FOR IMMEDIATE RELEASE, 11th NOVEMBER 2014

Pets At Home Group Plc

Pets At Home Group Plc, the UK's leading specialist retailer of pet food, accessories, pet-related products and services, today issues prior year unaudited financial statements for the H1 FY14 period, representing the 28 weeks from 29th March to 10th October 2013. This provides a comparable set of financial statements for the upcoming announcement of H1 FY15 interim results, on 4th December 2014.

Enquiries

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About Pets At Home

Pets At Home Group Plc is the UK's leading specialist pet omni-channel retailer and services provider.

Pets At Home operates from 385 stores located across the UK. The Group operates the UK's largest small animal veterinary business with 303 practices, run principally under a Joint Venture model using the Companion Care and Vets4Pets brand names. Pets at Home is the UK's leading operator of pet grooming services offered through its 152 Groom Room salons. The Group also owns and operates Ride-away, a specialist equine retail business with a York superstore, website and catalogue. For more information visit: http://investors.petsathome.com/

Consolidated Income Statement

	Note	28 week period ended 10 October 2013	52 week period ended 27 March 2014	52 week period ended 27 March 2014	52 week period ended 27 March 2014
		£000	£000	£000	£000
		Total	Underlying Trading	Exceptional Items (note 2)	Total
Revenue	2	**346,153**	665,395	-	**665,395**
Cost of sales		**(160,564)**	(307,271)	-	**(307,271)**
Gross profit		**185,589**	358,124	-	**358,124**
Selling and distribution expenses		**(125,286)**	(233,891)	-	**(233,891)**
Administrative expenses		**(18,579)**	(34,817)	(10,574)	**(45,391)**
Operating profit	2	**41,724**	89,416	(10,574)	**78,842**
Financial income		**183**	368	-	**368**
Financial expense	4	**(20,606)**	(37,547)	(19,158)	**(56,705)**
Net financing expense		**(20,423)**	(37,179)	(19,158)	**(56,337)**
Profit before tax		**21,301**	52,237	(29,732)	**22,505**
Taxation	5	**(5,976)**	(13,672)	4,715	**(8,957)**
Profit for the period		**15,325**	38,565	(25,017)	**13,548**

All activities relate to continuing operations.

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

	Note	28 week period ended 10 October 2013	52 week period ended 27 March 2014
Equity holders of the parent – underlying trading	3	(£0.03)	£0.01
Equity holders of the parent – after exceptional items	3	(£0.03)	(£0.14)

The notes on pages 7 to 21 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	**£000**
Profit for the period	15,325	13,548
Other comprehensive income		
Items that are or may be recycled subsequently into profit or loss:		
Foreign exchange translation differences	2	5
Cash flow hedges – reclassified to profit and loss	(811)	(811)
Effective portion of changes in fair value of cash flow hedges	1,341	1,442
Other comprehensive income for the period, before income tax	532	636
Income tax on other comprehensive income	(106)	(159)
Other comprehensive income for the period, net of income tax	426	477
Total comprehensive income for the period	15,751	14,025

The notes on pages 7 to 21 form an integral part of these financial statements.

Consolidated Balance Sheet

	Note	At 10 October 2013	At 27 March 2014
		£000	£000
Non-current assets			
Property, plant and equipment	*6*	84,687	93,628
Intangible assets	*7*	955,296	955,238
Other financial assets		4,610	6,619
		1,044,593	1,055,485
Current assets			
Inventories		49,375	46,116
Deferred tax assets		-	45
Other financial assets		194	-
Trade and other receivables		40,570	42,159
Cash and cash equivalents		26,670	90,823
		116,809	179,143
Total assets		1,161,402	1,234,628
Current liabilities			
Other interest-bearing loans and borrowings	*8*	(12,408)	-
Trade and other payables		(101,114)	(149,547)
Provisions		(743)	(461)
Other financial liabilities		(747)	(1,113)
Deferred tax liabilities		(984)	-
		(115,996)	(151,121)
Non-current liabilities			
Other interest-bearing loans and borrowings	*8*	(534,196)	(319,855)
Other payables		(49,638)	(31,068)
Provisions		(1,457)	(1,835)
		(585,291)	(352,758)
Total liabilities		(701,287)	(503,879)
Net assets		460,115	730,749
Equity attributable to equity holders of the parent			
Ordinary share capital		1,659	5,000
Share premium		291,492	1,080,477
Additional paid in capital		503,293	-
Consolidation reserve		(372,026)	(372,026)
Merger reserve		113,321	113,321
Cash flow hedging reserve		(410)	(362)
Translation reserve		1	4
Retained earnings		(77,215)	(95,665)
Total equity		460,115	730,749

