FOR IMMEDIATE RELEASE, 26 MAY 2016

Pets at Home Group Plc: Preliminary Results FY16

Pets at Home Group Plc, the UK's leading specialist retailer of pet food, pet accessories, veterinary and grooming services, today announces its preliminary results for the 53 week period to 31 March 2016.

Financial summary and highlights

GBPm	FY16 Audited 53 weeks to 31 March 2016	FY16 Proforma 52 weeks to 24 March 2016	FY15 Audited 52 weeks to 26 March 2015	Growth On proforma 52 weeks to 24 March 2016
Group like-for-like revenue growth[1]	2.1%	2.2%	4.2%	
Merchandise like-for-like	1.4%	1.5%	3.7%	
Services like-for-like	10.0%	10.4%	10.7%	
Group revenue	793.1	777.8	729.1	6.7%
Merchandise revenue	710.2	696.5	666.1	4.6%
Services revenue	82.9	81.3	63.0	29.2%
Group gross margin	54.5%	54.5%	54.2%	31 bps
Pre exceptional EBITDA[2]	127.4	124.7	119.6	4.2%
Pre exceptional PBT[3]	97.3	95.3	87.0	9.6%
Statutory PBT	92.1	90.2	87.0	3.7%
Pre exceptional basic EPS[3] (pence)	15.4	15.1	13.5	11.2%

1. "52 weeks" represents LFL sales for the 52 week period to 24 March 2016 compared with the 52 week period to 26 March 2015. "53 weeks" represents LFL sales for the 53 week period to 31 March 2016, compared with the 53 week period to 2 April 2015
2. Excludes £0.8m of M&A related exceptional expenses **3.** Excludes £0.8m of M&A related exceptional expenses and an exceptional finance expense of £4.3m associated with the amortisation of capitalised fees from the previous finance facility

- Merchandise: Food revenue growth 6.4%, including Advanced Nutrition revenue up 12.3%. Accessories revenue growth 2.4% (52 week)
- Services: Fee income from Joint Venture veterinary practices up 22.3% (52 week)
- Strong free cashflow generation of £77.8m, deleveraging to 1.2x net debt/EBITDA[2] (52 week)
- Total dividend payable 7.5 pence per share, up 39%, reflecting payout ratio increased to 50% of earnings

Operational highlights

- VIP club reached 4.5m members and card swipe rate at store tills represented 64% of revenues in Q4
- Achieved rollout targets through opening 20 Pets at Home superstores (net), 6 Barkers stores and 1 Whiskers 'n Paws trial format, 50 veterinary practices and 60 grooming salons
- Acquired two specialist veterinary referral centres and a further two post year end

Ian Kellett, Group Chief Executive Officer, commented:

"I am pleased to report another year of good progress. Despite some seasonal challenges to our Health & Hygiene sales, we have seen excellent performance in our strategic growth drivers of Advanced Nutrition, VIP, vet and grooming services. Together with refinancing benefits, this contributed to pre-exceptional earnings per share growth of 11.2%. Our strong cashflow has enabled us to increase the ordinary dividend to shareholders by 39%, to a payout ratio of 50% of earnings, whilst investing for growth through acquisitions of veterinary specialist referral centres.

"We have enjoyed 25 very successful years as a business and enter our 26th year confident in the future. Our colleagues have been central to our success and I thank them for their significant contribution to our results.The pet market has proved over time to be more resilient than general retail, so whilst consumer confidence may be more fragile, we believe our drive to become more specialist and most loved by customers will deliver further progress."

Outlook and current trading

We are confident in our ability to execute on our strategy through growing like-for-like revenue and rolling out new space. Whilst margins this year will see the impact of weaker sterling and the National Living Wage, over the medium to longer term we believe these challenges will be outweighed by the support from our growing services business, which is still maturing.

Trading to date in the first quarter of FY17 is in line with our expectations.

FY17 guidance

- Rollout: 15-20 Pets at Home superstores, 45-55 vet practices, 50-60 grooming salons
- Cost impact of National Living Wage maintained at c£2m
- Depreciation and amortisation £29-30m
- Net interest cost £4-5m
- Effective tax rate 21%
- Capital investment c£45m – includes exceptional investment of £5m as part of a £8m two year energy saving project
- Ordinary dividend payout ratio at 50% of earnings

Capital structure and cash utilisation

We finished the year[4] with a leverage position of 1.2x net debt/pre-exceptional EBITDA, having delevered by over 1x in the two financial years since our stock market listing. Our priority is to invest in areas that will expand the Group and deliver appropriate returns. Since the year end, we have acquired two veterinary specialist referral centres for a total consideration of £14.9m and we will continue to explore bolt-on opportunities in the wider veterinary services market.

