FOR IMMEDIATE RELEASE, 25 MAY 2017

Pets at Home Group Plc: Preliminary Results FY17

Pets at Home Group Plc, the UK's leading specialist retailer of pet food, accessories, veterinary and grooming services, today announces audited preliminary results for the 52 weeks to 30 March 2017. The audited comparative period represents 53 weeks to 31 March 2016, but to provide a meaningful comparison, the more appropriate prior year period is the 52 weeks to 24 March 2016. All commentary in this statement in respect of the comparative period is based on the proforma 52-week period to 24 March 2016 unless otherwise stated.

Financial summary and highlights

GBPm	FY17 Audited 52 weeks to 30 March 2017	Change FY17 vs 52 weeks to 24 March 2016	Change FY17 vs 53 weeks to 31 March 2016
Group like-for-like revenue growth#	**1.5%**		
Merchandise LFL#	0.8%		
Services LFL#	7.9%		
Group revenue	**834.2**	**7.2%**	**5.2%**
Merchandise revenue	716.7	2.9%	0.9%
Services revenue	117.5	44.5%	41.7%
Group gross margin	54.2%	(35) bps	(35) bps
Pre-exceptional EBITDA[1, #]	**130.5**	**4.7%**	**2.5%**
Pre-exceptional PBT[1,2, #]	**96.4**	**1.1%**	**(1.0)%**
Statutory PBT	95.4	5.8%	3.5%
Free cashflow#	64.6	(17.0)%	(9.8)%

1. FY16 52 & 53 week periods exclude £0.8m of acquisition related expenses. FY17 excludes £1.0m of expenses for the disposal of Farm Away Limited, the Group's equestrian retailing business. 2. FY16 52 & 53 weeks excludes an exceptional finance expense of £4.3m associated with the amortisation of capitalised fees from the previous finance facility.

- Total income from Joint Venture vet practices up 24.6%* to £47.1m
- Positive response to the launch of pricing initiatives in Advanced Nutrition private labels and everyday pet essentials. Pricing initiatives now extending to branded foods
- Progress in Q4 with Merchandise returning to growth. Q4 LFLs#: Group 1.2%, Merchandise 0.5% & Services 7.1% when adjusted for the impact of Easter[3]
- New openings in line with targets: 15 superstores, 50 vet practices and 50 grooming salons. A further two veterinary specialist referral centres acquired
- Strong results from omnichannel investment with online revenue growth of 53%: launched colleague assisted 'Order in-store' and a subscription platform with potential for broader product application
- Total dividend payable of 7.5 pence per share

3. Compares trading in the 11 weeks from 6th January 2017, with the 11 weeks from 6th January 2016

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Ian Kellett, Group Chief Executive Officer, commented:

"We have delivered a solid performance over the year with profits in line with expectations, reflecting in part the strength of our Joint Venture vet practices where our total income grew 24.6%.

We are uniquely positioned as the only UK pet business delivering an integrated omnichannel and services offer, supported by our fast growing Vet Group, market leading private labels and expert colleagues. In an evolving consumer environment, we are taking steps to reposition prices on own label Advanced Nutrition and pet essentials and have made some initial changes to branded food lines. Encouraged by the reaction of our customers and having seen an improvement in Merchandise LFL to 1.0% in the 16 weeks since launch, we will move swiftly to deliver even better value. We are confident this is the right path for success and will give us a strong platform for sustainable future growth."

Outlook

We operate in a resilient market, which is forecast to grow at c4.5%[3] over the next five years. Whilst in the near term we are repositioning the Merchandise business and investing in the customer, we are seeing results from our actions and believe this will deliver profitable growth benefits in future years. We will also continue the fast pace of top line and profit growth in our veterinary business. Our existing Joint Venture vet practices already deliver income to the Group of £47.1m, but have the potential to generate more than £80m when fully mature. We remain a cash generative business, with a priority to invest in our core capabilities.

Market data sourced from OC&C Strategy Consultants

FY18 guidance

- Rollout: c10 superstores, 40-50 vet practices, 40-50 grooming salons
- Group gross margin (100) – (200) bps, which includes price investment and FX cost
- Operational cost growth (excluding depreciation and amortisation) of 4.5-5.5%, which includes cost from the step up in National Living Wage and Apprenticeship Levy, new store openings and operational cost savings
- Depreciation and amortisation £34 – 35m, weighted more to the H1
- Net interest £4-5m
- Effective tax rate 20%
- Capital investment c£40-42m – includes the remainder of the one-off energy savings project at £3m
- Ordinary dividend payment maintained at least at the prior year level
- Working capital outflow of around £5m to support vet practice growth
- Non-underlying items: accounting treatment of the minority stakes owned by vet partners in the specialist referral centres may lead to a non cash operating expense charge of up to £2m. See page 13 for further detail

Board appointments

Paul Coby and Amy Stirling, Independent Non-Executive Directors, will step down from the Board at the Annual General Meeting on 11 July 2017. Paul will be succeeded by Stansilas Laurent, former President and CEO of Photobox and COO of AOL.com Europe. Amy Stirling, will be succeeded by Sharon Flood as Chairman of the Audit Committee. Sharon is the Chairman of ST Du Pont S.A and Audit Chair at Crest Nicholson plc and Network Rail.

Results presentation

A presentation for analysts and investors will be held today at 9am 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

Investor Relations Enquiries

Pets at Home Group Plc:	+44 (0)161 486 6688
Amie Gramlick, Director of Investor Relations	

1. Media Enquiries

Pets at Home Group Plc:	+44 (0)161 486 6688
Brian Hudspith, Director of Corporate Affairs	
Maitland:	+44 (0)20 7379 5151
Rebecca Mitchell, Neil Bennett	

2. 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 434 superstores located across the UK. The Group operates the UK's largest small animal veterinary business with 438 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 290 grooming salons. The Group also operates seven specialist High Street based dog stores, called Barkers. For more information visit: http://investors.petsathome.com/

Disclaimer

This statement of preliminary financial results does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Pets at Home Group Plc shares or other securities nor should it form the basis of or be relied on in connection with any contract or commitment whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor.
Certain statements in this statement of preliminary financial results constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this statement. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this statement should be construed as a profit forecast.

Chief Executive Officer's Review
Operational Highlights

ROLLOUT		FY16 Audited 53 weeks to 31 March 2016	FY17 Audited 52 weeks to 30 March 2017
Stores	Number of stores[1]	427	442
	New stores[1]	27	15
Vets	Number of vet practices (total)	388	438
	Number of standalone vet practices	138	149
	Number of in-store vet practices	250	289
	New vet practices (total)	50	50
Groomers	Number of groomers[1]	240	290
	New groomers	60	50
	% of stores with a vet practice & grooming salon	42%	54%
VIP CLUB			
	VIP Club active members (m)[2]	3.4	3.7
	VIP swipe as % revenue[3]	64%	68%
PRODUCT			
	Proportion of product SKUs refreshed	40%	39%

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

Market review

Market data sourced from OC&C Strategy Consultants

The UK pet market has increased its rate of growth over the past two years to a CAGR of 4.5% and was worth £6.8bn in calendar year 2016. This step forward has been driven by faster growth in the veterinary, insurance and accessories segments.

