected life is the average expected period to exercise, which has been taken as three years. The risk free rate of return is the yield on zero-coupon UK government bonds with a life equal to this expected life.

Options are valued using a Black-Scholes option-pricing model for the non-market based (EPS element) performance conditions and a Monte-Carlo simulation for the market-based (TSR element) performance conditions.

Special provisions allow early exercise in the case of death, injury, disability, redundancy, retirement or because the Company which employs the option holder ceases to be part of the Group or in the event of a change in control, reconstruction or winding up of the Company.

The key assumptions used in the fair value of the awards were as follows:

	RSA			CIP	PSP		
	2019	2018	2017	2015	2017	2016	2015
At grant date							
Share price	£1.87	£1.37	£1.58	£2.45	£2.59	£2.75	£2.45
Exercise price	£0.0	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility	32%	32%	32%	30%	32%	30%	30%
Option life (years)	10	10	10	3	10	10	10
Expected dividend yield	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Risk free interest rate	n/a	n/a	n/a	n/a	0.50%	1.07%	1.07%
Weighted average fair value of options granted	£1.87	£1.37	£1.58	£2.06	£2.06	£2.06	£2.06

	CSOP			SAYE		
	2017	2016	2015	2019	2018	2017
At grant date						
Share price	£2.59	£2.75	£2.31	£2.37	£1.17	£1.97
Exercise price	£2.59	£2.75	£2.31	£1.98	£0.94	£1.57
Expected volatility	32%	32%	37%	30%	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	£0.78	£0.39	£0.61

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	86	1,835	4,132	5,446	6,411	17,910
Granted	–	–	–	604	2,835	3,439
Forfeited	–	(1,827)	(762)	(941)	(1,944)	(5,474)
Exercised	(35)	–	(1,174)	(108)	(2)	(1,319)
Lapsed	–	–	–	–	–	–
Outstanding at end of year	51	8	2,196	5,001	7,300	14,556
Weighted average exercise price	–	–	2.59	1.12	–	NA

The Group income statement charge recognised in respect of share based payments for the current period is £4.2m (2019: £3.5m).

25 Commitments

Capital commitments
At 26 March 2020, the Group is committed to incur capital expenditure of £3.7m (28 March 2019: £5.0m). Capital commitments predominantly relate to the cost of investment in new IT systems and refurbishment of Pets at Home stores.

At 26 March 2020, the Group has committed to provide funding to related party Joint Venture companies of £nil (28 March 2019: nil) which remains undrawn.

At 26 March 2020, the Group has a commitment to increase the loan funding to Joint Venture companies of £0.8m (28 March 2019: £1.4m); this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

26 Contingencies

Veterinary practices
Provisions are maintained by the Group, where necessary, against certain balances held with the veterinary practices. During the period, the Group also had in place certain guarantees over the bank loans taken out by a number of veterinary practice companies in which it holds an investment in non-participatory share capital. At the end of the period, the total amount of bank overdrafts and loans guaranteed by the Group amounted to £10.9m (28 March 2019: £10.8m).

The Group is a guarantor for the lease for veterinary practices that are not located within Pets at Home stores. The Group is also a guarantor to a small number of third parties where the lease has been reassigned.

Exemption from audit by parent guarantee
The following wholly owned subsidiaries of the Company are covered by a guarantee provided by Pets at Home Group Plc and are consequently entitled to an exemption under s479A from the requirement of the Act relating to the audit of individual accounts. Under this guarantee, the Group will guarantee all outstanding liabilities of these entities. No liability is expected to arise under the guarantee. The entities covered by this guarantee are disclosed below.

Company	Registered number
Aberdeen Vets4Pets Limited	09393267
Aberdeen North Vets4Pets Limited	11024679
Alton Vets4Pets Limited	09639868
Andover Vets4Pets Limited	08132407
Companion Care (Ballymena) Limited	08294444
Bearsden Vets4Pets Limited	07780175
Bedminster Vets4Pets Limited	09267870
Belfast Stormont Vets4Pets Limited	09022077
Bicester Vets4Pets Limited	10285804
Blackpool Squires Gate Vets4Pets Limited	09578581
Bonnyrigg Vets4Pets Limited	10757330
Borehamwood Vets4Pets Limited	09319066
Bourne Vets4Pets Limited	10200670
Bracknell Vets4Pets Limited	10605544
Bramley Vets4Pets Limited	04238788
Carmarthen Vets4Pets Limited	09498169
Clitheroe Vets4Pets Limited	09878308
Corby Vets4Pets Limited	08163294
Craigavon Vets4Pets Limited	08846831
Davidsons Mains Vets4Pets Limited	07726992
Doncaster Vets4Pets Limited	04335358
Dorchester Vets4Pets Limited	08708025
East Kilbride Vets4Pets Limited	09628917
Ellesmere Port Vets4Pets Limited	09725644
Evesham Vets4Pets Limited	09269582
Companion Care (Exeter) Limited	04930076
Companion Care (Exeter Marsh) Limited	08314727
Barnwood Vets4Pets Limited	08562941