Going forward, we intend to maintain a leverage position of around 1.5x net debt/EBITDA[5] under normal circumstances, moving to a maximum of around 1.75x in the event suitable investment or acquisition opportunities arise. We believe this maintains appropriate flexibility for our business.

The Board has increased the ordinary dividend payment policy to around 50% of earnings, reflective of the cash generative abilities of the business and the positive long term growth prospects. Dependent upon our acquisition outlook and if we do not foresee investment uses, it is our intention to return surplus free cashflow[6] to shareholders through a combination of ordinary and special dividends.

4 Refers to 52 week unaudited period ended 24 March 2016
5 On an annualised basis
6 Free cashflow is defined as net cash from operating activities, less net cash used in investing activities, interest paid and finance lease commitments. Free cashflow is stated before cash flows for loans issued, exceptional costs and acquisitions of subsidiaries

Results presentation

A presentation for analysts and investors will be held today at 8.45am 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

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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 419 superstores located across the UK. The Group operates the UK's largest small animal veterinary business with 388 practices, run principally under a Joint Venture model using the Vets4Pets and Companion Care brand names, and four veterinary specialist referral centres. Pets at Home is the UK's leading operator of pet grooming services offered through its 240 grooming salons. The Group also operates 7 specialist High Street based dog stores, called Barkers, as well as Ride-away, an equine retail business with a superstore and website. For more information visit: http://investors.petsathome.com/

Chief Executive Officer's Review

Operational Highlights

ROLLOUT		FY16 (53 weeks)	FY15
Stores	Number of stores in period[1]	427	400
	New stores (net)	27	23
Vets	Number of vet practices (total)	388	338
	Number of standalone vet practices	138	127
	Number of in-store vet practices	250	211
	% of stores with vet	59%	53%
	New vet practices in period (total)	50	61
	New standalone vet practices	11	8
	New in-store vet practices	39	53
Groomers	Number of groomers	240	180[2]
	% of stores with groomer	56%	45%
	New groomers in period	60	50
VIP CLUB			
	VIP club members (m)	4.5	3.2
	VIP swipe as % revenue[3]	64%	65%
COLLEAGUES			
	Retention rate (annual)	79%	81%
PRODUCT			
	Proportion of products changed or refreshed	40%	44%

1 Includes Barkers and Whiskers 'n Paws by Pets at Home
2 Re-stated to include an additional grooming salon located In Barkers of Wilmslow
3 Average swipe rate over latest quarterly period