The veterinary market grew at a CAGR of 5.6% over this same period, which is being driven by the widening availability of more complex procedures and diagnostics, supported by increasing numbers of pet owners with insurance. In food, strong growth in Advanced Nutrition continued at a CAGR of 8.9%, balanced with a flat grocery food market where volumes are falling and pricing remains highly competitive. With the accessories market CAGR at 1.9%, this led to an overall pet products market CAGR of 2.1%.

The transition of the market to online has been consistent with our expectations, accelerating slightly compared with historical rates, reaching 11% of the pet market in 2016.

Over the two year period from 2014 to 2016 we have taken share across the pet market both online and offline. Overall we have grown our share of the important strategic categories including Advanced Nutrition, accessories and veterinary. From 2014-2016, our total share of the pet products market increased from 19% to 20% and in the primary opinion veterinary market from 9% to 12%.

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Expanding like-for-like growth

Better value for customers

In the Merchandise business our focus is on delivering even better value for our customers. Value includes price, but also innovation, service and advice. The strong sales of dog accessories this year are continuing proof that our range innovation drives a positive customer response. And to improve further on our service to customers, we are refocusing our Steps training programme to ensure more colleagues can develop their expertise at a faster rate in more specialist areas.

We also understand there is a need to provide better pricing to customers. This will involve a move away from promotional offers and vouchers, and towards a simpler, more competitive approach.

We therefore initiated pricing changes in the fourth quarter with the Switch & Save campaign, which highlights the value in our private label foods, Wainwright's and AVA. The prices on our large bag private label dog foods are now 15-25% lower. Initial results from the campaign have been encouraging and since its launch in January 2017 we have seen an average 50% uplift in the volume of products that have seen a price change. We have also seen an increase in new shoppers, alongside the switching of existing customers from branded foods into our own labels.

In the current financial year we have launched price reductions across a number of everyday pet essentials and are also starting to reposition prices in branded foods.

Whilst it is early days, we are encouraged by the improvement in the run rate of Merchandise LFL# to 1.0%* in the 16 weeks from the start of our price repositioning actions.

**Refers to the 16 week period from 26 Jan – 18 May 2017*

Fast growth and embedded upside in our veterinary business

Our Vet Group continues to go from strength to strength; transacting more than £260m in total customer revenues during the financial year. In the first opinion business, mature practices grew their customer revenues at 8%*, ahead of the market rate of around 5%. We now have over 100 mature practices that are on average delivering income to the Group of more than £160,000 per year. Combined with our maturing practices, this translated into strong total JV practice income of £47.1m, up 24.6%.

The average age of a practice in our Group is less than five years, when maturity is typically reached at eight years post opening; and having already invested the majority of cost required to support their future growth, there is an inherent embedded profit upside in the current portfolio.

Our newer specialist referral centres also performed well and their integration is delivering group benefits through the sharing of best practice and leveraging scale.

In the year ahead, to accelerate growth in the existing practices, we will increase the number of practices with extended opening hours, invest further in marketing to increase brand awareness and customer care plan participation. And we continue to explore opportunities in the market that will deliver growth to our first opinion and referral businesses, whilst retaining a disciplined approach to capital allocation.

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Omnichannel capabilities growing

Our online business performed very well during the year, growing revenues at 53%. The convenience of our UK wide store footprint remains, with almost half the revenue of online orders delivered for customer pickup in-store. Alongside our ongoing improvements in website customer experience, there were a number of major initiatives launched this year:

Order in-store: our colleagues can now place an order for all the products in our extended online range from their PetPads. This gives store customers easy access to even more of our range and has already delivered over £2m in revenue since its launch at the end of the financial year, which we believe is driving incremental sales.

Our first subscription service; 'Subscribe & Save flea treatment' exclusively for VIP members, 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. The convenience of this plan has proved very popular with customers, with subscription sales now representing 16% of our total licensed medicine revenues. We plan to extend subscription with another licensed medicine launch in the coming months.

Having seen such a positive customer response to these developments, we will continue to invest and improve our omnichannel offer and develop our subscription platform in the coming year.

A more personalised approach through VIP

We have seen more successes in the VIP club this year, having launched the VIP App, which removes the need for customers to physically carry the VIP card to swipe and build points for their nominated charity. We have increased the overall VIP swipe rate of the VIP card at tills to 68% of store revenues (prior year 64%), and expect the rate to be stable going forward.

We are successfully encouraging our VIPs to spend more, the longer they are members of the VIP club. And we are encouraging our VIPs to shop multiple brands, with nearly 500,000 members purchasing both products and a service, a number which has grown by 14% compared with the prior year. The benefits of multibrand shoppers are very clear; a customer who purchases online or in our stores, but does not use any services spends around £140 a year. Whilst a customer who also uses either of our vet and grooming services will spend over £180 on products, plus an additional £200 per year on services. This reflects the increased loyalty and shopping frequency of services customers.

Space rollout and footprint development

We delivered our rollout targets for the year, having opened 15 new superstores (total 434), 50 vet practices (total 438) and 50 grooming salons (total 290). Paybacks and returns on our new and maturing units remain in line with our expectations.

In the year ahead, our vet practice and grooming salon rollout will continue at a similar pace, with openings of 40-50 vet practices and 40-50 grooming salons. We expect to open around ten superstores, lower than in the previous year, as we come closer to our UK rollout target of 500 stores and maintain a disciplined approach to approving suitable new sites.

Supporting margins

As planned, Group gross margin declined by (35) bps* to 54.2%; driven by the dilutive mix impact of newly acquired specialist referral centres and increase in overall Services

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

participation, which has a lower gross margin than the Merchandise business. In operating costs, the first year of the National Living Wage, our slower top line growth and gross margin dilution contributed to pre-exceptional EBITDA# margin declining by 38 bps* to 15.6%.

In the coming year, we will invest in product pricing, and widen our marketing campaigns, to drive sales. We will also see an increase in cost pressures that impact both gross and operating margins, including Sterling depreciation, another step up in the National Living Wage, and the Apprenticeship Levy.

