Carpetright plc

Europe's leading floor coverings retailer

Annual report and accounts 2011

Overview

Financial highlights	1
Group at a glance	2
Chairman's statement	4

Directors' report: Business review

Principal activities	5
Business objective and strategies	5
Operational and financial review	6
Group financial review	9
Key performance indicators	10
Principal risks and uncertainties	11
Employees	12
Corporate responsibility	13

Directors' report: Governance

Board of Directors	15
Corporate governance	16
Audit Committee report	19
Directors' remuneration report	20
Other information	25
Statement of Directors' responsibilities	27

Financial statements

Financial statements	29
Notes to the accounts	33
Group five year financial summary	66
Independent Auditors' report	67
Calendar	68
Advisers	68

Carpetright plc is Europe's leading specialist floor coverings retailer. Since the first store was opened in 1988 the business has followed a controlled store expansion programme developing both organically and through acquisition within the UK and other European countries.

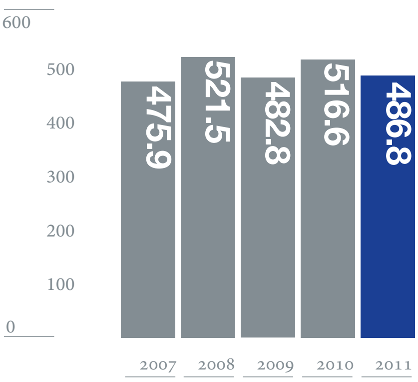
The Group trades from 679 stores across Europe and employs 3,266 staff. The Group is organised into two geographical regions, the UK & RoI (comprising the UK and the Republic of Ireland) and the Rest of Europe (comprising The Netherlands and Belgium).

Overview
Financial highlights

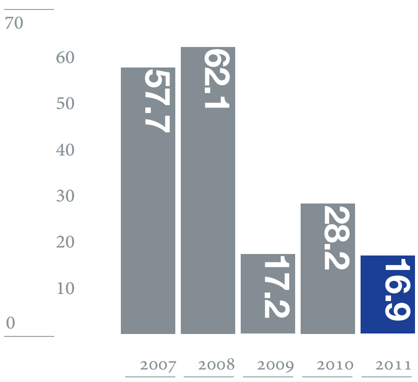
	52 weeks ending 30 April 2011	52 weeks ending 1 May 2010	Change
Revenue	£486.8m	£516.6m	(5.8%)
Underlying[1] profit before tax	£16.9m	£28.2m	(40.1%)
Profit before tax	£6.6m	£22.3m	(70.4%)
Underlying[1] earnings per share	18.0p	31.6p	(43.0%)
Basic earnings per share	6.8p	23.5p	(71.1%)
Dividend per share	8.0p	16.0p	(50.0%)

1. Where this review makes reference to 'Underlying' this relates to profit/earnings before exceptional items.

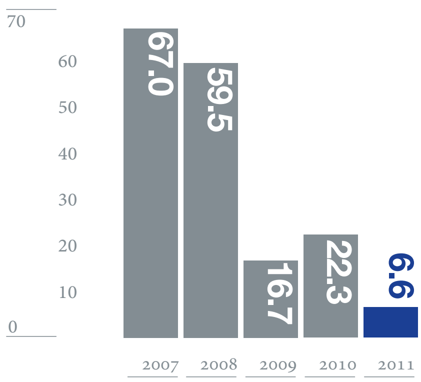
Revenue (£m)



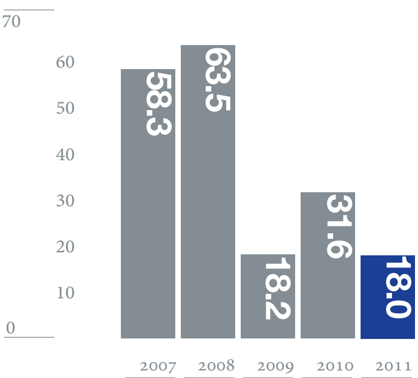
Underlying profit before tax (£m)



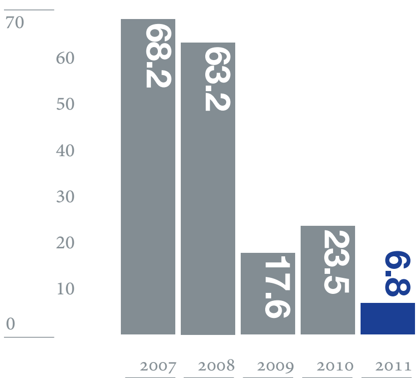
Profit before tax (£m)



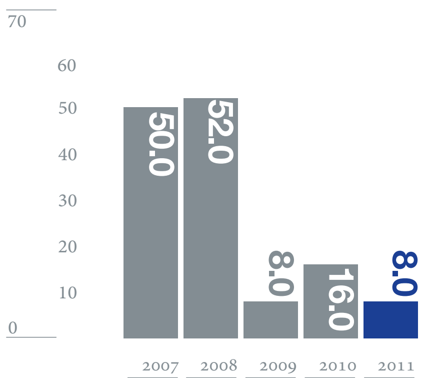
Underlying earnings per share (p)



Basic earnings per share (p)



Dividend per share (p)



Group at a glance

Strong market positions and geographic regions

3,266
People

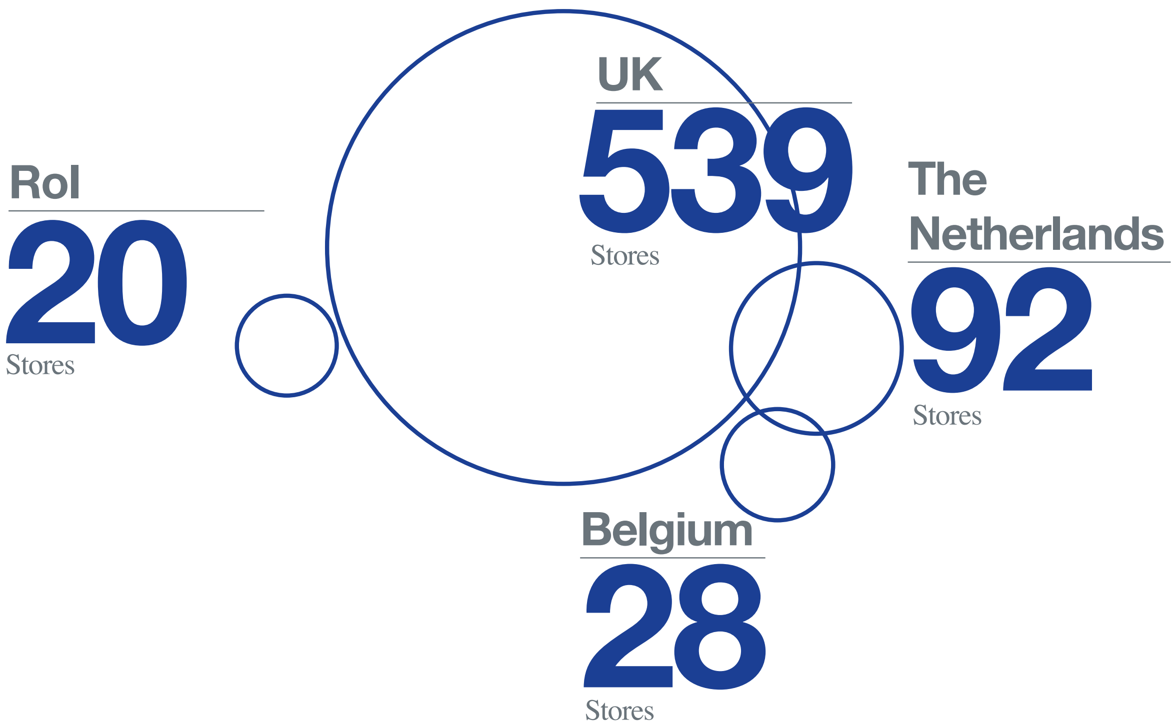
4
Countries

679
Sites

Store portfolio at 30 April 2011

UK & RoI	Sites	'000 sq ft
Standalone	517	4,561
Concessions	42	98
Total	**559**	**4,659**