Strategic Update

Strategic pillar: Expanding like-for-like growth

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

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

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

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

Providing value for our customers

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

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

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

Delivering results from our seamless shopping investment

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

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

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

Strategic initiatives in our veterinary business

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

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

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

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

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

Strategic pillar: Space rollout and footprint development

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

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

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

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

Strategic pillar: Growing margins

All refers to 52 weeks unaudited period ended 24 March 2016

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

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

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

Ian Kellett
Group Chief Executive Officer
25 May 2016

Chief Financial Officer’s Review

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

Financial Highlights

FINANCIALS		FY16 Audited 53 weeks to 31 March 2016	FY16 Proforma 52 weeks to 24 March 2016	FY15	*Change Proforma 52 weeks to 24 March 2016*
Revenue	Revenue Split (£m)				
	Food	390.0	382.5	359.3	*6.4%*
	Accessories	320.2	314.0	306.8	*2.4%*
	Total Merchandise revenue[1]	710.2	696.5	666.1	*4.6%*
	Services & Other revenue[2]	82.9	81.3	63.0	*29.2%*
	Total Group revenue	793.1	777.8	729.1	*6.7%*
	Like-For-Like growth[3]	2.1%	2.2%	4.2%	
	Merchandise LFL growth	1.4%	1.5%	3.7%	
	Services LFL growth	10.0%	10.4%	10.7%	
	Revenue Mix (% of total revenues)				
	Food	49.2%	49.2%	49.3%	*(11) bps*
	Accessories	40.3%	40.3%	42.1%	*(171)bp*
	Services & Other	10.5%	10.5%	8.6%	*182 bps*
Gross Margin	Merchandise Gross Margin	57.0%	57.0%	56.3%	*79 bps*
	Services & Other Gross Margin	32.9%	33.0%	32.6%	*35 bps*
	Total Gross Margin	54.5%	54.5%	54.2%	*31 bps*
EBITDA	Pre-exceptional EBITDA[4] (£m)	127.4	124.7	119.6	*4.2%*
	Pre-exceptional EBITDA margin	16.1%	16.0%	16.4%	*(38) bps*
Other Income Statement	Pre-exceptional profit before tax (£m)	97.3	95.3[5]	87.0	*9.6%*
	Statutory profit before tax (£m)	92.1	90.2	87.0	3.7%
	Pre-exceptional basic EPS (pence)	15.4	15.1[5]	13.5[6]	*11.2%*
	Dividend (pence)	7.5		5.4	*38.9%*
Cashflow & Leverage	FCF (£m)	71.6	77.8	72.0	*8.1%*
	Conversion	56.2%	62.4%	60.2%	*226 bps*
	CROIC[7]	22.1%	-	22.6%	*(46)bps[8]*
	Leverage (Net Debt / EBITDA)[4]	1.3x	1.2x	1.6x	*(0.4) x*

1 Includes Food and Accessories revenue from our store and online operations
2 Includes veterinary Joint Venture fees and other income, Groom Room revenue, revenue from live pet sales and insurance commission
3 ‘Like-for-Like’ sales growth comprises total sales/fee revenue in a financial period compared to revenue achieved in a prior period, post cannibalisation, for stores, online operations, grooming salons and vet practices. “52 weeks” represents LFL sales for the 52 week period to 24 March 2016 compared with the 52 week period to 26 March 2015. “53 weeks” represents LFL sales for the 53 week period to 31 March 2016, compared with the 53 week period to 2 April 2015
4 Excludes £0.8m of M&A related exceptional expenses
5 Excludes £0.8m of M&A related exceptional expenses and an exceptional finance expense of £4.3m associated with the amortisation of capitalised fees from the previous finance facility
6 Excludes exceptional tax credit of £4.3m
7 Cash return on invested capital excludes goodwill on KKR acquisition
8 Represents y/y change for FY16 53 weeks to 31 March 2016 compared with FY15

Sales and revenue

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

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

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

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

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

Gross margin

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

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

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

Operating costs

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

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

EBITDA

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

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

Finance expense

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

Taxation, trading profit & EPS

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

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

Working capital

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

Capital investment

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

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

Capital structure and cashflow

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

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

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

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

Going forward, we intend to maintain a leverage position of around 1.5x net debt/EBITDA[1] under normal circumstances, moving to a maximum of around 1.75x in the event suitable investment or acquisition opportunities arise. We believe this maintains appropriate flexibility for our business, operating in a resilient market with strong cash generation capabilities.

Dependent upon our acquisition outlook and if we do not foresee investment uses, it is our intention to return surplus free cashflow[2] to shareholders through a combination of ordinary and special dividends.

1 On an annualised basis

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

Dividend

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

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

Mark Adams
Interim Chief Financial Officer
25 May 2016

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 25 May 2016 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 31 March 2016 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 FY16 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	53 week period ended 31 March 2016			52 week period ended 26 March 2015		
		£000	£000	£000	£000	£000	£000
		Underlying Trading	Exceptional Items *(note 3,7,8)*	Total	Underlying Trading	Exceptional Items *(note,8)*	Total
Revenue	2	793,126	-	793,126	729,086	-	729,086
Cost of sales		(360,702)	-	(360,702)	(333,776)	-	(333,776)
Gross profit		432,424	-	432,424	395,310	-	395,310
Selling and distribution expenses		(279,293)	-	(279,293)	(257,853)	-	(257,853)
Administrative expenses	3	(50,868)	(835)	(51,703)	(40,695)	-	(40,695)
Operating profit	3	102,263	(835)	101,428	96,762	-	96,762
Financial income	6	668	-	668	572	-	572
Financial expense	7	(5,628)	(4,326)	(9,954)	(10,369)	-	(10,369)
Net financing expense		(4,960)	(4,326)	(9,286)	(9,797)	-	(9,797)
Profit before tax		97,303	(5,161)	92,142	86,965	-	86,965
Taxation	8	(20,224)	865	(19,359)	(19,089)	4,295	(14,794)
Profit for the period		77,079	(4,296)	72,783	67,876	4,295	72,171

All activities relate to continuing operations.

