FOR IMMEDIATE RELEASE, 24 NOVEMBER 2016

Pets at Home Group Plc, Interim Financial Results FY17
for the 28 week period from 1st April to 13th October 2016

(£m)	H1 FY16	H1 FY17	*Change*
Group revenue	**404.5**	**441.3**	***9.1%***
Merchandise	362.6	379.5	*4.7%*
Of which Food	202.1	209.6	*3.7%*
Of which Accessories	160.5	169.9	*5.9%*
Services	41.9	61.9	*47.6%*
Group Like For Like growth	**1.8%**	**2.5%**	
Merchandise	1.0%	1.9%	
Services	10.5%	8.7%	
Group gross margin	54.1%	53.9%	*(15)bps*
Pre-exceptional EBITDA margin	15.0%	14.8%	*(25)bps*
Pre-exceptional profit before tax	**45.2**	**47.0**	***3.9%***
Statutory profit before tax	40.9	46.0	*12.4%*
Dividend per share (p)	**2.0**	**2.5**	***25.0%***
Free cashflow	**30.8**	**34.4**	***11.5%***
Leverage (Net Debt / pre exceptional EBITDA*)	1.5x	1.3x	

All financial definition can be found on page 6. Exceptional items in H1 FY17 refer to *£1.0m of exceptional costs related to the disposal of Farm Away Limited, the Group's equestrian retailing business*

- Robust Group LFL revenue growth of 2.5%
- Good performance in strategic drivers: fee income from Joint Venture vet practices up 23.6%, Services LFL growth 8.7%, Advanced Nutrition revenue growth 6.5%
- Space rollout on track: 8 new superstores, 17 vet practices and 18 grooming salons. 49% of superstores now have both a vet practice and grooming salon
- Seamless shopping omnichannel investment delivering results with order volumes and basket spend increasing
- Strong dividend growth of 25.0%, in line with our increased dividend payment policy which commenced at FY16 year end

Ian Kellett, Group Chief Executive Officer, commented:

"We have again demonstrated strong performance in Services, with 47.6% revenue growth. We have also seen robust trading in Merchandise where Health & Hygiene sales returned to a more normalised level after a poor season last year. We are pleased that our investment in seamless shopping is delivering results with increased volumes, basket spend and the launch of our first subscription service.

In a more difficult trading environment, we continue to build Pets at Home for the future and are confident in the long term outlook for our unique offer in the resilient pet market, in particular, the developing potential of our Services business as we see it mature and grow."

Outlook

Whilst recent trading has been softer than in the first half, our profit outlook for FY17 remains in line with market expectations as we maintain a focus on both margins and costs.

Board update

Brian Carroll, Non-Executive Director, will resign from the Board on 2nd December 2016. Mr Carroll has been a Director of Pets at Home since 2011. Nicolas Gheysens, Director, Private Equity at KKR & Co LP will replace Mr Carroll with effect from 2nd December 2016. Nicolas has been a key part of the business since the acquisition by KKR in 2010, and has been a Board Observer since IPO.

Results presentation

A presentation for analysts and investors will be held today at 8.30am at Bank of America Merrill Lynch, 2 King Edward St, London, EC1A 1HQ, 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 427 superstores located across the UK. The Group operates the UK's largest small animal veterinary business with 405 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 258 grooming salons. The Group also operates 7 specialist High Street based dog stores, called Barkers. For more information visit: http://investors.petsathome.com/

Chief Executive Officer's Review

Operational Highlights

ROLLOUT		H1 FY16	H1 FY17	FY16
Stores	Number of stores[1]	408	435	427
	New stores (gross)[1]	8	8	27
Vets	Number of vet practices (total)	353	405	388
	Number of standalone vet practices	130	143	138
	Number of in-store vet practices	223	262	250
	% of stores with vet	55%	60%	59%
	New vet practices (total)	15	17	50
	New standalone vet practices	3	5	11
	New in-store vet practices	12	12	39
Groomers	Number of groomers[1]	190	258	240
	% of stores with groomer	46%	58%	55%
	New groomers	10	18	60
VIP CLUB				
	VIP Club active members (m)[2]	3.1	3.6	3.4
	VIP swipe as % revenue[3]	67%	65%	64%
COLLEAGUES				
	Net Promoter Score	88%	88%	79%
PRODUCT				
	Proportion of product SKUs refreshed	22%	22%	40%

1 Includes Barkers and Whiskers 'n Paws by Pets at Home
2 Active defined as customers who have purchased during the past twelve months
3 Average swipe rate of the card at store tills over latest quarterly period

Strategic Update

More specialist and most loved

Nearly all of our colleagues are pet owners and at the heart of our business is the emotional bond we have with customers, created by our shared love of pets. Our strategy is underpinned by our drive and investment to become even more specialist, and most loved, by engaged pet owners.

With our specialist credentials, we give pet owners more reasons to shop with us. We do this by delivering an exciting retail and services environment, expert advice from highly trained colleagues, an unmatched product range and seamless omnichannel convenience.

Expanding like-for-like growth

Giving customers something new and different

Innovation supports customer loyalty and we again maintained our product refreshment rate during the half, changing 22% of the total range. For example, as part of our ongoing drive to encourage customers to feed better quality diets and trade up, we launched two new private label foods, AVA in the science segment of Advanced Nutrition, and Step Up To Naturals in the intermediate bridging segment. We have also introduced one of the most popular UK naturals brands, Lily's Kitchen.

More than just a shop
A fun and educational environment gives customers more reasons to visit our stores, with our small animal pet villages visited by 70% of all customers who come into store. Every week our store colleagues host children's pet workshops delivering a hands on approach to educating children about responsible ownership with over 150,000 attendees this calendar year.

Innovation in the VIP club
Our strategic focus through our successful and growing VIP loyalty club is to increase our share of customers' spend in Food and in Services. We have developed our VIP marketing materials to include more vet focused communications and we are also utilising more personalised communications to encourage particular subsets of customers to trade up into better quality pet foods.

We launched our first subscription service during the quarter, exclusively for VIPs, which creates another signup driver. 'Subscribe and save flea treatment' allows customers to receive a single flea treatment through the post each month, which acts as a convenient reminder to treat their dog or cat. We have seen a strong start to customer sign ups, the majority of which are incremental sales from pet owners who have never previously purchased flea treatments from us.

The VIP App launched during the first quarter of the year and removes the need for customers to physically carry the VIP card to swipe and build points for their nominated charity. We are seeing encouraging behaviour from App users, including improved voucher redemption rates and higher transaction values.

Seamless shopping investment delivering results
The convenience of our UK wide footprint remains paramount, with around 50% of all online orders picked up in-store. We have been developing our omnichannel capabilities through both systems investment, which has enabled better inventory management and delivery capability, alongside customer facing improvements in website content and ease of use, collection and delivery options. As a result, we have seen an enhanced customer experience and significant improvements in commercial KPIs, including online conversion, volume and average transaction values.

