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Pets at Home Group Plc: Preliminary Results FY15

Building on success - Delivering across all strategic pillars

Pets at Home Group Plc, the UK's leading specialist retailer of pet food, accessories and services, today announces its preliminary results for the 52 week period to 26th March 2015.

Financial highlights

- Total revenue growth of 9.6% to £729.1m
  - Merchandise revenues grew 8.3% on the prior year; Food revenues up 9.8% and Accessories revenues up 6.6%
  - Services revenues grew 25.2% on the prior year; fee income from Joint Venture veterinary practices up 30.7%
- Like-for-like revenue growth 4.2%, driven by strength in Advanced Nutrition, Health & Hygiene, VIP Club, Services and Omni-channel
  - Merchandise like-for-like revenue growth 3.7%
  - Services like-for-like revenue growth 10.7%
- Gross margin 54.2%, +40bps on the prior year
- Underlying EBITDA* £121.3m, up 9.6%, margin of 16.6%
- Profit before tax £87.0m, basic EPS 13.5 pence
- Underlying free cashflow** £92.8m, conversion 77% and leverage 1.6x net debt/underlying EBITDA
- Total dividend payable for FY15 of 5.4 pence per share, payout ratio of 40%

Operational highlights

- Building customer offering and loyalty across multiple platforms
  - VIP Club reached 3.2m members, up from 2.0m in FY14. Card swipe rate at store tills represented 65% of revenues in Q4, compared with 61% during Q3 FY15
  - In Advanced Nutrition, our flagship private label Wainwright's, grew 44.1% to £40.1m
- Increasing scale through new openings
  - 25 stores (gross), 61 veterinary practices, 50 Groom Rooms

Evolution to a new divisional Group structure

- Ian Kellett appointed CEO of newly created Retail Division
- Sally Hopson appointed CEO of newly created Services Division

Nick Wood, Chief Executive Officer, commented:

"I am delighted to announce another year of progress as we continue to deliver on our targets for growth, with strong cash flows allowing us to deliver a dividend payment at the top end of our commitment.

We have seen excellent progress in Advanced Nutrition, a product area that benefits significantly from the specialist knowledge of our highly-trained colleagues and where we have a strong market presence through our private brand, Wainwright's. We have also seen excellent growth in pet services as we roll-out new vet practices and groom rooms and the existing estate continues to mature. I am particularly proud of our colleagues whose passion for pets mirrors that of our customers and helps to keep our focus firmly on customer engagement.

With our business growing strongly, we have decided that now is the right time to implement a new divisional structure to drive performance further. It's a sign of our strength that we have two people of the calibre of Ian Kellett and Sally Hopson to take responsibility for our Retail and Services Divisions, as we look forward to another year of expansion and profitable growth."

Outlook

Management and the Board are confident in the Group's prospects for the year. Looking ahead, we believe we will continue to grow our sales, stores, vet and grooming services ahead of the growth in the UK pet market.

Trading to date in the first quarter of FY16 has been in line with expectations.

FY16 guidance

- Rollout: 20-25 Pets at Home stores, 5 Barkers stores, 50-55 vet practices, 55-60 Groom Rooms
- Depreciation and amortisation £26-27m
- Underlying net interest cost £5.5-6.0m. Exceptional charge of £4.3m associated with capitalised fees from previous finance facility
- Effective tax rate 21%
- Capital investment approximately £40m
- Dividend policy at 40% of earnings

Results presentation

A presentation for analysts and investors will be held today at 9.30am at Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BB, attendance is by invitation only. An audio webcast and statement of these results will be available at http://investors.petsathome.com

** Underlying EBITDA excludes £1.7m of IFRS2 share based payments*
*** Underlying free cashflow: excludes £1.7m of IFRS2 share based payment charges and £25.2m of trade payables movement related to the IPO*

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About Pets at Home

Pets at Home Group Plc is the UK's leading specialist pet omnichannel retailer and services provider. Pets at Home operates from 400 stores located across the UK. The Group operates the UK's largest small animal veterinary business with 338 practices, run principally under a Joint Venture model using the Companion Care and Vets4Pets brand names, and a specialist referral vet hospital. Pets at Home is the UK's leading operator of pet grooming services offered through its 179 Groom Room salons. The Group also owns and operates Ride-away, a specialist equine retail business with a York superstore, website and catalogue. For more information visit: http://investors.petsathome.com/

Disclaimer

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

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

Chief Executive Officer's Review

Operational Highlights

ROLLOUT		FY15	FY14
Stores	Number of stores in period	400[1]	377
	New stores (gross)	25	32[2]
Vets	Number of vet practices (total)	338	277
	Of which Joint Venture practices	329	267
	Of which wholly owned Group Venture practices	9	10
	Number of standalone vet practices	127	119
	Number of in-store vet practices	211	158
	% of stores with vet	53%	42%
	New vet practices in period (total)	61	69
	New standalone vet practices	8	22
	New in-store vet practices	53	47
	Of which retrofits	32	18
Groomers	Number of groomers	179	129
	% of stores with groomer	44%	34%
	New groomers in period	50	42
	Of which retrofits	26	11
VIP CLUB			
	VIP Club members (m)	3.2	2.0
	VIP swipe as % revenue[3]	65%	52%
COLLEAGUES			
	Retention rate	81%	81%
PRODUCT			
	Proportion of product SKUs refreshed	44%	41%

1 Store portfolio net of 25 new stores, one permanent closure in the period and one temporary closure of Rugby, which will relocate in H1 FY16
2 Includes one new format store, Barkers
3 Represents swipe rate of store-only transactions in the final quarter of the financial year

Strategic Update

Market review*

The UK pet market has continued to outperform the general retail market, growing at a CAGR of 3.5% since 2012, to reach a value of £6.1bn in 2014. The strongest segments of growth were Advanced Nutrition, food treats, grooming and veterinary services. The transition of the market to online has been consistent with our expectations, with participation increasing by less than one percentage point each year, reaching 8.6% of the pet market in 2014. The growth of Click & Collect, which represented 6% of all online pet market revenues in 2014, has continued to outpace home delivery and is an area we are uniquely placed to capitalise upon with our store network. We have also taken share across all major segments of the market, including Advanced Nutrition, accessories, vet services and grooming. Our market share within Advanced Nutrition, which reached 53% in 2014, has been achieved through our actions to accelerate market growth, as well as share gains from competitors.

**Market data sourced from OC&C Strategy Consultants*

Expanding like-for-like growth

VIP club

Our loyalty scheme, VIP club, is a key underpin to like-for-like growth and customer engagement. Analysing our customers' spend, combined with our knowledge of their pet type, breed and age, allows us to send personalised marketing offers across both Merchandise products and Services to grow our share of spend with these customers.

