FOR IMMEDIATE RELEASE, 4 DECEMBER 2014

Pets At Home Group Plc: Interim Financial Results FY15

Delivering on the strategic plan across all measures

Pets At Home Group Plc, the UK's leading specialist retailer of pet food, accessories, pet-related products and services, today announces its interim results for the 28 week period from 28th March to 9th October 2014.

H1 FY15 financial highlights

- Total revenue growth of 10.2% to £381.5m
  - Merchandise revenues up 8.9% to £348.3m, comprised of Food revenues up 9.6% to £188.7m and Accessories revenues up 8.0% to £159.6m
  - Services revenues up 27.0% to £33.2m, reflecting both new openings and the growing revenue streams from our maturing vet practices and Groom Rooms
- Like-for-like (LFL) sales growth 4.2%, driven by strength in Advanced Nutrition, Health & Hygiene, VIP Club, growth from our vet practices and Groom Rooms, and omnichannel
  - Merchandise LFL revenue growth of 3.7%
  - Services LFL revenue growth of 10.2%
- Gross margin of 53.8%, +20bps on the prior year; reflecting Merchandise margin +7bps to 55.9% and strong Services margin expansion +546bps to 31.7%
- Underlying EBITDA of £58.6m (+10.8%) and margin of 15.4%, expansion of 8bps on the prior year, despite £1.4m in additional Plc operating costs
- Underlying free cashflow of £33.8m, conversion of 57.7% compared with prior year at 43.8%
- Interim dividend of 1.8p per share

H1 FY15 Operational highlights

- Added 8 stores net to the portfolio total of 385; including 10 new stores, one store closure in Knutsford, and a temporary closure of our Rugby store which will be relocated in H1 FY16
- Opened 26 veterinary practices, bringing the total portfolio to 303
- Opened 23 Groom Rooms, bringing the total portfolio to 152
- VIP Club reached 2.6m members, up from 2.0m at the end of FY14
- Wainwright's grew 54.8% to £20.5m, driven by launches of WW's Cat & Grain Free for dogs
- Refreshed 30% of total SKUs, of which over a third are own brand or private label
- Deliver To Store online offering now fully operational, which gives customers access to the extended omnichannel range of 10,800 SKUs for pickup in their local store

Outlook

The pet care market outlook remains positive. We continue to expect gross openings of around 25 stores, 60 veterinary practices and 50 Groom Room salons in FY15.

Management and the Board remain confident in the Group's prospects for the year and trading since the end of the half year period has been in line with our expectations.

Nick Wood, Chief Executive Officer, commented:

"We are pleased with our first half financial performance. We continue to deliver on our strategy to be the leading destination brand for pet lovers, with particularly strong performance from new growth areas including vets and groom rooms. Our passion for pets guides everything we do and it's a passion we share with our customers, with more than half a million joining our VIP Club during this period."

"We end the first half in a strong financial position, the business remains very cash generative and we are pleased to announce our first dividend payment. Looking ahead, we will continue to focus on our successful strategy, and by doing so, we are confident that we can deliver sustainable long-term growth."

H1 FY15 Highlights

£m	H1 FY15	H1 FY14	*Change*	FY14
Total revenue	381.5	346.2	*10.2%*	665.4
Food	188.7	172.3	*9.6%*	327.1
Accessories	159.6	147.7	*8.0%*	288.0
Services & Other[1]	33.2	26.2	*27.0%*	50.3
Overall LFL growth[2]	4.2%	1.3%		2.4%
Merchandise LFL growth	3.7%	1.4%		2.4%
Services LFL growth	10.2%	0.0%		2.1%
Gross margin	53.8%	53.6%	*20bps*	53.8%
Underlying EBITDA[3]	58.6	52.9	*10.8%*	110.7
Underlying EBITDA margin	15.4%	15.3%	*8bps*	16.6%
Profit before tax	40.5	21.3		52.2[4]
Net income[5]	31.5	15.3		38.6
Basic EPS (pence)	6.3	(3.4)		1.0
Dividend (pence)	1.8			
Underlying unlevered FCF[6]	33.8	23.2		92.4
Conversion[7]	57.7%	43.8%		83.4%
Leverage (Net Debt / underlying EBITDA)	2.0x[8]			2.3x
Number stores[9]	385	359	*26*	377
Number vets	303	233	*70*	277
In store vets	182	128	*54*	158
Standalone vets	121	105	*16*	119
Number Groom Rooms	152	103	*49*	129

1 Includes veterinary Joint Venture fees and other income, Groom Room revenue, revenue from live pet sales and insurance commission
2 'Like-for-Like' sales growth comprises total sales/fee revenue in a financial period compared to revenue achieved in a prior period, post cannibalisation, for stores, grooming salons and vets that have been trading for 52 weeks. LfL includes revenue from the Group's online operations
3 H1 FY15 underlying EBITDA excludes £0.8m of IFRS2 share based payment charges. H1 FY14 underlying EBITDA excludes £0.6m of related party management fees
4 Represents underlying trading profit before tax, excluding £10.6m of exceptional expenses and £19.2m of exceptional interest charge.
5 FY14 excludes exceptional tax credit. H1 FY15 excludes an exceptional tax credit of £4.3m, see page 10 for details
6 Underlying unlevered Free Cashflow is defined as Underlying EBITDA, adjusted for changes in working capital, acquisitions of property, plant and equipment and other intangible assets, investments in other financial assets, proceeds from the sale of property, plant and equipment and is stated before cash flows for exceptional costs and acquisitions of subsidiaries
7 Conversion represents underlying unlevered FCF as a percentage of underlying EBITDA
8 Represents last twelve months underlying EBITDA
9 Store portfolio net of 10 new stores, one permanent closure in the period, and one temporary closure of Rugby, which will be relocated in the H1 FY16