A fast growing Services business
Our Joint Venture veterinary business continues to perform well, with mature practices growing ahead of the market rate. This is achieved through our excellent level of patient care, the convenience of practice locations and opening hours and our national TV and marketing campaigns, which are all driving new client acquisition. We have also launched the first of our Care4Life healthcare plans, which provide bespoke levels of more affordable treatment cover for chronic illnesses, such as diabetes and osteoarthritis.

We are building a presence in the veterinary referrals market through acquisition. Specialist referrals 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 first opinion practice network. Our future growth in this area will come through a combination of further acquisition, and greenfield development, as we seek to establish a UK network of between 10-15 referral centres.

We also continue to explore other opportunities in the wider veterinary services market, that will deliver growth to our business whilst retaining a disciplined approach to capital allocation.

Space rollout and footprint development

We are on track to achieve our space rollout targets for the year, finishing the period with 427 Pets at Home stores, opening 8 new stores. Our grooming salon network saw 18 new openings, taking the total number of Groom Rooms to 258, with grooming salons now present in 58% of our store estate. In addition we opened 17 vet practices, bringing the total portfolio to 405, consisting of 262 within 60% of our stores, and 143 standalone practices.

Growing margins

As previously guided, Group gross margin declined by 15 bps to 53.9% due to the dilutive mix impact of newly acquired specialist referral centres outweighing the good gross margin progression in the first opinion veterinary business and the Merchandise business. This mix effect was reflected in pre-exceptional EBITDA margin declining by 25 bps, which also saw the cost of the National Living Wage and foreign exchange movements outweighing the margin support of our vet and grooming services.

Looking forward, our guidance on Group gross margin and EBITDA margin is unchanged. We remain confident that the maturation of our vet and grooming businesses will provide support to Group EBITDA margin and we are committed to leveraging this contribution to drive long term margin expansion for the Group.

Ian Kellett
Group Chief Executive Officer
24 November 2016

Chief Financial Officer's Review

The H1 FY17 accounting period represents the 28 week period from 1st April to 13th October 2016. The H1 FY16 period represents the 28 week period from 27th March to 8th October 2015.

Financial Key Performance Indicators

FINANCIALS		H1 FY16	H1 FY17	*Change*
Revenue	Revenue Split (£m)			
	Food	202.1	209.6	*3.7%*
	Accessories	160.5	169.9	*5.9%*
	Total Merchandise[1]	362.6	379.5	*4.7%*
	Services[2]	41.9	61.9	*47.6%*
	Total Group	404.5	441.3	*9.1%*
	Like For Like growth[3]	1.8%	2.5%	
	Merchandise LFL	1.0%	1.9%	
	Services LFL	10.5%	8.7%	
	Revenue Mix (% of total revenues)			
	Food	50.0%	47.5%	*(248)bps*
	Accessories	39.6%	38.5%	*(117)bps*
	Total Merchandise	89.6%	86.0%	*(365)bps*
	Services	10.4%	14.0%	*366 bps*
Gross Margin	Merchandise Gross Margin	56.6%	57.5%	*89 bps*
	Services Gross Margin	32.2%	32.0%	*(19)bps*
	Total Gross Margin	54.1%	53.9%	*(15)bps*
EBITDA	Pre-exceptional EBITDA[4] (£m)	60.7	65.2	*7.3%*
	Pre-exceptional EBITDA margin[4]	15.0%	14.8%	*(25)bps*
Other Income Statement	Pre-exceptional profit before tax (£m)[4]	45.2	47.0	*3.9%*
	Statutory profit before tax (£m)	40.9	46.0	*12.4%*
	Pre-exceptional basic EPS (pence)[4]	7.2	7.4	*3.7%*
	Dividend (pence)	2.0	2.5	*25.0%*
Cashflow & Leverage	Free cashflow (£m)[5]	30.8	34.4	*11.5%*
	Conversion[5,6]	49.5%	51.4%	*193 bps*
	CROIC[7,8]	22.2%	21.3%	*(96) bps*
	Leverage (Net Debt / pre exceptional EBITDA)[8]	1.5x	1.3x	

1 Includes Food & Accessories revenue

2 Includes veterinary Joint Venture fees & other veterinary income, including specialist referrals, grooming salon revenue, revenue from live pet sales & 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, for stores, online operations, grooming salons, vet practices & referral centres that have been trading for 52 weeks

4 Earnings before interest, tax, depreciation & amortization. H1 FY17 excludes £1.0m of exceptional costs related to the disposal of Farm Away Limited (see note 3 of the financial statements)

5 Free Cashflow is defined as net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid & debt issue costs, and is stated before cash flows for exceptional costs

6 Conversion represents Free cashflow as a percentage of pre-exceptional EBITDA

7 Represents cash returns divided by the average of gross capital (GCI) invested for the last twelve months. Cash returns represent pre-exceptional operating profit before property rentals and share based payments subject to tax then adjusted for depreciation and amortisation. GCI represents Gross Property, Plant and Equipment plus Software and other intangibles excluding the goodwill created on the acquisition of the group by KKR (£906,445,000) plus net working capital plus capitalised rent being property rentals multiplied by a factor of 8x. A multiple of 8 is the industry standard methodology. (Last twelve month definition uses the second half of the 53 week FY16 ended 31st March 2016.)

8 Represents last twelve months EBITDA and period end net debt. (Last twelve month definition uses the second half of the 53 week FY16 ended 31st March 2016.)

Revenue

Total revenue in H1 FY17 grew 9.1% to £441.3m (H1 FY16: £404.5m), with strong performance in Accessories and pet services. Like-for-like sales grew 2.5%, driven by vet and grooming services, omnichannel, Advanced Nutrition and Health & Hygiene products.

Total Merchandise revenues, which includes Food and Accessories, grew 4.7% to £379.5m (H1 FY16: £362.6m).

Food revenues grew by 3.7% to £209.6m (H1 FY16: £202.1m), reflecting good performance in dog Advanced Nutrition (AN) and treats. AN revenues grew 6.5% to £94.5m (H1 FY16: £88.7m), with our private label Wainwright's growing 7.4% to £26.9m (H1 FY16: £25.1m). Grocery food performance was soft, as we continue to shift focus away from this declining and highly competitive market area, alongside weak performance in wild bird food which was tightly correlated with the warmer temperatures in Autumn.

Accessories revenues grew 5.9% to £169.9m (H1 FY16: £160.5m) where we returned to more normalised performance in Health & Hygiene, reflecting the soft prior year comparative. We also saw excellent growth across dog accessories, which benefitted from range refreshment and innovation. This was somewhat offset by weakness in aquatics accessories.

Services revenues grew 47.6% to £61.9m (H1 FY16: £41.9m), reflecting particularly strong performance in our Joint Venture vet practices, where fee income was up 23.6% to £22.7m (H1 FY16: £18.4m), good growth in our grooming salons and the contribution from newly acquired veterinary referral centres.