VIP club reached 3.2 million members at year end, adding 1.2 million members during the year, and has over 10.5 million pets registered. VIP card swipe rate represented 65% of revenues captured on store tills in the final quarter of FY15, compared with 52% at the end of FY14. Although the scheme is still immature, we are seeing that VIP members spend more with us the longer they are a VIP member.

Encouraging VIP members' participation in vet and grooming services is a significant opportunity through which we can grow incremental sales. As part of this strategy, we successfully launched the VIP Groom Room Rewards programme during the year, where new VIPs receive a 25% discount on a full dog groom and further discount vouchers after any subsequent grooms.

Product and pricing

Our annual customer survey continues to demonstrate that innovative and unique products are highly valued by Pets at Home shoppers. To ensure our customers are seeing something new and different each time they visit, we have continued to refresh our product range, changing more than 3,100 SKUs (Stock Keeping Units) in the year, representing 44% of the total range. Of those products refreshed, over 40% were private or own labels.

Range expansion and refreshment within Advanced Nutrition is vital for attracting new customers, who are often very brand loyal, as well as offering innovation and choice to our existing customers. We added new brands during the year, such as Meowing Heads, as well as introducing new high protein products, including a private label, Evolution Naturally, and branded alternative, Aatu. We believe there is significant capacity for further growth in Advanced Nutrition, through stocking additional brands, widening our own brand and private label ranges and entering new Advanced Nutrition segments.

During the year we also invested in pricing, widening our ranges to create entry price products in wild bird food, small animal cages and large accessories. In the coming year, we will continue to increase product breadth with lower entry price products in a number of other categories.

Omnichannel

We are on a journey to create a seamless shopping experience, giving our customers access to a wide product range whether they wish to shop in-store, order online, receive their delivery at home or, as is becoming increasingly popular, collect at their convenience in our stores.

During the year, the development of our exclusive online-only product range increased nearly four-fold, taking our online product range to more than 11,500 SKUs, an uplift of more than 4,400 to those in-store. All of the extended range can be ordered for pickup in-store with no delivery charge. Our Click & Collect and Deliver To Store services have been key contributors to omnichannel sales, representing over 40% of online revenues in the final quarter. As part of developing a seamless shopping experience, we implemented the JDA supply chain system in both our distribution centres, which provides a unified view of product across the Group. We also recently launched a dedicated mobile version of our website.

In the year ahead, we will invest in the omnichannel shopping experience through a number of strategic initiatives. We will launch an App for VIP customers which, in its first phase, will give members an electronic copy of their loyalty card and enable promotions and offers to be scanned, removing the need to bring vouchers into store. We are rolling out Wifi across our estate so that ordering from our extended online range can be facilitated by colleagues on PetPads or by customers using their own devices. Ordering from the extended range whilst in-store will also become significantly easier, as we install 'order in store' kiosks and develop digital screens to showcase our extended range. We will also be investing in richer online content and imagery, and additional colleagues and systems to support the seamless shopping strategy.

We are actively evaluating opportunities to further develop and extend our online business organically and through bolt-on acquisitions. Our focus remains on building the UK's leading Pet focussed omnichannel business whilst securing appropriate returns for shareholders.

Services

Retrofitting of veterinary practices and Groom Rooms to existing stores increases like-for-like Merchandise sales by enhancing our overall proposition, driving store footfall and enabling cross-selling of products. Retrofitting vet practices also offsets a portion of our store property costs through a service charge to the practice for the space occupied. During the year, just over half of both vet practice and Groom Room openings were retrofits into the existing store estate, converting the equivalent square footage of more than 6 stores into services.

We also commenced a number of strategic initiatives in the Vet Group, to increase like-for-like growth in our existing Joint Venture practice network. These included space extensions to our more mature practices, our first trials of 24/7 opening and extended hours, and the development of our pet care plans to increase customer loyalty and spend.

Engagement

Colleague expertise and engagement is central to the our success, creating a great shopping experience for customers and their pets. Our specialist colleagues continue to learn and develop with us, allowing us to maintain our industry leading retention rate of 81% (FY14: 81%). Engagement levels, which we measure through an annual colleague survey, improved to 94% (FY14: 93%).

During the year, customer advocacy measured by a Net Promoter Score, improved again to 86% (FY14: 84%), having risen from 75% in FY11.

Marketing

We returned to TV advertising this year, through the launch of the 'My Pet Moments' campaign, which features crowd sourced clips of our customers' pets, as well as sponsoring 'For The Love Of Dogs', one of ITV's highest rating programmes. Our Vet Group also participated in TV advertising under the Vets4Pets brand. We we will continue to invest in our brands and new customer acquisition in the coming year.

Space rollout and footprint development

A key part of the Group's strategy is to increase the number of stores, in-store and standalone veterinary practices, and Groom Room salons. We finished the year with 400 stores; opening 25 new stores, closing one end of lease store, and temporarily closing our Rugby store which will relocate in the first half of FY16. We are becoming increasingly space efficient with new stores, our FY15 openings had smaller ground floor footprints, with 60% receiving a mezzanine floor installation.

We opened 61 vet practices in FY15, bringing the total portfolio to 338. Over half of our store estate now has a vet practice and we remain committed to working towards our eventual target of 90% of stores with a vet practice. Since the financial year end, we have commenced our entry into the specialist referral veterinary care market, acquiring Northwest Surgeons based in Cheshire. The practice specialises in orthopaedic, soft tissue and spinal surgery and internal medicine. Northwest Surgeons will continue to operate as a stand-alone brand and business within our practice network and we will seek to develop a shared ownership model, similar to our joint venture model. We will look to build upon our entry into the specialist referral veterinary market with further standalone acquisitions.

Groom Room openings progressed strongly, with 50 new salons, taking the total number of Groom Rooms to 179.

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

Looking forward, we plan to open at least 20-25 Pets at Home stores, 50-55 vet practices and 55-60 Groom Rooms in the coming financial year. We will also open 5 Barkers stores, moving to a phase of trialling the concept in other locations across the UK. Barkers is our dog focused local high street format, currently based in one location in Wilmslow, Cheshire. Barkers offers premium and exclusive products, a high end grooming spa and has differentiated brands and merchandising to those available in Pets at Home. In its first year of opening, Barkers of Wilmslow has exceeded our expectations and we view the format as an important strategic asset that reaffirms our specialist credentials in the pet market, giving us access to a valuable customer segment.