Results presentation

A presentation for analysts and investors will be held today at 9.30am at Clifford Chance, 10 Upper Bank St, E14 5JJ, attendance is by invitation only. An audio webcast and statement of these results will be available at http://investors.petsathome.com

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About Pets At Home

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

Pets At Home operates from 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/

Disclaimer

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

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

Chief Executive's Review

Operational Key Performance Indicators

ROLLOUT		H1 FY15	H1 FY14	FY14
Stores	Number of stores in period	385 [1]	359	377
	New stores (gross)	10	14	32 [2]
Vets	Number of vet practices (total)	303	233	277
	Of which Joint Venture practices	295	223	267
	Of which wholly owned Group Venture practices	8	10	10
	Number of standalone vet practices	121	105	119
	Number of in-store vet practices	182	128	158
	% of stores with vet	47%	36%	42%
	New vet practices in period (total)	26	25	69
	New standalone vet practices	2	7	22
	New in-store vet practices	24	18	47
	Of which retrofits	15	7	18
Groomers	Number of groomers	152	103	129
	% of stores with groomer	39%	29%	34%
	New groomers in period	23	16	42
	Of which retrofits	12	4	11
VIP CLUB		H1 FY15	H1 FY14	FY14
	VIP Club members (m)	2.6	1.4	2.0
	VIP swipe as % revenue [3]	57% [4]	39% [4]	52% [5]

1 Store portfolio net of 10 new stores, one permanent closure in the period, and one temporary closure of Rugby, which will be relocated in the H1 FY16
2 FY14 openings include new format store, Barkers
3 Represents swipe rate of store-only transactions
4 Average swipe rate over half year period
5 Average swipe rate over Q4 FY14 period

During the first half of the financial year 2015, we saw good progression against our three strategic levers:

- Expanding like-for-like sales growth
- Space rollout and footprint development
- Continued focus on margin improvement

Expanding like-for-like growth

Product and innovation
A differentiated and unique offer is key to our strategy, improving customer loyalty and visit frequency. We have continued to refresh our product range, changing more than 2,100 SKUs (Stock Keeping Units) in the first half, representing nearly 30% of our total range. Of those products refreshed, over a third were private or own label products.
Range expansion and refreshment within Advanced Nutrition foods is of key strategic importance, driving growth in this higher margin product group. During the first half we added range extensions for both branded and own brand Advanced Nutrition, with extensions in Hills, Royal Canin, Applaws and increased pack sizes in our own brand Wainwright's.

VIP Club
Our loyalty scheme, VIP Club, allows us to send personalised and targeted marketing offers to owners and their pets, and will continue to be one of the key levers through which we can take further market share. VIP continued to gain strong traction from engaged pet owners, adding 600,000 members in the first half of the financial year to reach a total of 2.6 million members, and now has over 9 million pets registered on its database. VIP card swipe rate represented 57% of revenues captured on store tills, compared with 52% at the end of FY14.

Whilst VIP Club is still young, having launched just under two years ago, our VIPs are already becoming more valuable and increasing their share of pet spend with us. We estimate our share of our customers' total pet spend in the market from VIPs less than 6 months old is 38%, compared with 47% for VIPs over 12 months old.

Omnichannel
Traffic and visits to our website, PetsAtHome.com, have continued to grow strongly during the period and our share of online pet market traffic remains strong at 45%. As well as creating direct online sales, econometrics analysis indicates one in every 14 visits to our website generates an in-store transaction. This measure has improved since the website relaunch in January, improving the efficiency of the new site at driving customers to purchase in stores. Vet appointments can also be booked online through the Vets4Pets website, which drives further transactions in our practices and stores.

Deliver To Store (DTS) became fully operational in August, enhancing our omnichannel shopping experience for customers. DTS allows customers to order products for pickup within 48 hours which are not currently in stock at their local store. This includes the extended online only range of 3,400 SKUs, bringing the total online range to over 10,800 SKUs. Our Click and Collect (C&C) service, which allows customers to place an order on the website for collection in store within two hours, continues to perform well. Whilst some C&C sales have been substituted by DTS, which is at an early stage, we believe DTS is delivering incremental sales to our omnichannel segment.

Looking ahead, we will continue to invest and plan to launch mobile and tablet friendly website versions in the final quarter of FY15 and increase our online product range towards a target of c14,000 SKUs. We will also enable the redemption of VIP vouchers online before financial year end, creating a seamless store and online shopping experience for VIP customers, as well as allowing us to track offer redemption rates and measure success and returns more easily.

Services
Retrofitting of veterinary practices and Groom Room salons to existing stores increases like-for-like store sales, by enhancing our overall proposition, driving store footfall and enabling cross-selling of products. During the first half, 15 veterinary practices and 12 Groom Room salons were added to existing stores.

Marketing
We returned to TV during the period, with our highly engaging advertisement 'My Pet Moments' featuring pet video clips crowd sourced from our customers. Audience responses have shown an increased love and appeal for Pets At Home, a stronger reception than prior campaigns.

Engagement
Customer engagement is central to the Group's success, creating loyalty and like-for-like sales growth. During the half year, customer advocacy, measured by a Net Promoter Score from over 8000 customers, was 85%, compared with the FY14 level of 84%.