Gross margin

Group H1 FY17 gross margin declined by 15 bps to 53.9% (H1 FY16: 54.1%).

Gross margin within Merchandise was 57.5%, a significant expansion of 89 bps over the prior year (H1 FY16: 56.6%), despite absorbing a negative foreign currency impact of £0.9m. This has primarily been achieved through the good growth in dog accessories, the mix shift from grocery to AN foods and pricing activity across selected products.

Gross margin within Services declined by 19 bps to 32.0% (H1 FY16: 32.2%). Whilst we saw gross margin accretion in our core first opinion vet business, this was more than offset by the mix impact of three new veterinary specialist referral centres, the large number of new grooming salons which are initially loss making, and our investment into the care of pets in stores.

EBITDA and operating costs

Pre-exceptional EBITDA of £65.2m represented a 7.3% increase on the previous year (H1 FY16: £60.7m), with a margin of 14.8% (H1 FY16: 15.0%).

Selling and distribution expenses of £158.1m increased slightly as a percentage of Group revenue, to 35.8% (H1 FY16: 35.6%). Within this, occupation costs (rent, service charges and other costs) again declined as a percentage of sales as we benefit from the rental costs paid by vet practices within our stores, which contributed £5.6m during the half (H1 FY16: £4.7m). Colleague costs increased as a percentage of sales, primarily due to the introduction of the National Living Wage at the start of the period, which lead to additional wage costs of around £1m.

Underlying administration expenses of £30.2m were 6.8% of revenue (H1 FY16: 6.5%), where we are seeing growth in vet group and referral centre operating costs, alongside our investment in business systems. Exceptional administration costs of £1.0m are recognised in relation to the sale of the Group's equestrian retailing business, Farm Away Limited (see paragraph below).

Depreciation and amortisation, which is contained within our total operating costs, increased to £15.4m (H1 FY16 £12.5m) as a result of the overall increase in, and type of, capital investments we make. Our increased investment in business systems to build our on-line capability results in assets that have a shorter depreciable life. There have been no changes to our depreciation policy.

Finance expense

Underlying net finance expense for the half year period was £2.7m, a reduction from the prior year (H1 FY16: £3.0m) as a result of declining leverage.

Taxation, net income & EPS

Pre-exceptional pre tax profit, was £47.0m and grew by 3.9% compared with the prior year (H1 FY16: £45.2m). Statutory pre tax profit was £46.0m and grew by 12.4% compared with the prior year (H1 FY16: £40.9m).

Underlying total tax expense for the period was £9.9m, a rate of 21% on underlying pre tax profit, and in line with our expected tax rate for the full financial year.

Pre-exceptional profit for the period, after tax, was £37.1m (H1 FY16: £35.8m) and pre-exceptional basic earnings per share were 7.4 pence, growth of 3.7% compared with the prior year (H1 FY16: 7.2 pence.)

Cash flows and acquisitions

Cash flow generation remains strong. The Group generated £60.5m in operating cash flow during the period (H1 FY16: £48.7m). Free cash flow after interest, tax and before acquisitions was £34.4m (H1 FY16: £30.8m), representing an improved cash conversion rate of 51.4% (H1 FY16: 49.5%).

We acquired two veterinary specialist referral centres during the period, with cash outflows related to acquisitions of £15.0m. Dick White Referrals (DWR), based in Cambridgeshire, is one of the UK's largest small animal specialist referral centres. We acquired a 76% ownership stake in DWR for a consideration of £13.8m and will operate the practice as a shared venture model through which the founder, Professor Dick White, and the key clinicians, will retain 24% equity ownership. Eye-Vet Referrals (EVR), based in Cheshire, is a dedicated opthalmology centre with six veterinary clinicians. EVR already provides services to one of our referral centres, NorthWest Surgeons, as well as to other primary opinion veterinary practices. EVR will also operate as a shared venture, with the founders retaining 10% equity ownership.

Freecashflow calculation[1] (£m)	H1 FY16	H1 FY17
Cash EBITDA[2]	62.3	66.9[3]
Working capital[4]	(8.3)	2.6
Tax	(5.3)	(8.6)
Interest cost	(3.6)	(2.5)
Capex	(14.7)	(24.0)
Other	0.5	0.0
Free cashflow	**30.8**	**34.4**

1 Free Cashflow is defined as net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid & debt issue costs, and is stated before cash flows for exceptional costs
2 Defined as pre-exceptional EBITDA plus IFRS2 share based payment charges
3 Excludes £1.0m of exceptional costs associated with the disposal of Farm Away Limited
4 Includes provisions movement

Disposal of Ride-away

On 4th October 2016 the Group disposed of its equestrian retailing business, Farm Away Limited, which operated under the Ride-away brand. Sale proceeds were £0.7m, resulting in a loss on disposal of £0.7m. Costs of disposal of £0.3m are also recognised as an exceptional expense within the income statement.

Borrowings and net debt

The Group's net debt position at the end of the half year period was £170.8m, which represents a leverage ratio of 1.3x pre-exceptional EBITDA. This is in-line with the FY16 position of 1.3x, reflecting the cashflow requirements of a higher ordinary dividend payment and acquisitions in the veterinary referrals market.

£m	FY16 Audited 53 weeks to 31 March 2016	H1 FY17
Opening net debt	(192.0)	(162.0)
Free cashflow[1]	71.6	34.4
Ordinary dividends paid	(27.9)	(27.4)
Acquisitions	(8.1)	(15.0)
Other	(5.6)	(0.8)
Closing net debt	(162.0)	(170.8)
Leverage (ND / pre-exceptional EBITDA)	1.3x	1.3x

1 Free Cashflow is defined as net cash from operating activities, after tax, less net cash used in investing activities (excluding acquisitions), less interest paid & debt issue costs, and is stated before cash flows for exceptional costs

Working capital

The cash movement in working capital for H1 FY16 was an inflow of £2.6m, comprised of a £7.7m increase in inventory, a £2.6m increase in receivables, offset by a £12.9m increase in trade payables. We normally see a working capital outflow in the first half of the year as a result of Christmas range stocking. The inflow this year primarily relates to improved processes in settling trade receivables, and the presence of a 53rd trading week in the prior financial year, which improved the payables inflow by £3.7m in this period.

Capital investment

Capital investment was £20.9m (H1 FY16: £13.7m), of which £3.6m is part of an energy savings programme to fit LED lighting and smart energy management systems in our store estate. This investment is part of a one-off £8m project, of which a total of c£5m will be invested in the current financial year, followed by c£3m in FY18, in line with our previous guidance.

Within the underlying capital investment of £17.3m, £5.6m is represented by the retrofit of services into our existing store estate, having retrofitted almost double the number of vet and grooming salons when compared with the prior year (H1 FY16 £2.1m). New store capital investment totalled £3.3m (H1 FY16: £4.5m) and investment in business systems totalled £2.8m (H1 FY16: £2.1m), largely reflective of our seamless shopping development plan.