Company number: 08885072

The notes on pages 7 to 21 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Additional paid in capital	Consolidation reserve	Merger reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 28 March 2013	**1,659**	**291,492**	**612,680**	**(372,026)**	**113,321**	**(834)**	**(1)**	**(71,567)**	**574,724**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	15,325	15,325
Other comprehensive income	-	-	-	-	-	424	2	-	426
Total comprehensive income for the period	-	-	-	-	-	424	2	15,325	15,751
Transactions with owners, recorded directly in equity									
Dividends on additional paid in capital	-	-	20,973	-	-	-	-	(20,973)	-
Redemption of additional paid in capital	-	-	(130,360)	-	-	-	-	-	(130,360)
Total contributions by and distributions to owners	-	-	(109,387)	-	-	-	-	(20,973)	(130,360)
Balance at 10 October 2013	**1,659**	**291,492**	**503,293**	**(372,026)**	**113,321**	**(410)**	**1**	**(77,215)**	**460,115**

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Additional paid in capital	Consolidation reserve	Merger reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 10 October 2013	**1,659**	**291,492**	**503,293**	**(372,026)**	**113,321**	**(410)**	**1**	**(77,215)**	**460,115**
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	-	(1,777)	(1,777)
Other comprehensive income	-	-	-	-	-	48	3	-	51
Total comprehensive income for the period	-	-	-	-	-	48	3	(1,777)	(1,726)
Transactions with owners, recorded directly in equity									
Issue of shares (i)	1,405	342,916	(344,321)	-	-	-	-	-	-
Issue of shares (ii)	40	9,697	-	-	-	-	-	-	9,737
Issue of shares (iii)	1,896	462,574	-	-	-	-	-	-	464,470
Share issue costs	-	(26,202)	-						(26,202)
Dividends on additional paid in capital	-	-	16,673	-	-	-	-	(16,673)	-
Redemption of additional paid in capital	-	-	(175,645)					-	(175,645)
Total contributions by and distributions to owners	3,341	788,985	(503,293)	-	-	-	-	(16,673)	272,360
Balance at 27 March 2014	**5,000**	**1,080,477**	**-**	**(372,026)**	**113,321**	**(362)**	**4**	**(95,665)**	**730,749**

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

(ii) On 17 March 2014, the Company issued 3,974,537 ordinary £0.01 shares at a premium of £2.44 per share in exchange for in exchange for £9,737,000 of debt issued by a subsidiary.

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

Consolidated Statement of Cash Flows

		28 week period ended 10 October 2013		52 week period ended 27 March 2014
		£000		**£000**
Cash flows from operating activities				
Profit for the period		15,325		13,548
Adjustments for:				
Depreciation and amortisation		10,515		19,990
Financial income		(183)		(368)
Financial expense		20,606		56,705
Loss on sale of PPE		-		77
Taxation		5,976		8,957
Share based payment charges		-		31
		52,239		98,940
Increase in trade and other receivables		(6,529)		(7,969)
Increase in inventories		(7,319)		(4,060)
Increase/(decrease) in trade and other payables	(120)		21,740	
(Decrease)/increase in IPO related trade and other payables (i)	-		25,184	
Total increase in trade and other payables		(120)		46,924
Increase/(decrease) in provisions		(94)		2
		38,177		133,837
Tax paid		(4,666)		(9,192)
Net cash from operating activities		33,511		124,645
Cash flows from investing activities				
Proceeds from sale of PPE		-		-
Interest received		183		368
Investment in other financial assets		(988)		(1,753)
Acquisition of subsidiary, net of cash acquired		(2,000)		(2,000)
Acquisition of PPE and other intangible assets		(14,905)		(26,278)
Net cash used in investing activities		(17,710)		(29,663)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital		-		464,470
Share issue costs		-		(26,202)
Debt issue costs		(5,336)		(10,494)
Repayment of paid in capital		(130,400)		(306,005)
Proceeds from new loan		135,000		460,000
Repayment of borrowings		(3,708)		(585,260)
Interest paid		(16,280)		(32,261)
Net cash used in financing activities		(20,724)		(35,752)
Net increase/(decrease) in cash and cash equivalents		**(4,923)**		**59,230**
Cash and cash equivalents at beginning of period		**31,593**		**31,593**
Cash and cash equivalents at end of period		**26,670**		**90,823**

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

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 10 October 2013 comprise the Company and its subsidiaries (together referred to as the Group).
The consolidated financial statements of the Group as at and for the 52 week period ended 27 March 2014 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 52 week period ended 27 March 2014.
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 52 weeks ended 27 March 2014 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 10 October 2013.