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

	Note	53 week period ended 31 March 2016	52 week period ended 26 March 2015
Equity holders of the parent – after exceptional items - basic	5	14.6p	14.4p
Equity holders of the parent – after exceptional items - diluted	5	14.5p	14.4p

Dividends paid and proposed are disclosed in note 9.

Consolidated Statement of Comprehensive Income

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	£000
Profit for the period	72,783	72,171
Other comprehensive income		
Items that are or may be recycled subsequently into profit or loss:		
Foreign exchange translation differences	(5)	(4)
Cash flow hedges – reclassified to profit and loss	(1,064)	1,113
Effective portion of changes in fair value of cash flow hedges	(536)	403
Other comprehensive income for the period, before income tax	(1,605)	1,512
Income tax on other comprehensive income	320	(303)
Other comprehensive income for the period, net of income tax	(1,285)	1,209
Total comprehensive income for the period	71,498	73,380

Consolidated Balance Sheet

	Note	At 31 March 2016 £000	At 26 March 2015 £000
Non-current assets			
Property, plant and equipment		114,746	102,890
Intangible assets		973,549	955,512
Other non-current assets		10,161	8,133
		1,098,456	1,066,535
Current assets			
Inventories		52,476	48,474
Other financial assets		1,947	1,697
Trade and other receivables		59,028	51,627
Cash and cash equivalents		39,998	132,966
		153,449	234,764
Total assets		1,251,905	1,301,299
Current liabilities			
Other interest-bearing loans and borrowings	*11*	-	(5,000)
Trade and other payables		(160,140)	(144,754)
Provisions		(436)	(365)
Other financial liabilities		(1,318)	(632)
		(161,894)	(150,751)
Non-current liabilities			
Other interest-bearing loans and borrowings	*11*	(201,091)	(315,674)
Other payables		(33,165)	(31,483)
Provisions		(1,387)	(1,706)
Other financial liabilities		(5,999)	-
Deferred tax liabilities		(4,885)	(4,810)
		(246,527)	(353,673)
Total liabilities		(408,421)	(504,424)
Net assets		843,484	796,875
Equity attributable to equity holders of the parent			
Ordinary share capital		5,000	5,000
Consolidation reserve		(372,026)	(372,026)
Merger reserve		113,321	113,321
Translation reserve		(5)	-
Cash flow hedging reserve		(429)	851
Retained earnings		1,097,623	1,049,729
Total equity		843,484	796,875

On behalf of the Board:

Ian Kellett

Group Chief Executive Officer

Company number: 08885072

Consolidated Statement of Changes in Equity as at 31 March 2016

	Share capital	Consolidation reserve	Merger reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 26 March 2015	**5,000**	**(372,026)**	**113,321**	**851**	**-**	**1,049,729**	**796,875**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	72,783	72,783
Other comprehensive income	-	-	-	(1,280)	(5)	-	(1,285)
Total comprehensive income for the period	-	-	-	(1,280)	(5)	72,783	71,498
Transactions with owners, recorded directly in equity							
Equity dividend paid	-	-	-	-	-	(27,894)	(27,894)
Share based payment transactions	-	-	-	-	-	3,005	3,005
Total contributions by and distributions to owners	-	-	-	-	-	(24,889)	(24,889)
Balance at 31 March 2016	**5,000**	**(372,026)**	**113,321**	**(429)**	**(5)**	**1,097,623**	**843,484**

Consolidated Statement of Changes in Equity as at 26 March 2015

	Share capital	Share premium	Consolidation reserve	Merger reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£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	-	-	-	-	-	-	(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 Cash Flows

