Governance overview

Tony DeNunzio
Non-Executive Chairman

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

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

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

Board activities in 2016

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

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

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

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

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

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

The overall governance structure of the Group:

Pets at Home Group Plc Board

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

Board Committees

Audit & Risk Committee

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

Nomination & Corporate Governance Committee

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

Remuneration Committee

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

Corporate Social Responsibility Committee and Pets Before Profit Committee

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

Executive Management Team

Investment Committee

Health & Safety Committee

Executive Team and Operating Board

Board composition

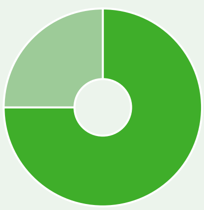
Membership of the Board

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

Gender breakdown
Executive Management

Male	60%
Female	40%

Gender breakdown
Board of Directors



Male	75%
Female	25%

Gender breakdown
Group

Male	60%
Female	40%

Board of Directors

Tony DeNunzio CBE
Non-Executive Chairman

Appointment to the Board
2014

Committees
Nomination & Governance, Pets Before Profit, CSR

Meetings attended
10/10

Current roles
Senior Independent Director at Dixons Carphone plc

Non Executive Director of PrimaPrix SL.

Non Executive Director of DeNunzio Associates Ltd

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

Past roles
Non-Executive Chairman of Maxeda

Non-Executive Director of Alliance Boots

President and Chief Executive Officer of Asda from 2002–2005

Deputy Chairman of Galiform Plc (now Howdens Plc)

Chairman of the advisory board of Manchester Business School

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

Dennis Millard
Deputy Chairman and Senior Independent Non-Executive Director

Appointment to the Board
2014

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

Meetings attended
10/10

Current roles
Chairman of Halfords Group Plc

Non-Executive Director at Debenhams Plc

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

Past roles
Chairman of Connect Group Plc

Senior Independent Director at Premier Farnell Plc

Senior Independent Director of Xchanging Plc from 2005–2012

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

Pets

Ian Kellett
Group Chief Executive Officer

Appointment to the Board
2014

Meetings attended
10/10

Current roles
Group Chief Executive Officer since April 2016

Joined Pets at Home as Chief Financial Officer in 2006

Appointed as Chief Executive Officer of the Retail Division in 2015

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

Deputy Finance Director of JD Wetherspoon from 1999–2004

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

Pets

Amy Stirling
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance, Audit & Risk, Remuneration

Meetings attended
10/10

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

Non-Executive Director at RIT Capital Partners Plc

Trustee of the Prince's Trust

Past roles
Chief Financial Officer of the Prince's Trust

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

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

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

Pets

Paul Coby
Independent Non-Executive Director

Appointment to the Board
2014

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

Meetings attended
9/10

Current roles
IT Director at John Lewis

Board Member of SITA (Societe Internationale de Telecommunications Aeronautique)

Board member of Clydesdale and Yorkshire Banking Group

Past roles
Board member of P&O Ferries

CIO at British Airways from 2001–2011

Civil Servant in the Departments of Transport and Environment

IT Director of Randalls Cottages Ltd

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

Pets

Tessa Green CBE
Independent Non-Executive Director

Appointment to the Board
2014

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

Meetings attended
10/10

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

Past roles
Non-Executive Director of Barts Health NHS Trust

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

Chairman of The Royal Marsden Cancer Campaign

Head of Corporate Affairs at Carlton Communications Plc

Trustee of the Royal Botanical Gardens, Kew

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

Pets

Paul Moody
Independent Non-Executive Director

Appointment to the Board
2014

Committees
Audit & Risk, Remuneration, Nomination & Governance

Meetings attended
10/10

Current roles
Non-Executive Chairman of Johnson Service Group

Non-Executive Director of 4imprint Group Plc

Past roles
Chief Executive Officer of Food Freshness Technology

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

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

Brian Carroll
Non-Executive Director

Appointment to the Board
2014

Committees
Nomination & Governance

Meetings attended
10/10

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

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

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

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

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

Louise Stonier
Group Company Secretary and Legal Director

Appointment to the Board
2014

Meetings attended
10/10

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

Chair and Trustee of the charity Support Adoption For Pets

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

Solicitor at CMS Cameron McKenna from 1997–2000

Brings to the Board
Legal knowledge and expertise.

Pets

Executive Management Team

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

Ian Kellett
Group Chief Executive Officer

Joined Pets at Home
2006

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

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

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

Pets

Mark Adams
Interim Group Chief Financial Officer

Joined Pets at Home
2016

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

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

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

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

Sally Hopson MBE
Chief Executive Officer of Services

Joined Pets at Home
2008

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

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

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

Pets

Peter Pritchard
Chief Executive Officer of Retail

Joined Pets at Home
2011

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

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

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

Pets

Louise Stonier
Group Company Secretary and Legal Director

Joined Pets at Home
2004

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

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

Pets

Directors' Report

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

Pets at Home Group Plc

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

Statutory information

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

Statutory information	Section heading	Page
Amendment of the Articles	Directors' Report	70
Appointment and Removal of Directors	Directors' Report	68
Board of Directors	Directors' Report Board of Directors	68 62–63
Branches outside of the UK	Directors' Report	72
Change of Control	Directors' Report	70
Colleague Involvement	Exceptional Colleague Engagement –Corporate Social Responsibility Directors' Report	47 67
Colleagues' Diversity and Disabilities	Directors' Report	67
Colleague Share Ownership and Plans	Remuneration Report	89
Community	Heart of the Community Corporate Social Responsibility	51–53
Compensation for loss of office	Directors' Report	70
Compliance with the terms of the Relationship Agreement (including the independence provisions)	Directors' Report	70
Directors' Biographies	Board of Directors	62–63
Directors' Indemnities	Directors' Report	69
Directors' information to Auditors	Directors' Report	72
Directors' Interests	Directors' Report	80
Directors' Responsibility Statement	Directors' Report	73
Executive Share Plans	Remuneration report	93 99–101
Financial Instruments	Note 22 to the consolidated financial statements	146–155
Future Developments of the Business	Strategic Report	20–25
Financial position of the Group, its cash flow, liquidity position and borrowing facilities	Finance review	32–33
Greenhouse Gas Emissions	Corporate Social Responsibility	59
Going Concern	Directors' Report	71
Health and Safety	Governance Report Corporate Social Responsibility	79 50
Human Rights and Modern Slavery Statement	Directors' Report	72