Rest of Europe	Sites	'000 sq ft
The Netherlands	92	1,078
Belgium	28	335
Total	**120**	**1,413**
Group total	**679**	**6,072**



Regional performance

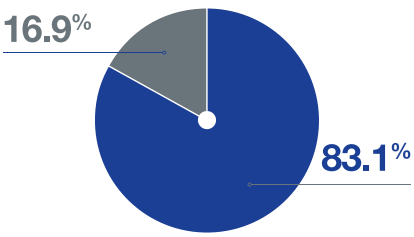
UK & RoI

	52 weeks ending 30 April 2011	52 weeks ending 1 May 2010
Revenue	**£404.5m**	£425.2m
Underlying operating profit	**£14.4m**	£26.2m
Trading space sq ft ('000)	**4,659**	4,808

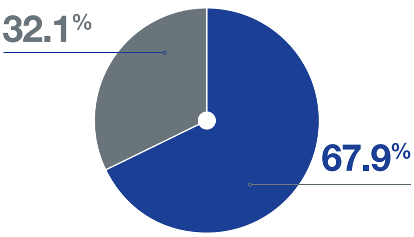
Rest of Europe

	52 weeks ending 30 April 2011	52 weeks ending 1 May 2010
Revenue	**£82.3m**	£89.2m
Underlying operating profit	**£6.8m**	£9.6m
Trading space sq ft ('000)	**1,413**	1,398

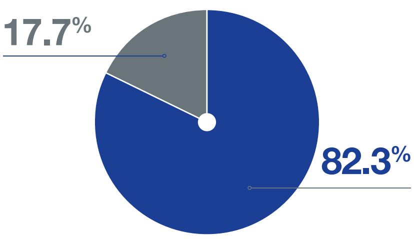
Revenue contribution: Group %



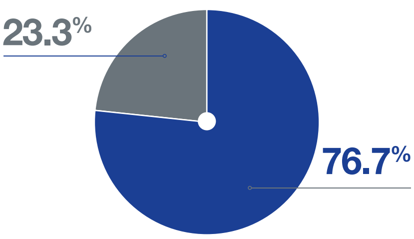
Profit contribution: Group %



Store portfolio: Regional % (sites)



Store portfolio: Regional % (sq ft)



UK & RoI
Rest of Europe

Chairman's statement

In my statement last year I said I expected consumer demand to remain subdued in the coming year and this indeed proved to be the case. As a result, the Group faced very challenging trading conditions in the year under review, with fragile consumer confidence producing a weak floor coverings market, leading to a reduction in sales volume and profitability.

Total revenue for the 52 weeks ended 30 April 2011 decreased by 5.8% to £486.8m (2010: £516.6m). Underlying profit before tax decreased by 40.1% to £16.9m (2010: £28.2m). After the impact of exceptional items, reported profit before tax decreased to £6.6m (2010: £22.3m). Underlying earnings per share have fallen by 43.0% to 18.0p (2010: 31.6p) and basic earnings per share decreased to 6.8p (2010: 23.5p).

Whilst the Group has remained cash generative and profitable in these most challenging of market conditions, profits for the year reduced substantially and short term economic conditions remain uncertain. Against this background, and being mindful of retaining financial flexibility to respond to potential opportunities, the Board feels it is prudent not to pay a final dividend for this financial year. Having previously paid an interim dividend of 8.0p per share the total dividend for the period will therefore be 8.0p per share, a decrease of 50% on the prior year. The Board recognises the importance of dividends to shareholders and will seek to restore a higher level of dividend when a sustained recovery is evident and reflected in the financial results of the Group. At the same time, the Board expects to rebalance the dividend to a lower interim relative to the final, to reflect more accurately the balance of profits earned throughout the year. The Board believe this is in the best interests of the business and will continue to review the dividend policy on a bi-annual basis.

Our businesses in the UK and the Republic of Ireland have been operating in very difficult markets, with underlying operating profits down 45.0% to £14.4m. This has been acute in the Republic of Ireland, where sales have fallen over 50% in the last four years. In the Rest of Europe, our businesses in The Netherlands and Belgium have been under similar economic pressures with underlying operating profits down 29.2% to £6.8m. Against this background, we have taken a number of management actions to adapt the product proposition whilst retaining competitiveness in the market. These have been completed alongside activities to address the cost base and to review the shape and size of our future store estate. Further details of these initiatives and of the performance of our businesses can be found in the accompanying Operational and Financial Review.

In June 2011, the Group completed a refinancing arrangement of its principal facilities, providing approximately £90m of debt capacity split between amortising term loans, a revolving credit facility and overdrafts in a mixture of Sterling and Euro currencies. The term loans and revolving credit facilities mature in July 2015.

Looking forward, I see no respite from the challenging environment over the next year. That said, I remain confident the Group is well positioned to deliver future profitable sales growth once consumer demand improves.

There have been a number of changes to the composition of the Board since the last Annual Report. Christian Sollesse stepped down from the Board in early June 2011. I would like to thank Christian for the contribution he has made to the Group over the past 16 years and wish him well for the future. Geoff Brady and Simon Metcalf both retired as Non-Executive Directors during the year after three and seven years' service respectively. I would like to thank them for their valued contributions to the Group. I was deeply saddened by Simon's untimely death shortly after stepping down from the Board. He is greatly missed by his former Board colleagues and everyone who knew him at Carpetright.

I was delighted to welcome Claire Balmforth, Andy Corden, Alan Dickinson and Sandra Turner to the Board.

Claire and Andy are the Operations Directors for the UK and Europe respectively. Claire's role incorporates her previous responsibilities for our customer and people strategies, and she also brings substantial retail and management experience from other organisations. Andy has been with the Group for 17 years. He moved to Europe as Sales Director in 2003, and has been responsible for our European operations since 2008.

Alan and Sandra joined the Board in October 2010 as Non-Executive Directors. Alan spent more than 35 years in banking as a former Chief Executive of the Royal Bank of Scotland's UK Corporate Banking business. Sandra was part of the senior management team that made Tesco the outstanding retail success story of the last two decades, holding senior commercial and operational roles in the UK and Ireland. Alan and Sandra have made an extremely valuable contribution to the Board since their appointment.

Finally, I would like to thank all our employees for their continued commitment, contribution and loyalty throughout the year. The role of all our staff, who consistently provide excellent customer service, remains critically important. It is their efforts that really make the difference.

Lord Harris of Peckham
Chairman and Chief Executive

Directors' report: Business review

The Directors present their Annual Report to the shareholders together with the audited financial statements for the financial year ended 30 April 2011. This report, together with the Chairman's Statement, describes the results and activity for the period, future plans, trends and factors affecting the development, position and performance of the business.

Principal activities

Carpetright plc is Europe's leading specialist floor covering retailer, selling a wide range of carpets, rugs, vinyls and laminates together with associated accessories. In addition, the product offering was extended to selling beds in the UK following the acquisition of Sleepright in December 2008.

The Group trades from 679 stores organised and managed in two geographical segments. These are the "UK & RoI" (comprising the UK and the Republic of Ireland) and the "Rest of Europe" (comprising The Netherlands and Belgium).

Business objective and strategies

The primary financial objective of the Group is to deliver long term sustainable growth in earnings per share and cash flow. We aim to achieve this through the following strategies:

Primarily Focusing on Floor Coverings

To ensure we continually improve and develop our product ranges to provide consumers with a market leading product choice which offers great value, backed up by excellent customer service.

Developing a Competitive Bed Proposition

To grow the sales of beds and associated products, following the same principles of choice, value and service.

Managing our Store Portfolio

To manage our store base to continually exploit opportunities which deliver better overall profitability.

Expanding into European Countries

To identify and pursue opportunities to grow Group profitability by extending the brand strengths across Europe.

Reaching more Customers through Additional Channels

To extend the reach of Carpetright's brand by growing sales through the insurance replacement market and developing our online business.

We aim to act responsibly towards all our stakeholders, including customers, suppliers, employees and the communities in which we operate. Our annual Corporate Responsibility Report is available at www.carpetright.plc.uk, with a summary of our approach on pages 13 and 14 of this report.