In order to mitigate some of these pressures, we have already begun to implement a comprehensive simplification programme, which will deliver operational cost savings over the coming year. These will be achieved through efficiencies in store, a simplification of processes in our distribution centre, a reduction in the number of products we stock; and energy savings from the installation of LED lights and energy management systems across the store estate. This will mitigate some of the overall cost challenges, alongside the profit and margin support provided by our growing Services business and private label products, but overall, we expect to see a decline in Group gross margin#. This reflects the coming year as one of repositioning the business, which we are confident is the right path for the future success of the Group.

Ian Kellett
Group Chief Executive Officer
25 May 2017

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Chief Financial Officer's Review

The FY17 audited period represents the 52 weeks to 30 March 2017. The audited comparative period represents 53 weeks to 31 March 2016, but to provide a meaningful comparison, the more appropriate prior year period is the 52 weeks to 24 March 2016. All commentary in this statement in respect of the comparative period is based on the proforma 52-week period to 24 March 2016 unless otherwise stated.

Financial Highlights

FINANCIALS		FY16 Audited 53 weeks to 31 March 2016	FY16 Proforma 52 weeks to 24 March 2016	FY17 Audited 52 weeks to 30 March 2017	*Change Onproforma 52 weeks to 24 Mar 2016*
Revenue	Revenue Split (£m)				
	Food	390.0	382.5	395.1	*3.3%*
	Accessories	320.2	314.0	321.6	*2.4%*
	Total Merchandise	710.2	696.5	716.7	*2.9%*
	Services & other[1]	82.9	81.3	117.5	*44.5%*
	Total Group	793.1	777.8	834.2	*7.2%*
	Like-For-Like growth#	2.1%	2.2%	1.5%	
	Merchandise LFL #	1.4%	1.5%	0.8%	
	Services & other LFL #	10.0%	10.4%	7.9%	
	Revenue Mix (% of total revenues)				
	Merchandise	89.5%	89.5%	85.9%	*363 bps*
	Services & Other	10.5%	10.5%	14.1%	*363 bps*
Gross Margin	Merchandise Gross Margin	57.0%	57.0%	57.6%	*56 bps*
	Services & Other Gross Margin	32.9%	33.0%	33.3%	*34 bps*
	Total Gross Margin	54.5%	54.5%	54.2%	*(35) bps*
EBITDA	Pre-exceptional EBITDA[2, #] (£m)	127.4	124.7	130.5	*4.7%*
	Pre-exceptional EBITDA margin[2, #]	16.1%	16.0%	15.6%	*(38)bps*
Other Income Statement	Pre-exceptional PBT [2,3, #] (£m)	97.3	95.3	96.4	*1.1%*
	Statutory PBT (£m)	92.1	90.2	95.4	*5.8%*
	Pre-exceptional basic EPS[3,#] (p)	15.4	15.1	15.3	*1.0%*
	Statutory basic EPS	14.6	-	15.1	*3.4%*
	Dividend (p)	7.5	-	7.5	*0%*
Cashflow & Leverage	Free cashflow# (£m)	71.6	77.8	64.6	*(17.0)%*
	CROIC#	22.1%	-	20.6%	*(150)bps*
	Leverage (ND/pre-exceptionalEBITDA) #	1.3x	1.2x	1.2x	

1 Includes veterinary Joint Venture fees & other veterinary income, specialist referrals revenue, grooming salon revenue, revenue from live pet sales & insurance
2 FY17 excludes £1.0m of costs related to the disposal of Farm Away Limited. FY16 52 & 53 weeks excludes £0.8m of acquisition related expenses
3 FY16 52 & 53 weeks excludes an exceptional finance expense of £4.3m associated with the amortisation of capitalised fees from the previous finance facility

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Sales and revenue

Group revenue grew by 7.2%[*] to £834.2m (FY16: £777.8m[*]), with good performance in Advanced Nutrition and pet services. Like-for-like sales (LFL) grew 1.5%[*,#], driven by veterinary and grooming services, omnichannel, and Advanced Nutrition.

Merchandise revenue, which includes Food and Accessories, grew by 2.9%[*] to £716.7m (FY16: £696.5m[*]), with LFL sales of 0.8%[*,#]. Whilst this reflects an overall slower performance in the business, we have also reduced Merchandise LFL space by around 0.5% during the year through the retrofit of services into existing stores.

Food revenue grew by 3.3%[*] to £395.1m (FY16: £382.5m[*]), with strong performance in dog Advanced Nutrition and natural based treats, reflecting the ongoing trend for dog owners to feed a higher quality diet. Advanced Nutrition revenue grew by 4.1%[*] to £179.1m (FY16: £172.0m[*]). Grocery food performance was soft, reflective of the overall market growth in this declining and highly competitive product area, alongside weak performance in wild bird food, which was tightly correlated with the warmer temperatures in Autumn.

Accessories revenue grew by 2.4%[*] to £321.6m (FY16: £314.0m[*]). We saw excellent growth across dog accessories and an improved performance in Health & Hygiene. This was somewhat offset by weakness in aquatics accessories, an area in the store where space is typically reduced following vet practice and grooming salon retrofits.

Services revenue grew by 44.5%[*] to £117.5m (FY16: £81.3m[*]), with LFL sales of 7.9%[*,#]. This reflects the acquisition of referral centres and another year of excellent growth in our vet practices and grooming salons. Growth in our Joint Venture (JV) veterinary practices was strong, generating total income of £47.1m (FY16: £37.8m[*]), up 24.6%[*] compared with the prior year.

Gross margin

Group gross margin declined by 35bps[*] to 54.2% (FY16: 54.5%[*]), driven primarily by the increasing mix of Services with the business.

Gross margin within Merchandise was 57.6%, an expansion of 56 bps[*] on the prior year (FY16: 57.0%[*]), where we absorbed a negative foreign currency impact of £2.2m.

Gross margin within Services grew by 34 bps[*] to 33.3% (FY16: 33.0%[*]), a very good outcome considering the dilutive mix impact from the acquisition of referral centres and was driven by strong gross margin accretion in our core first opinion vet business and a decline in low margin pet sales.

EBITDA and operating costs

Pre-exceptional EBITDA[#] of £130.5m represented a 4.7%[*] increase on the previous year (FY16: £124.7m[*]), with a margin of 15.6% (FY16: 16.0%).

Selling and distribution expenses of £296.0m increased slightly as a percentage of Group revenue, to 35.5% (FY16: 35.3%[*]). Within this, occupation costs (rent, service charges and other costs) again declined as a percentage of sales as we benefit from the rent and rates paid by vet practices within our stores, which contributed £10.7m (FY16: £9.1m[*]). Colleague costs of £181.5m (FY16: £156.2m[*]), 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 £1.6m.

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Pre-exceptional administration expenses of £54.9m were 6.6% of revenue (FY16: 6.4%*), 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 £29.6m (FY16 £24.5m*) 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.