		53 week period ended 31 March 2016 £000		52 week period ended 26 March 2015 £000
Cash flows from operating activities				
Profit for the period		72,783		72,171
Adjustments for:				
Depreciation and amortisation		25,106		22,838
Financial income		(668)		(572)
Financial expense		9,954		10,369
Share based payment charges		3,005		1,657
Taxation		19,359		14,794
		129,539		121,257
Increase in trade and other receivables		(6,784)		(9,468)
Increase in inventories		(3,627)		(2,358)
Increase in trade and other payables	7,021		16,132	
Decrease in IPO related trade and other payables ***(i)***	-		(25,184)	
Total increase/(decrease) in trade and other payables		7,021		(9,052)
Decrease in provisions		(248)		(225)
		125,901		100,154
Tax paid – underlying		(14,823)		(12,874)
Tax received – exceptional (ii)		-		4,295
Net cash flow from operating activities		111,078		91,575
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		3,082		874
Interest received		413		364
Investment in other financial assets		(1,010)		(2,176)
Loans issued		(1,674)		-
Acquisition of subsidiary, net of cash acquired		(8,113)		-
Acquisition of property, plant and equipment, and other intangible assets		(36,804)		(30,361)
Net cash used in investing activities		(44,106)		(31,299)
Cash flows from financing activities				
Equity dividends paid		(27,894)		(8,942)
Proceeds from new loan		202,000		-
Repayment of borrowings		(325,000)		-
Loan repayment on acquisition		(1,808)		-
Finance lease obligations		(28)		-
Issue costs		(1,225)		-
Interest paid		(5,985)		(9,191)
Net cash used in financing activities		(159,940)		(18,133)
Net (decrease)/increase in cash and cash equivalents		**(92,968)**		**42,143**
Cash and cash equivalents at beginning of period		**132,966**		**90,823**
Cash and cash equivalents at end of period		**39,998**		**132,966**

(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 53 week period ended 31 March 2016 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 25th May 2016 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 53 week period ended 31 March 2016 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 53 week period ended 31 March 2016 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 53 week period ended 31 March 2016.

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, specialist vet referral services and the Group's websites.

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

Revenue	**53 week period ended 31 March 2016 £000**	**52 week period ended 26 March 2015 £000**
Food	390,041	359,377
Accessories	320,162	306,754
Services and other	82,923	62,955
	793,126	729,086

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

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. This can be reconciled to statutory operating profit as follows:

	53 week period ended 31 March 2016 £000	**52 week period ended 26 March 2015 £000**
Operating profit	101,428	96,762
Exceptional items	835	-
Underlying operating profit before exceptional items	102,263	96,762
Depreciation and amortisation	25,106	22,838
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**127,369**	**119,600**

Included in operating profit are the following:

	53 week period ended 31 March 2016 £000	**52 week period ended 26 March 2015** £000
Exceptional operating expenses	835	-
Depreciation of tangible fixed assets	21,915	19,659
Amortisation of intangible assets	3,191	3,179
Rentals under operating leases:		
Hire of plant and machinery	3,886	3,648
Property	70,405	66,474
Rental income from sublets	(10,171)	(8,054)
Share based payment charges	3,005	1,657

Exceptional items in operating profit in the 53 week period ended 31 March 2016 of £835,000 represents costs incurred in relation to the acquisitions completed during the period and subsequent to the period end. There are no exceptional items included in operating profit in the 52 week period ended 26 March 2015.

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:

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	Number	Number
Sales and distribution	5,008	4,863
Administration	466	397
	5,474	5,260

The aggregate payroll costs of these persons were as follows:

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	£000
Wages and salaries	143,553	122,510
Social security costs	11,044	10,051
Contributions to defined contribution plans	4,294	3,984
	158,891	136,545

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.

	53 week period ended 31-Mar-16	53 week period ended 31-Mar-16	52 week period ended 26-Mar-15	52 week period ended 26-Mar-15
	Underlying Trading	After Exceptional Items	Underlying Trading	After Exceptional Items
Profit attributable to equity shareholders of the parent (£000s)	77,079	72,783	67,876	72,171
	77,079	72,783	67,876	72,171
Basic weighted average number of shares	500,000,000	500,000,000	500,000,000	500,000,000
Dilutive potential ordinary shares	2,048,984	2,048,984	1,109,716	1,109,716
Diluted weighted average number of shares	502,048,984	502,048,984	501,109,716	501,109,716
Basic earnings per share	15.4p	14.6p	13.5p	14.4p
Diluted earnings per share	15.4p	14.5p	13.5p	14.4p

Notes *(continued)*

6 Finance Income

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	**£000**
Interest receivable	401	572
Other finance income	267	-
Total finance income	668	572

7 Finance Expense

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	**£000**
Bank loans at effective interest rate	5,628	10,367
Other interest expense	-	2
Total underlying finance expense	5,628	10,369
Exceptional amortisation costs	4,326	-
Total exceptional finance expense	4,326	-
Total finance expense	9,954	10,369

Exceptional finance expenses in the 53 week period ended 31 March 2016 related to £4,326,000 of accelerated amortisation following the repayment of the senior bank facility of £325,000,000 in the period.