Operational and financial review

Financial Highlights

A summary of the reported financial results for the year ended 30 April 2011 is set out below:

	2011 £m	2010 £m	Change
Revenue	486.8	516.6	(5.8%)
Underlying[1] operating profit	21.2	34.1	(37.8%)
Net finance charges	(4.3)	(5.9)	27.1%
Underlying[1] profit before tax	16.9	28.2	(40.1%)
Exceptional items	(10.3)	(5.9)	
Profit before tax	6.6	22.3	(70.4%)
Earnings per share (pence)			
– underlying[1]	18.0	31.6	(43.0%)
– basic	6.8	23.5	(71.1%)
Dividends per share (pence)	8.0	16.0	(50.0%)
Net debt	(65.7)	(71.3)	£5.6m

1. Where this review makes reference to "Underlying" this relates to profit/earnings before exceptional items.

Overview

Total sales decreased by 5.8% to £486.8m, with all businesses showing a decline. During the year, the Group opened 27 stores and closed 51 which gave a net decrease of 24 stores and a total store base of 679. Total store space declined by 2.2% to 6.1 million square feet.

Weak consumer demand in all geographic markets was a significant contributor to the decline in underlying operating profit to £21.2m, a decrease of 37.8% on the prior year. Net finance charges were £1.6m lower at £4.3m, reflecting a lower average net debt. These factors combined to generate an underlying profit before tax of £16.9m, a decrease of 40.1% on the prior year.

Exceptional charges totalled £10.3m (2010: £5.9m) and were principally a combination of non-cash store impairment charges and onerous lease provisions.

As a result, profit before tax decreased by 70.4% to £6.6m. Basic earnings per share decreased by 71.1% to 6.8p reflecting the decrease in post tax earnings.

Performance by Business

For year to 30 April 2011

		Year on Year Movement		
	Total £m	Reported	Local Currency	Like-for-like[2]
Revenue				
UK & RoI	404.5	(4.9%)	(4.8%)	(6.0%)
Rest of Europe	82.3	(7.7%)	(3.9%)	(4.8%)
Revenue excluding Poland	486.8	(5.4%)		
Poland[3]	–	(100.0%)	(100.0%)	
Total revenue	**486.8**	**(5.8%)**		
Underlying operating profit[1]				
UK & RoI	14.4	(45.0%)	(44.0%)	
Rest of Europe	6.8	(29.2%)	(25.2%)	
Underlying profit excluding Poland	21.2	(40.8%)		
Poland[3]	–	100.0%		
Total underlying operating profit	**21.2**	**(37.8%)**		
Underlying operating profit %				
UK & RoI	3.6%	(2.6ppts)		
Rest of Europe	8.3%	(2.5ppts)		
Operating profit % excluding Poland	4.4%	(2.6ppts)		
Poland[3]	–	n/a		
Total underlying operating profit %	**4.4%**	**(2.2ppts)**		

1. Underlying operating profit is operating profit, excluding exceptional items.
2. Like-for-like sales growth – calculated as this year's net sales divided by last year's net sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years. No account is taken of changes to store size or the introduction of third party concessions. Sales from insurance and housebuilders' contracts are supplied through the stores and included in their figures.
3. We exited our retail operations in Poland during the 2009/10 financial year.

UK & Republic of Ireland – Performance Review

The key financial results for the UK & RoI were:

	2011 £m	2010 £m	Change
Revenue	404.5	425.2	(4.9%)
Like-for-like sales	(6.0%)	3.1%	
Gross profit	250.8	263.7	(4.9%)
Gross profit %	62.0%	62.0%	Flat
Underlying operating profit	14.4	26.2	(45.0%)
Underlying operating profit %	3.6%	6.2%	(2.6ppts)

In the UK & RoI, total revenue decreased year on year by 4.9% to £404.5m. We opened 23 new stores adding 146k sq ft of selling space during the year. Including the impact of 50 closures, this translated into a net space decline of 149k sq ft, a decrease of 3.1% since the start of the year.

The UK & RoI portfolio is now as follows:

	Store Numbers				Sq Ft ('000)	
	1 May 2010	Openings	Closures	30 April 2011	1 May 2010	30 April 2011
Standalone	537	17	(37)	517	4,689	4,561
Concessions	49	6	(13)	42	119	98
Total	586	23	(50)	559	4,808	4,659

In a challenging retail environment characterised by low consumer confidence and weak mortgage approval levels, sales were consistently below the previous year's level throughout the year. The decrease in UK sales has been predominantly in carpet, where the proportion of cut length business has continued to increase relative to the 'pay and take' roll stock. Taking the year as a whole, the vinyl business has also declined, although in the final quarter this was at a lower rate, assisted by the introduction of new lines and product specific advertising, which better communicated the benefits of this type of floor covering. Sales of laminate/wood categories continued to decline, although recent developments in the manufacturing process are now delivering an improved product. We believe these categories could provide an area of growth in the coming year, supported by the strength of our value and service proposition.

The fragile state of the economy in the Republic of Ireland continued to impact our business there. An operational review was completed in the year, which resulted in the closure of 5 of our 25 stores. In addition, we have secured lower operating costs through a series of negotiations with key stakeholders, including our staff. Whilst we do not expect an early return to pre-recession trading levels, we remain committed to continuing to trade in this market and are adapting the offer to maximise the opportunities available.

We believe much of Carpetright's success can be attributed to our focus on offering the widest range of carpet at the keenest prices. This view is supported by externally conducted market research which indicated both strong recognition of the Carpetright brand and a strong association with being the 'first choice' for fitted carpet. We believe it is important to continue to enhance this reputation by the development and communication of our 'value added' services. As examples of activity being undertaken, we now ensure our recommended independent fitters vacuum rooms after the fitting has been completed; offer a service to move furniture within customers' premises; and have arranged for the external assessment of 58 independent fitters within the last year to ensure they are appropriately qualified to carry out their role.

The development and integration of the bed business continued throughout the year, with beds representing 5.1% of the year's sales (2010: 3.4%). At the year end, we had 238 bed departments in existing stores, opening 107 during the 12 month period. In addition to the opening programme, the focus has been on improving the product range, promotional offers and reducing delivery times.

Since re-launching our transactional website, www.carpetright.co.uk, in the Autumn of 2009, we have continued to develop this channel as both a direct route for selling and also, more importantly, a method of accessing and converting potential customers. The site offers the consumer the ability to order samples, book a consultation appointment and order products online. The site now generates over 60,000 unique visitors each week, up considerably on the previous year. We expect this traffic to continue to grow and are examining options to enhance the supporting call centre operation and increase online marketing.

Historically, consumers conducted their pre-purchase research by physically visiting stores before making their final decision. The development of the internet has resulted in a significant proportion of this research now being completed online. The upshot of this change is that customers appear to be prepared to travel further to make a single physical store visit to complete their purchase. We believe that this trend is resulting in a fundamental shift in the required geographic density of our UK store estate. While there remain some catchments where we are under-represented and in which we will continue to look for appropriate opportunities to secure a physical presence, it is clear that in other areas we can

Operational and financial review continued

reduce store numbers without compromising our ability to serve customers effectively. Taking both these facts into consideration, looking forward we expect to see an overall net reduction in the number of stores in the UK. With leases on 94 stores in our estate due to expire in the next 5 years, we have ample opportunity to reshape the portfolio, reduce the size of store footprints and lower our ongoing rent roll.

We continued to focus on gaining additional sales through the insurance replacement business. This has proved a challenge in the current environment as domestic policy excesses have been increased and there has been a reduction in insurance renewal associated with the current economic conditions. Feedback on the quality of our products and service remains very positive and we continue to look to secure more business through contracts with new insurance customers. The volume of business through this channel is currently small relative to the Group's total revenue, although we believe it offers an opportunity for profitable sales growth when market conditions improve.

Gross profit decreased by 4.9% to £250.8m, representing a maintained gross profit margin of 62.0% (2010: 62.0%). The increased sales participation of beds in the product mix accounted for a 0.3 percentage point decline, as this part of the business operates on a lower gross margin than floor coverings. This was wholly offset by an improvement in the underlying floor covering margin of 0.3 percentage points, achieved through a combination of management of promotions, negotiation with suppliers and increased productivity in the Purfleet cutting facility.