Focus on margins

Advanced Nutrition growth and own brand participation are supportive to Merchandise gross margin, which expanded by 19bps to 56.3% in FY15 (FY14: 56.1%).

Own brand and private label products represented 42.6% of store revenues during FY15 (FY14: 42.4%).

Advanced Nutrition revenues grew by 17.2% to £145.4m (FY14: £124.0m), with our private label brand Wainwright's an important contributor, growing by 44.1% to £40.1m (FY14: £27.8m). Wainwright's growth has been boosted by new additions such as Grain Free for dogs and Wainwright's for cats, which were launched in H2 FY14, alongside Grain Free for cats which launched in FY15. Advanced Nutrition now represents 40% of total Food revenues (FY14: 38%).

Services gross margin, which was 32.6% in FY15 (FY14: 26.3%), has expanded through the growing maturity of our veterinary practices and incremental synergies from the integration of Vets4Pets, which was acquired in FY14. We also saw good gross margin expansion in our grooming business through its growing maturity and measures taken to improve profitability across the portfolio.

Looking forward, we will continue to drive Advanced Nutrition growth and participation in the Food business. Whilst we will broaden our own brand and private label ranges to ensure we offer great value to customers, we will not seek to increase their participation at the expense of the brands our customers are loyal to. Within our higher operating margin Services business, as our vet practices mature there is an opportunity for our revenue stream to increase without a significant rise in our cost base, delivering margin leverage. Whilst the Groom Room business is also maturing, the large number of new openings in the past and coming year will continue to moderate margin improvement within Services in the short term.

Investing in the organisation

Our business has grown significantly in recent years and we are continuing to rollout our stores and services at a fast pace. We see significant growth opportunities across the Group and have therefore decided to implement a new management structure to drive performance across the business. Ian Kellett will take up a new role as CEO of the Retail Division. Sally Hopson, previously Customer and People Director and CEO of our Vet Group, will take on an enhanced role as the CEO of the Services Division. Both will report to Nick Wood who, as Group CEO, will continue to focus on overall Group operations and strategy.

The search for a new Group CFO is starting with immediate effect. During this process, Ian Kellett will remain as CFO and commence the transition to his new role.

Nick Wood
Chief Executive Officer
4 June 2015

Chief Financial Officer's Review

The FY15 accounting period represents the 52 week period from 28th March 2014 to 26th March 2015. The comparative FY14 period represents the 52 week period from 29th March 2013 to 27th March 2014.

Financial Highlights

FINANCIALS		FY15	FY14	*Change*
Revenue	Revenue Split (£m)			
	Food	359.3	327.3	*9.8%*
	Accessories	306.8	287.8	*6.6%*
	Total Merchandise revenue[1]	666.1	615.1	*8.3%*
	Services & Other revenue[2]	63.0	50.3	*25.2%*
	Total Group revenue	729.1	665.4	*9.6%*
	Like For Like growth[3]	4.2%	2.4%	
	Merchandise LFL growth	3.7%	2.4%	
	Services LFL growth	10.7%	2.1%	
	Revenue Mix (% of total revenues)			
	Food	49.3%	49.2%	*10 bps*
	Accessories	42.1%	43.2%	*(118)bps*
	Total Merchandise	91.4%	92.4%	*(108)bps*
	Services & other	8.6%	7.6%	*108 bps*
Gross Margin	Merchandise Gross Margin	56.3%	56.1%	*19 bps*
	Services & Other Gross Margin	32.6%	26.3%	*630 bps*
	Total Gross Margin	54.2%	53.8%	*40 bps*
EBITDA	Underlying EBITDA (£m)[4]	121.3	110.7	*9.6%*
	Underlying EBITDA margin	16.6%	16.6%	*0 bps*
Other Income Statement	Profit before tax (£m)[5]	87.0	52.2	*NM*
	Trading profit after tax (£m)[5]	67.9	38.6	*NM*
	Basic EPS (pence)[5]	13.5	0.5	*NM*
	Dividend (pence)	5.4	-	
Cashflow & Leverage	Underlying unlevered FCF (£m)[4,6]	92.8	92.4	*0.4%*
	Conversion as % of underlying EBITDA	76.5%	83.5%	*(697)bps*
	CROIC[4,6,7]	22.6%	21.7%	*88 bps*
	Leverage (Net Debt / underlying EBITDA)[4]	1.6x	2.3x	*0.7x*

1 Includes Food and Accessories revenue
2 Includes veterinary Joint Venture fees and other income, Groom Room revenue, revenue from live pet sales and insurance commission
3 'Like-for-Like' sales growth comprises total sales/fee revenue in a financial period compared to revenue achieved in a prior period, post cannibalisation, for stores, grooming salons and vets that have been trading for 52 weeks. LfL includes revenue from the Group's online operations
4 Excludes £1.7m of IFRS2 share based payments
5 Includes IFRS2 share based payments of £1.7m
6 Excludes £25.2m of trade payables movement related to the IPO
7 CROIC excludes goodwill on KKR acquisition

Sales and revenue

Total revenues in FY15 grew by 9.6% to £729.1m (FY14: £665.4m), with good performance across all three business segments; Food, Accessories and Services. Like-for-like sales grew by 4.2%, driven by strength in Advanced Nutrition, Health & Hygiene, VIP Club, Services and Omnichannel.

Total Merchandise revenues, which includes Food and Accessories, grew by 8.3% to £666.1m (FY14: £615.1m).

Food revenues grew strongly by 9.8% to £359.3m (FY14: £327.3m), reflective of excellent performance in dog and cat Advanced Nutrition, dog treats and premium wet cat food. Advanced Nutrition revenues grew by 17.2% to £145.4m (FY14: £124.0m), with our flagship private label Wainwright's a key contributor, growing by 44.1% to £40.1m (FY14: £27.8m). This compares to the Advanced Nutrition market in the UK growing at around 14%*. Grocery dog food performance was weaker following our Autumn space re-allocation to Advanced Nutrition, but sales densities improved post the space re-allocation.

Accessories revenues grew by 6.6% to £306.8m (FY14: £287.8m), driven by Health and Hygiene sales, a strong Christmas range, and dog collars and leads. We saw some weakness in Cat Litter as a result of new range changes, and in Aquatics, reflecting a weaker market and the re-allocation of this product space when Services are retrofitted to stores. We have also experienced weak trading and sales in our equestrian business, Ride-away, which declined year-on-year.

Services revenues grew 25.2% to £63.0m (FY14: £50.3m), reflecting both new openings and the growing maturity of our vet practices and Groom Rooms. Growth in our Joint Venture veterinary practices was ahead of the UK veterinary services market, generating fee income of £28.2m (FY14: £21.6m), growth of 30.7% on the prior year.