Statutory information	Section heading	Page
Independent Auditors	Governance Report	78
Internal Controls and Risk Management	Governance Report	79–80
Political Donations	Directors' Report	71
Profits and Dividend	Directors' Report	70
Post Balance Sheet Events	Directors' Report	71
Powers for the Company to issue or buy back its shares	Directors' Report	68
Powers of the Directors	Directors' Report	68
Principal Activities	Directors' Report	67
Relationship Agreement	Directors' Report Governance Report	70
Research and Development	Directors' Report/ Strategic Report – Product & Innovation	67 3
Restrictions on transfer of securities	Directors' Report	69
Share capital	Directors' Report Note 21 to the consolidated financial statements	69 144–145
Significant related party transactions	Directors' Report Note 27 to the consolidated financial statements	70 159
Significant Shareholders	Directors' Report	69
Subsidiary and Associated Undertakings	Note 29 to the consolidated financial statements	161–171
Statement of Corporate Governance	Governance Report	74
The Audit & Risk Committee Report	Governance Report	82–85
The Governance Report	Governance Report	74–81
The Directors' Remuneration Report	Governance Report	88–107
The Nomination and Corporate Governance Committee Report	Governance Report	86–87
The Strategic Report	Governance Report	1–59
Treasury and Risk Management	Strategic Report	43
Viability Statement	Directors' Report	71
Voting Rights	Directors' Report	69

Disclosures required under Listing Rule 9.8.4R

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

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

Principal activities

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

Research and development

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

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

Colleague involvement

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

Colleague diversity and disabled persons

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

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

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

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

Directors

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

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

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

Appointment and removal of a Director

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

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

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

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

Powers of the Directors

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

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

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

Directors' interests

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

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

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

Directors' indemnities

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

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

Share capital

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

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

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

Shareholder's voting rights

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

Restrictions on transfer of ordinary shares

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

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

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

Significant shareholdings

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

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

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

Transactions with related parties

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

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

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

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

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

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

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

Amendment of the Articles

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

Profits and dividend (before exceptional items)

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

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

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

Compensation for loss of office and change of control

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

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

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

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

Political donations

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

Suppliers

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

Post balance sheet events

The Group acquired two veterinary specialist referral centres post year end. These are:

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

Going concern

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

Viability statement

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

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

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

Human rights and modern slavery statement

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

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

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

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

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

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

Branches outside the UK

The Company has no branches outside the UK.

Auditor

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

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

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

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

Approval of Annual Report

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

Approved by the Board and signed on its behalf by

Louise Stonier
Group Company Secretary
25 May 2016

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

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

Approved by the Board and signed on its behalf by

Ian Kellett
Group Chief Executive Officer
25 May 2016

Corporate governance

Statement of Compliance with UK Corporate Governance Code

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

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

The role of the Board

Division of responsibilities

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

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

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

Matters reserved for Board approval

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

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

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

Board composition

Board balance and independence

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

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

Chairman

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

Group Chief Executive Officer

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

Senior Independent Director

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

Appointment of Directors by the Principal Shareholder

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

Board observers

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

Appointments

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

Appointment terms and elections of Directors

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

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

Effectiveness

Directors induction and ongoing training

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

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

Considering diversity

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

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

Board meetings and attendance

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

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

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

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

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

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

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

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

Number of meetings attended

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

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

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

Board Committees

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

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

Audit & Risk Committee

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

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

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

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

Nomination & Corporate Governance Committee

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

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

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

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

Other Pets at Home Committees

Pets Before Profit Committee and Corporate Social Responsibility Committee

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

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

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

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

Management Committees

Details of our management committees are set out below:

Investment Committee

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

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

Senior Executive and Operating Board

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

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

Health and safety

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

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

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

Internal control and risk management

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

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

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

Directors' conflicts of interest

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

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

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

Whistleblowing Policy

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

Share dealing code

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

Board evaluation and effectiveness

Process

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

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

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

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

Outputs of the evaluation

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

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

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

Relations with shareholders

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

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

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

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

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

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

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

Annual General Meeting

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

Audit & Risk Committee Report

Amy Stirling
Chairman of the Audit & Risk Committee

Who is on the Audit & Risk Committee?

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

What we did in 2016

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

Received a whistleblowing and code of ethics update.

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

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

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

Reviewed the Terms of Reference for the Committee.

What we will do in 2017

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

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

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

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

Introduction

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

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

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

Committee members

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

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

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

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

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

Financial Reporting

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

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

Financial statement reporting issues

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

During the year the Committee has:

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

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

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

Going concern and longer term viability

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

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

Risk management and internal controls

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

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

Internal audit

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

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

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

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

External audit

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

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

Audit tendering

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

External auditor's effectiveness

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

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

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

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

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

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

Amy Stirling
Chairman, Audit & Risk Committee
25 May 2016

Nomination & Corporate Governance Committee Report

Tony DeNunzio
Chairman of the Nomination
& Corporate Governance Committee

Who is on the Nomination & Corporate Governance Committee?

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

What we did in 2016

Reviewed succession plans for executive appointments.

Considered and recommended to the Board a number of appointments including the appointment of Ian Kellett as Group Chief Executive Officer following the resignation of Nick Wood.

Reviewed the Board Evaluation and Effectiveness survey.

Considered Directors' conflicts of interest.

What we will do in 2017

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

Continue the recruitment of a replacement Chief Financial Officer and recommend an appointment to the Board.

Implement further reviews and assessment of succession planning.

Introduction

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

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

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

How the Committee discharged its responsibilities in FY16

Succession planning

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

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

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

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

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

Board evaluation and effectiveness

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

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

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

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

Diversity

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

Conflicts of interest

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

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

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

Tony DeNunzio
Chairman
Nomination & Corporate Governance Committee
25 May 2016

Remuneration Report

Paul Moody
Chairman of the Remuneration Committee

Who is on the Remuneration Committee?

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

What we did in 2016

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

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

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

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

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

What we will do in 2017

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

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

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

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

Review the remuneration for each of the Executive Management Team.

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

Introduction

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

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

Remuneration principles

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

Overview of the work of the Committee in FY16

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

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

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

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

Performance related pay

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

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

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

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

Remuneration proposals for FY17

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

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

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

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

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

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

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

Malus and clawback

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

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

Our colleagues

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

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

Chairman

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

Shareholder engagement

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

Yours faithfully

Paul Moody
Chairman of the Remuneration Committee
25 May 2016

Annual Report on Remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Long term incentives

Nick Wood tendered his resignation on 4 April 2016 and accordingly, in line with the early leaver provisions of the plan rules, up to 20% of his total Matching Award under the Co-Investment Plan will be eligible to vest on his leaving date of 1 July 2016, subject to EPS performance measured up to the end of FY16. Specifically, if EPS growth over the period from the FY14 base year to the end of FY16 (measured over the 52 week period) is:

- Below 10% per annum, none of the total Matching Award will vest;
- 10% p.a., 10% of the total Matching Award will vest;
- Between 10% p.a. and 17.5% p.a., between 10% and 20% of the total Matching Award will vest (on a straight-line basis); and
- Above 17.5% p.a., 20% of the total Matching Award will vest.

Diluted EPS on underlying trading for FY16 is 15.0p based on a profit after tax before exceptional items of £75,518,000 for the 52 week period. As a result, EPS growth over this period is 16.9% p.a. and as a result 19.2% of Nick Wood's Matching Award will vest on 1 July 2016.