26 Contingencies (continued)

Exemption from audit by parent guarantee (continued)

Company	Registered number
Haverfordwest Vets4Pets Limited	09485504
Inverurie Vets4Pets Limited	11056047
Kilmarnock Vets4Pets Limited	08850288
Companion Care (Kirkcaldy) Limited	07680864
Leeds Kirkstall Vets4Pets Limited	10291543
Leicester St Georges Vets4Pets Limited	09881176
Linlithgow Vets4Pets Limited	09966547
Liverpool OS Vets4Pets Limited	06959208
Companion Care (Speke) Limited	07149744
Companion Care (Macclesfield) Limited	08285995
Companion Care (Maidstone) Limited	05094399
Maidstone Vets4Pets Limited	05171954
Malvern Vets4Pets Limited	10516552
Market Harborough Vets4Pets Limited	10602806
Marlborough Vets4Pets Limited	09869384
Monmouth Vets4Pets Limited	10756991
Musselburgh Vets4Pets Limited	10425760
Companion Care (Newport) Limited	08425358
Newton Mearns Vets4Pets Limited	07957431
Pentland Vets4Pets Limited	09360949
Companion Care (Perth) Limited	08285928
Prescot Vets4Pets Limited	08878815
Redditch Vets4Pets Limited	05612150
Sheffield Drakehouse Vets4Pets Limited	08790953
Sheldon Vets4Pets Limited	08822150
Companion Care (Slough) Limited	07427613
St Neots Vets4Pets Limited	09811640
Companion Care (Stevenage) Limited	08282080
Companion Care (Stratford-upon-Avon) Limited	07329166
Sudbury Vets4Pets Limited	09916308
Thamesmead Vets4Pets Limited	09881179
Tiverton Vets4Pets Limited	11023079
Uttoxeter Vets4Pets Limited	11145982
Wellingborough Vets4Pets Limited	07620413
Wokingham Vets4Pets Limited	09869355
Wrexham Vets4Pets Limited	07103838
Yeovil Vets4Pets Limited	08080466
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 £10.9m (28 March 2019: £10.8m).

The transactions entered into during the period and the balances outstanding at the end of the period are as follows:

	26 March 2020 £m	28 March 2019 £m
Transactions		
– Fees for services provided to Joint Venture veterinary practices	54.7	55.0
– Rental and other occupancy charges to Joint Venture veterinary practices	12.2	12.7
Total income from Joint Venture veterinary practices	66.9	67.7
Acquisitions		
– Consideration for Joint Venture veterinary practices acquired (note 10)	1.3	3.1
Balances		
Included within trade and other receivables (note 17):		
– Funding for new practices	1.6	0.3
– Operating loans		
– Gross value of operating loans	37.5	42.2
– Allowance for expected credit losses held for operating loans	(8.0)	(14.3)
– Net operating loans	29.5	27.9
Included within other financial assets and liabilities (note 16):		
– Loans to Joint Venture veterinary practices – initial set up loans		
– Gross value of initial set up loans	13.3	14.4
– Allowance for expected credit losses held for initial set up loans	–	(1.1)
– Net initial set up loans	13.3	13.3
– Loans to other related parties – other loans		
– Gross value of other loans	4.0	5.0
– Allowance for expected credit losses held for other loans	–	(1.1)
– Net other loans	4.0	3.9
Included within trade and other payables (note 20):		
– Trading balances	(6.7)	(4.0)
Total amounts receivable from veterinary practices (before provisions)	49.7	57.9

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 26 March 2020 and the 52 week period ended 28 March 2019 excludes irrecoverable fee income from Joint Venture veterinary practices.

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

Trading balances represent costs incurred and income received by the Group in relation to the services provided to the Joint Venture veterinary practices that have yet to be recharged.

27 Related parties (continued)

Joint Venture veterinary practice transactions (continued)
Operating loans represent amounts advanced to related party Joint Venture veterinary practices to support their working capital requirements and longer term growth. The loans advanced to the practices are interest free and either repayable on demand or repayable within 90 days of demand. No facility exists and the levels of loans are monitored in relation to review of the practices' performance against business plan. Based on the projected cashflow forecast on a practice by practice basis, the funding is often expected to be required for a number of years. As practices generate cash on a monthly basis it is applied to the repayment of brought forward operating loans. For immature practices, loan balances may increase due to operating requirements. The balances above are shown net of allowances for expected credit losses held for operating loans of £8.0m (28 March 2019: £14.3m).