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 10 October 2013 are consistent with the policies applied by the Group in its consolidated financial statements as at and for the 52 week period ended 27 March 2014, 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.

The following standards and interpretations, issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, have been adopted by the Group with no significant impact on its consolidated financial statements:

- IFRS 10 'Consolidated financial statements'
- IFRS 11 'Joint arrangements'
- IFRS 12 'Disclosure of interests in other entities'
- IAS 27 'Separate financial statements'
- IAS 28 'Investments in associates and joint ventures'
- IAS 32 (Amendment) 'Financial instruments: presentation – offsetting financial assets and liabilities'.

Notes *(continued)*

1 Basis of preparation *(continued)*

Basis of consolidation

On 17 March 2014, the entire share capital of the Group's previous parent company Pets at Home Lux S.a.r.l was acquired by Pets at Home Group Plc funded by an issue of shares in Pets at Home Group Plc in exchange for these shares. On the same date a number of other transactions were completed to swap debt and additional paid in capital held outside of the Group for equity instruments in Pets at Home Group Plc.
Whilst the equity instruments of Pets at Home Lux S.a.r.l were legally acquired, in substance the Directors have determined that the transaction represents a continuation of the Pets at Home Lux S.a.r.l business. As such, this transaction has been accounted for as a reverse acquisition. Further details of this transaction can be found within the significant accounting policies section of the Group's financial statements for the 52 week period ended 27 March 2014, which are available on the Company's website.

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.

Notes *(continued)*

2 Segmental reporting

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

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

	28 week period ended 10 October 2013	**52 week period ended 27 March 2014**
	£000	**£000**
Operating profit	41,724	78,842
Exceptional items	-	10,574
Management charges	647	1,221
Share based payment charges	-	31
Underlying operating profit	42,371	90,668
Depreciation and amortisation	10,515	19,990
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**52,886**	**110,658**

Included in profit/loss are the following:

	28 week period ended 10 October 2013	**52 week period ended 27 March 2014**
	£000	**£000**
Exceptional operating expenses	-	10,574
Depreciation of tangible fixed assets	9,431	18,053
Amortisation of intangible assets	1,084	1,937
Rentals under operating leases:		
Hire of plant and machinery	1,598	2,843
Property	32,916	61,903
Rental income from sublets	(3,067)	(5,952)
Loss on disposal of fixed assets	2	77

Exceptional costs in the 52 week period ended 27 March 2014 related to costs associated with the Initial Public Offering of Pets at Home Group Plc shares on the London Stock Exchange on 17 March 2014 (£9,383,000), and costs associated with the integration of the Vets4Pets business into the group (£2,308,000), offset by a credit relating to exceptional input VAT recovered (£1,117,000).

Notes *(continued)*

2 Segmental reporting *(continued)*

Revenue	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000
Food	172,275	327,101
Accessories	147,737	288,017
Total merchandise revenue	320,012	615,118
Services and other	26,141	50,277
Total revenue	346,153	665,395
Gross margin - merchandise	55.9%	56.1%
Gross margin – services and other	26.2%	26.3%
Gross margin - total	53.6%	53.8%

3 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 10 October 2013	52 week period ended 27 March 2014	52 week period ended 27 March 2014
	Underlying	Underlying	After Exceptionals
	£000	£000	£000
Profit attributable to equity shareholders of the parent	15,325	38,565	13,548
Less PEC dividend transferred from retained earnings	(20,973)	(37,646)	(37,646)
	(5,648)	919	(24,098)
	'000s	'000s	'000s
Basic weighted average number of shares	165,900	175,054	175,054
Dilutive potential ordinary shares	-	71	71
Diluted weighted average number of shares	165,900	175,125	175,125
Basic earnings per share	(£0.03)	£0.01	(£0.14)
Diluted earnings per share	(£0.03)	£0.01	(£0.14)

Notes *(continued)*

4 Financial expense

Recognised in the income statement

	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000
Bank loans at effective interest rate	19,823	36,176
Related party loan notes	756	1,349
Other interest expense	27	22
Total underlying financial expense	20,606	37,547
Exceptional amortisation costs	-	19,158
Total exceptional financial expense	-	19,158
Total financial expense	20,606	56,705