Cash capital expenditure for the H1 FY17 was £22.5m (H1 FY16: £14.7m).

Capital returns and cash utilisation policy

The Board has declared an interim dividend of 2.5 pence per share, which represents growth of 25.0% over the prior year (H1 FY16: 2.0 pence), in line with our policy. The interim dividend will be payable on the 6th January 2017 to shareholders on the register at the close of trading on 2nd December 2016. The Board remains confident in maintaining a total full year dividend payment of around 50% of earnings.

Our policy remains to target leverage of up to 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. 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 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

Foreign exchange outlook and Brexit commentary

The Group purchases products from Asia to a value of US$50-55 million each year and our policy is to hedge up to 95% of forecast foreign exchange transactions on a rolling 12 month basis. As confirmed previously, our hedging requirements for FY17 are in place, which will have a negative impact of around £2m on operating profit. Our average hedged FY17 rate is 1.48 USD:GBP. At present, around two thirds of our expected FY18 purchases are hedged at an average rate of 1.32 USD:GBP.

Prolonged uncertainty over the UK's exit terms from the European Union, and the continued weakness in Sterling, could lead to a slowdown in the UK economy and consequent loss of consumer confidence, impacting trading conditions for the Group. However, Pets at Home has a strong position in a traditionally resilient UK pet market, with a destination retail and services offering leveraging scale, innovation, price competitiveness and customer engagement. With our strategic focus based on being even more specialist and most loved by our customers, we believe we retain a more resilient position in the retail market.

Mike Iddon
Group Chief Financial Officer
24 November 2016

Risks and Uncertainties

An effective risk management process has been adopted to help the Group achieve its strategic objectives and enjoy long term success. The Board does not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 March 2016. These comprise:

- Protecting reputation
- Competition with other retailers and vet practices, including other pet specialists, supermarkets, discounters, and online retailers
- Stores and services expansion and rollout
- Retaining and developing engaged colleagues
- Keeping core business systems up to date and with the capability to support the Group's growth plans
- Supply chain and sourcing risk
- Liquidity and credit risk
- Treasury and financial risk from exposure to US dollar fluctuations, in respect of goods sourced from Asia
- Regulatory and compliance risk
- Extreme weather, where prolonged unusual weather patterns can impact footfall to stores

A detailed explanation of these risks can be found on pages 38 to 43 of the 2016 Annual Report which is available at http://investors.petsathome.com

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first 28 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 24 weeks of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board on 23 November 2016

Ian Kellett, Chief Executive Officer　　　　Mike Iddon, Chief Financial Officer

Disclaimer

This statement of interim 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 interim 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.

Independent Review Statement

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 13 October 2016 which comprises condensed consolidated statements of comprehensive income, changes in equity, and cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 13 October 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Nicola Quayle
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

23 November 2016

Condensed Consolidated Income Statement

	Note	28 week period ended 13 October 2016 £000 Underlying Trading	28 week period ended 13 October 2016 £000 Exceptional Items (note 3,6)	28 week period ended 13 October 2016 £000 Total	28 week period ended 8 October 2015 £000 Underlying Trading	28 week period ended 8 October 2015 £000 Exceptional Items (note 5,6)	28 week period ended 8 October 2015 £000 Total	53 week period ended 31 March 2016 £000 Underlying Trading	53 week period ended 31 March 2016 £000 Exceptional Items (note 3,6)	53 week period ended 31 March 2016 £000 Total
Revenue	*2*	**441,316**	**-**	**441,316**	404,503	-	404,503	793,126	-	793,126
Cost of sales		**(203,325)**	**-**	**(203,325)**	(185,748)	-	(185,748)	(360,702)	-	(360,702)
Gross profit		**237,991**	**-**	**237,991**	218,755	-	218,755	432,424	-	432,424
Selling and distribution expenses		**(158,113)**	**-**	**(158,113)**	(144,184)	-	(144,184)	(279,293)	-	(279,293)
Administrative expenses		**(30,164)**	**(996)**	**(31,160)**	(26,372)	-	(26,372)	(50,868)	(835)	(51,703)
Operating profit	*3*	**49,714**	**(996)**	**48,718**	48,199	-	48,199	102,263	(835)	101,428
Financial income		**258**	**-**	**258**	178	-	178	668	-	668
Financial expense	*5*	**(2,980)**	**-**	**(2,980)**	(3,146)	(4,326)	(7,472)	(5,628)	(4,326)	(9,954)
Net financing expense		**(2,722)**	**-**	**(2,722)**	(2,968)	(4,326)	(7,294)	(4,960)	(4,326)	(9,286)
Profit before tax		**46,992**	**(996)**	**45,996**	45,231	(4,326)	40,905	97,303	(5,161)	92,142
Taxation	*6*	**(9,868)**	**61**	**(9,807)**	(9,443)	865	(8,578)	(20,224)	865	(19,359)
Profit for the period		**37,124**	**(935)**	**36,189**	35,788	(3,461)	32,327	77,079	(4,296)	72,783

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

	Note	**28 week period ended 13 October 2016**	**28 week period ended 8 October 2015**	**53 week period ended 31 March 2016**
Equity holders of the parent – after exceptional items - basic	*4*	7.2p	6.5p	14.6p
Equity holders of the parent – after exceptional items - diluted	*4*	7.2p	6.4p	14.5p

Condensed Consolidated Statement of Comprehensive Income

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	**£000**	**£000**
Profit for the period	36,189	32,327	72,783
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	37	(1)	(5)
Cash flow hedges – reclassified to profit and loss	536	(1,474)	(1,064)
Effective portion of changes in fair value of cash flow hedges	3,811	(824)	(536)
Other comprehensive income for the period, before income tax	4,384	(2,299)	(1,605)
Tax on other comprehensive income	(869)	460	320
Other comprehensive income for the period, net of income tax	3,515	(1,839)	(1,285)
Total comprehensive income for the period	39,704	30,488	71,498