The total UK & RoI cost base decreased by 0.5% compared with the prior year to £236.4m. In like-for-like stores, overall costs were down by 1.0% on the prior year. Store payroll costs continue to be managed closely to the volume of sales and underlying rent in like-for-like stores increased marginally by 0.4% (2010: 2.2%), reflecting a weakening of the property market in the current economic climate. Marketing costs reduced by £1.6m to £9.9m, as we focused expenditure on those activities which, on the basis of past experience, drive consumers to our stores.

Underlying operating profit decreased by 45.0% to £14.4m.

The Rest of Europe – Performance Review

The key financial results for the Rest of Europe were:

	2011 £m	2010 £m	Change (Reported)	Change (Local currency)
Revenue	**82.3**	89.2	(7.7%)	(3.9%)
Like-for-like sales	**(4.8%)**	(1.0%)		
Gross profit	**47.2**	51.6	(8.5%)	(4.5%)
Gross profit %	**57.4%**	57.8%	(0.4ppts)	
Underlying operating profit	**6.8**	9.6	(29.2%)	(25.2%)
Underlying operating profit %	**8.3%**	10.8%	(2.5ppts)	

In the Rest of Europe, total reported revenue decreased year on year by 7.7% to £82.3m impacted in part by an adverse movement in exchange rates. Sales in local currency declined 3.9%. The markets in both The Netherlands and Belgium were impacted by the current economic situation with consumers remaining cautious with their discretionary expenditure.

We opened four new stores during the year and closed one store. This translated into a net increase of 15k sq ft of selling space, to a total of 1,413k sq ft in 120 stores (2010: 117). Two of the new locations were 'sample only' stores, building on the successful trial opening of a similar store in the prior year. This new smaller format is expected to provide an opportunity for future growth in the store estate. Operationally we have continued to introduce new products, and adapted our promotional offer to consumer demand. Our growth in laminate, a product area where we have had a low market share historically, has been encouraging. This has been achieved through the introduction of a comprehensive range, with a competitive offer supported by our high service standards.

Gross profit margin decreased to 57.4% (2010: 57.8%), impacted by the mix effect of selling more laminate at a lower than average margin, partially offset by improved rebates and effective management of the promotional mix. Reported operating costs decreased by 3.8% to £40.4m. In local currency terms, costs increased by only 0.4% despite inherent inflationary pressures on employment and store occupancy costs and the increased costs of an expanding store portfolio. This reflected the tight management control and focus on achieving efficiencies within the whole operation.

The net result was an underlying operating profit of £6.8m, a decrease of 29.2%. In local currency terms, the underlying profit decreased by 25.2%.

Group financial review

Net Finance Costs and Taxation

Net finance charges were £4.3m (2010: £5.9m) reflecting lower average net debt and a reduction in the margin rates on borrowing. The effective tax rate on profits is 30.4% (2010: 29.5%). This increase arises from the disproportionate effect of permanently disallowable items on the reduced level of profit, which was partially offset by the credit arising from the impact of a change in tax rates.

Exceptional Items

The Group recorded a net charge of £10.3m (2010: £5.9m) in the year.

		(Charge)/Gain 2011 £m	2010 £m
Profit/(loss) on disposal of properties		**0.5**	(0.7)
UK & RoI:	store impairment charge	**(2.0)**	(1.4)
	onerous leases	**(8.8)**	(1.4)
Poland:	store impairment charge	**–**	(1.8)
	closure costs	**–**	(1.7)
Over-provision from pre-opening cost of centralised warehouse		**–**	1.1
		(10.3)	(5.9)

We have continued to trade our property portfolio, although market conditions continue to make this challenging. A profit of £0.5m was achieved (2010: loss of £0.7m).

As a result of the difficult retail environment we have reviewed the carrying value of the store assets in our balance sheet. The tests used to value these assets include a number of assumptions relating to market growth and inflationary expectations. These tests resulted in a net impairment of £2.0m (2010: £1.4m) in relation to 41 stores. In addition, there are 26 leased properties which had previously been used as retail stores where an onerous lease provision has been made on the basis of the difference between the expected cash inflows and outflows .

Earnings per Share

Basic earnings per share decreased by 71.1% to 6.8 pence, reflecting a similar decrease in post tax earnings. Underlying earnings per share decreased to 18.0 pence.

Dividend

The Board has decided not to pay a final dividend (2010: 8.0 pence), bringing the full year dividend to 8.0 pence (2010: 16.0 pence), a 50.0% decrease. Dividend cover, based on basic earnings per share, is 0.9 times (2010: 1.5 times).

Balance Sheet and Cash Flow

The Group had net assets of £67.0m (2010: £71.2m) at the end of the year, a decrease of £4.2m since 1 May 2010. The cash generative nature of the business remains one of the strengths of the Group, with free cash flow of £15.0m in the year (2010: £32.0m).

Cash Flow

	2011 £m	2010 £m
Underlying operating profit	**21.2**	**34.1**
Depreciation and other non-cash items	15.3	18.6
Exceptional items	–	(1.7)
Decrease in stock	2.9	1.5
(Increase)/Decrease in working capital	(7.3)	5.8
Operating cash flow	**32.1**	**58.3**
Net interest paid	(4.9)	(6.8)
Corporation tax paid	(2.7)	(9.9)
Net capital expenditure	(9.5)	(9.6)
Free cash flow	**15.0**	**32.0**
Dividends paid	(10.8)	(8.1)
Other	1.4	1.9
Movement in net debt	**5.6**	**25.8**
Opening net debt	**(71.3)**	**(97.1)**
Closing net debt	**(65.7)**	**(71.3)**

The Group's operating cash flow was positive at £32.1m (2010: £58.3m). The decrease was predominantly attributable to the reduction in underlying profitability. Net capital expenditure was £9.5m (2010: £9.6m). This can be broken down into the following principal categories:

	2011 £m	2010 £m
Capital expenditure	**9.7**	10.1
Freehold properties	**0.7**	–
Proceeds from property disposals	**(0.9)**	(0.5)
	9.5	9.6

After the repayment of borrowings and payment of dividend, net debt decreased by £5.6m to £65.7m at the year end (2010: £71.3m).

Property

The Group owns a significant property portfolio, most of which is used for trading purposes. This portfolio is estimated by management to have a market value of £134.0m at the year end (2010: £139.5m), compared to a net book value of £112.3m recorded in the financial statements.

Group financial review continued

Pensions

The IAS 19 valuation as at 30 April 2011 was a net deficit of £4.0m in relation to defined benefit pension arrangements (2010: £4.8m). The Carpetright scheme closed to future accrual on 30 April 2010. Plan assets increased to £17.4m (2010: £16.3m) driven by higher market values and additional Company contributions agreed with the pension trustees following the triennial valuation in April 2008. The present value of plan liabilities increased to £21.4m (2010: £21.1m) driven principally by a reduction in the discount rate to 5.3% (2010: 5.5%).

Current liquidity

At the year end the Group held cash balances of £8.3m (2010: £8.3m) in a combination of Sterling, Euros and Polish Zlotys.

Gross bank borrowings at the balance sheet date were £70.9m (2010: £75.5m) of which £61.9m is term based with the balance of £9.0m being drawn down from overdraft facilities. The Group had further undrawn, committed facilities of £30.1m at the balance sheet date.

In June 2011, the Group completed a refinancing arrangement of its principal facilities, providing approximately £90m of debt capacity split between amortising term loans, a revolving credit facility and overdrafts in a mixture of Sterling and Euro currencies. The term loans and revolving credit facilities mature in July 2015. Arrangement fees and legal costs will be amortised over the life of the facility, although paid in cash at the outset. The facilities contain financial covenants which are believed to be appropriate in the current economic climate and tested on a quarterly basis. The Group monitors actual and prospective compliance with these on a regular basis. The unamortised costs associated with the previous facilities, which amounted to £0.6m, will be written off in the 2011/12 financial year.

Outlook

The last year has seen a decline in profit performance, in challenging trading conditions. Looking forward, over the next two years we expect the consumer environment to remain difficult and have adapted our plans accordingly. We believe the Group is in a strong position to capitalise on a strong value offer supported by a superior service proposition, when consumer demand increases.