In the 52 week period ended 26 March 2020, the value of loans written off recognised in the income statement amounted to £9.0m, which relates to operating loans (£7.2m), initial set up loans (£1.1m) and other loans (£0.7m). In the 52 week period ended 28 March 2019 the value of loans written off recognised in 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).

At 26 March 2020, the Group has committed to provide funding to related party Joint Venture companies of £nil (28 March 2019: nil) which remains undrawn.

At 26 March 2020, the Group had a commitment to increase the loan funding to Joint Venture companies of £0.8m (28 March 2019: £1.4m); this increase in funding is written into the Joint Venture agreements and becomes payable when certain criteria are met.

The Group is a guarantor for the lease for veterinary practices that are not located within Pets at Home stores.

Other related party loans
Included within trade and other receivables (note 17) 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 £m
At 26 March 2020	936.2

Impairment testing
The market capitalisation of the Company as at 26 March 2020 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 has been undertaken on the Group's cash-generating units of which the Company's investments form part. The results of this review are disclosed in note 13, including a sensitivity analysis. In this review, the goodwill on consolidation balance of £981.2m at 26 March 2020 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.

Dog Stay Limited: 305 Regents Park Road, Finchley, London, United Kingdom, N3 1DP.

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 (continued)
Details of the subsidiary undertakings are as follows:

In the 52 week period ended 26 March 2020, the Group has acquired 100% of the 'A' shares of 28 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.

Further details of the acquisitions can be found in note 10.

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Dick White Referrals Limited	Indirect	United Kingdom	Ordinary	91	76
Eye-Vet Limited	Indirect	United Kingdom	Ordinary	100	100
Anderson Moores Veterinary Specialists Ltd	Indirect	United Kingdom	Ordinary	100	75
Brand Development Limited	Indirect	Guernsey	Ordinary	100	100
Companion Care (Services) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care Management Services Limited	Indirect	United Kingdom	Ordinary	100	100
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
Veterinary Specialists (Scotland) Limited	Indirect	United Kingdom	Ordinary	94	100
Aberdeen North Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Aberdeen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Addlestone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Alton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Andover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Aylesbury Berryfields Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Barnwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bearsden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Bedminster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Belfast Stormont Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bicester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

28 Investments in subsidiaries (continued)

Group (continued)

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Bishop Auckland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Blackpool Squires Gate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bodmin Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bolton Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bonnyrigg Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Borehamwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bourne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bracknell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bradford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bramley Vets4Pets (Newco) Limited	Indirect	United Kingdom	Ordinary	100	100
Bridlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Bromborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Cambridge Perne Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Canvey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Carmarthen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Chorley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Clitheroe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
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	100
Companion Care (Exeter Marsh) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Exeter) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kendal) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Kirkcaldy) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Macclesfield) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Maidstone) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Newport) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Nottingham) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Perth) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Slough) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Speke) Limited	Indirect	United Kingdom	Ordinary	100	100
Companion Care (Stevenage) Limited	Indirect	United Kingdom	Ordinary	100	50
Companion Care (Stratford-Upon-Avon) Limited	Indirect	United Kingdom	Ordinary	100	100
Corby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Coventry Canley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Craigavon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Crosby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Cumbernauld Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Davidsons Mains Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Doncaster Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	60
Dorchester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Dundee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
East Grinstead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
East Kilbride South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Ellesmere Port Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Evesham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Falkirk Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Feltham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Gillingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Great Yarmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Haverfordwest Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Heanor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hemsworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Horden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Hucknall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Inverness Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Inverurie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Kilmarnock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leamington Spa Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Leeds Kirkstall Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Leicester St Georges Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Leven Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Linlithgow Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Littleover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Liverpool OS Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Long Eaton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Maidstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Malvern Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Market Harborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Marlborough 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	100
Monmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Musselburgh Vet4sPets 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	100
Norwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Nottingham Castle Marina Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Pentland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Perth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Peterlee Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Poynton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Prescot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Redditch Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Ripon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Salford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Scunthorpe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Selby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheffield Drakehouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheffield Heeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sheldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Shepton Mallet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
St Austell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	95	95
St Neots Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Stocksbridge 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 26 March 2020 %	At 28 March 2019 %
Stoke-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Sudbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Teesside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Thamesmead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
The Heart of Dulwich Veterinary Care Limited	Indirect	United Kingdom	Ordinary	100	100
Thornbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Tiverton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Uckfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Uttoxeter Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Warrington Winnick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Wellingborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
West Drayton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Whitstable Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	–
Wokingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	50
Wrexham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100
Yeovil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	100	100

Investments in Joint Venture practices and other investments

The Group holds an indirect interest in the share capital of the following companies:

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Abingdon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
ABTW Limited	Indirect	United Kingdom	Ordinary	50	50
Accrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Airdrie Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Alsager Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Altrincham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Amesbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bagshot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bangor Wales Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnsley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barnstaple Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Barry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bedlington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Beeston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Beverley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Biggleswade Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishops Stortford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bishopston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bitterne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackburn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackheath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Blackpool 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
Bradford Idle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Brighouse Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Emerson Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Imperial Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Kingswood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bristol Longwell Green Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bromsgrove Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Buckingham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	90
Bulwell Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burscough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Burton-On-Trent Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury St Edmunds Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Bury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Byfleet Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Caerphilly Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Camborne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cannock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Canterbury Sturry Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Ely Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cardiff Newport Road Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carlisle Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Carrickfergus Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Castleford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Catterick Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cc (Rustington) Newco Limited	Indirect	United Kingdom	Ordinary	50	–
Chadwell Heath Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cheadle Hulme Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Caldy Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Chesterfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cirencester Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clevedon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cleveleys Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clifton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Clowne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Companion Care (Bishopbriggs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bletchley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bolton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bournemouth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Braintree) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brentford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgend) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bridgwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Brislington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Bristol Filton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Broadstairs) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Burgess Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge Beehive) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cambridge) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cannock) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Canterbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cardiff) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Charlton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chatham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chelmsford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cheltenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chesterfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chichester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chingford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Chippenham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Christchurch) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Colchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Corstorphine) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Coventry Walsgrave) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Cramlington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crawley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Crayford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Croydon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby Kingsway) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Derby) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Dunstable) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Eastbourne) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (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

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Companion Care (Hatfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hemel Hempstead) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (High Wycombe) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Hove) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huddersfield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Huntingdon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ilford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Ipswich Martlesham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Keighley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kidderminster) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Kings Lynn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Beaumont Leys) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leicester Fosse Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Leighton Buzzard) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Linwood) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Lisburn) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Liverpool Penny Lane) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Livingston) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Llantrisant) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Merry Hill) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Milton Keynes) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (New Malden) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Newcastle Kingston Park) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Northampton Nene Valley) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Hall Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich Longwater) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Norwich) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldbury) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oldham) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Orpington) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Oxford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (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 (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

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Companion Care (Swansea) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Swindon) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tamworth) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Taunton) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Telford) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Truro) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Tunbridge Wells) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wakefield) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Weston-Super-Mare) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winchester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Winnersh) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woking) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Woolwell) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Worcester) Limited	Indirect	United Kingdom	Ordinary	50	50
Companion Care (Wrexham Holt Road) Limited	Indirect	United Kingdom	Ordinary	50	50
Craigleith Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crescent Link Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Crewe Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Cross Hands Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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
Denbigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Denton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dog Stay Limited	Indirect	United Kingdom	Ordinary	12	–
Dover Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Droitwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Drumchapel Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dudley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dumbarton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Dunfermline Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Durham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
East Kilbride Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eastleigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eastwood Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Eccleshill Vets4Pets 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
Glasgow Pollokshaws Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
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

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Grimsby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Guernsey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halesowen Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Halifax Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hamilton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate New Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Harrogate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hartlepool Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hastings Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Havant Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Haverhill Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Hayling Island Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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
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 Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leigh-On-Sea Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Letchworth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Leyland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lichfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lincoln South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lisburn Longstone Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llandudno Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanelli Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Llanrumney Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Longton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Loughton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Gipsy Lane Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Luton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Lytham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

28 Investments in subsidiaries (continued)

Investments in Joint Venture practices and other investments (continued)

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Maidenhead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Maldon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mansfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Mapperley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Merthyr Tydfil Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Cleveland Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middlesbrough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Middleton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Millhouses Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	–
Morpeth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
New Milton Vets4pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newcastle-Upon-Tyne Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newmarket Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newport Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newton Abbot Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownabbey Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Newtownards Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
North Tyneside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northallerton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Riverside Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Northampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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
Penzance Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Peterborough Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pontypridd Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Poole Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portishead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Portsmouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prenton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Preston Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Prestwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Pure Pet Food Ltd	Indirect	United Kingdom	Ordinary	19	19
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
Rochdale Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rotherham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rugby Central Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50

Company	Holding	Country of incorporation	Class of shares held	At 26 March 2020 %	At 28 March 2019 %
Ruislip Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Runcorn Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Rushden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Saffron Walden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	100
Selly Oak Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sevenoaks Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sheffield Wadsley Bridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shelfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Meole Brace Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Shrewsbury Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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	50
Sunderland South Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sunderland Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton Coldfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sutton In Ashfield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swindon Bridgemead Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Swinton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Sydenham Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Telford Madeley Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Thurrock Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Tilehurst Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Torquay Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Totton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trafford Park Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Trowbridge Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wakefield Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Walkden Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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	50
Warrington Riverside 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 26 March 2020 %	At 28 March 2019 %
Warrington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Washington Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Waterlooville Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Watford Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
West Bromwich Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Weymouth Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Widnes Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wigan Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wimbledon Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Wolverhampton Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worksop Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Worthing Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
WSM Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
Yate Vets4Pets Limited	Indirect	United Kingdom	Ordinary	50	50
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 26 March 2020, 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 4 entities listed above to 50% investment. 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 IFRS 16 transition note

The Group has adopted IFRS 16 Leases on 29 March 2019 using the modified retrospective approach. The cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance sheet as at 29 March 2019, with no restatement of comparable information and no impact on retained earnings.