Condensed Consolidated Balance Sheet

	Note	At 13 October 2016	At 8 October 2015	At 31 March 2016
		£000	£000	£000
Non-current assets				
Property, plant and equipment	*7*	121,738	104,325	114,746
Intangible assets	*8*	988,637	959,344	973,549
Other financial assets		13,885	8,724	10,161
		1,124,260	1,072,393	1,098,456
Current assets				
Inventories		59,316	59,927	52,476
Other financial assets		6,211	42	1,947
Trade and other receivables		63,544	54,658	59,028
Cash and cash equivalents		42,171	28,358	39,998
		171,242	142,985	153,449
Total assets		1,295,502	1,215,378	1,251,905
Current liabilities				
Trade and other payables		(175,312)	(155,075)	(160,140)
Provisions		(475)	(365)	(436)
Other financial liabilities		(606)	(282)	(1,318)
		(176,393)	(155,722)	(161,894)
Non-current liabilities				
Other interest-bearing loans and borrowings	*9*	(212,198)	(211,902)	(201,091)
Other payables		(34,001)	(29,917)	(33,165)
Provisions		(1,377)	(1,461)	(1,387)
Deferred tax liabilities		(4,676)	(4,374)	(4,885)
Other financial liabilities		(9,366)	(994)	(5,999)
		(261,618)	(248,648)	(246,527)
Total liabilities		(438,011)	(404,370)	(408,421)
Net assets		857,491	811,008	843,484
Equity attributable to equity holders of the parent				
Ordinary share capital		5,000	5,000	5,000
Consolidation reserve		(372,026)	(372,026)	(372,026)
Merger reserve		113,321	113,321	113,321
Cash flow hedging reserve		3,049	(987)	(429)
Translation reserve		32	(1)	(5)
Retained earnings		1,108,115	1,065,701	1,097,623
Total equity		857,491	811,008	843,484

Condensed Consolidated Statement of Changes in Equity

	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 31 March 2016	**5,000**	**-**	**(372,026)**	**113,321**	**(429)**	**(5)**	**1,097,623**	**843,484**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	36,189	36,189
Other comprehensive income	-	-	-	-	3,478	37	-	3,515
Total comprehensive income for the period	-	-	-	-	3,478	37	36,189	39,704
Transactions with owners, recorded directly in equity								
Equity dividend	-	-	-	-	-	-	(27,396)	(27,396)
Share based payment transactions	-	-	-	-	-	-	1,699	1,699
Total contributions by and distributions to owners	-	-	-	-	-	-	(25,697)	(25,697)
Balance at 13 October 2016	**5,000**	**-**	**(372,026)**	**113,321**	**3,049**	**32**	**1,108,115**	**857,491**

Condensed Consolidated Statement of Changes in Equity

	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 8 October 2015	**5,000**	**-**	**(372,026)**	**113,321**	**(987)**	**(1)**	**1,065,701**	**811,008**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	40,456	40,456
Other comprehensive income	-	-	-	-	557	(4)	-	553
Total comprehensive income for the period	-	-	-	-	557	(4)	40,456	41,009
Transactions with owners, recorded directly in equity								
Equity dividend paid	-	-	-	-	-	-	(9,962)	(9,962)
Share based payment transactions	-	-	-	-	-	-	1,428	1,428
Total contributions by and distributions to owners	-	-	-	-	-	-	8,534	8,534
Balance at 31 March 2016	**5,000**	**-**	**(372,026)**	**113,321**	**(430)**	**(5)**	**1,097,623**	**843,483**

Condensed Consolidated Statement of Changes in Equity

	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 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	-	-	-	-	-	-	32,327	32,327
Other comprehensive income	-	-	-	-	(1,838)	(1)	-	(1,839)
Total comprehensive income for the period	-	-	-	-	(1,838)	(1)	32,327	30,488
Transactions with owners, recorded directly in equity								
Equity dividend	-	-	-	-	-	-	(17,932)	(17,932)
Share based payment transactions	-	-	-	-	-	-	1,577	1,577
Total contributions by and distributions to owners	-	-	-	-	-	-	(16,355)	(16,355)
Balance at 8 October 2015	**5,000**	**-**	**(372,026)**	**113,321**	**(987)**	**(1)**	**1,065,701**	**811,008**

Condensed Consolidated Statement of Cash Flows

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	£000	£000
Cash flows from operating activities			
Profit for the period	36,189	32,327	72,783
Adjustments for:			
Depreciation and amortisation	15,440	12,543	25,106
Financial income	(258)	(178)	(668)
Financial expense	2,980	7,472	9,954
Share based payment charges	1,699	1,577	3,005
Loss on disposal of subsidiary	690	-	-
Taxation	9,807	8,578	19,359
	66,547	62,319	129,539
Increase in trade and other receivables	(2,573)	(3,031)	(6,784)
Increase in inventories	(7,748)	(11,453)	(3,627)
Increase in trade and other payables	12,938	6,408	7,021
Increase/(decrease) in provisions	29	(245)	(248)
	69,193	53,998	125,901
Tax payable	(8,649)	(5,307)	(14,823)
Net cash from operating activities	60,544	48,691	111,078
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	1,026	776	3,082
Interest received	258	271	413
Investment in other financial assets	(2,503)	(591)	(1,010)
Loans issued	(1,194)	-	(1,674)
Acquisition of subsidiary, net of cash acquired	(14,964)	(2,426)	(8,113)
Disposal of subsidiary, net of cash disposed	677	-	-
Acquisition of property, plant and equipment and other intangible assets	(22,465)	(14,683)	(36,804)
Net cash used in investing activities	(39,165)	(16,653)	(44,106)
Cash flows from financing activities			
Equity dividends paid	(27,396)	(17,932)	(27,894)
Proceeds from new loan	11,000	213,000	202,000
Repayment of borrowings	-	(325,000)	(325,000)
Repayment of borrowings on acquisition	-	(1,751)	(1,808)
Finance lease obligations	(106)	-	(28)
Interest paid	(2,704)	(3,640)	(5,985)
Debt issue costs	-	(1,323)	(1,225)
Net cash used in financing activities	(19,206)	(136,646)	(159,940)
Net increase/(decrease) in cash and cash equivalents	2,173	(104,608)	(92,968)
Cash and cash equivalents at beginning of period	39,998	132,966	132,966
Cash and cash equivalents at end of period	**42,171**	**28,358**	**39,998**

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 condensed consolidated interim financial statements as at and for the 28 week period ended 13 October 2016 comprise the Company and its subsidiaries (together referred to as the Group).
The consolidated financial statements of the Group as at and for the 53 week period ended 31 March 2016 are available on request from the Company's registered office and via the Company's website.
The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments, share based payments and certain investments measured at their fair value.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the 53 week period ended 31 March 2016.

The financial information included in this interim statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The statutory accounts for the 53 weeks ended 31 March 2016 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern

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 condensed consolidated interim financial statements as at and for the 28 week period ended 13 October 2016.

Significant accounting policies

The accounting policies adopted in preparation of the condensed consolidated interim financial statements as at and for the 28 week period ended 13 October 2016 are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 53 week period ended 31 March 2016, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

1 Basis of preparation *(continued)*

Accounting estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS34 Interim Financial Reporting as adopted by the EU requires management to make judgments, estimates and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. These judgments are based on historical experience and management's best knowledge at the time and the actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below.

Carrying value of inventories

The Directors review the market value of and demand for its inventories on a periodic basis to ensure inventory is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of inventories. The Directors use their knowledge of market conditions to assess future demand for the Group's products and achievable selling prices.

Impairment of goodwill and other intangibles

Determining whether goodwill and other intangibles are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and other intangible assets have been allocated. The value in use calculation requires estimation of future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Assumptions relating to tax

The Group recognises expected assets for tax based on an estimation of the likely taxes receivable, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual asset arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax assets in the period when such determination is made.