Notes *(continued)*

8 Taxation

Recognised in the income statement

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	**£000**
Current tax expense		
Current period	19,441	15,307
Adjustments in respect of prior periods	(294)	(5,065)
Current tax expense	19,147	10,242
Deferred tax expense		
Origination and reversal of temporary differences	155	4,319
Reduction in tax rate	(263)	-
Adjustments in respect of prior periods	320	233
Deferred tax expense	212	4,552
Total tax expense	19,359	14,794

The UK corporation tax standard rate for the period was 20% (2015: 21%). The March 2015 budget announced that the UK corporation tax rate will further reduce to 19% (effective from 1 April 2017). The March 2016 budget announced a further reduction in the corporation tax rate to 17% from 1 April 2020. The deferred tax liability has been calculated based on the rate of 19% which is the rate at which the majority of items are expected to reverse.

Deferred tax recognised in other comprehensive income

	53 week period ended 31 March 2016	52 week period ended 26 March 2015
	£000	**£000**
Effective portion of changes in fair value of cash flow hedges	(320)	303

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	53 week period ended 31 March 2016 Underlying Trading	53 week period ended 31 March 2016 Exceptional Items	53 week period ended 31 March 2016 Total	52 week period ended 26 march 2015 Underlying Trading	52 week period ended 26 March 2015 Exceptional Items	52 week period ended 26 March 2015 Total
	£000	£000	£000	£000	£000	£000
Profit for the period	77,079	(4,296)	72,783	67,876	4,295	72,171
Total tax expense	20,224	(865)	19,359	19,089	(4,295)	14,794
Profit excluding taxation	97,303	(5,161)	92,142	86,965	-	86,965
Tax using the UK corporation tax rate for the period of 20% (52 week period ended 26 March 2015: 21%)	19,460	(1,032)	18,428	18,263	-	18,263
Impact of reduction in tax rate on deferred tax balances	(263)	-	(263)	(45)	-	(45)
Depreciation on expenditure not eligible for tax relief	862	-	862	1,424	-	1,424
Expenditure not eligible for tax relief	139	167	306	217	-	217
Adjustments in respect of prior periods	26	-	26	(770)	(4,295)	(5,065)
Total tax expense	20,224	(865)	19,359	19,089	(4,295)	14,794

The UK corporation tax standard rate for the 53 week period ended 31 March 2016 was 20% (52 week period ended 26 March 2015: 21%). The effective tax rate before exceptional items for the 53 week period ended 31 March 2016 was 21%. The principal reason for the difference in rate relates to the non-deductibility of depreciation charged on certain items of capital expenditure.

Notes *(continued)*

9 Dividends paid and proposed

	Group	
	53 week period ended	**52 week period ended**
	31 March 2016	**26 March 2015**
	£000	**£000**
Declared and paid during the period		
Final dividend of 3.6p per share (2015: 0p per share)	17,932	-
Interim dividend of 2p per share (2015: 1.8p per share)	9,962	8,942
Proposed for approval by shareholders at the AGM		
Final dividend of 5.5p per share (2015: 3.6p per share)	27,394	17,932

The trustees of the following holdings of Pets at Home Group Plc shares under the Pets at Home Group Employee Benefit Trusts have waived or otherwise foregone any and all dividends paid in relation to the period ended 31 March 2016 and to be paid at any time in the future (subject to the exceptions in the relevant trust deed) on its respective shares for the time being comprised in the Trust Funds as follows: Computershare Nominees (Channel Islands) Limited (holding at 31 March 2016:1,466,540 shares, holding at 26 March 2015: 1,466,861 shares), has waived its rights to all dividends; and, Wealth Nominees Limited (holding at 31 March 2016: 434,056 shares, holding at 27 March 2014: 434,056 shares), has waived its rights to all dividends.