Key performance indicators

We monitor our performance by reference to a limited number of indicators. The key ones are:

			2011	2010	2009
Store numbers	The number of stores trading at the end of the year.	UK & RoI	559	586	567
		Rest of Europe	120	117	116
Store space sq ft ('000)	Store gross area, including both selling and warehouse space. Space occupied by sublet tenants is excluded.	UK & RoI	4,659	4,808	4,632
		Rest of Europe	1,413	1,398	1,400
Like-for-like sales	Calculated as this year's net sales divided by last year's net sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years. No account is taken of changes to store size or the introduction of third party concessions. Sales from insurance and housebuilders' contracts are supplied through the stores and included in their figures.	UK & RoI	(6.0%)	3.1%	(13.5%)
		Rest of Europe	(4.8%)	(1.0%)	2.7%
Gross profit %	Gross profit as a percentage of net sales.	UK & RoI	62.0%	62.0%	62.1%
		Rest of Europe	57.4%	57.8%	57.7%
Underlying operating profit (£m)	Operating profit, excluding exceptional items.	UK & RoI	14.4	26.2	15.6
		Rest of Europe	6.8	9.6	8.7
Underlying operating profit %	Operating profit, excluding exceptional items, as a percentage of net sales.	UK & RoI	3.6%	6.2%	4.0%
		Rest of Europe	8.3%	10.8%	10.2%
Net debt (£m)	The Group's overall net debt position at year end.		65.7	71.3	97.1

Principal risks and uncertainties

The Board has a policy of continuous identification and review of key business risks and oversees the development of processes to ensure that these risks are managed appropriately. In the day to day operation of our businesses and the development of the Group, in both existing and new markets, we face risks and uncertainties, some of which are unique to the sector in which we operate. The risk factors addressed below are those which we believe could adversely affect us, potentially impacting the operations, revenue, profit, cash flow or assets of the Group. Additional risks and uncertainties currently unknown to us, or which we currently believe are immaterial, may also have an adverse affect on the Group.

We use our risk management process to identify, monitor, evaluate and escalate such issues as they emerge, enabling the Board to take appropriate action wherever possible in order to control them.

Economic and market conditions

The economy is a major influence on consumer spending with trends in housing transactions, consumer confidence, mortgage approvals, consumer debt levels and interest rates impacting consumer demand for discretionary spending on the home. Uncertainty surrounding current economic conditions presents a difficult trading outlook across our sector. We remain committed to the measures implemented to date, to ensure the Group is appropriately managed in this environment.

Business strategy development and implementation

If the Board adopts the wrong business strategy or does not implement its strategies effectively the business may suffer. The Board needs to understand and properly manage strategic risk in order to deliver long term growth for the benefit of all Carpetright's shareholders. The Board holds an annual strategy review day and monitors agreed actions throughout the year.

Employee risk

Carpetright's businesses depend on a high level of input from all levels of staff. The employee risks are split between:

- Management Risk – The Group relies on key personnel including the Executive Directors, Senior Managers and Store Managers. Procedures are in place to identify and retain key personnel and the Board regularly reviews succession planning for senior roles.
- Customer Service Risk – Carpetright's customers expect and receive a high level of customer service. The Group employs 3,266 staff, mostly based in stores, and recommends the services of over 2,000 independent carpet fitters. The Group continues to ensure that all staff are properly recruited, trained and rewarded so that high levels of customer service are maintained.

Entering new markets

Expansion into additional European countries provides the opportunity for substantial long term growth and economic returns for shareholders. This represents a good opportunity for the Group but exposes it to new cultural and regulatory risks. Failure to identify, conduct appropriate due diligence and appropriately integrate acquisitions, particularly in new geographical markets, could have an adverse impact on the Group. The Group only enters new markets where the Board believes the potential long term growth and returns outweigh the risks.

Cost inflation

The location of the principal carpet manufacturers in Europe means the Group is exposed to fluctuations in the value of the Euro. The Group seeks to mitigate this risk by putting in place appropriate arrangements with manufacturers and proactively managing its selling prices to maintain margins.

There are a number of significant cost pressures affecting all retailers. Many of these costs are growing by more than the rate of inflation, putting continued pressure on operating margins. The strategy of introducing space for beds / concessions, moving to smaller stores and driving benefits from our supply chain and IT investments helps mitigate some of the risk.

Supply chain and business continuity

Carpetright's revenues and cash flows are dependent on the continued operation of its cutting and distribution facilities. Business continuity plans have been documented and arrangements made to mitigate significant risks arising.

Principal risks and uncertainties continued

IT systems
Carpetright is dependent upon the continued availability and integrity of its computer systems. The systems implemented within the UK & RoI are mirrored in a separate location as part of a systems business continuity plan. By using the experience from the UK & RoI, similar system developments are planned for the European operation.

Management of liquidity risk and financing
Carpetright is dependent on debt financing facilities being available at a commercially viable rate. We have introduced robust processes to ensure we effectively manage working capital and maintain ongoing measurement to ensure the Group can meet its financing requirements and is compliant with banking covenants.

The Group's Treasury policy is intended to ensure that there are adequate financial resources for the development and growth of the business whilst financing its operations at the lowest cost and minimising foreign exchange and interest rate risk. The objective is to achieve this without operational disruption or recourse to complex financial instruments.

The strategy and policies are approved by the Board. The Group does not engage in speculative transactions. The key financial risks relate to meeting debt repayments as they fall due, interest rate risk and limited foreign currency exposure.

The Group's term based borrowings are a direct result of the acquisition of businesses in the UK and Europe and the strategic investment in new systems and the warehouse and cutting facility. The borrowings are denominated in Sterling and Euros. The Group anticipates that there will be sufficient Euro cash flow to pay both the interest on the Euro borrowings and the capital repayment amounts due over the life of the underlying loan.

Any current account deposits generated from the strong operational cash flows of the Group are invested in the currency in which they are received unless there is a clear need for conversion. During the year the Group invested these deposits in a combination of overnight and longer term investment graded accounts arranged via the Group's principal bankers in the countries in which it trades.

Legislative and regulatory risk
Whilst Carpetright's industry is not regulated, Carpetright is always mindful of its legal and regulatory obligations. The Group's Legal Director is responsible for identifying prospective changes to laws and regulations and for bringing those changes to the appropriate forum so that the emerging risk can be addressed. Of particular note are risks relating to health and safety, competition law and price promotion. In each case the Company has developed clear policies and guidelines and, where necessary, a compliance programme to mitigate the risks.

Employees

The Group employs 3,266 people and is proud of being regarded as a responsible and respected employer.

Equal opportunities
The Board believes in creating throughout the Company a culture that is free from discrimination and harassment, and will not permit or tolerate discrimination in any form. The Group operates a whistleblowing hotline through a third party provider enabling employees to raise matters of concern with the Company on a named or anonymous basis. The Company gives full and fair consideration to applications for employment when these are received from disabled people. Should an employee become disabled while working for the Company, efforts are made to continue their employment and retraining is provided, if necessary.

Training and development
Our training and development programmes are focused on giving our staff the skills they need to move up to new roles, enabling them to develop their careers and ensuring that there is a pipeline of talent within the Group.

Employee engagement
There are a number of communication channels in place to help people develop their knowledge of, and enhance their involvement with, the Group. These channels include staff surveys, the Group's annual conference, management briefings, weekly briefings from the Chairman and Chief Executive broadcast to stores and offices, and other less formal communications. Additionally, all annual results and interim management statements are made available to employees through the intranet. Directors and senior management regularly visit stores and discuss matters of current interest and concern with employees.

Employee share ownership
The Directors believe it is in the interests of both the Group and the employees for staff to have an opportunity to invest in the Company's shares and operates two all-employee share schemes, namely an All Employee Share Ownership Plan and a Savings Related Share Option Scheme. Approximately 580 employees participate in these schemes.

Corporate responsibility

Our Corporate Responsibility (CR) policy is designed to meet the long-term expectations of our customers and other stakeholders and ensure the sustainable development of our business. It is clear that protecting the environment and running our business ethically makes good commercial sense and, apart from improving the environment for both our staff and our customers, will also help us to enhance shareholder returns. Neil Page reports to the Board on CR matters and co-ordinates the Group's CR policies and activities. He is supported by a team providing support and advice to develop the business's policies and approach.