Provisions

Provisions have been made for dilapidations and for closed stores. The provisions are based on historical experience and management's best knowledge at the time and are reviewed at each balance sheet date. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Investment in veterinary practices

The Group has a number of non-participatory shareholdings in veterinary practice companies, which are accounted for as joint venture arrangements. The veterinary practices were established under terms that require mutual agreement between the Group and the joint venture partner, and that do not give the Group power over decision making to affect its exposure to, or the extent of, the returns from its involvement with the practices and therefore are not consolidated in these financial statements. Further, the Group is not entitled to profit, losses, or any surplus on winding up or disposal of the veterinary practices, and as such no participatory interest is recognised.

Notes *(continued)*

1 Basis of preparation *(continued)*

Accounting estimates and judgments *(continued)*

Supplier income

A number of different types of supplier income are negotiated with suppliers via the joint business planning process, in connection with the purchase of goods for resale. The supplier income arrangements typically are not co-terminus with the Group's financial period, instead running alongside the calendar year. Such income is only recognised when there is reasonable certainty that the conditions for recognition have been met by the Group, and the income can be measured reliably based on the terms of the contract. This income is recognised as a credit within gross margin and, to the extent that the rebate relates to unsold stock purchases, as a reduction in the cost of inventory. Supplier income comprises three main elements:

1. Fixed percentage based income: These relate largely to volumetric rebates based on the joint business plan agreements with suppliers. The income accrued is based on the Group's latest forecast volumes and the latest contract agreed with the supplier. Income is not recognised until the Group has reasonable certainty that the joint business agreement will be fulfilled, with the amount of income accrued regularly re-assessed and re-measured throughout the contractual period, based on actual performance against the joint business plan.
2. Fixed lump sum income: These are typically guaranteed lump sum payments made by the supplier and are not based on volume. Fixed lump sum income is usually predicated on confirmation of a supplier contract and typically includes performance conditions upon the Group, such as marketing and promotional campaigns. These amounts are recognised periodically based on the most recent assessment of contractual performance.
3. Growth income: These are tiered volumetric rebates relating to growth targets agreed with the supplier in the joint business planning process. These are retrospective rebates based on sales volumes or purchased volumes. Income is recognised to the extent that it is reasonably certain that the conditions will be achieved, with such certainty increasing in the latter part of the calendar year.

Supplier income is recognised on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at period end are included within trade and other receivables.

Put/Call options

The Group has acquired the controlling interest in a number of subsidiary specialist veterinary referral centres, where a non-controlling interest is retained by the previous shareholder/key clinicians. The acquisition documents contain a written put and call option for the non-controlling shareholder and Group to acquire the non-controlling shares. Where the rights of the non-controlling shareholders are restricted in accessing the full risks and rewards of their shareholding then the written put and call is treated as a forward contract and on acquisition forms part of the fair value of consideration paid for their controlling shareholding. The written put and call is recognised as a financial liability and measured each period in line with management's best estimate of future exercise and settlement.

Notes *(continued)*

2 Segmental reporting

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

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	**28 week period ended 13 October 2016**	**28 week period ended 8 October 2015**	**53 week period ended 31 March 2016**
	£000	**£000**	**£000**
Food	209,544	202,108	390,041
Accessories	169,922	160,489	320,162
Services and other	61,850	41,906	82,923
	441,316	404,503	793,126

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:

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	**£000**	**£000**
Operating profit	48,718	48,199	101,428
Exceptional items (see below)	996	-	835
Depreciation and amortisation	15,440	12,543	25,106
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**65,154**	**60,742**	**127,369**

Included in operating profit are the following:

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	**£000**	**£000**
Exceptional items	996	-	835
Depreciation of tangible fixed assets	13,216	11,116	21,915
Amortisation of intangible assets	2,224	1,427	3,191
Rentals under operating leases:			
Hire of plant and machinery	2,865	1,923	3,886
Property	39,400	36,307	70,405
Rental income from sublets	(6,203)	(5,291)	(10,171)
Share based payment charges	1,699	1,577	3,005

During the period, Pets at Home Group Plc disposed of its 100% holding in the subsidiary Farm-Away Ltd. The exceptional items in the period ended 13 October 2016 represent costs incurred in relation to this disposal and consist of the following:

	28 week period ended 13 October 2016
	£'000
Loss on disposal of net assets	690
Costs of disposal	306
	996

The provisions made include legal and professional fees, redundancy costs and property costs.

Exceptional items in the 53 week period ended 31 March 2016 represent costs incurred in relation to the acquisitions completed during the period and subsequent to the period end.

Notes *(continued)*

4 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.

	28 week period ended 13 October 2016		28 week period ended 8 October 2015		53 week period ended 31 March 2016	
	Underlying	After Exceptionals	Underlying	After Exceptionals	Underlying	After Exceptionals
	£000	£000	£000	£000	£000	£000
Profit attributable to equity shareholders of the parent	37,124	36,189	35,788	32,327	77,079	72,783
	'000s	'000s	'000s	'000s	'000s	'000s
Basic weighted average number of shares	500,000	500,000	500,000	500,000	500,000	500,000
Dilutive potential ordinary shares	1,941	1,941	3,452	3,452	2,048	2,048
Diluted weighted average number of shares	501,941	501,941	503,452	503,452	502,048	502,048
Basic earnings per share	7.4p	7.2p	7.2p	6.5p	15.4p	14.6p
Diluted earnings per share	7.4p	7.2p	7.1p	6.4p	15.4p	14.5p

Notes *(continued)*

5 Financial expense

Recognised in the income statement

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	£000	£000
Bank loans at effective interest rate	2,885	3,146	5,628
Other interest expense	95	-	-
Total underlying financial expense	2,980	3,146	5,628
Exceptional amortisation costs	-	4,326	4,326
Total exceptional financial expense	-	4,326	4,326
Total financial expense	2,980	7,472	9,954

Exceptional financial expenses in the 28 week period ended 8 October 2015 and the 53 week period ended 31 March 2016 related to £4,326,000 of accelerated amortisation following the repayment of the senior banking facilities.