Under the modified retrospective approach the opening right-of-use asset can be measured one of two ways:

a) as if the Group had applied IFRS 16 since the commencement date using its incremental borrowing rate at the date of initial application

b) measured at an amount equal to the lease liability at the date of initial application

The Group elects 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 is 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 has elected 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.

The Group applies the practical expedient, not to reassess whether a contract is or contains a lease at the date of initial application. This means the Group applies IFRS 16 to all contracts entered into before 29 March 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application, except for leases which are expected to be renewed or replaced by a lease with a term greater than 12 months. These leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense.

29 IFRS 16 transition note (continued)

The impact on the consolidated income statement in the 52 week period ended 26 March 2020 is as follows:

		52 week period ended 26 March 2020 (excluding IFRS 16 adjustments)			52 week period ended 26 March 2020 (including IFRS 16 adjustments)			
	Note	Underlying trading £m	Non-underlying items (note 3) £m	Total £m	IFRS 16 adjustment £m	Underlying trading £m	Non-underlying items (note 3) £m	Total £m
Revenue	2	1,058.8	–	1,058.8	–	1,058.8	–	1,058.8
Cost of sales		(540.0)	(6.9)	(546.9)	–	(540.0)	(6.9)	(546.9)
Impairment losses on receivables	3,17	(0.9)	0.3	(0.6)	–	(0.9)	0.3	(0.6)
Gross profit		517.9	(6.6)	511.3	–	517.9	(6.6)	511.3
Selling and distribution expenses		(321.8)	–	(321.8)	8.0	(313.8)	–	(313.8)
Administrative expenses	3	(92.8)	(1.0)	(93.8)	–	(92.8)	(1.0)	(93.8)
Operating profit	2,3	103.3	(7.6)	95.7	8.0	111.3	(7.6)	103.7
Financial income	6	0.4	–	0.4	0.1	0.5	–	0.5
Financial expense	7	(4.2)	–	(4.2)	(14.1)	(18.3)	–	(18.3)
Net financing expense		(3.8)	–	(3.8)	(14.0)	(17.8)	–	(17.8)
Profit before tax		99.5	(7.6)	91.9	(6.0)	93.5	(7.6)	85.9
Taxation	8	(19.8)	0.1	(19.7)	1.2	(18.6)	0.1	(18.5)
Profit for the period	(i)	79.7	(7.5)	72.2	(4.8)	74.9	(7.5)	67.4

29 IFRS 16 transition note (continued)

The impact on the statement of financial position as at 29 March 2019 is as follows:

		At 28 March 2019 £m	IFRS 16 adjustment	At 29 March 2019 £m
Non-current assets				
Property, plant and equipment		123.7	–	123.7
Right-of-use assets	(ii)	–	473.1	473.1
Intangible assets		1,000.7	–	1,000.7
Other non-current assets	(iii)	18.7	1.7	20.4
		1,143.1	474.8	1,617.9
Current assets				
Inventories		68.2	–	68.2
Other financial assets	(iii)	1.6	0.7	2.3
Trade and other receivables	(v)	68.9	(9.4)	59.5
Cash and cash equivalents		60.5	–	60.5
		199.2	(8.7)	190.5
Total assets		1,342.3	466.1	1,808.4
Current liabilities				
Trade and other payables	(v)	(185.8)	5.0	(180.8)
Corporation tax		(10.2)	–	(10.2)
Lease liabilities	(iv)	–	(82.7)	(82.7)
Provisions	(v)	(15.4)	1.9	(13.5)
Other financial liabilities		(7.3)	–	(7.3)
		(218.7)	(75.8)	(294.5)
Non-current liabilities				
Other interest-bearing loans and borrowings		(178.8)	–	(178.8)
Other payables	(v)	(33.6)	32.4	(1.2)
Lease liabilities	(iv)	–	(423.5)	(423.5)
Provisions	(v)	(1.7)	0.8	(0.9)
Other financial liabilities		(2.5)	–	(2.5)
Deferred tax liabilities		(4.0)	–	(4.0)
		(220.6)	(390.3)	(610.9)
Total liabilities		(439.3)	(466.1)	(905.4)
Net assets		903.0	–	903.0
Equity attributable to equity holders of the parent				
Ordinary share capital		5.0	–	5.0
Consolidation reserve		(372.0)	–	(372.0)
Merger reserve		113.3	–	113.3
Translation reserve		(0.0)	–	(0.0)
Cashflow hedging reserve		0.8	–	0.8
Retained earnings		1,155.9	–	1,155.9
Total equity		903.0	–	903.0