**Market data sourced from OC&C Strategy Consultants*

Gross margin

Group gross margin expanded by 40bps to 54.2% (FY14: 53.8%), attributable to significant expansion in our Services margin, as well as good progression in Merchandise margin.

Gross margins within Merchandise were 56.3%, an expansion of 19 bps on the prior year (FY14: 56.1%). This has been achieved primarily through the Food business; from the strength of our private labels such as Wainwright's, the decreased participation of lower margin grocery food, improved terms negotiations, and a lower level of discounting across the year as our marketing to VIP customers becomes more targeted. Accessories margins were at a similar level to the prior year as we continued our price investment in large accessories, increased promotions across Aquatics and saw a changing mix in cat litter. We have also experienced challenge to the Accessories margin from omni-channel promotional activities, as well as the weakness in the Ride-away business.

Gross margin within the Services business expanded by 630 bps to 32.6% (H1 FY14: 26.3%). Of the £7.3m growth in Services gross profit, the main contributors have been the maturation of our vet practices, incremental synergies of £2.6m from the Vets4Pets integration, and a benefit in grooming from both maturity and measures to increase profitability. Adverse movements within Services gross margin came from our continued investment in live pet care and welfare within stores.

In the coming year we expect to see a modest accretion in Group gross margin, reflecting the positive impacts of our maturing vet business and higher margin product categories, whilst allowing for further price investment in opening price point categories and the dilutive impact of a high proportion of new Groom Rooms. We do not expect any further synergy benefits from the Vets4Pets acquisition.

Operating costs

Selling and distribution expenses of £257.9m were broadly constant as a percentage of Group revenue at 35.4% (FY14: 35.2%). Occupation costs (rent, services charges and other costs) declined as a percentage of sales as we continue to benefit from a benign rental market and the offset to our rental costs from the retrofitting of vet practices to stores. Income from vet practice retrofits and sublets contributed more than £8.1m to our gross property rental costs of £66.5m in FY15 (FY14: £61.9m). Colleague costs of £136.5m (FY14: £120.9m) increased as a result of our new store rollout and 'learn to earn' Steps training programme, coupled with our industry leading retention rate. Marketing costs also increased as we invested in our brand through TV advertising and sponsorship.

In the year ahead we will invest further in our brand and marketing, and in the hardware and software required to support the seamless shopping strategy. We expect colleague costs to grow ahead of the rate in FY15 as we provide additional holiday pay, maintain retention and ensure we maintain our reputation as one of the best companies to work for in the UK.

Administration expenses of £40.7m were 5.6% of revenue (FY14: 5.2%), reflecting an additional £2.5m of costs associated with being a publicly listed company and £1.7m of IFRS2 share based payment charges.

Underlying EBITDA

Underlying EBITDA of £121.3m, which excludes £1.7m of IFRS2 share based payment charges, represented a 9.6% increase on the previous year (FY14: £110.7m). Margin was equal to the prior year as we incorporated the first year of costs associated with being a public company, which totalled £2.5m.

Our underlying EBITDA margin was supported by the increased participation of the Services business, which represented 8.6% of group revenues in FY15 (FY14: 7.6%). Despite the considerable immaturity of our vet practices and grooming salons, the Services business has a higher EBITDA margin to that of the Group and this support will enable us to invest in the future growth of the Group.

Going forward, IFRS2 shared based payment charges will be considered part of ongoing operating expenses, as we move to our second year of being a public company and we will no longer report an underlying EBITDA measure.

£m	FY15	FY14
Operating profit	96.8	78.8
Depreciation and amortisation	22.8	20.0
Reported EBITDA	119.6	98.8
Related party fees	-	1.2
IFRS share based payment charges	1.7	0.1
Exceptional items		10.6
Underlying EBITDA	121.3	110.7

Underlying EBITDA is calculated as Group underlying operating profit under IFRS (which includes amortisation of landlord and developer contributions received), plus depreciation and amortisation. Excludes exceptional items, related party fees, and IFRS2 related share based payment credits and charges. FY14 exceptional expenses of £10.6m were attributable to costs associated with the Initial Public Offering (£9.4m), and costs associated with the integration of the Vets4Pets business (£2.3m) net of a significant VAT refund (£1.1m).

Finance expense

Net finance expense for FY15 was £9.8m. As a result of our declining leverage profile and following our recent refinancing at more favourable rates, we expect net finance expense for FY16 to be £5.5–6.0m. Capitalised fees associated with the previous facility will be reflected as an exceptional charge to the income statement of approximately £4.3m in FY16.

Taxation, trading profit & EPS

Underlying total tax expense for the period was £19.1m, a rate of 22% on pre tax profit. Whilst the UK corporate tax rate for the period was 21%, the principal reason for the difference relates to items of capital expenditure for which depreciation is non deductible.

An exceptional tax credit, and cash receipt of £4.3m, related to the release of a provision made in the prior financial year in respect of interest deductability on debt associated with the pre IPO capital structure.

Trading profit for the period, which includes IFRS2 share based payments, was £67.9m (FY14: £38.6m). Basic earnings per share were 13.5 pence (FY14: 0.5 pence).

Working capital

The underlying cash working capital improvement for FY15 was £5.8m (FY14: £9.6m).

An increase in inventory of £2.4m is mainly reflective of our investment in new food ranges and new store openings. Of the increase in trade receivables of £9.5m, the majority relates to temporary loans made to Joint Venture vet practices, whereby the Group funds initial setup costs until commercial funding is drawn down by the practice. The trade payables* increase of £17.7m reflects both growth across the Group and our efforts to drive a wide range of efficiencies and improvements.

We expect a moderate working capital outflow in the coming financial year due to the additional trading week in the period and resultant outflow of trade payables.

** Trade payables includes trade and other payables, with balances associated with fixed assets, tax and interest removed, and financial instruments. Excludes £25.2m of IPO related payables in the FY14 balance*

Borrowings and net debt

The Group’s underlying net debt position at the end of year was £192.0m, representing a leverage ratio of 1.6x underlying EBITDA, a reduction from the FY14 position of 2.3x. Whilst the net debt position is ahead of expectations, our underlying deleveraging plan remains unchanged, at an average of 0.5x per annum from our prior year position of 2.3x, reflective of the anticipated working capital outflow in FY16 and our dividend commitment.

Post year end, we announced the closing of a new financing agreement for a five year, £260m revolving credit facility, which is currently drawn to £235m. This replaced the Group’s previous £325m of drawn facilities, with the differential balance between the two facilities being settled from the Group’s existing cash resources. At current leverage, the facility carries a rate of LIBOR +1.5%.