Space rollout

A key part of the Group's strategy is to increase the number of stores, in-store and standalone veterinary practices, and Groom Room salons. During the first half, we continued to execute on our growth strategy. We finished the period with 385 stores, adding 8 stores net to the portfolio; including 10 new stores, one end of lease store closure in Knutsford, and a temporary closure of our Rugby store which will be relocated in the first half of FY16.

We opened 26 vet practices, bringing the total portfolio to 303, consisting of 182 in-store and 121 standalone vets. All new vet practices are opened under the Vets4Pets brand and we continue to work on the rebranding of Companion Care (CC) practices with our Joint Venture Vet partners. During the period, 20 CC practices rebranded to Vets4Pets, bringing the total number of Vets4Pets practices in the portfolio to 208. These practices are now benefitting from our national advertising campaign.

Groom Room openings also progressed strongly, with 23 new salons, taking the total number of Groom Rooms to 152.

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

Focus on margin

Advanced Nutrition (AN) growth and own brand participation are supportive to Merchandise margin, which expanded modestly by 7bps to 55.9% in H1 FY15 (H1 FY14: 55.9%). During the period, AN revenues grew by 18.9% to £75.4m (H1 FY14: £63.4m), with our private label product Wainwright's an important contributor, growing by 54.8% to £20.5m (H1 FY14: £13.2m). Wainwright's growth has been boosted by new additions such as Grain Free for dogs, and Wainwright's for cat, which were launched in the H2 FY14 period. AN now represents 59% of total dog and cat food revenues, excluding food treats (H1 FY14: 55%).
Own brand and private label products represented 42.1% of gross store revenues during the H1 FY15 (H1 FY14: 41.4%). To facilitate this growth, we continue to increase space allocated to Advanced Nutrition within stores, with the latest move completed in October 2014 post the end of the half year.

Services gross margin, which expanded to 31.7% in the H1 FY15 (H1 FY14: 26.2%), has expanded through the growing maturity of our veterinary practices, as well as synergies from our acquisition of Vets4Pets in FY14. As the vet practices mature and reach higher utilisation rates, there is an opportunity for our revenue stream to increase without a significant rise in our cost base, delivering margin leverage. Within the Groom Room business, new salons can be dilutive in the early years, with maturity achieved after five years.

Nick Wood
Chief Executive Officer
4 December 2014

Chief Financial Officer's Review

The H1 FY15 accounting period represents the 28 week period from 28th March to 9th October 2014. The comparative H1 FY14 period represents the 28 week period from 29th March to 10th October 2013.

Financial Key Performance Indicators

FINANCIALS		H1 FY15	H1 FY14	*Change*
Revenue	Revenue Split (£m)			
	Food	188.7	172.3	*9.6%*
	Accessories	159.6	147.7	*8.0%*
	Total Merchandise revenue[1]	348.3	320.0	*8.9%*
	Services & Other revenue[2]	33.2	26.2	*27.0%*
	Total Group revenue	381.5	346.2	*10.2%*
	Like For Like growth[3]	4.2%	1.3%	
	Merchandise LFL growth	3.7%	1.4%	
	Services LFL growth	10.2%	0.0%	
	Revenue Mix (% of total revenues)			
	Food	49.5%	49.7%	
	Accessories	41.8%	42.7%	
	Total Merchandise	91.3%	92.4%	
	Services & other	8.7%	7.6%	
Gross Margin	Merchandise Gross Margin	55.9%	55.9%	*7 bps*
	Services & Other Gross Margin	31.7%	26.2%	*546 bps*
	Total Gross Margin	53.8%	53.6%	*20 bps*
EBITDA	Underlying EBITDA (£m)	58.6	52.9	*10.8%*
	Underlying EBITDA margin	15.4%	15.3%	*8 bps*
Other Income Statement	Profit before tax	40.5	21.3	
	Net income[4]	31.5	15.3	
	Basic EPS (pence)	6.3	(3.4)	
	Dividend (pence)	1.8		
Cashflow & Leverage	Underlying unlevered FCF[5]	33.8	23.2	*45.7%*
	Conversion[6]	57.7%	43.8%	*1390bps*
	CROIC	21.4%	-	
	Leverage (Net Debt / underlying EBITDA)	2.0x[7]		

1 Includes Food and Accessories revenue
2 Includes veterinary Joint Venture fees and other income, Groom Room revenue, revenue from live pet sales and insurance commission
3 'Like-for-Like' sales growth comprises total sales/fee revenue in a financial period compared to revenue achieved in a prior period, post cannibalisation, for stores, grooming salons and vets that have been trading for 52 weeks. LfL includes revenue from the Group's online operations
4 H1 FY15 excludes an exceptional tax credit of £4.3m, see page 10 for details
5 Underlying unlevered Free Cashflow is defined as Underlying EBITDA, adjusted for changes in working capital, acquisitions of property, plant and equipment and other intangible assets, investments in other financial assets, proceeds from the sale of property, plant and equipment and is stated before cash flows for exceptional costs and acquisitions of subsidiaries
6 Conversion represents underlying unlevered FCF as a percentage of underlying EBITDA
7 Represents last twelve months underlying EBITDA

Sales and revenue

Total revenues in H1 FY15 grew by 10.2% to £381.5m (H1 FY14: £346.2m), with strong performance in all categories; food, accessories and services. Like-for-like sales grew by 4.2% driven by strength in Advanced Nutrition, Health & Hygiene, VIP Club momentum, and continued growth in fee income from our veterinary practices and Groom Rooms. Some of the strength in like-for-like growth can be attributed to annualising a weaker comparable in the Q1 FY14, when we experienced a period of sustained hot weather in the UK, which negatively impacted sales by c£2.6m. Adjusting for this weather impact, underlying like-for-like growth in the H1 FY15 was 3.4%.