29 IFRS 16 transition note (continued)

(i) Income statement

Under previous lease accounting standards (IAS 17), lease costs were recognised on a straight-line basis over the term of the lease. The Group recognised these costs within operating expenses, and costs of £79.1m would have been recognised in the 52 week period ended 26 March 2020 if IAS 17 had still been applied. Under IFRS 16 these costs have been removed and replaced with depreciation of the right-of-use assets, which has resulted in a depreciation charge of £71.1m and a net impact to profit before tax of £6.0m for the 52 week period ended 26 March 2020.

The impact on net financing expense in the 52 week period ended 26 March 2020 was £14.0m.

The net impact of applying IFRS 16 to the profit for the period in the 52 week period ended 26 March 2020 was a reduction of £4.8m after tax.

This difference to profit for the period represents a timing difference in the recognition of costs under IFRS 16 compared to IAS 17. IAS 17 recognises costs on a straight-line basis, whereas under IFRS 16 finance charges are recognised in relation to the value of the lease liability and costs will therefore reduce as the liability reduces.

(ii) Right-of-use assets

A right-of-use asset is recognised under IFRS 16, representing the Group's contractual right to access an identified asset under the terms of the lease contract.

(iii) Other non-current assets

Sublease assets have been recognised in respect of finance leases under IFRS 16 for a number of the properties which are subleased to third parties. The finance lease is assessed by reference to the right-of-use asset under the head lease rather than the underlying asset. A number of subleases continue to be accounted for as operating leases which has resulted in no change to their accounting treatment under IFRS 16.

(iv) Lease liabilities

A lease liability is recognised under IFRS 16, representing the Group's contractual obligation to minimum lease payments during the lease term. The lease liability is initially measured at the present value of the remaining lease payments, discounted using the rates based on the Group's incremental borrowing rate. The weighted average discount rate used to discount the lease liability as at 26 March 2020 was 2.8%. The element of the liability payable in the next 12 months is shown within current liabilities, with the balance shown in non-current liabilities.

(v) Working capital

Under IAS 17, balances relating to lease incentives, rent prepayments, accruals, onerous leases and similar balances were held within other receivables, other payables and provisions. Under IFRS 16 these balances are reflected in either the right-of-use asset or the lease liability. On transition to IFRS 16, the Group has elected to apply the relief option which allows it to adjust the right-of-use asset by the amount of any provisions for onerous leases. At 29 March 2019, £2.7m of the onerous lease provision has been offset against the opening right-of-use asset. The Group has used the C10(b) practical expedient for onerous leases.

The following table details the reconciliation between the operating lease obligations as at 28 March 2019 and the opening lease liability balance at 29 March 2019:

Maturity analysis – contractual undiscounted cashflows	Land and buildings £m	Other £m	Total £m
Operating lease obligations as at 28 March 2019	571.9	9.9	581.8
Working capital movements	(9.0)	–	(9.0)
Relief option for leases of low value	–	–	–
Other	–	0.7	0.7
Gross lease liabilities at 29 March 2019	562.9	10.6	573.5
Discounting	(66.7)	(0.7)	(67.4)
Total lease liabilities at 29 March 2019	496.2	9.9	506.1

The working capital movements of £9.0m relate to the lease prepayments on the balance sheet as at 28 March 2019 which were not reflected in the operating lease disclosure made at 28 March 2019. Under IFRS 16, this prepayment amount has been included in the right-of-use asset but not the lease liability as the amounts have already been paid.

Glossary – Alternative Performance Measures

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various APMs of historical or future financial performance, position or cashflows 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. Due to the Group adopting the modified retrospective approach to IFRS 16, all prior year numbers have not been restated. Where the current APM has been amended to exclude the impact of transition to IFRS 16, this has been set out in the definition below.

APMs considered by the business to be a key performance indicator are explained in more detail on page 14 of the Annual Report.