This equates to 83,264 shares with a value of £218,152, based on the average share price over the last three months of the performance period being the period from 1 January to 31 March 2016 which was 262p.

c) Single total figure of remuneration for Non-Executive Directors for the year ended 31 March 2016

The following table sets out the total remuneration for Non-Executive Directors and the Chairman of the Board for the year ended 31 March 2016.

Director	Basic fees (£)	Additional fees (£)	Remuneration Committee Chairman (£)	Audit & Risk Committee Chair (£)	Nomination & Corporate Governance Committee Chairman (£)	Pets Before Profit/CSR Committee Chair (£)	Total single figure 2016 (£)[1]	Total single figure 2015 (£)
Tony DeNunzio	200,000	n/a	n/a	n/a	n/a	n/a	203,846	200,000
Dennis Millard	50,000	20,000[2]	3,846[3]	n/a	n/a	n/a	75,192	80,000
Brian Carroll	50,000	n/a	n/a	n/a	n/a	n/a	50,962	50,000
Paul Coby	50,000	n/a	n/a	n/a	n/a	n/a	50,962	50,000
Tessa Green	50,000	n/a	n/a	n/a	n/a	10,000	61,154	60,000
Amy Stirling	50,000	n/a	n/a	10,000	n/a	n/a	61,154	60,000
Paul Moody	50,000	n/a	6,154[4]	n/a	n/a	n/a	57,308	50,000

1 FY16 was a 53 week year and so the total single figure for FY16 contains the additional payment over and above the basic fees for the 53rd week.
2 The additional fee paid to Dennis Millard is in respect to his position as Deputy Chairman of the Board.
3 The fee paid to Dennis Millard as Chairman of the Remuneration Committee relates to the period from the commencement of the year 27 March 2015 until his resignation on 9 September 2015.
4 The fee paid to Paul Moody as Chairman of the Remuneration Committee relates to the period from his appointment on 9 September 2015 until the year ended 31 March 2016.

d) Scheme interests awarded during the financial year

No long term incentive awards were made to the Executive Directors during the financial year.

During the year, the Company repeated the Sharesave plan, providing eligible colleagues with an opportunity to receive share options at a 20% discount to the market price. The maximum monthly savings was doubled from £250 to £500 per month. The Executive Directors elected to participate in the Sharesave, along with 13% of eligible colleagues.

Annual Report on Remuneration continued

The Options are, in normal circumstances, not exercisable until completion of a three years savings period, beginning on 1 December 2015 and will then be exercisable for a period of six months. The exercise period will, therefore, in normal circumstances, be from 1 December 2018 to 31 May 2019.

The Options were granted in the following amounts:

Executive Director	Number of shares over which Sharesave Option was granted	Face value of shares over which Sharesave Option was granted (£)
Ian Kellett	3,913	9,000
Nick Wood	3,913	9,000

e) Payments for loss of office
No payments for loss of office were made during the financial year.

Leaving arrangements for Nick Wood
Nick Wood resigned from the Board with effect from 4 April 2016. To ensure a smooth transition and provide support to the new CEO, the intention is that he will remain with the Group in an advisory role until 1 July 2016.

All payments made to him in respect of FY16 are reported in the single figure of remuneration.

Nick Wood's service contract has a 12-month notice period and includes a provision for a termination payment in lieu of notice of up to 12 months' base salary and contractual benefits only. During the period of his notice that he is working full-time, Nick will continue to receive his current salary and contractual benefits. Upon leaving the Company's service on 1 July 2016, he will not be entitled to any further salary and contractual benefits for any period of notice which is remaining.

He will not be entitled to an annual bonus in respect of FY17.

Nick's Matching Award under the Co-Investment Plan will be treated in line with the early leaver provisions of the plan rules. Under these, time pro-rating is applied such that a maximum of 20% of Nick's Matching Award is eligible to vest, subject to the satisfaction of the EPS performance targets at the end of FY16. As set out on page 91, performance against these targets as at the end of FY16 was such that 19.2% of the total award will vest on Nick's leaving the Company's service being 1 July 2016.

f) Payments to past directors
No payments were made to past directors during the year.

g) Statement of Directors' shareholding and share interests
The Committee believes that colleague share ownership is an important means to support long term commitment to the Company and the alignment of colleague interests with those of shareholders.

The interests of the Executive Directors are closely aligned with those of other shareholders in this regard, through the operation of the Co-Investment Plan, which required participants to commit a significant amount of their IPO proceeds. This was a one off award.

Executive Directors are subject to a shareholding requirement of 200% of base salary, which should be built up over a period of five years. A similar policy applies to the Executive Management Team. The Committee reviews share ownership levels annually.

Current shareholding levels for Directors are set out in the table below.

Director	Shareholding requirement as a % of salary (Target – % achieved[1])	Number of shares: Shares owned outright at 31 March 2016	Interests in share incentive schemes, awarded without performance conditions at 31 March 2016	Interests in share incentive schemes, awarded subject to performance conditions at 31 March 2016	Shares owned outright at 26 March 2015
Nick Wood	200% (3384%)	5,505,571	10,341	433,673[2]	5,505,571
Ian Kellett	200% (2723%)	4,047,056	10,341	326,530	4,047,056
Tony DeNunzio	–	3,158,026	–	–	3,158,026
Dennis Millard	–	16,327	–	–	16,327
Brian Carroll	–	40,816	–	–	40,816
Paul Coby	–	4,082	–	–	4,082
Tessa Green	–	40,816	–	–	40,816
Amy Stirling	–	16,327	–	–	16,327
Paul Moody	–	27,470	–	–	27,470

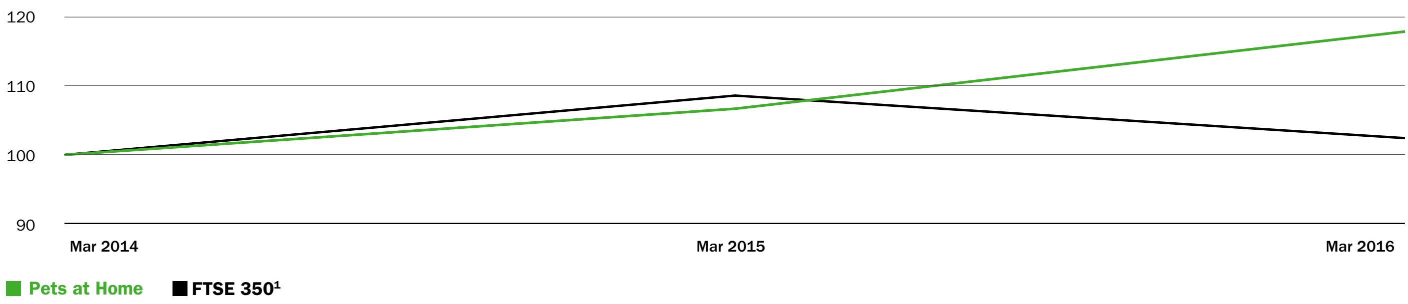
1 For the purposes of determining the target shareholding achieved, we have used the individual's salary, the closing share price as at 31 March 2016 (269.1 pence) and the shares owned outright at the same date.