Total merchandise revenues, which includes Food and Accessories, grew by 8.9% to £348.3m (H1 FY14: £320.0m).

Food revenues grew strongly by 9.6% to £188.7m (H1 FY14: £172.3m), reflective of strong performance in dog and cat Advanced Nutrition (AN) and frozen dog foods. AN revenues grew 18.9% to £75.4m (H1 FY14: £63.4m), with our private label product Wainwright's an important contributor, growing by 54.8% to £20.5m (H1 FY14: £13.2m). Grocery food performance was weaker, mainly driven by our continued re-allocation of space in stores towards AN. Wild bird food sales also saw some weakness, impacted by both the mild weather and competitor discounting. We have subsequently introduced a value range of wild bird foods to stores and are encouraged by the early performance of this range.

Accessories, revenues grew by 8.0% to £159.6m (H1 FY14: £147.7m), driven by Health and Hygiene sales which were boosted positively by the mild weather, cat accessories, and dog collars and leads. We experienced some weakness in Cat Litter, and in Aquatics. Aquatics weakness has been mainly driven by re-allocation of this space into services when vet practices and Groom Rooms are retrofitted to stores.

Services revenues grew 27.0% to £33.2m (H1 FY14: £26.2m), reflecting both new openings and the growing revenue streams from our maturing vet practices and Groom Rooms. Our Joint Venture veterinary practices continue to grow well ahead of market rates, generating fee income to Pets At Home of £14.8m (H1 FY14: £11.4m), representing a growth of 30.4% on the prior year.

Gross margin

Group H1 FY15 margin expanded by 20bps to 53.8% (H1 FY14: 53.6%), attributable mainly to the expansion in the gross margin of our Services business.

Gross margins within Merchandise were 55.9%, a modest expansion of 7 bps (H1 FY14: 55.9%), notwithstanding price investing in large accessories online and instore, and introducing a value range of wild bird feeds. This has been achieved through the mix of own brand participation, particularly the performance of Wainwright's Advanced Nutrition, improvements in terms with suppliers, and benefits from our dedicated Asia sourcing office.

Gross margin within the services business expanded by 546 bps to 31.7% (H1 FY14: 26.2%). The main contributors to expansion have been the continued delivery of synergies from the Vets4Pets acquisition and the growing maturity of both our vet practices and Groom Rooms. Synergies delivered an incremental £1.8m to Services gross profit in the H1 FY15. Whilst our Groom Rooms are contributing to gross margin growth, there is a dilutive effect as many salons are still immature. Services and other gross margin was also negatively impacted by our investment in live pet care within stores, where we continually invest to improve welfare standards.

We continue to expect an overall improvement in Group gross margin for the FY15. This will be driven by modest Merchandise margin expansion, alongside a larger Services margin expansion. Services gross margin will see a continued benefit from maturation and growth, and the final delivery of synergies from the Vets4Pets acquisition.

Operating costs

Selling and distribution expenses of £137.7m were constant as a percentage of Group revenue at 36.1% (H1 FY14: 36.2%). Occupation costs (rent, services charges and other costs) declined as a percentage of sales as we continue to benefit from a relatively benign rental market, as well as the offset to our rental costs from the retrofitting of vet practices to stores. Vet practices within stores pay an average rental contribution of £39,000 per practice to Pets At Home for the space occupied in store and contributed a £3.5m offset to our rental costs in H1 FY15 (H1 FY14: £2.6m). Colleague costs increased as a result of our high retention rates and 'Learn to Earn' 'Steps' training programme, and marketing costs were higher due to the increased investment in TV advertising and sponsorship.

Administration expenses of £21.8m were 5.7% of revenue (H1 FY14: 5.4%), mainly reflecting an additional £1.4m of costs associated with being a publicly listed company and £0.8m of IFRS2 share based payment charges. Excluding these costs, admin expenses would have declined to 5.1% of total revenues.

Underlying EBITDA

Underlying EBITDA of £58.6m represented a 10.8% increase on the previous year (H1 FY14: £52.9m), with an expansion in margin to 15.4% (H1 FY14: 15.3%). Underlying EBITDA excludes £0.8m of IFRS2 share based payment charges, to aid comparability with the prior year, during our first year as a public company.

The margin expansion is reflective of margin expansion in our Services business, from vets and Groom Rooms, which are margin accretive to the Group at an EBITDA level. Offsetting this margin leverage, this financial year, is the additional cost associated with being a publicly listed company, of £1.4m.

£m	H1 FY15	H1 FY14
Operating profit	45.8	41.7
Related party fees	-	0.7
IFRS share based payment charges	0.8	-
Depreciation and amortisation	12.0	10.5
Underlying EBITDA	58.6	52.9

H1 FY14 underlying EBITDA negatively impacted by c£1.5m due to sustained hot weather experienced during the period.
Underlying EBITDA is calculated as Group underlying operating profit under IFRS (which includes amortisation of landlord and developer contributions received), plus depreciation and amortisation and profits and losses on disposal where these are included in operating profit. Excludes exceptional items, related party fees, and IFRS2 related share based payment credits and charges

Finance expense

Net finance expense for the half year period was £5.4m. We expect total net finance expense for the FY15 period to be £9.6 – 9.8m.