Finance expense

Pre-exceptional net finance expense# for the year was £4.5m, a reduction from the prior year (FY16: £4.8m*) as a result of declining leverage.

Taxation, trading profit & EPS

Pre-exceptional pre tax profit# was £96.4m and grew by 1.1%* compared with the prior year (FY16: £95.3m*). Statutory pre tax profit was £95.4m and grew by 5.8%* compared with the prior year (FY16: £90.2m*).

Underlying total tax expense# for the period was £20.1m, a rate of 21% on pre-exceptional 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 £76.3m (FY16: £75.5m*) and pre-exceptional basic earnings per share# were 15.3 pence, growth of 1.0%* compared with the prior year (FY16: 15.1 pence*)

Working capital

The underlying cash movement in trading working capital# was an inflow of £8.2m, with an increase in inventory of £5.0m and an decrease in trade receivables of £1.7m, offset by an increase of £11.5m in payables which reflects our efforts to drive a wide range of efficiencies.

We have also supported our younger first opinion veterinary practices with short term funding to underpin their growth. Such operating loans to Joint Venture practices support their day to day working capital management, but also enables them to support extended hours, additional services or capacity extensions. This increased the total reported trade receivables movement to £8.9m. We expect to continue this support to vet practices in the coming year to underpin the growth of the business.

Cashflow and capital structure

Cash flow generation remains good. Free cashflow# after interest, tax and before acquisitions was £64.6m (FY16: £77.8m*), with a decline in the cash conversion rate to 49% (FY16: 62%*) as a result of increased capital expenditure and cash working capital requirements compared with the prior year.

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Free cashflow[#] (£m)	FY16	FY17
Cash EBITDA[1,#]	127.7	133.0
Working capital	5.0	(2.3)
Tax	(14.8)	(19.3)
Interest cost	(5.3)	(4.2)
Capex	(34.8)	(42.6)
Reported free cashflow	**77.8**	**64.6**

1 Defined as pre-exceptional EBITDA plus IFRS2 share based payment charges

We acquired two veterinary specialist referral centres during the period, with cash outflows related to acquisitions of £14.8m. 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 cash 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 ophthalmology centre with six veterinary clinicians. EVR already provides services to one of our referral centres, NorthWest Veterinary Specialists, as well as to other primary opinion veterinary practices. EVR will also operate as a shared venture, with the founders retaining 10% equity ownership.

The Group's leverage ratio at year end was 1.2x net debt:pre-exceptional EBITDA[#]. This is a slight reduction from the FY16 position of 1.3x (FY16 audited 53 week period), reflecting the cashflow requirements of acquisitions in the veterinary referrals market and increased working capital requirements during the year.

£m	FY16 (Audited 53 weeks to 31 March 2016)	FY17
Opening net debt	(192.0)	(162.0)
Free cashflow[#]	71.6	64.6
Ordinary dividends paid	(27.9)	(39.9)
Acquisitions	(8.1)	(14.8)
Other	(5.6)	(1.6)
Closing net debt	(162.0)	(153.7)
Leverage (ND / pre-exceptional EBITDA[#])	1.3x	1.2x

Looking forward, our capital structure and allocation policy remains as previously stated. We remain a cash generative business and our priority is to invest in areas that will expand the Group and deliver appropriate returns – as evidenced by our acquisitions in the veterinary referrals market. We are comfortable with a leverage position of up to 1.5x net debt/EBITDA[2] 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. And dependent upon our acquisition outlook and if we do not foresee investment uses, it is our intention to return surplus free cashflow to shareholders through a combination of ordinary and special dividends.

2 On an annualised basis

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

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.

Capital investment

Capital investment was £44.5m (FY16 53 week period: £41.5m), in line with our expectations, of which £5.8m 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 the remaining £3m will be invested in FY18, in line with our previous guidance.

Within the underlying capital investment, £11.1m is represented by the retrofit of services into our existing store estate, (FY16 53 week period £8.0m), where we increased both the number of retrofits, with more built on mezzanine floors. New store capital investment declined to £6.4m (FY16 53 week period: £11.5m) in line with our reduced rollout during the year, and investment in business systems also declined to £7.2m (FY16 53 week period: £10.0m) as we move out of the investment phase, and into the refreshment phase of our omnichannel developments.

Cash capital expenditure was £40.9m (FY16 53 week period: £36.8m).

Dividend

The Board has recommended a final dividend of 5.0 pence per share, giving a total dividend of 7.5 pence per share in respect of the 2017 financial year, equal with the prior year. Looking forward to the financial year 2018, the Board has committed to maintaining the ordinary dividend at the same level as the prior year.

The final dividend will be proposed by the Directors at the 2017 AGM and is in addition to the interim dividend of 2.5 pence per share, paid to shareholders on the 6 January 2017. The ex-dividend date will be 15 June 2017 and, if approved at the Company's forthcoming AGM, will be paid to shareholders on 14 July 2017 to those shareholders on the register at the close of business on 16 June 2017.

Foreign exchange outlook

The Group purchases products from Asia to a value of around US$55 million each year and our policy is to hedge up to 95% of forecast foreign exchange transactions on a rolling 12 month basis. The movement in hedged contract rates for FY17, which were at an average rate of 1.47 USD:GBP, created a £2.2m adverse cost to the Group. Our hedging requirements for FY18 are in place, at an average rate of 1.30 USD:GBP, which will have a negative impact of around £5m.

Accounting treatment of veterinary specialist referral centre

Three of our four veterinary specialist referral centres are structured as a shared venture ownership model, where Pets at Home maintains a minimum 75% controlling share, with the remaining shares owned by multiple clinician Shared Venture Partners (SVPs). This structure maintains strong commercial incentives for the existing SVPs to grow the businesses.

Under this ownership structure, Pets at Home has an option to buy the SVPs shares in the future, typically from three years and onwards post the point of acquisition. The potential value uplift in these shares is related to stretching profit performance targets of the referral centre and the accounting treatment of such an option is therefore structured as a forward contract.

The required accounting treatment of the referral centres is full consolidation of the income statement, balance sheet and cashflow. Within the income statement, the discounted future value of the SVPs shares is recognised as an expense over the period to which the option can be exercised, on our best estimate of the future value. In the event that the referral centres' long term stretching targets are achievable, a non cash charge will be recognised as a non-underlying expense within operating costs, which could be up to £2m in FY18.

Mike Iddon
Chief Financial Officer
25 May 2017

Alternative Performance Measures ("APMs")

Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority came into effect for all communications released on or after 3 July 2016 for issuers of securities on a regulated market.

In the reporting of financial information, the Directors have adopted various Alternative Performance Measures (APMs) of historical or future financial performance, position or cashflows other than those defined or specified under International Financial Reporting Standards (IFRS).