2 Nick Wood tendered his resignation on 4 April 2016 and accordingly, his Matching Award under the Co-Investment Plan will be treated in line with the early leaver provisions of the plan rules. Under these, time pro-rating is applied such that a maximum of 20% of Nick's Matching Award is eligible to vest, subject to the satisfaction of the EPS performance targets. As set out on page 91, performance against these targets as at the end of FY16 was such that 19.2% of the total award will vest on Nick's leaving the service of the Company being 1 July 2016.

This represents the end of the audited section of the report.

h) TSR performance chart

The Company's shares were admitted to the premium listing segment of the Official List maintained by the UK Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities on 17 March 2014. The chart below shows performance from that date until the end of FY16. This disclosure will be expanded in subsequent years in line with the regulations.



1 The comparator group has been changed from the FTSE 250 index to the FTSE 350 since it is considered to present a more rounded picture of the performance of the UK listed market as a whole.

CEO	2009/10	2010/11	2011/12	2012/13	2013/14[1]	2014/15	2015/16
CEO single figure of remuneration	n/a	n/a	n/a	n/a	19,460	790,461	982,593[2]
Annual bonus payout (as % of maximum opportunity)	n/a	n/a	n/a	n/a	73%	75%	60%
Long term incentive vesting (as % of maximum opportunity)	n/a	n/a	n/a	n/a	n/a	n/a	96%[2]

1 In FY14, the single figure of remuneration relates to the period 17 March 2014 to 27 March 2014.

2 Under the early leaver provisions of the plan rules, Nick Wood received 19.2% of his total Matching Award under the Co-Investment Plan, as shown in the single figure table. Given that this included time pro rating, with performance against the performance conditions being at 96% of maximum, the latter is shown here and the value of £218,152 for the Matching Awards (as calculated under paragraph b above) is included in the single figure of remuneration.

Annual Report on Remuneration continued

i) Percentage change in remuneration of the Group CEO

The table below sets out the increase in total remuneration of the CEO and that of all colleagues:

	% change in base salary FY15 to FY16	% change in base salary FY15 to FY16	% change in benefits FY15 to FY16
Chief Executive	3	(17)%	0
All colleagues[1]	3	(8)%	0

1 All colleague information is presented by comparing the average colleague information in FY15 to the average colleague information in FY16.

j) Relative importance of the spend on pay

The following table shows the relationship between the Group's EBITDA, distributions to shareholders and the total remuneration paid to all colleagues.

	FY16 (£)	FY15 (£)
EBITDA[1]	127.4m	119.6m
Returned to shareholders:		
Dividend	27.9m	8.9m
Payments to colleagues:		
Wages & salaries	143.6m	122.5m

1 The Committee considers that EBITDA is an important KPI for the Company and provides shareholders with additional context as to how the business has performed financially in the last two years. The figures for FY16 are based on a 53 week period to 31 March 2016 and the figures for FY15 are based on a 52 week period to 26 March 2015.

k) Dilution limits

In accordance with the ABI Guidelines, the Company can satisfy awards under its colleague share plans with new issue shares up to maximum of 10% of its issued share capital in a rolling ten year period and within this 10% limit, the Company can only issue 5% of its issued share capital to satisfy awards under discretionary plans.

l) External appointments

Executive Directors are entitled to accept one external appointment outside the Company with the consent of the Board. Any fees received may be retained by the Director.

As at the date of this report, neither of the Executive Directors held an external appointment for which they receive a fee.

m) Non-Executive Directors – letters of appointment

A summary of the Non-Executive Directors' letters of appointment is contained on page 105 of the Policy contained in the Appendix. Each of the Non-Executive's letters of appointment expires on 17 February 2017 apart from Paul Moody whose letter of appointment expires on 24 March 2017.

Statement of implementation for FY17

This section provides an overview of how the Committee is proposing to implement our Policy in FY17.

Base salary

As previously disclosed, to reflect his promotion to the role of Group CEO, Ian Kellett will receive a salary of £475,000, effective 4 April 2016. The Committee considers that this is appropriate given the significantly increased scope of his responsibilities at this time, and taking into account a number of internal and external factors, including consistency with pay principles applied to the rest of the organisation.

Nick Wood resigned from his position on the Board as Group CEO with effect from 4 April 2016. His salary for the period of FY17 up to this date was £437,750 (paid on a pro rata basis for the period from 1 April 2016 to 4 April 2016).

Benefits

The Committee sets benefits in line with the policy set out on page 98 of the Appendix. There are no changes proposed to the benefit framework in FY17.

Pensions

There is no increase proposed to salary supplement levels for the Executive Directors in FY17. The table below shows salary supplements for FY17.

Executive Director	% of salary
Ian Kellett	9%

Annual bonus

The maximum annual bonus opportunity for Executive Directors in respect of FY17 will remain at 100% of base salary.

The annual bonus framework will be in line with that presented in the policy table on page 98. As highlighted in the Chairman's letter, during the year the Committee reviewed the annual bonus framework for FY16, with a view to ensuring that it remains appropriate for the business.

The Committee considers that it is appropriate at this time to retain the framework that was put in place for FY16, so for FY17 the annual bonus will continue to be based on EBITDA (75%) and free cash flow (25%).

Although the targets remain commercially sensitive at this time, we will provide shareholders with full disclosure of the EBITDA and free cash flow targets in next year's report.

As for FY16, the annual bonus will be subject to clawback provisions. This provides the Committee with the ability to take back amounts previously paid out for a period of up to two years under certain circumstances, including misstatement and misconduct.

Long term incentive awards

It is proposed that PSP awards will be made in June 2016 at 125% of salary for Executive Directors (with the first portion of the award granted under the CSOP, as set out in our Policy):

For 2016 awards, performance will be based on EPS (75% of the award) and TSR (25% of the award):

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

The Committee considers that the performance measures are fully aligned with our strategy. The Committee has set the targets to be appropriately stretching, with regard to a number of internal and external reference points, and considers that delivery of these targets should create sustainable value creation for shareholders.

Unvested and unexercised awards are subject to malus and clawback in case of misconduct or misstatement.

Annual Report on Remuneration continued

Sharesave
The Company intends to operate the Sharesave scheme again for FY17. The maximum monthly savings will be retained at £500 per month. Executive Directors are eligible to participate.

Non-Executive Director remuneration
The table below shows the Non-Executive Director fee structure for 2016/17:

	2016/17
Chairman of the Board (all-inclusive fee)	£200,000
Basic Non-Executive Director fee	£50,000
Board Committee Chairman fee	£10,000
Deputy Chairman	£20,000

There are no fees paid for membership of Board Committees.