Taxation, net income & EPS

Underlying total tax expense for the period was £8.9m, a rate of 22.0% on pre tax profit, and in line with our expected tax rate for the full financial year. An exceptional tax credit of £4.3m related to the release of a provision made in the previous financial year in respect of interest deductability on debt associated with the pre IPO capital structure of the business.

Underlying trading profit for the period, after tax, was £31.5m (H1 FY14: £15.3m). Basic earnings per share, calculated on 500m shares in issue, were 6.3 pence.

Cash flows

Cash flow generation remains strong. The Group generated £49.1m in underlying operating cash flow during the period (H1 FY14: £38.4m). Underlying unlevered free cash flow before interest, tax and acquisitions was £33.8m (H1 FY14: £23.2m), representing a cash conversion rate of 57.7% (H1 FY14: 43.8%).

Underlying free cash flow has been adjusted through the use of underlying EBITDA, which excludes £0.8m of IFRS2 share based payment charges.

Borrowings and net debt

The Group's underlying net debt position at the end of the half year period was £232.8m, which represents a leverage ratio of 2.0x underlying EBITDA, a reduction from the FY14 position of 2.3x. We continue to expect further de-leverage in the second half of the financial year.

£m	Leverage
Gross Debt	325.0
Cash	(92.2)
Net debt	232.8
Last twelve months underlying EBITDA	116.4
Leverage	2.0x

Working capital

The working capital balance increased by £10.2m during the first half period to £(23.2)m (FY14 underlying working capital position of £(33.4)m).

An increase in inventory of £5.8m reflects new store openings and the arrival of our Christmas stock ready for distribution into stores. Of the increase in trade receivables of £6.1m, half of the movement relates to a loan made to our Employee Benefit Trust (EBT), to facilitate an IPO related all-colleague bonus payment. The EBT holds shares in the Group which can be realised to settle the loan. The remainder of the receivables movement is linked to balances with new Joint Venture vet practices, whereby the Group funds initial setup costs until commercial funding is drawn down by the practice.The increase in trade payables of £1.7m, excluding the reduction in IPO related payables of £25.2m, is reflective of overall business growth.

Capital expenditure

Capital expenditure for the H1 FY15 was £14.6m (H1 FY14: £14.9m), of which the majority is represented by new store openings and refurbishments to allow the retrofitting of vet practices and Groom Rooms. New store capital expenditure totalled £5.7m (H1 FY14: £6.4m), whilst refurbishment capex, which often includes the requirement for a mezzanine floor installation, totalled £5.3m (H1 FY14: £1.9m). During the period, 5 new stores and 5 retrofits incorporated a mezzanine installation (H1 FY14: 3 mezzanines into new stores). We continued to enhance our business systems with £2.1m of capital investment during the period.

We continue to expect total capital expenditure for the financial year to be in the region of £34-35m.

Dividend

The Board has declared an interim dividend of 1.8 pence per share, payable on the 16th January 2015 to shareholders on the register at the close of trading on 12^{th} December 2014. The Board is confident in targeting a total full year dividend payment of between 35-40% of earnings, reflective of the positive outlook for the business.

Ian Kellett
Chief Financial Officer
4 December 2014

Risks and Uncertainties

An effective risk management process has been adopted to help the Group achieve its strategic objectives and enjoy long term success. The Board does not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 27 March 2014. These comprise:

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

A detailed explanation of these risks can be found on pages 48 to 51 of the 2014 Annual Report which is available at http://investors.petsathome.com

Responsibility Statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statemetns; and a description of the principal risks and uncertainiies for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board on 3 December 2014

Nick Wood, Chief Executive Officer

Ian Kellett, Chief Financial Officer

Independent Review Statement

INDEPENDENT REVIEW REPORT TO PETS AT HOME GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 28 week period ended 9 October 2014 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows, the Condensed Consolidated Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 28 week period ended 9 October 2014 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

David Bills
for and on behalf of KPMG LLP
Chartered Accountants
St James' Square
Manchester
M2 6DS
3 Dec 2014

Condensed Consolidated Income Statement

	Note	28 week period ended 9 October 2014	28 week period ended 9 October 2014	28 week period ended 9 October 2014	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	£000	£000	£000
		Underlying Trading	Exceptional Items (note 6)	Total	Total	Underlying Trading	Exceptional Items (note 3)	Total
Revenue	2	381,521	-	381,521	346,153	665,395	-	665,395
Cost of sales		(176,212)	-	(176,212)	(160,564)	(307,271)	-	(307,271)
Gross profit		205,309	-	205,309	185,589	358,124	-	358,124
Selling and distribution expenses		(137,662)	-	(137,662)	(125,286)	(233,891)	-	(233,891)
Administrative expenses		(21,812)	-	(21,812)	(18,579)	(34,817)	(10,574)	(45,391)
Operating profit	3	45,835	-	45,835	41,724	89,416	(10,574)	78,842
Financial income		200	-	200	183	368	-	368
Financial expense	5	(5,562)	-	(5,562)	(20,606)	(37,547)	(19,158)	(56,705)
Net financing expense		(5,362)	-	(5,362)	(20,423)	(37,179)	(19,158)	(56,337)
Profit before tax		40,473	-	40,473	21,301	52,237	(29,732)	22,505
Taxation	6	(8,924)	4,295	(4,629)	(5,976)	(13,672)	4,715	(8,957)
Profit for the period		31,549	4,295	35,844	15,325	38,565	(25,017)	13,548

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

	Note	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
Equity holders of the parent – underlying trading	4	£0.06	(£0.03)	£0.01
Equity holders of the parent – after exceptional items	4	£0.07	(£0.03)	(£0.14)

There is no dilutive impact on earnings per share in any of the reported periods.