Notes *(continued)*

6 Taxation

Recognised in the income statement

	28 week period ended 13 October 2016			28 week period ended 8 October 2015			53 week period ended 31 March 2016		
	Underlying	Exceptional	Total	Underlying	Exceptional	Total	Underlying	Exceptional	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current tax expense									
Current period	11,109	(61)	11,048	9,419	(865)	8,554	20,306	(865)	19,441
Adjustments in respect of prior periods	-	-	-	-	-	-	(294)	-	(294)
Current tax expense	11,109	(61)	11,048	9,419	(865)	8,554	20,012	(865)	19,147
Deferred tax (credit)/expense									
Origination and reversal of temporary differences	(1,241)	-	(1,241)	24	-	24	155	-	155
Reduction in tax rate	-	-	-	-	-	-	(263)	-	(263)
Adjustments in respect of prior periods	-	-	-	-	-	-	320	-	320
Deferred tax (credit)/expense	(1,241)	-	(1,241)	24	-	24	212	-	212
Total tax expense	9,868	(61)	9,807	9,443	(865)	8,578	20,224	(865)	19,359

The UK corporation tax standard rate for the period was 20% (2016: 20%). 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. Deferred tax at 13 October 2016 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

	28 week period ended 13 October 2016	28 week period ended 8 October 2015	53 week period ended 31 March 2016
	£000	£000	£000
Effective portion of changes in fair value of cash flow hedges	869	(460)	(320)

Notes *(continued)*

6 Taxation *(continued)*

Reconciliation of effective tax rate

	28 week period ended 13 October 2016 Underlying	Exceptional	Total	28 week period ended 8 October 2015 Underlying	Exceptional	Total	53 week period ended 31 March 2016 Underlying	Exceptional	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Profit for the period	37,124	(935)	36,189	35,788	3,461	32,327	77,079	(4,296)	72,783
Total tax expense	9,868	(61)	9,807	9,443	865	8,578	20,224	(865)	19,359
Profit excluding taxation	46,992	(996)	45,996	45,231	4,326	40,905	97,303	(5,161)	92,142
Tax using the UK corporation tax rate for the period	9,398	(199)	9,199	9,046	(865)	8,181	19,460	(1,032)	18,428
Difference between corporation tax and deferred tax rates	66	-	66	-	-	-	(263)	-	(263)
Expenditure not eligible for tax relief	404	138	542	397	-	397	862	-	862
Other	-	-	-	-	-	-	139	167	306
Adjustments in respect of prior periods	-	-	-	-	-	-	26	-	26
Total tax expense	9,868	(61)	9,807	9,443	(865)	8,578	20,224	(865)	19,359

The UK corporation tax standard rate for the period was 20% (period ended 26 March 2015: 21%; period ended 9 October 2015: 20%)

Notes *(continued)*

7 Tangible fixed assets

	Freehold buildings	Leasehold improvements	Fixtures, fittings, tools and equipment	Total
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 31 March 2016	2,517	41,174	155,235	198,926
Additions	48	1,846	16,602	18,496
On acquisition	-	1,762	1,291	3,053
Disposals	-	(674)	(1,811)	(2,485)
Balance at 13 October 2016	2,565	44,108	171,317	217,990
Depreciation				
Balance at 31 March 2016	158	12,608	71,414	84,180
Depreciation charge for the period	21	1,631	11,564	13,216
Disposals	-	(67)	(1,077)	(1,144)
Balance at 13 October 2016	179	14,172	81,901	96,252
Net book value				
At 26 March 2015	2,390	25,247	75,253	102,890
At 8 October 2015	3,902	26,164	74,259	104,325
At 31 March 2016	2,359	28,566	83,821	114,746
At 13 October 2016	**2,386**	**29,936**	**89,416**	**121,738**

Notes *(continued)*

8 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 31 March 2016	965,925	19,133	985,058
Additions	14,888	2,424	17,312
Balance at 13 October 2016	980,813	21,557	1,002,370
Amortisation			
Balance at 31 March 2016	-	11,509	11,509
Amortisation for the period	-	2,224	2,224
Balance at 13 October 2016	-	13,733	13,733
Net book value			
At 26 March 2015	952,032	3,480	955,512
At 8 October 2015	954,865	4,479	959,344
At 31 March 2016	965,925	7,624	973,549
At 13 October 2016	**980,813**	**7,824**	**988,637**

Notes *(continued)*

8 Intangible assets *(continued)*

Amortisation and impairment charge

The amortisation charge is recognised in total in operating expenses within the income statement.

Impairment testing

Cash Generating Units ('CGU') within the Group are considered to be the body of stores including vets practices, and the Group's websites as disclosed in note 2. The Group is deemed to have one overall group of CGUs as follows:

	Goodwill		
	At 13 October 2016 £000	**At 8 October 2015 £000**	**At 31 March 2016 £000**
Pets at Home Group	980,813	954,865	965,925

The recoverable amount of the CGU has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	At 13 October 2016 £000	**At 8 October 2015 £000**	**At 31 March 2016 £000**
Period on which management approved forecasts are based (years)	3	3	3
Growth rate applied beyond approved forecast period	3%	3%	3%
Discount rate (pre-tax)	9%	9%	10%

The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on "value-in-use" calculations. These calculations use pre-tax cash flow projections based on a 3 year business plan submitted to the Board. These projections are based on all available information and growth rates do not exceed growth rates achieved in prior periods.

The discount rate was estimated based on past experience and industry average weighted average cost of capital. Management have assumed a growth rate projection beyond the 3 year period based on inflationary increases. Sensitivity analysis was performed with a 2% movement in the discount rate with no indicators of impairment identified.

The total recoverable amount in respect of goodwill for the CGU group as assessed by the Directors using the above assumptions is greater than the carrying amount and therefore no impairment charge has been booked in each period. The Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

Notes *(continued)*

9 Other interest-bearing loans and borrowings

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").

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 loans and revolving facilities were repaid on 15 April 2015, with cash held on the balance sheet and the proceeds of a drawing under Revolving Facility 2. Upon repayment these term loans and revolving 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 plus a margin ranging between 0.75% and 2.00% per annum depending on the ratio of consolidated EBITDA to total net debt. The margin currently applicable to utilisations under Revolving Facility 2 is 1.25% per annum.

The Group has available to it the Revolving Facility 2 up to a maximum of £260m, of which £47m was undrawn at the period end. Subject to certain conditions being met, the Amendment Agreement allows the Group to add additional facilities, on consistent terms up to £150,000,000 if required ("Additional Facilities"). Such Additional Facilities would not require further consent from the existing lenders.

The Amendment Agreement commenced on 15 April 2015 and will terminate on 14 April 2020.

All bank borrowings are secured by fixed and floating charges over substantially all of the assets of the Pets at Home Group Plc and certain of its subsidiaries. The security includes fixed charges over the head office freehold property, the distribution centre leasehold properties, and any plant and machinery owned by the Company or the relevant subsidiaries.