We have continued developing and improving policies to cover the following:

Providing great service

Our aim is to provide outstanding customer service by selling a comprehensive range of flooring products at the keenest prices, supported by excellent store staff and, where required, by organising a high quality carpet fitting service.

Our mobile fitter training pods enable us to offer all our recommended fitters access to the Flooring Industry Trade Association (FITA) assessment and additional training where required to meet FITA's exacting standards. We are now able to recommend 2,694 registered fitters who have attained FITA qualifications, 58 of whom have attained the FITA fitting qualification in the past 12 months. Additionally, 54 registered fitters have successfully completed the vinyl fitting assessment. We have also introduced subfloor preparation and door trimming assessment to the fitter training academy.

We have introduced an Academy to train our new estimators, the first 28 of whom have now successfully passed through it.

Developing committed people

As at 30 April 2011 we employed 3,266 people in stores, depots and offices throughout the UK & RoI and Europe. Our aims are to ensure everyone has the right skills and knowledge to do their jobs; to offer our people a good range of incentives and benefits and to value and promote the diversity of our workforce.

We have continued to roll out our store manager training programme, with a further 48 managers completing the training this year, resulting in 189 managers, including senior retail management, having passed the course.

Staff stability is important to us as a measure of employee loyalty and satisfaction and we track retention rates continually.

Sourcing great products

We are committed to buying great products from suppliers who operate responsibly. Our aims are to ensure suppliers are subject to vetting for satisfactory ethics and procedures; to insist our supply chain partners sign up to the Carpetright 'Codes of Conduct' and to ensure we act in a responsible and ethical manner.

All suppliers to our UK & RoI businesses have signed up to compliance with our Ethical and Environmental policies, which are being introduced to the Rest of Europe. We also have a timber policy to ensure all timber floor covering products are manufactured from sustainable resources.

Creating a safe place to work and shop

We are committed to achieving high standards of health and safety in all operational areas.

A monthly health and safety bulletin is now issued to all stores, and quarterly Health and Safety Committee meetings have been introduced into Belgium and The Netherlands. There has been a decrease in the overall level of accidents in the UK & RoI to 172 (2010: 197), and a 50% reduction in cutting injuries, following the introduction of a new safety knife for cutting carpet and vinyl. Disappointingly, the number of reportable accidents increased in the period to 17 (2010: 15), and there were four accidents in the Rest of Europe which would have been reportable had they occurred in the UK.

We remain committed to eliminating all heavy manual handling from our stores. Wherever possible, each of our branches has a pedestrian operated boom truck to unload and move carpet and vinyl deliveries, and where it has not been possible to provide a truck we have arranged a series of nearby 'buddy' branches to accept deliveries. We have also been involved in the design and development of a new lifting device to lift carpet onto roll stock stands. Last year we anticipated having introduced 200 devices in the year, whereas only 120 were delivered during the year. We are reviewing our targets for the coming year.

Respect for the environment

We are committed to taking steps to control and minimise any damage our operations may cause to the environment through manufacturing processes, transport, energy usage and packaging. In particular we are aware of the issue of climate change and we want to understand and minimise our carbon emissions.

In addition to the recycling of all cardboard tubes and sheet polythene wrapping reported last year, Harris House, our national Central Support Office, warehouse and cutting facility does not send any waste to landfill, with even general rubbish being compacted and incinerated to produce energy.

We were able to reduce our water consumption in the year by over 50,000m^3, and aim to achieve further reductions in 2011/12.

Corporate responsibility continued

Our key measures within CR are:

Issue	Indicator[1]	2011	2010	Progress
Providing Great Service	Complaints per £1m of sales[2]	**12.1**	13.1	7.6% fewer complaints
Developing Committed People	% of employees with > 3 year service	**71%**	62%[4]	9 ppt improvement in staff retention
Creating a Safe Place to Work & Shop	No. of accidents	**172**	197	A 12% decrease in the total number of accidents
	No. of reportable accidents	**17**	15	A disappointing increase, although this remains below the long term average of 28 p.a.
Respect for the Environment	Energy efficiency – kWh/sq m of sales space	**239.3**[3]	240.7	0.6% less gas/electricity used
	Energy efficiency – km/litre of delivery fleet	**3.41**	3.36	1.2% increase in efficiency
	Recycling in tonnes	**1,951**	2,131	8.4% less polythene sheet and cardboard recycled, primarily due to lower volumes of sales.

1. All figures are for the UK and RoI only.
2. Excludes internet sales.
3. Based on estimated meter readings.
4. Restated from previous year.

More detailed information, notably performance information and future targets, is available in our full CR Report, available to view at www.carpetright.plc.uk.

Donations

Charitable donations of £23,500 (2010 : £6,647) were made during the year. £163,000 was also raised for Great Ormond Street Hospital.
No political donations were made (2010 : £nil).

Directors’ report: Governance
Board of Directors

Lord Harris of Peckham (68)
Chairman and Chief Executive
Lord Harris is now in his 54th year in carpet retailing and is one of the best known names in the business. He was Chairman and Chief Executive of Harris Queensway plc from 1964 until the company was taken over in 1988. Lord Harris is a Non-Executive Director of Arsenal Holdings plc and Arsenal Football Club plc. He was a Non-Executive Director of Great Universal Stores plc for 18 years until July 2004 and was a Non-Executive Director of Matalan Plc for two years until January 2007.

Martin Harris (42)
Group Commercial Director
Martin Harris took up his current role as Group Commercial Director in 2003 and is responsible for Marketing, Buying and Logistics, the latter being added in 2005. Martin first joined Carpetright in 1991, previously having been an Executive Director of Harveys Furnishing Group Limited. He became Marketing Director in 1997, resigning to become a Non-Executive Director in 1998 before returning to the full Executive Director position of Buying Director in 2002.

Neil Page (48)
Group Finance Director
Neil Page joined Carpetright in July 2008 as Group Finance Director. Neil began his career with British Rail and Marks and Spencer. He joined Superdrug in 1991, holding a variety of finance and operational positions before taking up the role of Finance and IT Director for AS Watson (Health & Beauty) UK Ltd in July 2002. He is a Fellow of the Chartered Institute of Management Accountants.

Claire Balmforth (43)
Operations Director – UK
Claire Balmforth joined Carpetright in 2006 as Group HR Director and was appointed to the board in May 2011, becoming responsible for the UK trading operations in June 2011. She has worked in many retail businesses including Tesco and Boots. She also has experience in the B2B sector with RAC plc and has held a variety of HR and general management /operational roles. She has an MBA from Ashridge Business School.

Andy Corden (47)
Operations Director – Europe
Andy Corden joined Carpetright in 1994, and has been responsible for the Company’s European operations since 2008 having previously been Sales Director since the Company’s expansion into Europe in 2002. He was appointed to the board in June 2011 with responsibility for the European operations, which currently include The Netherlands, Belgium and the Republic of Ireland. Andy has 23 years of retail experience in the home furnishings market and has previous experience in both the grocery and DIY sectors.

Baroness Noakes (62)
Non-Executive Director
Baroness Noakes, a chartered accountant, joined the Board in 2001. She is a Non-Executive Director of Severn Trent plc and a trustee of the Thomson-Reuters Founders Share Company. Previously she was with KPMG for 30 years and was the Senior Non-Executive Director of the Bank of England and a Non-Executive Director of Hanson plc and ICI plc. Baroness Noakes chairs the Audit and Nomination Committees and is the Senior Independent Director.

Guy Weston (50)
Non-Executive Director
Guy Weston joined the Board in 2005. Guy began his career as a management tutor and business analyst before entering the food and beverage industry, working for R Twining & Co., Jacksons of Piccadilly and The Ryvita Company. Currently Guy is Chairman of Heal’s plc and Wittington Investments Ltd, a Director of the Thrombosis Research Institute and a Trustee of the Garfield Weston Foundation. Guy Weston chairs the Remuneration Committee.

Alan Dickinson (60)
Non-Executive Director
Alan Dickinson joined the Board in October 2010. He spent more than 35 years in banking and is a former Executive Committee member of the RBS Group and Chief Executive of both RBS UK and the bank’s UK Corporate Banking business. He is also a Non-Executive Director of the Nationwide Building Society.