The Remuneration Committee
Shareholder context for the Committee's activities
During the year, the Committee received independent advice on executive remuneration matters from Deloitte LLP ("Deloitte").

Deloitte is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee has reviewed the advice provided by Deloitte during the year and is comfortable that it has been objective and independent. Total fees received by Deloitte in relation to the remuneration advice provided to the Committee during FY16 amounted to £29,350, excluding VAT, based on the required time commitment.

In addition, other practices at Deloitte, separate from the executive remuneration practice, have provided general tax advice to the Group during the year.

During FY16 the Committee also received support from Travers Smith LLP on the terms of the discretionary and all colleague share plans.

Committee membership and meetings
The Directors listed below in the table served on the Committee during the year. The Committee met five times during FY16 and the Committee members' attendance is also shown in the table below.

Member	Period from:	To:	Meetings attended
Paul Moody (Chairman)	27 March 2015	To date	5
Dennis Millard	27 March 2015	To date	5
Tessa Green	27 March 2015	To date	5
Amy Stirling	27 March 2015	To date	5

The individuals listed in the table below, none of whom were Committee members, attended at least part of the meeting by invitation during the year.

Attendee	Position
Tony DeNunzio	Chairman of the Board
Brian Carroll	Non-Executive Director
Paul Coby	Non-Executive Director
Nick Wood	Group CEO
Ian Kellett	CFO and CEO of Retail
Nicolas Gheysens	Board Observer
Louise Stonier	Group Company Secretary and Legal Director

None of the individuals attended part of any meeting in which their own compensation was discussed.

Directors’ Remuneration Policy

Governance

The Board and the Committee consider that, throughout FY16 and up to the date of this report, the Company has complied with the provisions of the UK Corporate Governance Code relating to Directors’ remuneration.

Shareholder voting

At the Annual General Meeting on 9 September 2015, the total number of shares in issue with voting rights was 500,000,000. The resolution to approve the Remuneration Policy and the Remuneration Report received the following votes from shareholders:

Ordinary resolutions	Votes for[1]	%[2]	Votes against	%	Votes total	% of ISC[3]	Votes withheld[4]
To approve the Directors’ Remuneration Report for the year ended 26 March 2015	396,348,408	99.88	460,066	0.12	396,808,474	79.36	176,710

Notes
1 Votes “for” include discretionary votes.
2 Percentages above are rounded to two decimal places.
3 Issued share capital at meeting date: 500,000,000.
4 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes “for” and “against” a resolution.

Annual General Meeting

As set out in my statement on page 88, our Annual Report on Remuneration will be subject to an advisory vote at our AGM to be held on 14 September 2016.

On behalf of the Board

Paul Moody
Chairman of the Remuneration Committee
25 May 2016

Directors' Remuneration Policy continued

a) Policy Report

The following section on pages 98 to 107 sets out our Directors' Remuneration Policy, in accordance with section 439A of the Companies Act 2006. This Policy was approved by shareholders at our AGM on 9 September 2014 and applies from that date. It is currently intended that the Policy will apply for three years.

Overall remuneration is structured and set at levels to enable the recruitment and retention of high calibre executives and encourage them to enhance the Company's performance, in a responsible manner, in line with the business's strategy and shareholders' interests.

A significant portion of the package is performance related. Remuneration has been set taking into account practice within the FTSE 250 and practice at other retail companies.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Fixed elements – base salary		
Core element of remuneration, recognising the role and responsibilities of the role.	• Paid in cash and are pensionable. • The Committee takes into consideration a number of factors when setting salaries, including (but not limited to): – Size and scope of the individual's responsibilities; – The individual's skills, experience and performance; – Typical salary levels for comparable roles within appropriate pay comparators including practice for retail companies and the broader FTSE 250; and – Pay and conditions elsewhere in the Group. • In FY15, basic salaries will be reviewed at the June Remuneration Committee meeting. Subsequent reviews will take place annually at the March Remuneration Committee annually thereafter. Any change will usually be effective from the first period of the following financial year.	• Whilst there is no maximum salary level, any increases will normally be broadly in line with the wider colleague population within the relevant geographic area. • Higher increases may be made under certain circumstances, at the Committee's discretion. For example, this may include: – Increase in the scope and/or responsibility of the individual's role; and – Development of the individual within the role. • Annual base salaries for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – benefits		
To provide colleagues with market competitive benefits.	• The Company provides a range of benefits, which may include: – a company car (or cash equivalent) – life assurance – permanent health insurance – private medical insurance. • These benefits are not pensionable. • Other benefits may be considered by the Committee, if considered appropriate. • The Company may also meet certain mobility costs, such as relocation support, expatriate allowances, temporary living and transportation expenses, in line with the prevailing mobility policy and practice for other senior executives. • Executive Directors are eligible to participate in any tax-approved all colleague share plans operated by the Company on the same basis as other eligible colleagues. Whilst it does not currently operate such a plan, the Company intends to introduce a Sharesave scheme during the term of this Policy.	• The cost to the Company of providing other benefits may vary depending on, for example, market practice and the cost of insuring certain benefits. • The Committee keeps the level of benefit provision under regular review. • Details of current benefit provision for the Executive Directors are set out in Part 3(a) of this report.
Fixed elements – pensions		
To provide colleagues with an allowance for retirement planning.	• Pension contributions are made to either the Group Pension Plan, to personal pension schemes or cash allowances in lieu of contributions are paid.	• The contribution level for an individual Executive Director is capped at 9% of base salary per annum for employer contributions. • Details of current pension provision for the Executive Directors are set out in Part 3(a) of this report.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Short term elements – annual bonus		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy.	• Delivery will normally be in cash and is not pensionable. • Performance measures are set annually and pay-out levels are determined by the Committee after the year-end, based on performance against those targets during the relevant financial year. • Each year, the Committee determines the measures and weightings within the following parameters: – At least 75% of the annual bonus will be based on financial performance measures; and – No more than 25% of the annual bonus will be based on performance against non-financial measures, including for example, individual and strategic objectives. • The Committee ensures that targets are appropriately stretching in the context of the business plan and that there is an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to deliver specific non-financial goals. This balance allows the Committee to effectively reward performance against the key elements of our strategy. • The Company may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. • There is no provision for recovery.	• The maximum bonus opportunity is 100% of base salary. • 20% is payable for threshold performance

Long term incentives – overview

At the time of IPO, the Committee wished to put in place long term incentive arrangements which would provide for the continued alignment of Executive Directors with our shareholders. As such, the Committee approved three long term incentive plans: the Co-Investment Plan ("CIP"), the Performance Share Plan ("PSP") and the Company Share Option Plan ("CSOP").