Condensed Consolidated Statement of Comprehensive Income

	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	**£000**	**£000**
Profit for the period	35,844	15,325	13,548
Other comprehensive income			
Items that are or may be recycled subsequently into profit or loss:			
Foreign exchange translation differences	2	2	5
Cash flow hedges – reclassified to profit and loss	812	(811)	(811)
Effective portion of changes in fair value of cash flow hedges	175	1,341	1,442
Other comprehensive income for the period, before income tax	989	532	636
Income tax on other comprehensive income	(197)	(106)	(159)
Other comprehensive income for the period, net of income tax	792	426	477
Total comprehensive income for the period	36,636	15,751	14,025

The notes on pages 8 to 23 form an integral part of these financial statements.

Condensed Consolidated Balance Sheet

	Note	At 9 October 2014	At 10 October 2013	At 27 March 2014
		£000	**£000**	**£000**
Non-current assets				
Property, plant and equipment	*7*	96,589	84,687	93,628
Intangible assets	*8*	955,020	955,296	955,238
Other financial assets		7,421	4,610	6,619
		1,059,030	1,044,593	1,055,485
Current assets				
Inventories		51,924	49,375	46,116
Deferred tax assets		11	-	45
Other financial assets		344	194	-
Trade and other receivables		48,097	40,570	42,159
Cash and cash equivalents		92,228	26,670	90,823
		192,604	116,809	179,143
Total assets		1,251,634	1,161,402	1,234,628
Current liabilities				
Other interest-bearing loans and borrowings	*9*	(5,000)	(12,408)	-
Trade and other payables		(129,103)	(101,114)	(149,547)
Provisions		(307)	(743)	(461)
Other financial liabilities		-	(747)	(1,113)
Deferred tax liabilities		-	(984)	-
		(134,410)	(115,996)	(151,121)
Non-current liabilities				
Other interest-bearing loans and borrowings	*9*	(315,420)	(534,196)	(319,855)
Other payables		(31,836)	(49,638)	(31,068)
Provisions		(1,772)	(1,457)	(1,835)
		(349,028)	(585,291)	(352,758)
Total liabilities		(483,438)	(701,287)	(503,879)
Net assets		768,196	460,115	730,749
Equity attributable to equity holders of the parent				
Ordinary share capital		5,000	1,659	5,000
Share premium		-	291,492	1,080,477
Additional paid in capital		-	503,293	-
Consolidation reserve		(372,026)	(372,026)	(372,026)
Merger reserve		113,321	113,321	113,321
Cash flow hedging reserve		428	(410)	(362)
Translation reserve		6	1	4
Retained earnings		1,021,467	(77,215)	(95,665)
Total equity		768,196	460,115	730,749

Company number: 08885072

The notes on pages 8 to 23 form an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

	Share capital	Share premium	Consolidation reserve	Merger reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 27 March 2014	**5,000**	**1,080,477**	**(372,026)**	**113,321**	**(362)**	**4**	**(95,665)**	**730,749**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	35,844	35,844
Other comprehensive income	-	-	-	-	790	2	-	792
Total comprehensive income for the period	-	-	-	-	790	2	35,844	36,636
Transactions with owners, recorded directly in equity								
Cancellation of share premium (i)	-	(1,080,477)	-	-	-	-	1,080,477	-
Share based payment transactions	-	-	-	-	-	-	811	811
Total contributions by and distributions to owners	-	(1,080,477)	-	-	-	-	1,081,288	811
Balance at 9 October 2014	**5,000**	**-**	**(372,026)**	**113,321**	**428**	**6**	**1,021,467**	**768,196**

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

Condensed 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 (see note 1)	-	-	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**

Condensed 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 shares issued by a subsidiary.

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

Condensed Consolidated Statement of Cash Flows

		28 week period ended 9 October 2014		28 week period ended 10 October 2013		52 week period ended 27 March 2014
		£000		£000		£000
Cash flows from operating activities						
Profit for the period		35,844		15,325		13,548
Adjustments for:						
Depreciation and amortisation		11,948		10,515		19,990
Financial income		(200)		(183)		(368)
Financial expense		5,562		20,606		56,705
Loss on sale of PPE		-		-		77
Taxation *(i)*		4,629		5,976		8,957
Share based payment charges		811		-		31
		58,594		52,239		98,940
Increase in trade and other receivables		(5,938)		(6,529)		(7,969)
Increase in inventories		(5,808)		(7,319)		(4,060)
Increase/(decrease) in trade and other payables	2,984		(120)		21,740	
(Decrease)/increase in IPO related trade and other payables (ii)	(25,184)		-		25,184	
Total (decrease)/increase in trade and other payables		(22,200)		(120)		46,924
(Decrease)/increase in provisions		(217)		(94)		2
		24,431		38,177		133,837
Tax payable – underlying (i)	(6,300)					
Tax receivable – exceptional (i)	4,295					
Tax paid		(2,005)		(4,666)		(9,192)
Net cash from operating activities		22,426		33,511		124,645
Cash flows from investing activities						
Proceeds from sale of PPE		-		-		-
Interest received		51		183		368
Investment in other financial assets		(1,273)		(988)		(1,753)
Acquisition of subsidiary, net of cash acquired		-		(2,000)		(2,000)
Acquisition of PPE and other intangible assets		(14,582)		(14,905)		(26,278)
Net cash used in investing activities		(15,804)		(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		(5,217)		(16,280)		(32,261)
Net cash used in financing activities		(5,217)		(20,724)		(35,752)
Net increase/(decrease) in cash and cash equivalents		**1,405**		**(4,923)**		**59,230**
Cash and cash equivalents at beginning of period		**90,823**		**31,593**		**31,593**
Cash and cash equivalents at end of period		**92,228**		**26,670**		**90,823**