The Directors measure the performance of the Group based on the following financial measures which are not recognised under EU-adopted IFRS, and consider these to be important measures in evaluating the Group's strategic and financial performance. The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group.

APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-underlying items, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and have remained consistent with prior year.

All APMs relate to the current period's results and comparative periods where provided.

The key APMs used by the Group are:

'**Like-for-Like'** sales growth comprises total revenue in a financial period compared to revenue achieved in a prior period, for stores, online operations, grooming salons, vet practices & referral centres that have been trading for 52 weeks or more

Pre-exceptional EBITDA being Earnings before interest, tax, depreciation & amortisation before the effect of exceptional items in the period.

EBITDA being Earnings before interest, tax, depreciation & amortization.

Free Cash flow being 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

CROIC being Cash Return on Invested Capital, 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 multiplied by a factor of 8x

Those that are able to be reconciled back to IFRS reported figures are reconciled below.

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

53 week prior year comparison

The FY17 audited period represents the 52 weeks to 30 March 2017. The audited comparative period represents 53 weeks to 31 March 2016, but to better reflect the business' underlying performance, the more appropriate comparable period is the 52 weeks to 24 March 2016. On this basis, all commentary in respect of the comparative period is based on the proforma 52 week period to 24 March 2016 unless otherwise stated. In order to calculate the 52 week financials, where applicable, the outcome of the 53rd week has been used as the basis for the adjustment, although in some instances, a degree of judgement has been applied in deriving certain income statement costs in relation to the final week. The full statutory financials, which compare the current financial year to the 53 week prior year, are detailed starting on page 18.

A reconciliation on key lines between a 52 week basis and a 53 week statutory basis are included in the reconciliations below.

EBITDA (£m)	FY16	FY17	Note
EBITDA on 52 week basis	**124.7**	**130.5**	
Impact of 53rd week	2.7	0.0	
EBITDA	**127.4**	**130.5**	2
Depreciation & Amortisation	(25.1)	(29.6)	2
Exceptional Items	(0.8)	(1.0)	3
Statutory Operating Profit	**101.4**	**99.9**	

Free cashflow (£m)	FY16	FY17	Note
Free Cashflow on 52 week basis	**77.8**	**64.6**	
Impact of 53rd week	(6.2)	0.0	
Free Cashflow	**71.6**	**64.6**	
Dividends	(27.9)	(39.9)	CFS
Acquisition of subsidiary	(8.1)	(14.8)	CFS
Disposal of subsidiary	0.0	0.7	CFS
Exceptional Items	(0.8)	0.0	CFS
Loans issued	(1.7)	(2.2)	CFS
Loan repayment on acquisition	(1.8)	0.0	CFS
Proceeds from new loan	202.0	8.0	CFS
Repayment of borrowings	(325.0)	0.0	CFS
Refinancing costs	(1.2)	0.0	CFS
Net (decrease)/increase in cash	**(92.9)**	**16.3**	

CFS = Consolidated Statement of Cash Flows

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Revenue (£m)	FY16 Proforma 52 weeks to 24 March 2016	53rd week	FY16 Audited 53 weeks to 31 March 2016	FY17 Audited 52 weeks to 30 March 2017
Revenue Split:				
Food	382.5	7.5	390.0	395.1
Accessories	314.0	6.2	320.2	321.6
Total Merchandise	**696.5**	**13.7**	**710.2**	**716.7**
Services & other	81.3	1.6	82.9	117.5
Group Revenue	**777.8**	**15.3**	**793.1**	**834.2**

Depreciation & Amortisation (£m)	FY16 Proforma 52 weeks to 24 March 2016	53rd week	FY16 Audited 53 weeks to 31 March 2016	FY17 Audited 52 weeks to 30 March 2017
Depreciation & Amortisation	(24.6)	(0.5)	(25.1)	(29.6)

Pre-exceptional net finance expense (£m)	FY16	FY17	Note
Pre-exceptional net finance expense (52 week basis)	(4.8)	(4.5)	
Impact of 53rd week	(0.2)	0.0	
Pre-exceptional net finance expense (53 week basis)	**(5.0)**	**(4.5)**	
Exceptional Items	(4.3)	0.0	7
Net finance expense	**(9.3)**	**(4.5)**	

Pre-exceptional PBT (£m)	FY16	FY17	Note
Pre-exceptional PBT (52 week basis)	95.3	96.4	
Impact of 53rd week	2.0	0.0	
Pre-exceptional PBT (53 week basis)	**97.3**	**96.4**	
Exceptional Items	(5.2)	(1.0)	3
Profit before tax	**92.1**	**95.4**	

Net working capital (£m)	FY16	FY17	Note
Net working capital (52 week basis)	5.0	(2.3)	
Impact of 53rd week	(8.6)		
Net working capital (53 week basis)	**(3.6)**	**(2.3)**	
Being:			
Increase in trade and other receivables	(6.8)	(8.9)	CFS
Increase in inventories	(3.6)	(5.0)	CFS
Increase in trade and other payables	7.0	11.5	CFS
Decrease/(increase) in provisions	(0.2)	0.1	CFS
Net working capital	**(3.6)**	**(2.3)**	

CFS = Consolidated Statement of Cash Flows

Pre-exceptional EPS (p)	FY16	FY17	Note
Pre-exceptional EPS (52 week basis)	**15.1**	**15.3**	
Impact of 53rd week	0.3	0.0	
Pre-exceptional EPS (53 week basis)	**15.4**	**15.3**	
Exceptional Items	(0.8)	(0.2)	2
Earnings Per Share	**14.6**	**15.1**	

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 24 May 2017 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 30 March 2017 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 FY17 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

		52 week period ended 30 March 2017			53 week period ended 31 March 2016		
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
		Underlying Trading	**Exceptional Items**	**Total**	**Underlying Trading**	**Exceptiona l Items**	**Total**
			(note 3)			*(note,8)*	
Revenue	*2*	834,169	-	834,169	793,126	-	793,126
Cost of sales		(382,287)	-	(382,287)	(360,702)	-	(360,702)
Gross profit		451,882	-	451,882	432,424	-	432,424
Selling and distribution expenses		(296,012)	-	(296,012)	(279,293)	-	(279,293)
Administrative expenses	*3*	(54,950)	(996)	(55,946)	(50,868)	(835)	(51,703)
Operating profit	*2,3*	100,920	(996)	99,924	102,263	(835)	101,428
Financial income	*6*	760	-	760	668	-	668
Financial expense	*7*	(5,300)	-	(5,300)	(5,628)	(4,326)	(9,954)
Net financing expense		(4,540)	-	(4,540)	(4,960)	(4,326)	(9,286)
Profit before tax		96,380	(996)	95,384	97,303	(5,161)	92,142
Taxation	*8*	(20,061)	41	(20,020)	(20,224)	865	(19,359)
Profit for the period		76,319	(955)	75,364	77,079	(4,296)	72,783

All activities relate to continuing operations.