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

Notes *(continued)*

5 Taxation

Recognised in the income statement

	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000
Current tax expense		
Current period	4,874	7,840
Adjustments in respect of prior periods	362	362
Current tax expense	5,236	8,202
Deferred tax expense		
Origination and reversal of temporary differences	219	234
Reduction in tax rate	28	28
Adjustments in respect of prior periods	493	493
Deferred tax expense	740	755
Total tax expense	5,976	8,957

The corporation tax rate applicable to the group was 23% in the period to 10 October 2013. The March 2013 Budget announced that the UK corporation tax rate will further reduce to 20% (effective from 1 April 2015). This reduction was substantively enacted on 2 July 2013. The deferred tax asset has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Notes *(continued)*

5 Taxation *(continued)*

Deferred tax recognised in other comprehensive income

	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000
Effective portion of changes in fair value of cash flow hedges	106	159

Reconciliation of effective tax rate

	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000
Profit for the period	15,325	13,548
Total tax expense	5,976	8,957
Profit excluding taxation	21,301	22,505
Tax using the UK corporation tax rate for the period	4,899	5,177
Impact of reduction in tax rate on deferred tax balances	28	28
Expenditure not eligible for tax relief	195	1,094
Non-deductible IPO costs – exceptional item	-	2,055
Other	-	(251)
Adjustments in respect of prior periods	854	854
Total tax expense	5,976	8,957

The UK corporation tax standard rate for the period was 23% (period ended 27 March 2014: 23%).

The effective corporation tax rate for the 28 week period ended 10 October 2013 is 28.1% (52 week period ended 27 March 2014: 39.8%) which represents the best estimate of the effective annual corporation tax rate expected for the full year (excluding exceptional items), applied to the pre-tax income for the 28 week period.

Notes *(continued)*

6 Tangible fixed assets

	Freehold buildings £000	Leasehold improvements £000	Fixtures, fittings, tools and equipment £000	Motor vehicles £000	Total £000
Cost					
Balance at 28 March 2013	1,444	28,598	99,860	9	129,911
Additions	-	1,338	8,158	-	9,496
Balance at 10 October 2013	1,444	29,936	108,018	9	139,407
Additions	1,064	4,146	13,104	-	18,314
Disposals	-	(1,252)	(19,264)	(9)	(20,525)
Balance at 27 March 2014	2,508	32,830	101,858	-	137,196
Depreciation					
Balance at 28 March 2013	49	6,144	39,096	-	45,289
Depreciation charge for the period	16	1,321	8,094	-	9,431
Disposals	-	-	-	-	-
Balance at 10 October 2013	65	7,465	47,190	-	54,720
Depreciation charge the period	14	1,133	7,475	-	8,622
Disposals	-	(618)	(19,156)	-	(19,774)
Balance at 27 March 2014	79	7,980	35,509	-	43,568
Net book value					
At 28 March 2013	1,395	22,454	60,764	9	84,622
At 10 October 2013	1,379	22,471	60,828	9	84,687
At 27 March 2014	2,429	24,850	66,349	-	93,628

7 Intangible assets

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 28 March 2013	952,032	6,174	958,206
Additions	-	1,376	1,376
Balance at 10 October 2013	952,032	7,550	959,582
Additions	-	795	795
Balance at 27 March 2014	952,032	8,345	960,377
Amortisation			
Balance at 28 March 2013	-	3,202	3,202
Amortisation for the period	-	1,084	1,084
Balance at 10 October 2013	-	4,286	4,286
Amortisation for the period	-	853	853
Balance at 27 March 2014	-	5,139	5,139
Net book value			
At 28 March 2013	952,032	2,972	955,004
At 10 October 2013	952,032	3,264	955,296
At 27 March 2014	952,032	3,206	955,238

Notes *(continued)*

7 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 and website as disclosed in note 2. The Group is deemed to have one overall group of CGUs as follows:

	Goodwill	
	At 10 October 2013	**At 27 March 2014**
	£000	**£000**
Pets at Home Group	952,032	952,032

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

	At 10 October 2013	**At 27 March 2014**
Period on which management approved forecasts are based (years)	**£000**	**£000**
Growth rate applied beyond approved forecast period	3%	3%
Discount rate (pre-tax)	8%	9%

The goodwill is considered to have an indefinite useful 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 approved by 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 managers using the above assumptions is greater than the carrying amount and therefore no impairment charge has been booked in each period. The managers consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