(i) The tax charge is stated after the offset of the exceptional tax credit of £4,295,000 (note 6). Tax paid of £2,005,000 is stated after the offset of the exceptional tax credit of £4,295,000.

(ii) The IPO related 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, which have been settled in full in the period to 9 October 2014.

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 9 October 2014 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 9 October 2014.

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 9 October 2014 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 ordinary shares 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.

Revenue	**28 week period ended 9 October 2014**	**28 week period ended 10 October 2013**	**52 week period ended 27 March 2014**
	£000	**£000**	**£000**
Food	188,743	172,275	327,101
Accessories	159,582	147,737	288,017
Services and other	33,196	26,141	50,277
	381,521	346,153	665,395

Notes *(continued)*

3 Operating profit

The performance of the operating segment is primarily based on a measure of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before exceptional items share based payment charges, and management charges (see note 13). This can be reconciled to statutory operating profit as follows:

	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	**£000**	**£000**
Operating profit	45,835	41,724	78,842
Exceptional items	-	-	10,574
Management charges (note 13)	-	647	1,221
Share based payment charges	811	-	31
Underlying operating profit	46,646	42,371	90,668
Depreciation and amortisation	11,948	10,515	19,990
Underlying Earnings Before Interest, Tax, Depreciation, and Amortisation (EBITDA) (before exceptional items)	**58,594**	**52,886**	**110,658**

Included in profit/loss are the following:

	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	**£000**	**£000**
Exceptional operating expenses	-	-	10,574
Depreciation of tangible fixed assets	10,773	9,431	18,053
Amortisation of intangible assets	1,175	1,084	1,937
Rentals under operating leases:			
Hire of plant and machinery	1,124	1,598	2,843
Property	33,357	32,916	61,903
Rental income from sublets	(4,056)	(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)*

4 Earnings per share

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

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

	28 week period ended 9 October 2014	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014	52 week period ended 27 March 2014
	Underlying	**After Exceptionals**	**Underlying**	**Underlying**	**After Exceptionals**
	£000	**£000**	**£000**	**£000**	**£000**
Profit attributable to equity shareholders of the parent	31,549	35,844	15,325	38,565	13,548
Less PEC dividend transferred from retained earnings	-	-	(20,973)	(37,646)	(37,646)
	31,549	35,844	(5,648)	919	(24,098)
	'000s	**'000s**	**'000s**	**'000s**	**'000s**
Basic weighted average number of shares	500,000	500,000	165,900	175,054	175,054
Dilutive potential ordinary shares	-	-	-	71	71
Diluted weighted average number of shares	500,000	500,000	165,900	175,125	175,125
Basic earnings per share	£0.06	£0.07	(£0.03)	£0.01	(£0.14)
Diluted earnings per share	£0.06	£0.07	(£0.03)	£0.01	(£0.14)

Notes *(continued)*

5 Financial expense

Recognised in the income statement

	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000	£000
Bank loans at effective interest rate	5,545	19,823	36,176
Related party loan notes	-	756	1,349
Other interest expense	17	27	22
Total underlying financial expense	5,562	20,606	37,547
Exceptional amortisation costs	-	-	19,158
Total exceptional financial expense	-	-	19,158
Total financial expense	5,562	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)*

6 Taxation

Recognised in the income statement

	28 week period ended 9 October 2014 Underlying	28 week period ended 9 October 2014 Exceptional	28 week period ended 9 October 2014 Total	28 week period ended 10 October 2013 Total	52 week period ended 27 March 2014 Total
	£000	£000	£000	£000	£000
Current tax expense					
Current period	9,087	-	9,087	4,874	7,840
Adjustments in respect of prior periods	-	(4,295)	(4,295)	362	362
Current tax expense	9,087	(4,295)	4,792	5,236	8,202
Deferred tax (credit)/expense					
Origination and reversal of temporary differences	(171)	-	(171)	219	234
Reduction in tax rate	8	-	8	28	28
Adjustments in respect of prior periods	-	-	-	493	493
Deferred tax (credit)expense	(163)	-	(163)	740	755
Total tax expense	8,924	(4,295)	4,629	5,976	8,957

The corporation tax rate applicable to the group was 21% in the period to 9 October 2014. 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)*

6 Taxation *(continued)*

Deferred tax recognised in other comprehensive income

	28 week period ended 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000	£000
Effective portion of changes in fair value of cash flow hedges	197	106	159