Notes *(continued)*

10 Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Cash Consideration transferred
				£000
Anderson Moores Veterinary Specialists Ltd	Veterinary referral centre	18 January 2016	75%	7,525
Northwest Surgeons Ltd	Veterinary referral centre	15 April 2015	100%	2,600

In addition to the above acquisitions, the Group also acquired a franchised Vets4Pets practice, Leyland Vets.

Acquisition of Anderson Moores Veterinary Specialists Ltd

On 18 January 2016, the Group acquired 75% of the total share capital of Anderson Moores Veterinary Specialists Ltd in exchange for cash and contingent consideration. The remaining share capital of Anderson Moores Veterinary Specialists Ltd is held by non-controlling interests.

A put and call option, written into the Articles of Association, allows the non-controlling shareholders to require sale of their shares to the Group at an agreed pricing method at certain points in the future. The Articles also contain provision for the Group to buy the non-controlling shares under the same pricing mechanism at certain times.

As a consequence, the put and call option has been treated as a forward contract and as a result, the financial statements are prepared on the basis that the Group owns 100% of the total share capital of Anderson Moores Veterinary Specialists Ltd. Therefore no non-controlling interest is recognised. The deemed value of the put and call option is treated as a forward contract.

Consideration transferred

	Anderson Moores Veterinary Specialists Ltd £000
Cash	7,525
Contingent consideration	1,000
Forward contract	4,117
	12,642

Acquisition related costs amounting to £225,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the current year, within the 'administrative expenses' exceptional line item.

The business combination includes an element of consideration payable on satisfaction of certain performance conditions in the period to 31 March 2018. The forecast contingent consideration payable, based on the Directors' best estimate of performance at the time of acquisition, in the future period, is £1,000,000.

Notes *(continued)*

10 Business combinations *(continued)*

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Carrying amounts	Accounting policy adjustments	Fair value adjustments	Assets and liabilities acquired
	£000	**£000**	**£000**	**£000**
Current assets				
Cash and cash equivalents	1,733	-	-	1,733
Trade and other receivables	300	-	(10)	290
Inventories	228	-	-	228
Non-current assets				
Tangible fixed assets	810	-	(3)	807
Current liabilities				
Trade and other payables	(1,051)	-	-	(1,051)
Deferred tax liabilities	(114)	-	-	(114)
Non-current liabilities	-	-	-	-
	1,906	-	(13)	1,893

Provisional goodwill arising on acquisition

	Anderson Moores Veterinary Specialists Ltd
	£000
Consideration transferred	7,525
Contingent consideration	1,000
Forward contract	4,117
Less: fair value of net assets acquired	(1,893)
Goodwill arising on acquisition	10,749

Goodwill arose on the acquisition of Anderson Moores Veterinary Specialists Limited because the cost of the combination included a control premium in addition to the consideration paid for the combination, effectively including amounts in relation to the benefits of expected synergies, revenue growth and future market development. Those benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill is deemed to be provisional due to the timing of the acquisition in relation to the period end. It is considered that further information could come to light that could affect the fair value of net assets acquired.

None of the goodwill identified on these acquisitions is expected to be deductible for tax purposes.

Notes *(continued)*

10 Business combinations *(continued)*

Net cash outflow on acquisition of subsidiary

	Anderson Moores Veterinary Specialists Ltd
	£000
Initial cash consideration	7,525
Less: cash and cash equivalents acquired	(1,733)
Total cash paid	5,792

Impact of acquisition on the results of the Group

Included in the operating profit for the period ended 31 March 2016 is £164,000 attributable to the additional business generated by Anderson Moores Veterinary Specialists Limited. Revenue for the period ended 31 March 2016 includes £1,481,000 in respect of Anderson Moores Veterinary Specialists Limited.

Had the business combination been effected at 27 April 2015, the revenue for the Group from continuing operations would have been £799,293,000 and the operating profit for the period from continuing operations would have been £102,518,000.

Notes *(continued)*

10 Business Combinations *(continued)*

Acquisition of Northwest Surgeons Ltd

On 15 April 2015, the Group acquired 100% of the share capital of Northwest Surgeons Limited in exchange for cash and contingent consideration.

Consideration transferred

	Northwest Surgeons Limited
	£000
Cash	2,600
Contingent consideration	562
	3,162

Acquisition related costs amounting to £101,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the current year, within the 'administrative expenses' line item.