Sandra Turner (58)
Non-Executive Director
Sandra Turner joined the Board in October 2010. She spent 21 years at Tesco and was part of its senior management team, holding senior commercial and operational roles in the UK and Ireland. From 2003 to 2009 she was the Commercial Director of Tesco Ireland. She is a Non-Executive Director of Huhtamäki Oyj and was previously a Non-Executive Director of Northern Foods plc.

Corporate governance

The Group recognises the importance of high standards of corporate governance, and is committed to operating within an effective corporate governance framework through the operation of Board committees, internal procedures and Group policies. This report, the Audit Committee Report and the Directors' Remuneration Report, explain how the Company has applied the principles set out in the UK Financial Reporting Council's 2008 Combined Code on Corporate Governance (the Combined Code). The UK Corporate Governance Code will apply to the Group in respect of the 2011/12 financial year.

The Board

The Board currently consists of five Executive and four Non-Executive Directors, brief biographies of whom can be found on page 15. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and this is described in the section concerning the Nomination Committee on page 17. A third of the Board currently comprises women.

Under the Company's Articles of Association every Director will submit himself or herself for re-election every third year, and every Director who has been appointed by the Board since the last Annual General Meeting will submit himself or herself for election. Additionally, under the Company's Articles of Association and in accordance with the Combined Code, every Non-Executive Director who has served as a Director for nine years or more is subject to annual re-election as a Director. All Directors will offer themselves for election or re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

The imbalance between Executive and Non-Executive Directors arose in May 2011 when Claire Balmforth was appointed to the Board. A search is currently underway for an additional independent Non-Executive Director. Except as set out, the Board believes that the current structure of the Board is of an appropriate size and structure to manage the Group in an effective and successful manner.

The Non-Executive Directors of the Company play a key governance role and bring an extra dimension to the Board's deliberations. The Board has considered the independence of each Non-Executive Director against the criteria specified in the Combined Code and determined that each remains fully independent. The Board in particular considered the independence of both Baroness Noakes and Alan Dickinson, both of whom are considered by the Board to be independent in character and judgment. In reaching this determination the Board specifically considered the facts that Baroness Noakes has served as a Director of the Company for more than nine years from the date of her first election and Alan Dickinson was, within the last three years, a senior employee of the Royal Bank of Scotland, which is the Company's principal banker.

The position of Chairman is combined with the role of Chief Executive. The Board does not at present consider it necessary to separate the two roles. The Chairman is one of the leading figures in the industry both in the UK and Europe and the Board believe that it is in shareholders' interests that he should be seen to take the leading role in the Company's affairs. He also has extensive listed company experience at board level. The Chairman was a member of the Nomination Committee during the year under review, and he attends the Remuneration and Audit Committee meetings by invitation. The Board recognises that with a combined Chairman and Chief Executive the role of the Senior Independent Director ('SID') is of enhanced importance. In particular, the SID plays a significant role in determining the Board agenda and Board appraisal process and in ensuring that any issues raised by the Non-Executive Directors are fully dealt with. Baroness Noakes has been the SID since June 2004.

A process of evaluation of the Board and its Audit, Nomination and Remuneration Committees has been undertaken. The exercise to evaluate the performance of the Board was led by the SID, and those of the Audit and Remuneration Committees was led by the chairmen of those committees. The results of these assessments have been considered by the Board and confirmed the strength of leadership within the business and a sound governance framework. Only minor changes to the way that the Board works were found necessary.

The Non-Executive Directors generally meet privately with the Chairman and Chief Executive at least twice each year. The Non-Executive Directors meet, with no Executive Directors present, at least once each year inter alia to review the performance of the Chairman and Chief Executive.

The full Board met seven times during the year. Six meetings are scheduled for the current year.

The Board is responsible for setting the Group's objectives and policies, providing effective leadership and for approving the Group strategy, budgets, business plans and major capital expenditure. It has responsibility for the management, direction and performance of the Group and is accountable to the Company's shareholders for the proper conduct of its business. The Board has a formal schedule of matters which sets out those matters requiring Board approval and specifically reserved to it for decision. Day-to-day management is delegated to the Chairman and Chief Executive and the Executive Directors.

Directors receive monthly trading results, commentary, briefing notes and reports for their consideration in advance of each Board meeting, including reports on the Group's operations, to ensure that they remain briefed on the latest developments and are able to make fully informed decisions.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby Directors may take independent professional advice at the Company's expense. In addition, such advice may include training in order to enable them to discharge their roles and responsibilities as a Director. All new Directors receive an induction tailored to their particular requirements.

Board committees

The Board has three Committees, each of which has written terms of reference which are available on the Company's corporate website (www.carpetright.plc.uk).

The Board periodically reviews the membership of its Committees to ensure that Committee membership is refreshed. The Company provides the Committees with sufficient resources to undertake their duties. The Company Secretary acts as Secretary to each Committee.

The role of the **Audit Committee**, its members and details of how it carried out its duties are set out in the Audit Committee report on page19.

The role of the **Remuneration Committee**, its members and details of how it carried out its duties are set out in the Directors' remuneration report on pages 20 to 24.

The **Nomination Committee** is chaired by Baroness Noakes and its other members are Lord Harris and Guy Weston. The Committee met three times during the year with full attendance.

The role of the Nomination Committee is to identify and nominate candidates for the approval of the Board, to fill vacancies and make recommendations to the Board on Board composition and balance. External search consultants are generally appointed to assist in the search process. The Committee considers the diversity of the Board, and the skills and competencies of the existing Directors when drawing up specifications for new appointments and ensures that the development needs of Executive Directors and other senior managers are addressed appropriately.

The Committee also considers whether Directors due to retire at an Annual General Meeting should be recommended for re-appointment, and whether the appointment of Non-Executive Directors reaching the end of their three-year term should be renewed. Committee members do not vote on their own reappointment.

Risk Management and Internal Controls

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. In order to fulfil this responsibility and safeguard shareholder investment and the Company's and the Group's assets, the Directors have established an organisational framework with clear operational procedures, lines of responsibility and delegated authority which has operated throughout the year under review and up to the date of approval of the Annual Report and Financial Statements.

The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. Because of the limitations inherent in any system of internal control, this system is designed to meet the Group's particular needs and the risks to which it is exposed rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has reviewed the Group's systems of internal controls including financial, operational and compliance controls as well as risk management, and is satisfied that these accord with the guidance on internal controls set out in Internal Control: Revised Guidance for Directors on the Combined Code, issued by the Financial Reporting Council in October 2005.

The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Directors. The Board has established an Executive Directors' Group ('EDs Group') comprising the Executive Directors and senior managers who review key risk and control issues. The EDs Group meets quarterly.

Several key processes exist within the Group to ensure a sound system of internal control which is described below:

Identification of business risks

The Board is responsible for identifying the major business risks faced by the Group, and determining a suitable response. The EDs Group identifies and assesses risks to the Group's medium-term strategy. The EDs Group directs both the UK and European Risk Management Committees to address each of the identified risks, formulate a mitigation strategy and assess the likely impact of such risk occurring, and provides regular reports to the Audit Committee.

The UK Risk Management Committee and the European Risk Management Committee each comprise a small number of the senior management team as regular members, who are able to call on the expertise of other managers as required. Each Committee, which meets at least quarterly, regularly reviews the risk management and control process within its territory and considers the response to the significant risks which have been identified by management and others and monitors the maintenance of a control environment directed towards the proper management of risk. Both risk management committees report to the EDs Group.

Additionally there are working groups covering Stock Management and Business Continuity and, in Europe, Health and Safety. Where additional risks are identified, ad hoc working groups are created to address those risks. These report to the UK Risk Management Committee or the European Risk Management Committee as appropriate.

The principal risks and uncertainties affecting the business are set out on pages 11 and 12.

Health and safety

Enforcing the health and safety policy is a high priority for management and fully descriptive manuals are available to all staff, supported by a training programme for stores, distribution centres and the central support office. Risk assessments are undertaken for all procedures and safe systems of work devised for all procedures involving physical risk. Failure to adhere to safe systems of work or following unsafe working practices will be subject to review and, if necessary, disciplinary proceedings. Health and safety issues are included as part of the internal audit review of all premises.

Internal audit
The internal audit function:

- undertakes its work, both on central functions and in the field, based on a risk assessment model;
- provides the Audit Committee and the Board with objective assurance on the control environment across the Group; and
- monitors adherence to the Group's key policies and principles.