£m	Leverage
Gross Debt	325.0
Cash	(133.0)
Net debt	192.0
Last twelve months underlying EBITDA	121.3
Leverage	1.6x

Capital expenditure

Capital investment in the period totalled £33.2m (FY14: £30.0m), reflecting our increased Services retrofit programme, where we incur the capital outlays for grooming salons and store refurbishment, as well as investment in mezzanine floors across the estate which drive space and rental efficiencies in both new and existing stores.

On a cash basis, capital expenditure in the period was £30.4m (FY14: £26.3m).

We expect capital investment for FY16 to be approximately £40m, reflecting investment in our seamless shopping strategy, additional mezzanine floors as we optimise new store openings and retrofit services to the existing estate, and store refurbishment as part of the services retrofit programme.

Cash flows

Cash flow generation was once again strong. The Group generated £125.3m in underlying operating cash flow* during the period (FY14: £108.7m). Underlying free cashflow** before interest, tax and acquisitions was £92.8m (FY14: £92.4m), representing a cash conversion rate of 76.5% (FY14: 83.5%).

Cash returns on invested capital*** improved to 22.6% (FY14: 21.7%) as a result of our profit growth and working capital improvement.

**Excludes £25.2m of trade payables movement related to the IPO*
*** Excludes £1.7m of IFRS2 share based payments and £25.2m of trade payables movement related to the IPO*
**** CROIC excludes goodwill on KKR acquisition, £1.7m of IFRS2 share based payments and £25.2m of trade payables movement related to the IPO*

Dividend

The Board has recommended a final dividend of 3.6 pence per share, leading to a total dividend of 5.4 pence per share, in respect of the 2015 financial year. The final dividend will be proposed by the Directors at the 2015 AGM and is in addition to the interim dividend of 1.8 pence per share, paid to shareholders on the 16th January 2015. The ex-dividend date will be 13th August 2015 and, if approved at the Company's forthcoming AGM, will be paid to shareholders on 14th September 2015 to those shareholders on the register at the close of business on 14th August 2015.

The Board is targeting a progressive dividend payment policy of 40% of earnings, reflective of the positive outlook for the business.

Ian Kellett
Chief Financial Officer
4 June 2015

Financial Statements

Financial Information

The financial information set out in this preliminary statement of annual results has been extracted from the Group's financial statements, which have been approved by a resolution of the Board of directors of the Company on 3 June 2015 and agreed with the Company's auditor.

The financial information set out in this preliminary statement does not constitute the Company's statutory accounts for the year ended 26 March 2015 as defined in section 434 of the Companies Act 2006 (the "Act") which have not yet been delivered to the Registrar of Companies.

The Company's auditor has reported on the FY15 financial statements. Its reports were unqualified and did not draw attention to any matters by way of emphasis. The reports also did not contain statements under section 498 of the Act.

Consolidated Income Statement

	Note	52 week period ended 26 March 2015			52 week period ended 27 March 2014		
		2015	**2015**	**2015**	**2014**	**2014**	**2014**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
		Underlying Trading	**Exceptional Items** *(note 7)*	**Total**	**Underlying Trading**	**Exceptional Items** *(notes 3,6)*	**Total**
Revenue	*2*	729,086	-	729,086	665,395	-	665,395
Cost of sales		(333,776)	-	(333,776)	(307,271)	-	(307,271)
Gross profit		395,310	-	395,310	358,124	-	358,124
Selling and distribution expenses		(257,853)	-	(257,853)	(233,891)	-	(233,891)
Administrative expenses	*3*	(40,695)	-	(40,695)	(34,817)	(10,574)	(45,391)
Operating profit	*3*	96,762	-	96,762	89,416	(10,574)	78,842
Financial income		572	-	572	368	-	368
Financial expense	*6*	(10,369)	-	(10,369)	(37,547)	(19,158)	(56,705)
Net financing expense		(9,797)	-	(9,797)	(37,179)	(19,158)	(56,337)
Profit before tax		86,965	-	86,965	52,237	(29,732)	22,505
Taxation	*7*	(19,089)	4,295	(14,794)	(13,672)	4,715	(8,957)
Profit for the period		67,876	4,295	72,171	38,565	(25,017)	13,548

All activities relate to continuing operations.

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

		52 week period ended 26 March 2015	**52 week period ended 27 March 2014**
Equity holders of the parent – underlying trading - basic	*5*	13.5p	0.5p
Equity holders of the parent – after exceptional items - basic	*5*	14.4p	(13.8p)
Equity holders of the parent – underlying trading - diluted	*5*	13.5p	0.5p
Equity holders of the parent – after exceptional items - diluted	*5*	14.4p	(13.8p)

Dividends paid and proposed are disclosed in note 8.

Consolidated Statement of Comprehensive Income

	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	£000	**£000**
Profit for the period	72,171	13,548
Other comprehensive income		
Items that are or may be recycled subsequently into profit or loss:		
Foreign exchange translation differences	(4)	5
Cash flow hedges – reclassified to profit and loss	1,113	(811)
Effective portion of changes in fair value of cash flow hedges	403	1,442
Other comprehensive income for the period, before income tax	1,512	636
Income tax on other comprehensive income	(303)	(159)
Other comprehensive income for the period, net of income tax	1,209	477
Total comprehensive income for the period	73,380	14,025

Consolidated Balance Sheet

	Note	At 26 March 2015 £000	At 27 March 2014 £000
Non-current assets			
Property, plant and equipment		102,890	93,628
Intangible assets		955,512	955,238
Other non-current assets		8,133	6,619
		1,066,535	1,055,485
Current assets			
Inventories		48,474	46,116
Deferred tax assets		-	45
Other financial assets		1,697	-
Trade and other receivables		51,627	42,159
Cash and cash equivalents		132,966	90,823
		234,764	179,143
Total assets		1,301,299	1,234,628
Current liabilities			
Other interest-bearing loans and borrowings	*9*	(5,000)	-
Trade and other payables		(144,754)	(149,547)
Provisions		(365)	(461)
Other financial liabilities		(632)	(1,113)
		(150,751)	(151,121)
Non-current liabilities			
Other interest-bearing loans and borrowings	*9*	(315,674)	(319,855)
Other payables		(31,483)	(31,068)
Provisions		(1,706)	(1,835)
Deferred tax liabilities		(4,810)	-
		(353,673)	(352,758)
Total liabilities		(504,424)	(503,879)
Net assets		796,875	730,749
Equity attributable to equity holders of the parent			
Ordinary share capital		5,000	5,000
Share premium		-	1,080,477
Consolidation reserve		(372,026)	(372,026)
Merger reserve		113,321	113,321
Translation reserve		-	4
Cash flow hedging reserve		851	(362)
Retained earnings		1,049,729	(95,665)
Total equity		796,875	730,749