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

	Note	52 week period ended 30 March 2017	53 week period ended 31 March 2016
Equity holders of the parent – after exceptional items - basic	5	15.1p	14.6p
Equity holders of the parent – after exceptional items - diluted	5	15.0p	14.5p

Dividends paid and proposed are disclosed in note 9.

Consolidated Statement of Comprehensive Income

	Note	52 week period ended 30 March 2017	53 week period ended 31 March 2016
		£000	**£000**
Profit for the period		75,364	72,783
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences		(26)	(5)
Cash flow hedges – reclassified to profit and loss		(330)	(1,064)
Effective portion of changes in fair value of cash flow hedges		1,862	(536)
Other comprehensive income for the period, before income tax		1,506	(1,605)
Income tax on other comprehensive income	*8*	(297)	320
Other comprehensive income for the period, net of income tax		1,209	(1,285)
Total comprehensive income for the period		76,573	71,498

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Consolidated Balance Sheet

	Note	At 30 March 2017	At 31 March 2016
		£000	£000
Non-current assets			
Property, plant and equipment		128,835	114,746
Intangible assets		990,266	973,549
Other non-current assets		16,990	10,161
		1,136,091	1,098,456
Current assets			
Inventories		56,420	52,476
Other financial assets		1,863	1,947
Trade and other receivables		69,567	59,028
Cash and cash equivalents		56,345	39,998
		184,195	153,449
Total assets		1,320,286	1,251,905
Current liabilities			
Trade and other payables		(165,887)	(150,445)
Corporation tax		(10,609)	(9,695)
Provisions		(492)	(436)
Other financial liabilities		(1,509)	(1,318)
		(178,497)	(161,894)
Non-current liabilities			
Other interest-bearing loans and borrowings	*11*	(209,296)	(201,091)
Other payables		(35,028)	(33,165)
Provisions		(1,394)	(1,387)
Other financial liabilities		(8,023)	(5,999)
Deferred tax liabilities		(5,404)	(4,885)
		(259,145)	(246,527)
Total liabilities		(437,642)	(408,421)
Net assets		882,644	843,484
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		(31)	(5)
Cash flow hedging reserve		806	(429)
Retained earnings		1,135,574	1,097,623
Total equity		882,644	843,484

On behalf of the Board:

Mike Iddon

Group Chief Financial Officer

Company number: 08885072

** FY16 comparative information presented on a 52 week basis & percentage change on this basis. For reconciliation to 53 week statutory basis see page 14. # Alternative Performance Measures (APMs) are defined & reconciled to IFRS, where possible, on page 14.*

Consolidated Statement of Changes in Equity as at 30 March 2017

	Share capital £000	Consolidation reserve £000	Merger reserve £000	Cash flow hedging reserve £000	Translation reserve £000	Retained earnings £000	Total equity £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	-	-	-		-	75,364	75,364
Other comprehensive income	-	-	-	1,235	(26)	-	1,209
Total comprehensive income for the period	-	-	-	1,235	(26)	75,364	76,573
Transactions with owners, recorded directly in equity							
Equity dividend paid	-	-	-	-	-	(39,850)	(39,850)
Share based payment transactions	-	-	-	-	-	2,437	2,437
Total contributions by and distributions to owners	-	-	-	-	-	(37,413)	(37,413)
Balance at 30 March 2017	**5,000**	**(372,026)**	**113,321**	**806**	**(31)**	**1,135,574**	**882,644**

Consolidated Statement of Cash Flows

	52 week period ended 30 March 2017 £000	53 week period ended 31 March 2016 £000
Cash flows from operating activities		
Profit for the period	75,364	72,783
Adjustments for:		
Depreciation and amortisation	29,621	25,106
Financial income	(760)	(668)
Financial expense	5,300	9,954
Loss on disposal of subsidiary	690	-
Profit on disposal of property, plant and equipment	(176)	-
Share based payment charges	2,437	3,005
Taxation	20,020	19,359
	132,496	129,539
Increase in trade and other receivables	(8,863)	(6,784)
Increase in inventories	(4,979)	(3,627)
Increase in trade and other payables	11,469	7,021
Increase/(decrease) in provisions	63	(248)
	130,186	125,901
Tax paid	(19,299)	(14,823)
Net cash flow from operating activities	110,887	111,078
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1,830	3,082
Disposal of subsidiary, net of cash disposed	677	-
Interest received	722	413
Investment in other financial assets	(3,420)	(1,010)
Loans issued	(2,247)	(1,674)
Loans repaid	500	-
Acquisition of subsidiary, net of cash acquired	(14,831)	(8,113)
Acquisition of property, plant and equipment, and other intangible assets	(40,896)	(36,804)
Net cash used in investing activities	(57,665)	(44,106)
Cash flows from financing activities		
Equity dividends paid	(39,850)	(27,894)
Proceeds from new loan	8,000	202,000
Repayment of borrowings	-	(325,000)
Loan repayment on acquisition	-	(1,808)
Finance lease obligations	(109)	(28)
Issue costs	-	(1,225)
Interest paid	(4,916)	(5,985)
Net cash used in financing activities	(36,875)	(159,940)
Net increase/(decrease) in cash and cash equivalents	**16,347**	(92,968)
Cash and cash equivalents at beginning of period	**39,998**	132,966
Cash and cash equivalents at end of period	**56,345**	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 consolidated financial statements for the 52 week period ended 30 March 2017 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 24th May 2017 along with this preliminary announcement.

The consolidated financial statements are prepared on the historical costs basis except for derivative financial instruments, share based payments and certain investments measured at their fair value.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006 (the "Act"). The financial information for the 52 week period ended 30 March 2017 has been extracted from the statutory accounts on which an unqualified audit opinion has been issued. Statutory accounts for the 52 week period ended 30 March 2017 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors have consented to the publication of the Preliminary Announcement as required by Listing Rule 9.7a having completed their procedures under APB bulletin 2008/2.

The directors of Pets at Home Group Plc, having made appropriate enquiries, consider that adequate resources exist for the Group to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the 52 week period ended 30 March 2017.

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	**52 week period ended 30 March 2017 £000**	**53 week period ended 31 March 2016 £000**
Food	395,121	390,041
Accessories	321,550	320,162
Services and other	117,498	82,923
	834,169	793,126

The 'services and other' category includes revenue from management fees for first opinion veterinary surgeries, veterinary referral centres, grooming services, insurance commissions and the sale of pets.