- **CIP** – a one-off arrangement, tailored to our post-IPO position. It requires Executive Directors to make a significant personal investment in order to be eligible to receive a Company match providing that stretching performance conditions are reached. Awards were made on IPO and there is no intention to make any further awards to current Executive Directors under the Plan.
- **PSP** – intended to be our regular, ongoing long term incentive plan in future years. Given that Executive Directors were made awards under the CIP in 2014, there is no intention for current Executive Directors to receive awards under the PSP until 2016.
- **CSOP** – for Executive Directors, this plan is used to allow the Company and participant to benefit from HMRC-approved option tax treatment in respect of the initial part of a PSP award (currently up to £30,000). As such, in line with the PSP above, it is not intended for current Executive Directors to receive awards under the CSOP until 2016.

Directors' Remuneration Policy continued

In addition, the Committee intend to introduce a Sharesave plan during the term of this Policy, in which all colleagues will be eligible to participate (including Executive Directors).

Although we do not intend to make any further awards under the CIP to current Executive Directors following IPO, we have provided details of the Plan in the Policy Table below for clarity. No individual will be eligible to receive two awards under the CIP. The Committee may consider granting a new Executive Director a CIP award if it considers it to be appropriate to promote alignment across the executive team.

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long term elements – Co-Investment Plan ("CIP")[1]		
To promote continued alignment between Executive Directors and shareholders in the years following IPO. Current Executive Directors will not receive any further awards under the CIP.	• Matching Awards vest after three, four and five years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any Matching Awards which vest, which would have been paid during the vesting period. • The performance measures under the CIP are: – 75% EPS growth – to reflect the financial performance of our business and a direct and focused measure of Company success. 10% of the total Marching Award will vest for EPS growth of 10% per annum, rising to 75% of the total Matching Award will vest for EPS growth of 17.5% per annum. – 25% Relative TSR against the UK General Retail Index – a measure of the ultimate delivery of shareholder returns, promoting alignment between Executive Director remuneration and the shareholder experience. 6.25% of the total Marching Award will vest for median TSR performance against the Index, and 25% of the total Matching Award will vest for upper quartile TSR performance against the Index. • The Committee considers that the performance measures are fully aligned with our corporate strategy. The Committee has set the targets to be appropriately stretching, with regard to a number of internal and external reference points, and considers that delivery of these targets should create sustainable value creation for shareholders. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the Remuneration Report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • Invested shares may also be forfeited in case of fraud, misconduct or negligence. • Under the terms of CIP, the treatment of leavers depends on the length of the period between grant and cessation with Invested Shares being forfeited in the event of Early Leavers. See page 104 for further details.	• Executive Directors invested 250% of base salary in the CIP at IPO (Invested Shares) • Subject to performance, Invested Shares may be eligible for up to a 1:1 Company match on this amount (Matching Award).

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Long term elements – Performance Share Plan ("PSP")[1]		
To incentivise the delivery of our business plan on an annual basis. To reward performance against key performance indicators which are critical to the delivery of our business strategy. The intention is that current Executive Directors will not receive awards under the PSP until 2016.	• Awards vest after three years, subject to achievement of performance conditions. • Additional shares (or cash) may be awarded in lieu of dividends on any shares which vest, which would have been paid during the vesting period. • Share awards are normally made in the form of conditional share awards, but may be awarded in other forms if appropriate (such as nil cost options). The plan rules specify that awards may also be satisfied in cash although this is unlikely to apply to Directors. • The ultimate goal of the Company's strategy is to provide long term sustainable returns to shareholders. The Committee strives to do this by aligning the performance measures under the PSP with the long term strategy of the Company and considers that strong performance under the chosen measures should result in sustainable value creation: – Financial measure – to reflect the financial performance of our business and a direct and focused measure of Company success. The Committee sets targets to be appropriately stretching, with regard to a number of internal and external reference points. – Share price performance measure – a measure of the ultimate delivery of shareholder returns. This promotes alignment between Executive Director reward and the shareholder experience. Targets are set with reference to wider market practice and positioned at a level which the Committee considers represent stretching performance. • The Committee sets targets each year, achievement of which it considers would represent stretching performance in the context of the business plan. • Normally the weighting would be split equally across these two measures, although the Committee may vary this as appropriate to reflect strategic priorities. • For 'threshold' levels of performance, 25% of the maximum award vests, increasing to 100% of the award for maximum performance. • The plan rules also stipulate that the Committee may amend the performance measures or targets in exceptional circumstances, where it considers that they are no longer appropriate. If this discretion was used, we would consult with our major shareholders and the rationale would be clearly explained in the Remuneration Report. • Unvested and unexercised awards are subject to malus in case of misconduct or misstatement. • The Committee may at its discretion structure awards as Approved Company Share Option Plan ("CSOP") awards. CSOP awards enable the participant and Company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. CSOP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a "linked award" to fund the exercise price of the approved option, or as an approved option and a PSP award, with the vesting of the PSP award scaled back to take account of any gain made on exercise of the approved option.	• The maximum award opportunity under the PSP is normally 150% of base salary (or 200% of salary in circumstances which the Committee considers to be exceptional).
SAYE[1]		
An all-colleague plan, which encourages long term shareholding and to align the interests of UK colleagues with shareholders. Executive Directors are eligible to participate.	• SAYE is a HMRC-approved scheme where eligible colleagues are granted savings-related share options to subscribe for ordinary shares in the Company. It is intended that the plan will be implemented during 2014. • Options are granted to be exercisable in conjunction with either a three-year or five-year savings contract with a monthly savings limit of £500. • Options are normally granted at a discount of 20% to market price at the time of invitation. • There are no performance measures attached to awards under the SAYE.	• The market value of the shares under option at the date of maturity of the Sharesave savings contract, less the grant price of the option at the contract start date.

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

Directors' Remuneration Policy continued

b) Chairman and Non-Executive Director remuneration policy

Purpose and link to strategy	Operation and performance measurement	Maximum opportunity
Overall remuneration		
To attract and retain high calibre individuals by offering market competitive fee arrangements.	• Non-Executive Directors receive a basic fee in respect of their Board duties. • Further fees are paid to Non-Executive Directors in respect of Deputy Chairman of the Board and/or chairmanship of Board committees. • The Non-Executive Chairman receives an all-inclusive fee for the role. • The remuneration of the Non-Executive Chairman is set by the Remuneration Committee, whilst the Board as a whole is responsible for determining Non-Executive Director fees. These fees are the sole element of Non-Executive remuneration and they are not eligible for incentive awards, pensions or other benefits. • Fees are typically reviewed annually. • Expenses incurred in the performance of Non-Executive duties for the Company may be reimbursed or paid for directly by the Company, as appropriate, including any tax due on the benefits.	• Current fee levels can be found on page 91. • Fees are set at a level which is considered appropriate to attract and retain the calibre of individual required by the Company. • The Company's Articles of Association provide that the total aggregate remuneration paid to the Non-Executive Chairman and the NED's will be within the limits set by shareholders.