On behalf of the board:

Ian Kellett

Chief Financial Officer

Company number: 08885072

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 27 March 2014	**5,000**	**1,080,477**	**(372,026)**	**113,321**	**(362)**	**4**	**(95,665)**	**730,749**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	72,171	72,171
Other comprehensive income	-	-	-	-	1,213	(4)	-	1,209
Total comprehensive income for the period	-	-	-	-	1,213	(4)	72,171	73,380
Transactions with owners, recorded directly in equity								
Cancellation of share premium (i)	-	(1,080,477)	-	-	-	-	1,080,477	-
Equity dividend paid (note 8)	-	-					(8,942)	(8,942)
Share based payment transactions	-	-	-	-	-	-	1,688	1,688
Total contributions by and distributions to owners	-	(1,080,477)	-	-	-	-	1,073,223	(7,254)
Balance at 26 March 2015	**5,000**	**-**	**(372,026)**	**113,321**	**851**	**-**	**1,049,729**	**796,875**

(i) As contemplated in the Pets at Home Group Plc IPO Prospectus dated 28 February 2014 and pursuant to a shareholder resolution passed on 27 February 2014, Pets at Home Group Plc completed a reduction of capital, whereby £1,080,477,000 standing to the credit of the Company's share premium account was cancelled, creating distributable reserves of an equivalent amount. The cancellation was formally approved by the High Court, and the court order was registered by the Registrar of Companies and became effective on 30 July 2014. The cancellation has no effect on the overall net asset position of the Company and/or its group.

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Additional paid in capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 28 March 2013	**1,659**	**291,492**	**612,680**	**(372,026)**	**113,321**	**(834)**	**(1)**	**(71,567)**	**574,724**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	13,548	13,548
Other comprehensive income	-	-	-	-	-	472	5	-	477
Total comprehensive income for the period	-	-	-	-	-	472	5	13,548	14,025
Transactions with owners, recorded directly in equity									
Issue of shares (i)	1,405	342,916	(344,321)	-	-	-	-	-	-
Issue of shares (ii)	40	9,697	-	-	-	-	-	-	9,737
Issue of shares (iii)	1,896	462,574	-	-	-	-	-	-	464,470
Share issue costs	-	(26,202)	-	-	-	-	-	-	(26,202)
Dividends on additional paid in capital	-	-	37,646	-	-	-	-	(37,646)	-
Redemption of additional paid in capital	-	-	(306,005)	-	-	-	-	-	(306,005)
Total contributions by and distributions to owners	3,341	788,985	(612,680)	-	-	-	-	(37,646)	142,000
Balance at 27 March 2014	**5,000**	**1,080,477**	**-**	**(372,026)**	**113,321**	**(362)**	**4**	**(95,665)**	**730,749**

(i) On 17 March 2014 the Company issued 140,539,069 ordinary £0.01 shares at a premium of £2.44 per share in exchange for £344,321,000 additional paid in capital issued by PAH Lux S.a.r.l.

(ii) On 17 March 2014, the Company issued 3,974,537 ordinary £0.01 shares at a premium of £2.44 per share in exchange for shares issued by a subsidiary.

(iii) On 17 March 2014 the Company issued 189,579,314 ordinary £0.01 shares at a premium of £2.44 per share. Share issue costs of £26,202,000 were offset against the gross proceeds of £464,470,000.

Consolidated Statement of Cash Flows

		52 week period ended 26 March 2015		52 week period ended 27 March 2014
		£000		£000
Cash flows from operating activities				
Profit for the period		72,171		13,548
Adjustments for:				
Depreciation and amortisation		22,838		19,990
Financial income		(572)		(368)
Financial expense		10,369		56,705
Loss on sale of property, plant and equipment		-		77
Share based payment charges		1,657		-
Taxation		14,794		8,957
		121,257		98,909
Increase in trade and other receivables		(9,468)		(7,969)
Increase in inventories		(2,358)		(4,060)
Increase in trade and other payables	16,132		21,771	
*(Decrease)/increase in IPO related trade and other payables **(i)***	(25,184)		25,184	
Total (decrease)/increase in trade and other payables		(9,052)		46,955
(Decrease)/increase in provisions		(225)		2
		100,154		133,837
Tax paid – underlying		(12,874)		(9,192)
Tax received – exceptional		4,295		-
Net cash from operating activities		91,575		124,645
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		874		-
Interest received		364		368
Investment in other financial assets		(2,176)		(1,753)
Acquisition of subsidiary, net of cash acquired		-		(2,000)
Acquisition of property, plant and equipment, and other intangible assets		(30,361)		(26,278)
Net cash used in investing activities		(31,299)		(29,663)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital		-		464,470
Share issue costs		-		(26,202)
Debt issue costs		-		(10,494)
Repayment of paid in capital		-		(306,005)
Equity dividends paid		(8,942)		-
Proceeds from new loan		-		460,000
Repayment of borrowings		-		(585,260)
Interest paid		(9,191)		(32,261)
Net cash used in financing activities		(18,133)		(35,752)
Net increase in cash and cash equivalents		**42,143**		**59,230**
Cash and cash equivalents at beginning of period		**90,823**		**31,593**
Cash and cash equivalents at end of period		**132,966**		**90,823**

(i) The Initial Public Offering related payables of £25,184,000 at 27 March 2014 related to costs incurred as part of the IPO on 17 March 2014, which were included in accruals and other creditors at the period end date, and which were settled in full in the period to 26 March 2015.

Notes

1 Basis of Preparation

Pets at Home Group Plc (the Company) is a company incorporated in the United Kingdom and its registered office is Epsom Avenue, Stanley Green, Handforth, Cheshire, SK9 3RN.
The company is listed on the London Stock Exchange.
The consolidated financial statements for the 52 week period ended 26 March 2015 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS) and were approved by the Directors of the Company on 2 June 2015 along with this preliminary announcement.
The consolidated financial statements are prepared on the historical costs basis except for derivative financial instruments, share based payments and certain investments measured at their fair value.
The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the 52 week period ended 26 March 2015 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 week period ended 26 March 2015 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.
The auditors have consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.
The directors of Pets at Home Group Plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 week period ended 26 March 2015.