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:

	52 week period ended 30 March 2017 £000	**53 week period ended 31 March 2016 £000**
Operating profit	99,924	101,428
Exceptional items	996	835
Underlying operating profit before exceptional items	100,920	102,263
Depreciation and amortisation	29,621	25,106
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**130,541**	127,369

Notes *(continued)*

3 Operating Profit

Included in operating profit are the following:	**52 week period ended 30 March 2017 £000**	**53 week period ended 31 March 2016 £000**
Exceptional operating expenses	996	835
Depreciation of tangible fixed assets	25,690	21,915
Amortisation of intangible assets	3,931	3,191
Rentals under operating leases:		
Hire of plant and machinery	4,484	3,886
Property	73,002	70,405
Rental income from third party sublets	(828)	(1,033)
Rental income from related parties	(6,277)	(5,367)
Profit on disposal of fixed assets	(176)	-
Share based payment charges	2,437	3,005

During the period Pets at Home Group Plc disposed of its 100% holding in its subsidiary Farm-Away Ltd. The exceptional items in the period to 30 March 2017 represent costs incurred in relation to the disposal as follows:

	£'000
Consideration received	(740)
Net assets disposed of	1,430
Loss on disposal of net assets	690
Costs borne by the Group	306
	996

The costs include legal and professional fees, redundancy costs and property costs

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.

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:

	52 week period ended 30 March 2017 Number	53 week period ended 31 March 2016 Number
Sales and distribution	6,152	5,008
Administration	659	466
	6,811	5,474

The aggregate payroll costs of these persons were as follows:

	52 week period ended 30 March 2017 £000	53 week period ended 31 March 2016 £000
Wages and salaries	161,118	143,553
Social security costs	13,337	11,044
Contributions to defined contribution plans	7,069	4,294
	181,524	158,891

Notes *(continued)*

5 Earnings per share

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

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

	52 week period ended 30 March 2017 Underlying Trading	52 week period ended 30 March 2017 After Exceptional Items	53 week period ended 31 March 2016 Underlying Trading	53 week period ended 31 March 2016 After Exceptional Items
Profit attributable to equity shareholders of the parent (£000s)	76,319	75,364	77,079	72,783
	76,319	75,364	77,079	72,783
Basic weighted average number of shares	500,000,000	500,000,000	500,000,000	500,000,000
Dilutive potential ordinary shares	4,032,406	4,032,406	2,048,984	2,048,984
Diluted weighted average number of shares	504,032,406	504,032,406	502,048,984	502,048,984
Basic earnings per share	15.3p	15.1p	15.4p	14.6p
Diluted earnings per share	15.1p	15.0p	15.4p	14.5p

Notes *(continued)*

6 Finance Income

	52 week period ended 30 March 2017	53 week period ended 31 March 2016
	£000	£000
Interest receivable	760	401
Other finance income	-	267
Total finance income	760	668

7 Finance Expense

	52 week period ended 30 March 2017	53 week period ended 31 March 2016
	£000	£000
Bank loans at effective interest rate	5,113	5,628
Other interest expense	187	-
Total underlying finance expense	5,300	5,628
Exceptional amortisation costs	-	4,326
Total exceptional finance expense	-	4,326
Total finance expense	5,300	9,954

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

	52 week period ended 30 March 2017	53 week period ended 31 March 2016
	£000	£000
Current tax expense		
Current period	20,953	19,441
Adjustments in respect of prior periods	(964)	(294)
Current tax expense	19,989	19,147
Deferred tax expense		
Origination and reversal of temporary differences	(907)	155
Impact of difference between deferred and current tax rates	45	(263)
Adjustments in respect of prior periods	893	320
Deferred tax expense	31	212
Total tax expense	20,020	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. The deferred tax liability has been calculated based on the rate of 19% which is the rate at which items are expected to reverse.

Deferred tax recognised in other comprehensive income

	52 week period ended 30 March 2017	53 week period ended 31 March 2016
	£000	£000
Effective portion of changes in fair value of cash flow hedges	297	(320)

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

	52 week period ended 30 March 2017 Underlying Trading	52 week period ended 30 March 2017 Exceptional Items	52 week period ended 30 March 2017 Total	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
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Profit for the period	76,319	(955)	75,364	77,079	(4,296)	72,783
Total tax expense	20,061	(41)	20,020	20,224	(865)	19,359
Profit excluding taxation	96,380	(996)	95,384	97,303	(5,161)	92,142
Tax using the UK corporation tax rate for the period of 20% (53 week period ended 31 March 2016: 20%)	19,276	(199)	19,077	19,460	(1,032)	18,428
Impact of change in tax rate on deferred tax balances	45	-	45	(263)	-	(263)
Depreciation on expenditure not eligible for tax relief	706	-	706	862	-	862
Expenditure not eligible for tax relief	105	158	263	139	167	306
Adjustments in respect of prior periods	(71)	-	(71)	26	-	26
Total tax expense	20,061	(41)	20,020	20,224	(865)	19,359

The UK corporation tax standard rate for the 52 week period ended 30 March 2017 was 20% (53 week period ended 31 March 2016: 20%). The effective tax rate before exceptional items for the 52 week period ended 30 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 and Company	
	52 week period ended 30 March 2017	**53 week period ended 31 March 2016**
	£000	**£000**
Declared and paid during the period		
Final dividend of 5.5p per share (2016: 3.6p per share)	27,396	17,932
Interim dividend of 2.5p per share (2016: 2p per share)	12,454	9,962
Proposed for approval by shareholders at the AGM		
Final dividend of 5.0p per share (2016: 5.5p per share)	24,912	27,394

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: Computershare Nominees (Channel Islands) Limited (holding at 30 March 2017:1,319,091 shares, holding at 31 March 2016: 1,466,540 shares) and Wealth Nominees Limited (holding at 30 March 2017: 434,056 shares, holding at 31 March 2016: 434,056 shares).

Notes *(continued)*

10 Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of voting equity instruments acquired	Cash Consideration transferred
				£000
Dick White Referrals Limited	Veterinary referral centre	28 April 2016	76%	13,839
Eye-Vet Limited	Veterinary referral centre	5 April 2016	90%	1,350

Acquisition of 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 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 at an agreed pricing method linked to future earnings performance 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 Dick White Referrals Limited. No non-controlling interest is recognised. The put and call option is treated as a forward contract measured at fair value reflecting the Group's best estimate of future settlement, linked to forecasted future earnings performance.

Consideration transferred

	Dick White Referrals Limited
	£000
Cash	13,839
Forward contract	3,951
Total consideration	**17,790**

Acquisition related costs amounting to £228,000 have been excluded from the consideration transferred and were recognised as an expense in the profit and loss account in the prior year, within the 'administrative expenses' exceptional line item.