Legacy matters

The Committee will honour remuneration related commitments to current and former Executive Directors (including the exercise of any discretions available to the Committee in relation to such commitments) where the terms were agreed prior to the approval and implementation of the Remuneration Policy detailed in this report (provided that, in the opinion of the Committee, the payment was not in consideration for the individual becoming an Executive Director of the Company).

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Remuneration arrangements throughout the Company

The Remuneration Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Company.

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

- **Performance driven** – The Company intentionally places significant focus on variable remuneration, ensuring that a meaningful proportion of remuneration is based on performance. Performance targets are typically aligned with those of the Executive Directors. As a result, individuals are incentivised towards consistent financial and non-financial business goals and objectives, in addition to appropriate individual goals.
- **Colleagues as shareholders** – The Committee intends to put in place a Sharesave plan during the term of this Policy, to allow our wider colleague population to build up a shareholding in the Company. In addition, under the terms of our IPO, colleagues were permitted to buy shares in our IPO and over 2,700 colleagues took up this opportunity.

c) Recruitment policy

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

Element	Policy and operation
Overall	• The Committee's approach when considering the overall remuneration arrangements in the recruitment of a member of the Board from an external party is to take account of the Executive Director's remuneration package in their prior role, the market positioning of the remuneration package, and to not pay more than necessary to facilitate the recruitment of the individual. • Where an Executive Director is appointed from within the business, in addition to considering the matters detailed above for external candidates, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions.
Fixed elements (Base salary, benefits and other benefits)	• We recognise that salary levels drive other elements of the package and would therefore seek to pay a salary which is competitive, but no more than necessary to secure the individual. • The Executive Director would be eligible to participate in our benefit and pension plans, including coverage under all Executive Director and colleague pension and benefit programmes in accordance with the terms and conditions of such plans, as may be amended by the Company from time to time. • The Company may meet certain mobility costs, including relocation support, expatriate allowances, temporary living and transportation expenses in line with the prevailing mobility policy and practice for senior executives.
Short term incentives	• The individual will be eligible to participate in the annual bonus plan, in accordance with the rules and terms of the plan in operation at the time. • The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 100% of base salary).
Long term incentives	• The individual will be eligible to participate in the Performance Share Plan (and the associated Company Share Option Plan), in accordance with the rules and terms of the plan in operation at the time. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. 200% of base salary). • Alternatively, whilst not currently envisaged at this time, the Committee may consider the individual eligible to participate in the Co-Investment Plan, which would operate under the same terms as for current participants. The maximum level of opportunity will be no greater than that set out in the Policy Table above (i.e. a maximum Matching Award of 250% of base salary), and would be pro-rated to reflect the length of the performance period which the individual was due to serve.
Buy-out awards	• The Committee will consider what buy-out awards (if any) are reasonably necessary to facilitate the recruitment of a new Executive Director in all circumstances. This includes an assessment of the awards which would be forfeited on leaving their current employer. • The Committee will seek to structure any buy-out awards such that overall they are no more generous in terms of quantum or vesting period than the awards due to be forfeited. • In determining the quantum and structure of these commitments, the Committee will seek to provide broadly equivalent value and replicate, as far as practicable, the timing and performance requirements of the awards forfeited. • Buy-out awards, if used, will be granted using the Company's existing long term incentive plans to the extent possible, although awards may also be granted outside of this plan if necessary and as permitted under the Listing Rules. • In the case of an internal hire, any outstanding awards made in relation to the previous role will be allowed to pay out according to their original terms. • If promotion is part way through the year, an additional top-up award may be made to bring the Executive Director's opportunity to a level that is appropriate in the circumstances.

d) Service contracts and loss of office arrangements

The Committee's policy on service contracts and termination arrangements for Executive Directors is set out below. On principle, it is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of a loss of office is to take account of the individual circumstances including the reason for the loss of office, Company and individual performance, contractual obligations of both parties as well as share plan and pension scheme rules.

Directors' Remuneration Policy continued

The key employment terms and conditions of the current Executive Directors, as stipulated in their service contracts, are set out below:

Area	Policy
Notice period	• The service contracts for Nick Wood and Ian Kellett provide for a notice period from both the Company and the individual of 12 months for Nick Wood, and six months for Ian Kellett. • New Executive Directors will be appointed on service contracts that have a notice period of not more than 12 months for both the Company and the individual. • The Committee considers this policy provides an appropriate balance between the need to retain the services of key individuals for the benefit of the business and the need to limit the potential liabilities of the Company in the event of termination.
Contractual payments	• Executive Directors' service contracts allow for termination with contractual notice from the Company or termination by way of payment in lieu of notice ("PILON"), at the Company's discretion. Payment in lieu of notice would be made where circumstances dictate that the Executive Directors' services are not required for their full notice period. • Neither notice nor PILON will be given in the event of gross misconduct. • Payment in lieu of notice will be limited to base salary and contractual benefits for the relevant notice period. • There is no contractual entitlement to a payment under the annual bonus in respect of the notice period. • Service contracts allow for mitigation if the individual finds alternative employment.
Short term incentives	• The Committee's policy is not to award an annual incentive for any portion of the notice period not served. • Where an Executive Director leaves office after the end of a performance year but before the payment is made, the executive will remain eligible for an annual bonus for that performance year, subject to the normal assessment of performance achieved over the period. • Where an Executive Director leaves office during a performance year, any bonus would be at the Committee's absolute discretion and would take into account performance and the time served during the period. • No bonus will be paid in the event of gross misconduct.
Long term incentives	The treatment of unvested long term incentive awards is governed by the rules of the relevant incentive plan. **CIP** Treatment under the CIP is dependent on the period elapsed since the IPO. a) Within the first 24 months following admission – Where an individual with a six month notice period voluntarily resigns less than 18 months following the date of admission, they will forfeit their Invested Shares and their Matching Awards. b) Between 24 months and 36 months following admission – Where an individual with a six month notice period voluntarily resigns between 18 months and 30 months following the date of admission (and completes at least two years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and may retain a portion of their Matching Award subject to achievement of performance targets measured over the first two years of the performance period. c) On or after 36 months following admission – Where an individual with a six month notice period voluntarily resigns on or after 30 months following the date of admission (and completes at least three years' service by working his notice period or being put on garden leave, or would have done so but is given PILON), they will retain their Invested Shares and, if a good leaver (defined as under the PSP) also their Matching Award, unless the Committee determines otherwise. Any participant who is dismissed for reasons of fraud or negligence will forfeit their Invested Shares and Matching Awards in full. **PSP** • Under the PSP, the default position is for unvested awards to lapse upon a loss of office event. • Where an individual is determined to be a "good" leaver (which includes for reasons of death, illness, injury, disability, retirement or any other reason at the discretion of the Committee) the Committee may allow unvested awards to subsist until the relevant vesting date, subject to satisfaction of the performance conditions and pro-rated for time served. • Alternatively, the Committee may, at its discretion, allow awards to vest at an earlier date, having regard to the achievement of performance conditions to that date and the period of time that has passed since the date of grant. The Committee may choose to apply no reduction in the amount vesting if it is considered appropriate given the particular circumstances.
Change in control	• The Committee's policy is that service contracts should not provide for additional compensation on severance as a result of a change in control. • Under the PSP, the Committee will determine whether and to what extent awards shall vest, taking into account all relevant factors including Company performance, the period of time elapsed since the date of grant and the interests of our shareholders. • Under the CIP, participants will be eligible to retain their full Invested Shares and all restrictions on them will be lifted. The Committee will determine whether and to what extent Matching Awards shall vest, taking into account Company performance, and the period of time elapsed since the date of grant.