Summary of impact of Group restructuring and Initial Public Offering

On 17 March 2014, the entire issued share capital of the Company was admitted to the premium listing segment of the Official List maintained by the United Kingdom Financial Conduct Authority and to trading on the London Stock Exchange plc's main market for listed securities ("Listing" or "IPO"). In preparation for the Company's IPO the Group was restructured.
For the consolidated financial statements of the Group, prepared under IFRS, the principles of reverse acquisition accounting under IFRS 3 "Business Combinations" have been applied for the comparative period ended 27 March 2014. The steps to restructure the Group had the effect of Pets at Home Group Plc being inserted as the new holding company of the Group above Pets at Home Lux S.a.r.l ("PAH Lux"). Holders of shares and Preferred Equity Certificates (PECs) in PAH Lux exchanged their PAH Lux shares and a portion of their PECs, for shares in Plc. PAH Lux was transferred out of the Group following Listing.
By applying the principles of reverse acquisition accounting, the Group is presented as if the Company has always owned PAH Lux and the Group's subsidiaries. The comparative consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and merger reserve of Plc as if it had always existed, adjusted for movements in the underlying PAH Lux share capital and reserves until the exchange of PAH Lux share capital and PECs for Plc shares.
Full details of the reverse acquisition accounting applied were described in the financial statements for the 52 week period ended 27 March 2014.

Notes *(continued)*

2 Segmental reporting

The Directors consider there to be one operating and reportable segment, being that of the sale of pet products and services through retail outlets and the Group's websites.

The Group's Board receives monthly financial information at this level and uses this information to monitor the performance of the store portfolio, allocate resources and make operational decisions. The internal reporting received focuses on the Group as a whole and does not identify individual segments. To increase transparency, the Group has decided to include an additional voluntary disclosure analysing revenue within the reportable segment.

Revenue	**52 week period ended 26 March 2015 £000**	**52 week period ended 27 March 2014 £000**
Food	359,377	327,101
Accessories	306,754	288,017
Services and other	62,955	50,277
	729,086	665,395

The 'services and other' category includes veterinary group income, grooming revenue, insurance commissions, and the sale of pets.

Notes *(continued)*

3 Operating profit

The performance of the operating segment is primarily based on a measure of Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) before exceptional items, share based payment charges, and management charges. This can be reconciled to statutory operating profit as follows:

	52 week period ended 26 March 2015 £000	52 week period ended 27 March 2014 £000
Operating profit	**96,762**	**78,842**
Exceptional items	-	10,574
Underlying operating profit before share based payment and management charges	96,762	89,416
Share based payment charges	1,657	31
Management charges	-	1,221
Underlying operating profit after share based payment and management charges	98,419	90,668
Depreciation and amortisation	22,838	19,990
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**121,257**	**110,658**

Included in operating profit are the following:

	52 week period ended 26 March 2015 £000	52 week period ended 27 March 2014 £000
Exceptional operating expenses	-	10,574
Depreciation of tangible fixed assets	19,659	18,053
Amortisation of intangible assets	3,179	1,937
Rentals under operating leases:		
Hire of plant and machinery	3,648	2,843
Property	66,474	61,903
Rental income from sublets	(8,054)	(5,952)
Loss on disposal of fixed assets	-	77

There are no exceptional items included in operating profit in the 52 week period ended 26 March 2015. Exceptional items of £10,574,000 in the 52 week period ended 27 March 2014 relate to costs associated with the Initial Public Offering of Pets at Home Group Plc shares on the London Stock Exchange on 17 March 2014 (£9,383,000), and costs associated with the integration of the Vets4Pets business into the group (£2,308,000), offset by a credit relating to exceptional input VAT recovered (£1,117,000).

Notes *(continued)*

4 Colleague numbers and costs

The average number of persons employed (full time equivalents) by the group (including directors) during the period, analysed by category, was as follows:

	Number of colleagues	
	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	Number	**Number**
Sales and distribution	4,863	4,414
Administration	397	345
	5,260	4,759

The aggregate payroll costs of these persons were as follows:

	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	£000	**£000**
Wages and salaries	122,510	109,549
Social security costs	10,051	8,512
Contributions to defined contribution plans	3,984	2,866
	136,545	120,927

Notes *(continued)*

5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	52 week period ended 26 March 2015	**52 week period ended 26 March 2015**	**52 week period ended 26 March 2015**	**52 week period ended 27 March 2014**	**52 week period ended 27 March 2014**	**52 week period ended 27 March 2014**
	Underlying Trading	**Exceptionals**	**After Exceptionals**	**Underlying Trading**	**Exceptionals**	**After Exceptionals**
Profit attributable to equity shareholders of the parent (£000s)	67,876	4,295	72,171	38,565	(25,017)	13,548
Less PEC dividend transferred from retained earnings	-	-	-	(37,646)	-	(37,646)
	67,876	4,295	72,171	919	(25,017)	(24,098)
Basic weighted average number of shares	500,000,000	500,000,000	500,000,000	175,053,425	175,053,425	175,053,425
Dilutive potential ordinary shares	1,109,716	1,109,716	1,109,716	71,360	71,360	71,360
Diluted weighted average number of shares	501,109,716	501,109,716	501,109,716	175,124,785	175,124,785	175,124,785
Basic earnings per share	13.5p	0.9p	14.4p	0.5p	(14.3p)	(13.8p)
Diluted earnings per share	13.5p	0.9p	14.4p	0.5p	(14.3p)	(13.8p)

Notes *(continued)*

6 Finance expense

Recognised in the income statement

	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	£000	**£000**
Bank loans at effective interest rate	10,367	36,176
Related party loan notes	-	1,349
Other interest expense	2	22
Total underlying finance expense	10,369	37,547
Exceptional amortisation costs	-	19,158
Total exceptional finance expense	-	19,158
Total finance expense	10,369	56,705

Exceptional finance expenses in the 52 week period ended 27 March 2014 related to £19,158,000 of accelerated amortisation following the repayment of the senior bank facility of £567,926,000 in that period.