	At 13 October 2016	At 8 October 2015	At 31 March 2016
	£000	£000	£000
Non-current liabilities			
Revolving credit facility	212,198	211,902	201,091
	212,198	211,902	201,091
Total liabilities			
Revolving credit facility	212,198	211,902	201,091
	212,198	211,902	201,091

Notes *(continued)*

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

The analysis of repayments on the combined loan principal is as follows:

	At 13 October 2016	At 8 October 2015	At 31 March 2016
	£000	£000	£000
Within one year or repayable on demand	-	-	-
Between one and two years	-	-	-
Between two and five years	213,000	213,000	202,000
After five years	-	-	-
	213,000	213,000	202,000

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Face value 13 October 2016	Carrying amount 13 October 2016	Face value 8 October 2015	Carrying amount 8 October 2015	Face value 31 March 2016	Carrying amount 31 March 2016
			£000	£000	£000	£000	£000	£000
Senior Facility Revolving Credit Facility 2	LIBOR +1.5%	2020	-	-	213,000	211,902	202,000	201,091
Senior Facility Revolving Credit Facility 2	LIBOR + 1.25%	2020	213,000	212,198	-	-	-	-
			213,000	212,198	213,000	211,902	202,000	201,091

Notes *(continued)*

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

Pets at Home Group Plc has entered into fixed rate interest rate swap agreements over the senior facility borrowings at various fixed rates using a number of hedging instruments which expire between 30 March 2016 and 30 March 2019. The instruments are structured to hedge at least 70% of outstanding debt.

The notional values set out according to the expiry date of the instrument is as follows:

Period in which the instrument expires:	**30 March 2017**	**29 March 2018**	**29 March 2018**	**28 March 2019**
Notional value contracted	£150.0m	£85.0m	£67.8m	£142.1m
Rate payable	1.087%	1.639%	0.183%	0.183%
Rate receivable	LIBOR	LIBOR	LIBOR	LIBOR
Commencement	30/03/2016	30/03/2017	30/03/2017	30/03/2018
Expiry	30/03/2017	30/03/2018	30/03/2018	30/03/2019

Notes *(continued)*

10 Financial instruments

Fair value hierarchy

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13 October 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets				
Investment in equity securities	-	-	11,646	11,646
Derivative financial assets				
Forward rate contracts	-	5,159	-	5,159
Fuel forward contracts	-	21	-	21
Interest rate swaps	-	362	-	362
Derivative financial liabilities				
Interest rate swaps	-	(1,732)	-	(1,732)
Other financial liabilities	-	-	(8,240)	(8,240)

8 October 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets				
Investment in equity securities	-	-	8,724	8,724
Derivative financial assets				
Forward rate contracts	-	42	-	42
Derivative financial liabilities				
Interest rate swaps	-	(1,186)	-	(1,186)
Fuel forward contracts	-	(90)	-	(90)

31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Available for sale financial assets				
Investment in equity securities	-	-	9,143	9,143
Derivative financial assets				
Forward rate contracts	-	1,290	-	1,290
Derivative financial liabilities				
Interest rate swaps	-	(1,709)	-	(1,709)
Fuel forward contracts	-	(116)	-	(116)
Other financial liabilities	-	-	(5,413)	(5,413)

Notes *(continued)*

10 Financial instruments *(continued)*

Measurement of fair values

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values at the balance sheet dates, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment in equity securities	The fair value of investments in unlisted equity securities are considered to be their carrying value as the impact of discounting future cash flows has been assessed as not material and the investment is non-participatory.	Not applicable	Not applicable
Forward exchange contracts and interest rate swaps	Market comparison technique – the fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments.	Not applicable	Not applicable

11 Dividends

On 22 November 2016 the Directors declared an interim dividend of 2.5 pence per share, amounting to £12.5 million, which is payable on 6 January 2017 to ordinary shareholders on the register at the close of business on 2 December 2016.

12 Seasonality of operations

The Group's sales can be sensitive to periods of extreme weather conditions. The Group sometimes sees a reduction in sales during periods of hot weather in the UK, due to reduced customer footfall and reduced demand as pets eat less and generally spend more time outdoors, reducing the need for essentials such as food and cat litter. If temperatures are extremely high for a prolonged period, declines in sales can be material. The number of customers visiting Pets at Home's stores also declines during periods of snow or extreme weather conditions affecting the local catchment area. In addition, the sales of certain products and services designed to address pet health needs, such as flea and tick problems, can also be seasonal, increasing in times of warm and wet weather.

Traditionally the financial performance of the Group in the four-week period to the end of December is marginally stronger than in the other periods, due to Christmas purchasing. Purchasing of Accessories is also more prevalent during this season. Timing of the holiday season and any adverse weather conditions that may occur during that season impacting delivery may adversely affect sales in our stores.

Notes *(continued)*

13 Related party transactions

Veterinary practice transactions

The Group has entered into a number of arrangements with third parties in respect of veterinary practices. These veterinary practices are deemed to be related parties.

The transactions entered into during the period, and the balances outstanding at the end of the period are as follows:

	28 week period ended 13 October 2016	**28 week period ended 8 October 2015**	**53 week period ended 26 March 2016**
	£000	**£000**	**£000**
Transactions			
Fees for services provided to veterinary practices	27,151	18,356	42,935
Rental charges to veterinary practices	5,642	4,746	10,171

	At 13 October 2016	**At 8 October 2015**	**At 31 March 2016**
	£000	**£000**	**£000**
Due from veterinary practice companies at end of period included within other receivables	5,363	18,189	8,929

14 Business Combinations

Eye-Vet Limited

On 5 April 2016, the Group acquired 90% of the total share capital of Eye-Vet Limited in exchange for cash of £1,425,000. The remaining share capital of Eye-Vet Limited 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 based on an agreed pricing methodology 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.

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 Eye-Vet Limited. Therefore no non-controlling interest is recognised. The deemed value of the put and call option is treated as a forward contract.

The provisional fair value of consideration was £1,567,000, comprising £1,425,000 of cash and £142,000 being the fair value of the forward contract. The fair value of nets asssets acquired was £249,000 including £133,000 of tangible fixed assets. There were no provisional fair value adjustments to acquired carrying values. Provisional goodwill of £1,318,000 has resulted and has been recognised on the balance sheet within these interim financial statements. Provisional acquisition related costs of £95,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the previous year, within the 'exceptional administrative expenses' line item.

Dick White Referrals Limited

On 28 April 2016, the Group acquired 76% of the total share capital of Dick White Referrals Limited in exchange for cash of £13,780,000 and contingent consideration. The remaining share capital of Dick White Referrals Limited 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 based on an agreed pricing methodology 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.

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 Dick White Referrals Limited. Therefore no non-controlling interest is recognised. The deemed value of the put and call option is treated as a forward contract.

The provisional fair value of consideration was £17,731,000, comprising £13,780,000 of cash and £3,951,000 being the fair value of the forward contract. The fair value of nets asssets acquired was £2,660,000 including £2,920,000 of tangible fixed assets. There were no provisional fair value adjustments to acquired carrying values. Provisional goodwill of £15,071,000 has resulted and has been recognised on the balance sheet within these interim financial statements. Provisional acquisition related costs of £228,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the previous year, within the 'exceptional administrative expenses' line item.

Anderson Moores Limited

During the period the provisional values in relation to the fair value of consideration offered to acquire a controlling interest in Anderson Moores Limited, acquired in the prior year, have been updated. This has resulted in a decrease in the associated goodwill of £1,501,000.