External appointments

Executive Directors are permitted to hold an external appointment with the prior consent of the Board. Any fees may be retained by the individual.

Chairman and Non-Executive Directors

The Non-Executive Directors, including the Chairman of the Board, have letters of appointment which set out their duties and responsibilities. They do not have service contracts.

The key terms of the appointments are set out in the table below:

Provision	Policy
Period	• Initially appointed for a period of three years, subject to annual review and notice. • In line with the UK Code, all Directors will seek annual re-appointment by shareholders at the AGM.
Loss of office	• Three months' notice by either the Company or the Non-Executive Director. • Non-Executive Directors and the Chairman of the Board are not entitled to compensation on leaving the Board.
Fees	• As set out on page 96.
Expiry of current term	• See page 94 for details of the expiry of the current term of Non-Executive Directors' letters of appointment.

Availability of documentation

Service contracts and letters of appointment for all Directors are available for inspection by any person at our registered office in Handforth, Cheshire. They will also be available for inspection during the 30 minutes prior to the start of our AGM to be held in Manchester on 9 September 2014.

e) Illustration of the Remuneration Policy

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

The charts below provide illustrative values of the remuneration package for Executive Directors under three assumed performance scenarios.

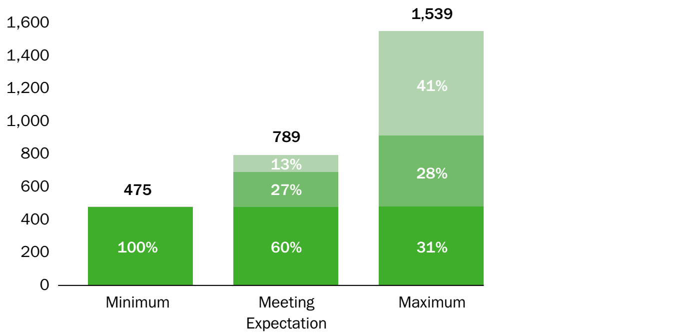
Scenario	Assumptions
Fixed pay	
All performance scenarios	• Consists of total fixed pay, including base salary, benefits and pension. – Base salary – salary effective as at 17 March 2014. – Benefits – amount estimated to be received by each Executive Director in 2014/15. – Pension – salary supplement effective as at 17 March 2014.
Variable pay	
Minimum performance	• No payout under the annual bonus. • No vesting under the Performance Share Plan.
On-target performance	• 50% of the maximum pay-out under the annual bonus (i.e. 50% of salary). • 16% vesting under the Performance Share Plan (i.e. 24% of salary).
Maximum performance	• 100% of the maximum pay-out under the annual bonus (i.e. 100% of salary). • 100% vesting under the Performance Share Plan (i.e. 150% of salary).

Notes
- The Co-Investment Plan has not been included in the scenarios shown, as this plan is not intended to be an ongoing remuneration element under our Policy.
- Under the PSP, the normal maximum limit of 150% of salary has been shown, rather than the exceptional limit of 200% of salary.
- All-colleague share plans have been excluded.
- Any legacy awards which Executive Directors hold have been excluded.

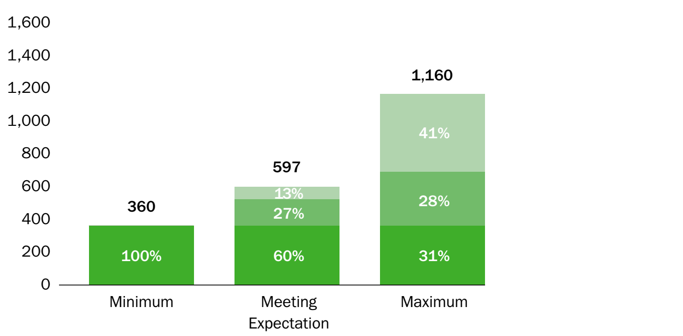
Directors' Remuneration Policy continued

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

Chief Executive – Nick Wood



Chief Financial Officer – Ian Kellett



Fixed pay   Annual bonus   PSP

	Chief Executive	Chief Financial Officer
Base salary	£425,000	£320,000
Benefits	£11,500	£11,500
Pension	£38,250	£28,800
Total fixed pay	£474,750	£360,300

f) Consideration of conditions elsewhere in the Company

As per the Committee's terms of reference, we also review the pay and conditions of colleagues at levels below the Executive Directors. This includes approving the design of, and determining targets for any performance related pay schemes such as the bonus scheme operated by the Company and approving the total annual payments made under such schemes. The Committee is also consulted concerning any major changes in colleague benefit structures throughout the Group.

The remuneration package for all colleagues (including the Executive Directors) is reviewed on an annual basis and a consistent approach is applied at all levels. As part of the annual salary and benefits review, the Company takes into account industry standards, future legislative framework (including the national minimum wage) and the financial and economic environment of the Group both internally and externally. The annual salary and benefits review is presented to the Committee with recommendations on remuneration throughout the colleague base, including a proposed salary increase to be applied to all colleagues' wages, including the Executive Directors. As such, the Committee has regard to this Group-wide annual review process when setting its Remuneration Policy for Executive Directors.

Whilst our colleagues are not directly consulted as part of the process of determining pay, the output from colleague surveys, including our internal "We're All Ears" survey, is considered when carrying out the annual salary and benefits review.

A significant number of our colleagues are also shareholders and so are able to express their views in the same way as other shareholders.

g) Consideration of shareholder views

Although we have only recently become a public listed company, the Committee recognises the importance of building a good relationship with our new shareholders. This reflects our commitment to follow the highest standards of practice in relation to remuneration and governance at Pets at Home.

In reviewing the remuneration arrangements which were put in place at the time of our IPO, the Committee evaluated current best practice in the listed environment. In particular, the Committee was keen to promote alignment, motivate our executive team and retain key talent to drive our business strategy. Our aim was to adopt a remuneration framework which would drive achievement of our corporate goals, whilst providing shareholders with comfort that it was appropriate, justified and did not encourage unacceptable risk management behaviour.

We will continue to monitor shareholder views when evaluating and setting ongoing remuneration strategy, and we commit to consulting with shareholders prior to any significant changes to our Remuneration Policy.

h) Minor amendments

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.