Reconciliation of effective tax rate

	28 week period ended 9 October 2014 Underlying	28 week period ended 9 October 2014 Exceptional	28 week period ended 9 October 2014 Total	28 week period ended 10 October 2013 Total	52 week period ended 27 March 2014 Total
	£000	£000	£000	£000	£000
Profit for the period	31,549	4,295	35,844	15,325	13,548
Total tax expense	8,924	(4,295)	4,629	5,976	8,957
Profit excluding taxation	40,473	-	40,473	21,301	22,505
Tax using the UK corporation tax rate for the period	8,499	-	8,499	4,899	5,177
Impact of reduction in tax rate on deferred tax balances	8	-	8	28	28
Expenditure not eligible for tax relief	417	-	417	195	1,094
Non-deductible IPO costs – exceptional item	-	-	-	-	2,055
Other	-	-	-	-	(251)
Adjustments in respect of prior periods	-	(4,295)	(4,295)	854	854
Total tax expense	8,924	(4,295)	4,629	5,976	8,957

The UK corporation tax standard rate for the period was 21% (period ended 27 March 2014: 23%; period ended 10 October 2013: 23%).

The effective corporation tax rate on pre-exceptional items for the 28 week period ended 9 October 2014 is 22.0% (28 week period ended 28 October 2013: 28.1%) 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.

The exceptional tax credit of £4.3m in the period represents the release of a provision in respect of interest on debt associated with the pre IPO structure following agreement with HMRC. As part of the IPO process this debt was repaid.

Notes *(continued)*

7 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
Additions	-	926	12,808	-	13,734
Disposals	-	-	-	-	-
Balance at 9 October 2014	2,508	33,756	114,666	-	150,930
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
Depreciation charge the period	111	1,197	9,465	-	10,773
Disposals	-	-	-	-	-
Balance at 9 October 2014	190	9,177	44,974	-	54,341
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
At 9 October 2014	2,318	24,579	69,692	-	96,589

8 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
Additions	-	957	957
Balance at 9 October 2014	952,032	9,302	961,334
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
Amortisation for the period	-	1,175	1,175
Balance at 9 October 2014	-	6,314	6,314
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
At 9 October 2014	**952,032**	**2,988**	**955,020**

Notes *(continued)*

8 Intangible assets *(continued)*

Amortisation and impairment charge

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

Impairment testing

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

Goodwill	**At 9 October 2014 £000**	**At 10 October 2013 £000**	**At 27 March 2014 £000**
Pets at Home Group	952,032	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 9 October 2014 £000	**At 10 October 2013 £000**	**At 27 March 2014 £000**
Period on which management approved forecasts are based (years)	3	3	3
Growth rate applied beyond approved forecast period	3%	3%	3%
Discount rate (pre-tax)	8%	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 Directors consider that it is not reasonably possible for the assumptions to change so significantly as to eliminate the excess.

Notes *(continued)*

9 Other interest-bearing loans and borrowings

	At 9 October 2014	At 10 October 2013	At 27 March 2014
	£000	**£000**	**£000**
Non-current liabilities			
Secured bank loans	315,420	534,196	319,855
Current liabilities			
Current portion of secured bank loans	5,000	12,408	-
Total liabilities			
Secured bank loans	320,420	546,604	319,855

Terms and debt repayment schedule

	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
			9 October 2014	9 October 2014	10 October 2013	10 October 2013	27 March 2014	27 March 2014
			£000	£000	£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	320,420	-	-	325,000	319,855
			325,000	320,420	567,926	546,604	325,000	319,855

The Group has a revolving credit facility of £30m of which £29.6m was undrawn at the period end (period ended 28 March 2014 £29.6m). The revolving credit facility is available for drawing to and including 16 February 2018 and will terminate on 17 March 2019.

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

9 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 9 October 2014	At 10 October 2013	At 27 March 2014
	£000	£000	£000
Within one year or repayable on demand	5,000	12,408	-
Between one and two years	12,500	17,512	5,000
Between two and five years	72,500	403,006	85,000
After five years	235,000	135,000	235,000
	325,000	567,926	325,000

Notes *(continued)*

10 Financial instruments

Fair value hierarchy

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

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

9 October 2014	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Available for sale financial assets				
Investment in equity securities	-	-	7,230	7,230
Derivative financial assets				
Interest rate swaps	-	191	-	191
Forward rate contracts	-	344	-	344

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)

10 Financial instruments *(continued)*

Measurement of fair values

Valuation techniques and significant unobservable inputs

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

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

11 Dividends

On 3 December 2014 the directors declared an interim dividend of 1.8 pence per share, amounting to £9.0 million, which is payable on 16 January 2015 to ordinary shareholders on the register at the close of business on 12 December 2014.

12 Seasonality of operations

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

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

Notes *(continued)*

13 Related party transactions

Management fees

Kohlberg Kravis Roberts & Co. L.P. received management fees of £nil (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 of £nil and expenses of £nil (period to 27 March 2014 fees 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 premium listing segment of the Official List and to the London Stock Exchange on 17 March 2014.

KKR Capital Markets LLC received fees of £nil (period to 27 March 2014 and 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, £nil (period to 27 March 2014 £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, £nil (period to 27 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 £nil (period to 27 March 2014 £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 9 October 2014	28 week period ended 10 October 2013	52 week period ended 27 March 2014
	£000	£000	£000
Transactions			
Fees for services provided to veterinary practices	14,832	11,371	21,610
Rental charges to veterinary practices	3,525	2,559	5,039

	At 9 October 2014	At 10 October 2013	At 27 March 2014
	£000	£000	£000
Balances			
Due from veterinary practice companies at end of period included within other receivables	9,247	7,518	12,673