The business combination includes an "earn out" mechanism whereby additional consideration may become payable in the financial period to 30 March 2017, subject to the EBITDA performance of Northwest Surgeons Ltd in the period from 1 April 2015 to 31 March 2016.

The forecast contingent consideration payable, based on the Directors' best estimate of the EBITDA performance at the time of acquisition, in the earn out period, is £562,000. The maximum contingent consideration payable is £680,000 and the minimum contingent consideration payable is £nil.

Notes *(continued)*

10 Business combinations *(continued)*

Assets acquired and liabilities recognised at the date of acquisition

The provisional amounts recognised in respect of identifiable assets and liabilities relating to the acquisition are as follows:

	Carrying amounts £000	Accounting policy adjustments £000	Fair value adjustments £000	Assets and liabilities acquired £000
Current assets				
Cash and cash equivalents	190	-	-	190
Trade and other receivables	329	-	-	329
Inventories	146	-	-	146
Non-current assets				
Tangible fixed assets	2,051	-	(178)	1,873
Current liabilities				
Trade and other payables	(694)	-	-	(694)
Non-current liabilities				
Bank loans	(1,552)	-	-	(1,552)
Other payables	(56)	-	-	(56)
Deferred tax liabilities	(69)	-	-	(69)
	345	-	(178)	167

Goodwill arising on acquisition

	Northwest Surgeons Limited £000
Consideration transferred	3,162
Less: fair value of net assets acquired	(167)
Goodwill arising on acquisition	2,995

Goodwill arose on the acquisition of Northwest Surgeons Limited because the cost of the combination included a control premium in addition to the consideration paid for the combination effectively including amounts in relation to the benefits of expected synergies, revenue growth, and future market development. Those benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill identified on these acquisitions is expected to be deductible for tax purposes.

Notes *(continued)*

10 Business combinations *(continued)*

Net cash outflow on acquisition of subsidiary

	Northwest Surgeons Limited
	£000
Initial cash consideration	2,600
Less: cash and cash equivalents acquired	(190)
Total cash paid	2,410

Included in the operating profit for the period ended 31 March 2016 is £317,000 attributable to the additional business generated by Northwest Surgeons Limited. Revenue for the period ended 31 March 2016 includes £4,889,000 in respect of Northwest Surgeons Limited.

Other acquisitions

In addition to the above acquisitions, the Group also acquired a franchised Vets4Pets practice, Leyland Vets. The acquisition resulted in additional goodwill of £149,000.

Notes *(continued)*

11 Other interest-bearing loans and borrowings

	Group	
	At 31 March 2016	At 26 March 2015
	£000	£000
Non-current liabilities		
Secured bank loans	201,091	315,674
Current liabilities		
Current portion of secured bank loans	-	5,000
Total liabilities		
Secured bank loans	201,091	320,674

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value At 31 March 2016 £000	Carrying amount At 31 March 2016 £000	Face value At 26 March 2015 £000	Carrying amount At 26 March 2015 £000
Senior Finance Bank Loans	GBP	LIBOR +1.5%	2019-2020	202,000	201,091	-	-
Senior Finance Bank Loans	GBP	LIBOR +2-2.25%	2019-2020	-	-	325,000	320,674

In April 2015, the Group's Senior Financing Facilities were amended, with the introduction of a further revolving credit facility (RCF) with a total facility amount of £260m. As part of the amendment, £325m of the Group's term loans under the previous terms of the Senior Financing Facilities were repaid via drawings under the Group's RCF along with cash from the Group's existing resources. The amended RCF expires in April 2020 and is reviewed each period. Interest is charged at LIBOR plus a margin based on leverage.

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

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

At 31 March 2016 the Group had a revolving credit facility of £260m with a drawn amount of £202m.

Notes *(continued)*

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

The analysis of repayments on the loans is as follows:

	At 31 March 2016	At 26 March 2015
	£000	£000
Within one year or repayable on demand	-	5,000
Between one and two years	-	12,500
Between two and five years	202,000	307,500
	202,0000	325,000

Analysis of changes in net debt

	At 26 March 2015	Cash flow	Non-cash movement	At 31 March 2016
	£000	£000	£000	£000
Cash and cash equivalents	132,966	(92,968)	-	39,998
Debt due within one year at face value	(5,000)	5,000	-	-
Debt due after one year at face value	(320,000)	118,000	-	(202,000)
Net debt	(192,034)	30,032	-	(162,002)