The key APMs used by the Group are:

'Like-for-Like' sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period for stores, online operations, grooming salons, 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 bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future

Omni-channel revenue: Revenue net of discounts and VAT from core online sales, subscriptions and orders to store

Underlying EBITDA: Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period

Underlying free cashflow: 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 CROIC: Cash return on invested capital, represents cash returns divided by the average of gross capital invested (GCI) for the last 12 months. Cash returns represent underlying operating profit before 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, before the effect of non-underlying items in the period

Non-underlying items: Certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group

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

APM	Definition	Reconciliation
Cash EBITDA	Underlying EBITDA (see below) adjusted for IFRS 16 transactions and share based payment charges.	See table below
Underlying EBITDA	Earnings before interest, tax, depreciation and amortisation before the effect of non-underlying items in the period.	See table below
Underlying 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 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 is stated before the impact of IFRS 16 as it is based on a 12 month rolling average.	See table below

Cash EBITDA (£m)	FY19	FY20	Note
Underlying EBITDA	130.0	220.7	2
Effect of IFRS 16 on EBITDA	–	(79.1)	
EBITDA before IFRS 16	130.0	141.6	
Share based payment charge	3.5	4.2	3
Cash EBITDA	133.5	145.8	

Underlying EBITDA (£m)	FY19	FY20	Note
Statutory operating profit	53.1	103.7	2
Depreciation on tangible fixed assets	28.5	28.3	3
Amortisation of intangible assets	8.3	10.0	3
Non-underlying items	40.1	7.6	3
Underlying EBITDA before IFRS 16	130.0	149.6	
Depreciation on right-of-use assets	–	71.1	3
Underlying EBITDA	130.0	220.7	

CROIC	FY19	FY20	Note
Cash returns:			
Underlying operating profit (pre IFRS 16)	93.2	103.3	29
Property rental costs	77.0	76.1	
Share based payment charges	3.5	4.2	3
	173.7	183.6	
Effective tax rate	21%	20%	
Tax charge on above	(37.0)	(36.7)	
	136.7	146.9	
Depreciation and amortisation	36.8	38.3	3
Cash returns	173.5	185.2	
Gross capital invested (GCI):			
Gross property, plant and equipment	284.8	306.2	11
Intangibles	1,030.5	1,046.3	13
Less KKR goodwill	(906.5)	(906.5)	
Investments	13.8	14.8	16
Net working capital (pre IFRS 16)	(103.7)	(125.2)	see definition
Capitalised operating leases	615.8	608.8	8x
GCI	934.7	944.4	
Average	919.1	939.6	
Underlying CROIC	18.9%	19.7%	

Glossary – Alternative Performance Measures continued

APM	Definition	Reconciliation
Underlying free cashflow	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.	See table below

Underlying free cashflow (£m)	FY19	FY20	Note
Underlying free cashflow	63.6	89.6	
Non-underlying working capital	(27.7)	1.2	
Free cashflow	35.9	90.8	
Underlying cashflow			
Dividends	(37.2)	(37.1)	CFS
Investments	–	(1.0)	CFS
Acquisition of subsidiary	(0.7)	(3.7)	CFS
Repayment of borrowings on acquisition	(0.7)	–	CFS
Proceeds from new loan	181.0	61.0	CFS
Repayment of borrowings	(195.0)	(77.0)	CFS
Non-underlying cashflow			
Proceeds from sale of PPE	–	0.4	CFS
Proceeds from sale of PPE relating to GVs	–	(0.3)	
Payment of deferred consideration	(1.0)	–	CFS
Settlement of put & call	(0.1)	(6.4)	CFS
Acquisition of subsidiary	(0.7)	(0.5)	CFS
Costs associated with acquisitions	(2.4)	(3.7)	CFS
Repayment of borrowings on acquisition	(5.7)	(5.9)	CFS
Non-underlying working capital	27.7	(1.2)	CFS
Net increase/(decrease) in cash	0.7	18.6	

CFS = Consolidated statement of cashflows

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 where the Group has bought out the Joint Venture Partners or will offer to buy out the Joint Venture Partners in the future.	Not applicable.
2-year like-for-like	2-year like-for-like sales growth comprises total revenue in a financial period compared to revenue achieved in the financial period before the prior period for stores, online operations, and grooming salons that have been trading for 104 weeks or more.	Not applicable.
Underlying basic EPS	Underlying basic earnings per share (EPS) is based on earnings per share after the impact of IFRS 16, but before the impact of certain costs or incomes that derive from events or transactions that fall outside the normal activities of the Group, and are excluded by virtue of their size and nature in order to reflect management's view of the performance of the Group.	See table below

Underlying basic EPS (p)	FY19	FY20	Note
Underlying basic EPS	14.1	15.0	5
Non-underlying items	(8.0)	(1.5)	5
Basic earnings per share	6.1	13.5	

APM	Definition	Reconciliation
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.	see below

Underlying operating profit (£m)	FY19	FY20	Note
Underlying operating profit	93.2	111.3	2
Non-underlying items	(40.1)	(7.6)	3
Operating profit	53.1	103.7	

APM	Definition
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 PAT (£m)	FY19	FY20	Note
Underlying PBT	89.7	93.5	CIS
Non-underlying items	(40.1)	(7.6)	3
PBT	49.6	85.9	

CIS = Consolidated income statement

APM	Definition
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)	FY19	FY20	Note
Underlying PAT	70.4	74.9	CIS
Non-underlying items	(39.9)	(7.5)	CIS
PAT	30.5	67.4	

CIS = Consolidated income statement

APM	Definition
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)	FY19	FY20	Note
Underlying tax expense	(19.3)	(18.6)	8
Non-underlying items	0.2	0.1	8
Tax expense	(19.1)	(18.5)	

APM	Definition
Underlying 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 cashflow measure of the Group.