Notes *(continued)*

7 Taxation

Recognised in the income statement

	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	£000	**£000**
Current tax expense		
Current period	15,307	7,840
Adjustments in respect of prior periods	(5,065)	362
Current tax expense	10,242	8,202
Deferred tax expense		
Origination and reversal of temporary differences	4,319	234
Reduction in tax rate	-	28
Adjustments in respect of prior periods	233	493
Deferred tax expense	4,552	755
Total tax expense	14,794	8,957

The UK corporation tax standard rate for the period was 21% (2014: 23%). The March 2013 budget announced that the UK corporation tax rate will further reduce to 20% (effective from 1st April 2015). This reduction was substantively enacted on 2nd July 2013. The deferred tax liability has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

7 Taxation *(continued)*

Deferred tax recognised in other comprehensive income

	52 week period ended 26 March 2015	52 week period ended 27 March 2014
	£000	£000
Effective portion of changes in fair value of cash flow hedges	303	159

Reconciliation of effective tax rate

	52 week period ended 26 March 2015 Underlying	52 week period ended 26 March 2015 Exceptional	52 week period ended 26 March 2015 Total	52 week period ended 27 March 2014 Total
	£000	£000	£000	£000
Profit for the period	67,876	4,295	72,171	13,548
Total tax expense	19,089	(4,295)	14,794	8,957
Profit excluding taxation	86,965	-	86,965	22,505
Tax using the UK corporation tax rate for the period of 21% (52 week period ended 27 March 2014: 23%)	18,263	-	18,263	5,177
Impact of reduction in tax rate on deferred tax balances	(45)	-	(45)	28
Expenditure not eligible for tax relief	1,424	-	1,424	1,094
Non-deductible IPO costs – exceptional item	-	-	-	2,055
Other	217	-	217	(251)
Adjustments in respect of prior periods	(770)	(4,295)	(5,065)	854
Total tax expense	19,089	(4,295)	14,794	8,957

The UK corporation tax standard rate for the 52 week period ended 26 March 2015 was 21% (52 week period ended 27 March 2014: 23%). The effective tax rate before exceptional items for the 52 weeks to 26 March 2015 was 22%. The principal reason for the difference in rate relates to the non-deductibility of depreciation charged on some capital expenditure.

The exceptional tax credit of £4.3m included within the non-recurring exceptional items represents the release of a provision following agreement with HMRC in respect of interest on debt associated with the pre IPO structure. As part of the IPO process this debt was repaid. Overall this results in a total effective tax rate for the period of 17%.

Notes *(continued)*

8 Dividends paid and proposed

	52 week period ended 26 March 2015 £000	52 week period ended 27 March 2014 £000
Declared and paid during the period		
Interim dividend of 1.8p per share	8,942	-
Proposed for approval by shareholders at the AGM		
Final dividend of 3.6p per share	17,932	-

The trustees of the following holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trusts have waived or otherwise foregone any and all dividends paid in FY15 and to be paid at any time in the future (subject to the exceptions in the relevant trust deed) on its respective shares for the time being comprised in the Trust Funds as follows: Computershare Nominees (Channel Islands) Limited (holding at 26 March 2015: 1,466,861 shares, holding at 27 March 2014: 1,472,148 shares), has waived its rights to all dividends; and, Wealth Nominees Limited (holding at 26 March 2015: 434,056 shares, holding at 27 March 2014: 1,743,430 shares), has waived its rights to all dividends.

Notes *(continued)*

9 Other interest-bearing loans and borrowings

	At 26 March 2015 £000	At 27 March 2014 £000
Non-current liabilities		
Secured bank loans	315,674	319,855
Current liabilities		
Current portion of secured bank loans	5,000	-
	5,000	-
Total liabilities		
Secured bank loans	320,674	319,855

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 26 March 2015 £000	Carrying amount 26 March 2015 £000	Face value 27 March 2014 £000	Carrying amount 27 March 2014 £000
Senior Finance Bank Loans	GBP	LIBOR +2-2.25%	2019-2020	325,000	320,674	325,000	319,855

Face value represents the principal value of the Senior Finance Bank Loans.

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

At 26 March 2015, the Group had an undrawn revolving credit facility of £29.6m (period to 27 March 2014 £27.0m) which was due to expire on 17 March 2019.

All bank borrowings are secured via fixed charges over the head office freehold property, the distribution centre leasehold property, and any plant and machinery owned by the Group, and also via a floating charge over the other assets of the Group. The senior bank loans bear interest at LIBOR plus a margin, which during the period varied between 2.0% and 2.25%, with the margin decreasing as the group's leverage (defined as total net debt to consolidated EBITDA) decreases. The senior bank loans were due for repayment at various dates up to 17 March 2020.

The Pets at Home Group has entered into fixed rate interest rate swap agreements over a total of £239.8m of the senior facility borrowings at a fixed rate of 0.74% and a further fixed rate interest rate swap over a total of £77.1m at a fixed rate of 0.655% (at 27 March 2014: £291.8m of the senior facility borrowings at a fixed rate of 0.74% and £25.1m at a fixed rate of 0.655%). Both swaps expire on 30 March 2016. The hedges are structured to hedge at least 70% of the outstanding debt.

Notes *(continued)*

9 Other interest-bearing loans and borrowings *(continued)*

The analysis of repayments on the combined loans is as follows:

	At 26 March 2015	At 27 March 2014
	£000	£000
Within one year or repayable on demand	5,000	-
Between one and two years	12,500	5,000
Between two and five years	307,500	85,000
After five years	-	235,000
	325,000	325,000

Analysis of changes in net debt

	27 March 2014	Cash flow	Non-cash movement	26 March 2015
	£000	£000	£000	£000
Cash and cash equivalents	90,823	42,143	-	132,966
Debt due within one year at face value	-	-	(5,000)	(5,000)
Debt due after one year at face value	(325,000)	-	5,000	(320,000)
Net debt	(234,177)	42,143	-	(192,034)

At 27 March 2014, the Group held £25,184,000 of cash and cash equivalents which were utilised in the 52 week period ended 26 March 2015, as part of the settlement of IPO related creditors which were held on the balance sheet at 27 March 2014, as disclosed within the consolidated statement of cash flows.

On 14 April 2015, the Company and certain of its subsidiaries entered into the amendment agreement to the Senior Facilities Agreement. The Amendment Agreement became effective on 15 April 2015 (the “Effective Date”), after the date of the Company’s financial year end on 26 March 2015.

The Amendment Agreement provided that a new revolving facility of £260 million (the “Revolving Facility 2”) was incorporated into the Senior Facilities Agreement. The existing term and revolving facilities were repaid on the Effective Date with the proceeds of a drawing under Revolving Facility 2 and cash on balance sheet and upon the prepayment such facilities were cancelled. Revolving Facility 2 is available for drawing to finance and/or refinance (as applicable) the general corporate purposes and/or working capital requirements of the Group. The interest rate applicable to Revolving Facility 2 is LIBOR (or, for loans in Euro, EURIBOR) plus a margin ranging between 2.00% and 0.75% per annum depending on the ratio of consolidated EBITDA to total net debt. The margin currently applicable to utilisations under Revolving Facility 2 is 1.50% per annum. KKR Capital Markets Limited (“KCM”), an affiliate of the Principal Shareholder, KKR My Best Friend Limited, received a fee of £500,000 for arranging Revolving Facility 2.