Notes *(continued)*

8 Other interest-bearing loans and borrowings

	At 10 October 2013	At 27 March 2014
	£000	£000
Non-current liabilities		
Secured bank loans	534,196	319,855
Current liabilities		
Current portion of secured bank loans	12,408	-
Total liabilities		
Secured bank loans	546,604	319,855

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
			10 October 2013	10 October 2013	27 March 2014	27 March 2014
			£000	£000	£000	£000
Senior Bank Loans	LIBOR +3-5%	2018	567,926	546,604	-	-
Senior Finance Bank Loans	LIBOR +2-2.25%	2019/20	-	-	325,000	319,855
			567,926	546,604	325,000	319,855

At 27 March 2014 the Group had an undrawn revolving credit facility of £29.6m (period ended 10 October 2013 £27.0m) which expires on 17 March 2019.

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

Notes *(continued)*

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

On 17 March 2014 the business repaid the senior finance bank loans replacing them with a new senior finance facility, which has significantly reduced the interest charge of the Group. The new senior bank facility was drawn down on 17 March 2014. The new senior bank facility is held by the company.

Pets at Home Group Plc has entered into fixed rate interest rate swap agreements over a total of £243.5m of the senior facility borrowings at a fixed rate of 0.74% and a further fixed rate interest rate swap over a total of £73.3m at a fixed rate of 0.655% (period ended 27 March 2014: £299.1m of the senior facility borrowings at a fixed rate of 0.74% and £17.7m at a fixed rate of 0.655%; period ended 10 October 2013: £303.4m of the senior facility borrowings at a fixed rate of 0.74% and £98.4m at a fixed rate of 0.655%). Both swaps expire on 30 March 2016. The hedges are structured to hedge at least 70% of the outstanding debt.

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

	At 10 October 2013	At 27 March 2014
	£000	£000
Within one year or repayable on demand	12,408	-
Between one and two years	17,512	5,000
Between two and five years	403,006	85,000
After five years	135,000	235,000
	567,926	325,000

Notes *(continued)*

9 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).

10 October 2013	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Available for sale financial assets				
Investment in equity securities	-	-	4,610	4,610
Derivative financial assets				
Interest rate swaps	-	194	-	194
Derivative financial liabilities				
Forward rate contracts	-	(747)	-	(747)

27 March 2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Available for sale financial assets				
Investment in equity securities	-	-	5,957	5,957
Derivative financial assets				
Interest rate swaps	-	662	-	662
Derivative financial liabilities				
Forward rate contracts	-	(1,113)	-	(1,113)

Notes *(continued)*

9 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

10 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 Pets at Home stores.

Notes *(continued)*

11 Management fees

Goods and services

Kohlberg Kravis Roberts & Co. L.P. received a management fee in the period to 27 March 2014 £1,221,000 (period to 10 October 2013 £647,000), which includes the provision of non-executive director services and expenses recharged.

Kohlberg Kravis Roberts & Co. L.P. also received fees in the period to 27 March 2014 of £8,685,105 and expenses of £113,735 (period to 10 October 2013 fees of £nil and expenses of £nil), relating to a termination payment and transaction fees following the termination of the advisory services agreement dated 19 March 2010 upon admission of the Pets at Home Group to the London Stock Exchange on 17 March 2014.

KKR Capital Markets LLC received fees in the period to 27 March 2014 of £600,000 (period to 10 October 2013 £600,000), relating to professional services associated with debt financing following the refinancing of the Pets at Home Group in April 2013, £1,775,000 (period to 10 October 2013 £nil) relating to professional services associated with the debt refinancing of the Pets at Home Group in March 2014, £1,757,307 (period to 10 October 2013 £nil) relating to fees in relation to the Pets at Home Group Plc IPO, and £200,000 (period to 10 October 2013 £nil) relating to professional services associated with the arrangement of loan agreements which Companion Care Management Services Limited became party to in March 2014.

The additional paid in capital of PAH Lux S.a.r.l. represented a related party transaction with investors in the Group prior to the reorganisation as described in note 1 to the financial statements for the period ended 27 March 2014.

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 10 October 2013	**52 week period ended 27 March 2014**
	£000	**£000**
Transactions		
Fees for services provided to veterinary practices	11,371	21,610
Rental charges to veterinary practices	2,559	5,039

	At 10 October 2013	**At 27 March 2014**
	£000	**£000**
Balances		
Due from veterinary practice companies at end of period included within other receivables	7,518	12,673