Underlying net working capital movement (£m)	FY19	FY20	Note
Net working capital per cashflow statement	5.4	27.3	CFS
Being:			
Movement in trade and other receivables	10.7	8.8	CFS
Movement in inventories	(7.3)	5.7	CFS
Movement in trade and other payables	12.6	16.9	CFS
Movement in provisions	1.9	(0.7)	CFS
Trading working capital movement	17.9	30.7	
Movement in gross operating loans	(9.6)	(2.5)	CFS
Cash working capital movement	8.3	28.2	
Underlying allowance for expected credit losses against operating loans	(2.9)	(0.9)	CFS
Net working capital movement	5.4	27.3	

CFS = Consolidated statement of cashflows

	FY19	FY20	Note
Receivables	68.9	55.9	17
Inventory	68.2	62.8	14
Trade and other payables	(223.7)	(204.6)	
Provisions	(15.4)	(3.9)	21
Non-current provisions	(1.7)	(1.3)	21
Net working capital	(103.7)	(91.1)	

Glossary – Alternative Performance Measures continued

APM	Definition	Reconciliation
Underlying cash working capital	Working capital before increase in underlying operating loans to Joint Venture veterinary practices.	see table below

Cash working capital (£m)	FY19	FY20	Note
Net working capital (above)	5.4	27.3	
Net loans and borrowings	(1.8)	1.6	27
Underlying cash working capital	3.6	28.9	

APM	Definition
Operating cashflow	Net cashflow from operating activities per the cashflow statement, before the effects of corporation tax payments, non-underlying elements, and IFRS 16

Operating free cashflow (£m)	FY19	FY20	Note
Net cashflow from operating activities (per cashflow statement)	107.8	215.2	CFS
Add back:			
Tax paid	18.6	30.8	CFS
Settlement of put & call liabilities (growth element)	0.1	0.8	CFS
Pre-tax underlying operating cashflow	126.5	246.8	
Capital lease payments	–	(67.0)	CFS
Interest paid on lease obligations	–	(14.0)	CFS
Operating cashflow	126.5	165.8	
Tax paid	(18.6)	(30.8)	CFS
Interest paid	(3.4)	(3.7)	CFS
Interest received	0.6	0.5	CFS
Debt issue costs	(2.5)	–	CFS
Purchase of own shares	(1.8)	(2.8)	CFS
Acquisition of PPE and intangible assets	(37.4)	(39.6)	CFS
Proceeds from sale of PPE	0.6	0.4	CFS
Proceeds from sale of PPE (non-underlying)	(0.4)	(0.2)	CFS
Underlying free cashflow	63.6	89.6	

CFS – Consolidated statement of cashflows

APM	Definition
Omni-channel revenue	Revenue net of discounts and VAT from core online sales, subscriptions and orders to store.

Omni-channel revenue (£m)	FY19	FY20	Note
Omni-channel revenue	73.5	93.9	

APM	Definition
Underlying EBIT	Earnings before interest and tax agreed to operating profit relating to underlying trading.

Underlying EBIT (£m)	FY19	FY20	Note
Operating profit relating to underlying trading (EBIT)	93.2	111.3	2

APM	Definition
Retail underlying EBIT	Earnings before interest and tax agreed to operating profit relating to underlying trading for the Retail division.

Retail underlying EBIT (£m)	FY19	FY20	Note
Retail operating profit relating to underlying trading (EBIT)	67.2	89.3	2

APM	Definition	Reconciliation			
Vet Group underlying EBIT	Earnings before interest and tax agreed to operating profit relating to underlying trading for the Vet Group division.	**Vet Group underlying EBIT (£m)**	**FY19**	**FY20**	**Note**
		Vet Group operating profit relating to underlying trading (EBIT)	32.1	30.6	2
Net debt	Cash and cash equivalents less loans and borrowings.	**Net debt (£m)**	**FY19**	**FY20**	**Note**
		Cash and cash equivalents	60.5	79.1	18
		Loans and borrowings	(181.0)	(165.0)	19
		Net debt	(120.5)	(85.9)	
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)**	**FY19**	**FY20**	**Note**
		Statutory Group revenue	961.0	1,058.8	CIS
		Fee income	(52.6)	(53.8)	2
		Sales by Joint Venture veterinary practices	309.8	329.7	
		Customer sales	1,218.2	1,334.7	
		CIS = Consolidated income statement			

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