Notes *(continued)*

10 Business Combinations *(continued)*

Acquisition of Dick White Referrals Limited *(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	604	-	-	604
Trade and other receivables	1,637	-	-	1,637
Inventories	238	-	-	238
Non-current assets				
Intangible asset- customer list	-	-	771	771
Tangible fixed assets	2,920	-	-	2,920
Current liabilities				
Trade and other payables	(2,176)	-	-	(2,176)
Deferred tax liabilities	(150)	-	-	(150)
Non-current liabilities				
Other financial liabilities	(439)	-	-	(439)
	2,634	-	771	3,405

Provisional goodwill arising on acquisition

	Dick White Referrals Limited
	£000
Cash consideration	13,839
Forward contract	3,951
Less: fair value of net assets acquired	(3,405)
Goodwill arising on acquisition	14,385

The key assets acquired are the expertise and skills of the surgeons within the business; these represent the assembled workforce which does not meet the definition of an intangible asset. The cost of the combination also included a control premium, effectively including amounts in relation to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Consideration has been given to other intangibles that are recognisable under IFRS 3 Business Combinations. No brand name has been recognised due to the specialist nature of the services provided meaning that repeat referral is not expected and the company name is not recognisable to the general public. No favourable leases or patents were owned by the company at the time of acquisition. A customer list intangible asset of £771,000 for the on-site laboratory has been identified and recognised separately from goodwill at fair value.

None of the goodwill identified on these acquisitions is expected to be deductible for tax purposes. The goodwill is deemed to be provisional as it is considered that further information could come to light that could affect the fair value of net assets acquired.

10 Business Combinations *(continued)*

Acquisition of Dick White Referrals Limited *(continued)*

Net cash outflow on acquisition of subsidiary

	Dick White Referrals Limited
	£000
Cash consideration	13,839
Less: cash and cash equivalents acquired	(604)
Total cash paid	13,235

Impact of acquisition on the results of the Group

Included in the operating profit for the period ended 30 March 2017 is £1,367,000 attributable to the additional business generated by Dick White Referrals Limited. Revenue for the period ended 30 March 2017 includes £13,039,000 in respect of Dick White Referrals Limited.

Had the business combination been effected at 1 April 2016, the revenue for the Group from continuing operations would have been £835,109,000 and the operating profit for the period from continuing operations would have been £99,941,000.

Acquisition of Eye-Vet Limited

On 5 April 2016, the Group acquired 90% of the total share capital of Eye-Vet Limited in exchange for cash and contingent consideration. 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 at an agreed pricing method linked to future earnings performance 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 Eye-Vet Limited. No non-controlling interest is recognised. The put and call option is treated as a forward contract measured at fair value reflecting the Group's best estimate of future settlement, linked to forecasted future earnings performance.

Consideration transferred

	Eye-Vet Limited
	£000
Cash	1,350
Forward contract	142
Total consideration	**1,492**

Acquisition related costs amounting to £95,000 have been excluded from the consideration transferred and have been recognised as an expense in the profit and loss account in the prior year, within the 'administrative expenses' exceptional line item.

Notes *(continued)*

10 **Business Combinations** *(continued)*

Acquisition of Eye-Vet Limited *(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	49	-	-	49
Trade and other receivables	297	-	-	297
Inventories	38	-	-	38
Non-current assets				
Tangible fixed assets	133	-	-	133
Current liabilities				
Trade and other payables	(186)	-	-	(186)
Deferred tax liabilities	(25)	-	-	(25)
	306	-	-	306

Provisional goodwill arising on acquisition

	Eye-Vet Limited
	£000
Cash consideration	1,350
Forward contract	142
Less: fair value of net assets acquired	(306)
Goodwill arising on acquisition	1,186

The key assets acquired are the expertise and skills of the surgeons within the business; these represent the assembled workforce which does not meet the definition of an intangible asset. The cost of the combination also included a control premium, effectively including amounts in relation to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Consideration has been given to other intangibles that are recognisable under IFRS 3 Business Combinations. No brand name has been recognised due to the specialist nature of the services provided meaning that repeat referral is not expected and the company name is not recognisable to the general public. No favourable leases or patents were owned by the company at the time of acquisition.

None of the goodwill identified on these acquisitions is expected to be deductible for tax purposes. The goodwill is deemed to be provisional as it is considered that further information could come to light that could affect the fair value of net assets acquired.

Notes *(continued)*

10 Business Combinations *(continued)*

Acquisition of Eye-Vet Limited *(continued)*

Net cash outflow on acquisition of subsidiary

	Eye-Vet Limited
	£000
Cash consideration	1,350
Less: cash and cash equivalents acquired	(49)
Total cash paid	1,301

Impact of acquisition on the results of the Group

Included in the operating profit for the period ended 30 March 2017 is £131,000 attributable to the additional business generated by Eye-Vet Limited. Revenue for the period ended 30 March 2017 includes £1,509,000 in respect of Eye-Vet Limited.

Eye-Vet Limited was acquired at the start of the period and therefore the revenue and operating profit of the group are fully reflective of the revenue and operating profit of Eye-Vet Limited.

Anderson Moores Veterinary Specialists Limited

The put and call liability in relation to the acquisition of Anderson Moores Ltd was overstated by £1,651,000 in the initial acquisition accounting. This is considered immaterial but has been corrected in the current year - a decrease in the associated goodwill of £1,651,000 and an equal decrease in the liability.

Notes *(continued)*

11 Other interest-bearing loans and borrowings

	At 30 March 2017	At 31 March 2016
	£000	£000
Non-current liabilities		
Secured bank loans	209,296	201,091
Total liabilities		
Secured bank loans	209,296	201,091

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value at 30 March 2017	Carrying amount at 30 March 2017	Face value at 31 March 2016	Carrying amount at 31 March 2016
				£000	£000	£000	£000
Senior Finance Bank Loans	GBP	LIBOR +1.25%	2019-2020	210,000	209,296	202,000	201,091

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 (net debt: EBITDA). Face value represents the principal value of the Senior Finance Bank Loans. The bank loan is secured against the various tangible, intangible and monetary assets of the Group (excluding investments in joint ventures and hedging agreements).

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 30 March 2017 the Group had a revolving credit facility of £260m with a drawn amount of £210m.

Notes *(continued)*

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

The analysis of repayments on the loans is as follows:

	At 30 March 2017 £000	At 31 March 2016 £000
Within one year or repayable on demand	-	-
Between one and two years	-	-
Between two and five years	210,000	202,000
	210,000	202,0000

Analysis of changes in net debt

	At 31 March 2016 £000	Cash flow £000	Non-cash movement £000	At 30 March 2017 £000
Cash and cash equivalents	39,998	16,347	-	56,345
Debt due within one year at face value	-			
Debt due after one year at face value	(202,000)	(8,000)	-	(210,000)
Net debt	(162,002)	8,347	-	(153,655)