Planning
The Group's planning process underpins the development of the annual budget. The budget is reviewed and approved formally by the Board. Actual performance is reported on a monthly basis and measured against the budget and the prior year and a detailed explanation of significant variances is provided.

Control procedures
The Group has control procedures designed to provide a complete and accurate record of financial transactions, to ensure correct accounting and to minimise the possible exposure to fraudulent transactions. The Board believes that the measures taken, including physical controls, separation of duties and management reviews, provide suitable assurance. Any issues raised by the Group's auditors or the internal audit function are fully reviewed and considered.

Management and specialists within the finance team are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and appropriate information is distributed both internally and externally in a timely manner.

A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. The preliminary and interim results are subject to the review of the Audit Committee prior to approval by the Board.

Share capital
Details of the Company's share capital and significant shareholders can be found on page 26.

Statement of Compliance
During the period ended 30 April 2011 the Company complied with the provisions set out in section 1 of the Combined Code except as set out below.

The Company did not comply with provision A.3.2 of the Combined Code for the entire period as for the period between September 2010 and October 2010 at least half the Board did not comprise Non-Executive Directors determined by the Board to be independent. This imbalance was addressed upon the appointment of Alan Dickinson and Sandra Turner as Non-Executive Directors.

The Company did not comply with provision A.2.1 of the Combined Code as the roles of Chairman and Chief Executive are combined, an explanation for which is set out above. The Board does not at present consider it necessary to separate the two roles.

Audit Committee report

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The terms of reference are regularly reviewed by the Audit Committee and are then referred to the Board for approval. These are available at www.carpetright.plc.uk.

The Audit Committee is chaired by Baroness Noakes, who has recent and relevant financial experience, and its other members are Guy Weston, Alan Dickinson and Sandra Turner, all of whom are independent Non-Executive Directors. Geoff Brady and Simon Metcalf were also independent Non-Executive members of the Committee prior to their retirement from the Board. The Committee met four times during the year with full attendance, other than Guy Weston who was unable to attend one meeting and Simon Metcalf who was unable to attend two meetings.

At the invitation of the Committee, the Chairman and Chief Executive, the Group Finance Director, the Head of Internal Audit and representatives from the external auditors regularly attended meetings. Other Directors and senior managers also attend if required. There were also regular private meetings with the external and internal auditors without management present.

The Audit Committee has an agenda linked to events in the Group's financial calendar. During the period ended 30 April 2011, the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft annual results announcement and financial statements and the interim statement prior to Board approval and reviewing the external auditors' detailed reports thereon;
- reviewing the consistency of and any changes to the Group's accounting policies, the application of appropriate accounting standards and methods used to account for significant or unusual transactions;
- reviewing the independence, objectivity and effectiveness of the external auditors and, on the basis of that review, recommending to the Board their reappointment at the AGM;
- reviewing the Group's Corporate Responsibility Report;
- approving the audit fees paid to the external auditors and reviewing the application of the policy on non-audit work performed by them together with the non-audit fees payable to them;
- reviewing the external auditors' plan for the audit of the Group's accounts, and approving the terms of engagement for the audit;
- reviewing the process for ensuring that senior management confirm that they have supplied the auditors with relevant audit information;
- reviewing the internal audit plan, monitoring the delivery of that plan during the year and reviewing the effectiveness of the internal audit function;
- reviewing the work of the ED's Group, which oversees the identification and management of the risks to the business, together with reports on the Group's systems of internal control, and reporting the results of this review to the Board;
- reviewing its terms of reference and effectiveness; and
- reviewing the whistleblowing policy and relevant items reported under that policy.

The Audit Committee and Board place great emphasis on the independence and objectivity of the Group's auditors, PricewaterhouseCoopers LLP, when performing their role in the Group's reporting to shareholders. The external auditors report to the Audit Committee annually on their independence from the Company.

The Audit Committee reviews the independence, objectivity and performance of the auditors annually, including the annual report on the auditors produced by the Audit Inspection Unit of the Financial Reporting Council. On the basis of that review, the Audit Committee recommends the reappointment of the auditors to the Board.

PricewaterhouseCoopers LLP have been auditors to the Company since 2005 when they were appointed following a competitive tender. The Company does not have a policy of tendering the external audit at specific intervals. The auditors' tenure runs from one AGM to the next and there are no contractual obligations that restrict the Committee's choice of external auditors.

The Board has also adopted a formal policy on the Company's relationship with its auditor in respect of non-audit work. The auditors may only provide such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. The Audit Committee Chairman's approval is required before the Company uses non-audit services that exceed financial limits set out by that policy. Details of the auditors' remuneration for audit work and non-audit fees for the period ended 30 April 2011 are disclosed in note 3 to the Financial Statements.

The Statement of Directors' Responsibilities in relation to the accounts is set out on pages 27 to 28. The Statement by the Auditors on their responsibilities in respect of the accounts is contained in their report on page 67.

The Chairman of the Audit Committee will be available at the Annual General Meeting.

Directors' remuneration report

This report is made by the Board on the recommendation of the

Group. In particular, the Committee takes account of the level of salary increases awarded to other employees of the Group when deciding on increases for Executive Directors.

Executive Directors' basic salaries have been reviewed and, other than Claire Balmforth's salary, which was increased to reflect her promotion to the Board and subsequent appointment as Operations Director – UK, no increase is to take place in 2011. The current salaries of the Executive Directors are as follows:

	Current base salary
Lord Harris	£482,000
Martin Harris	£280,000
Neil Page	£280,000
Claire Balmforth	£200,000
Andy Corden	€310,592

The combined annual salary increase for all staff and management was 1%.

ii) Annual incentives

Executive Directors are eligible to receive an annual performance bonus. The bonus is a proportion of salary based on the achievement of the annual budgeted profit. The performance targets for 2010/11 were set by reference to budgeted levels of underlying profit before tax. As these targets were not achieved, no bonus will be paid in 2011 (2010: 36.7%). Where bonuses are paid, they are paid in cash and do not form part of the Directors' pensionable earnings.

The Committee reviewed levels of bonus opportunity for the Executive Directors for the 2011/12 financial year in light of the challenging trading environment and concluded that it would be appropriate to reduce the percentages of salary payable for maximum and on-target performance. Accordingly, the maximum bonus opportunity for Executive Directors for the 2011/12 financial year is 100% (2010: 110%) of basic salary, with 20% (2010: 60%) of salary payable for on-target performance. The performance target for the 2011/12 financial year has similarly been set by reference to budgeted levels of underlying profit before tax. The Committee intends to review levels of bonus opportunity for the 2012/13 financial year in light of trading conditions at that time.

iii) Long-term incentives

Executive Directors and other Senior Executives are eligible to participate in the Company's Long Term Incentive Plan (the 'LTIP'). Awards under the LTIP consist of conditional awards of shares that vest three years after grant to the extent that performance conditions have been met over a three year performance period. Awards under the LTIP are capped at 300% of salary per annum; however, the Committee's policy is to operate within a normal maximum of 100% of salary per annum for awards to Executive Directors. The LTIP was not operated in 2007 or 2008 and, in order to address this absence, the 2009 award was made at 200% of salary. Award levels reverted to 100% of salary for 2010, in line with the normal maximum.

The LTIP awards made in 2009 and 2010 are not currently expected to vest.

The Committee has determined that the 2011 award will again be subject to an EPS growth performance condition in the Company's underlying EPS before exceptional items. The Committee has determined that the EPS growth targets and vesting thresholds will be the same as those for the 2010 award. None of the 2011 awards vest if growth in EPS is less than 17.5% per annum over the three financial years measured from the financial year immediately preceding the year in which the award is granted. For growth of 17.5% per annum, 25% of the award vests and for growth of 35% per annum, all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale.

The Chairman and Chief Executive voluntarily declined an award under the plans for both 2009 and 2010 and has indicated he will do so again in 2011. It is the Company's current policy that awards under the LTIP will be satisfied using shares purchased in the market.

iv) Pensions

Martin Harris and Christian Sollesse are deferred members of the Carpetright plc Pension Plan, which is a defined benefit scheme and closed to future accrual from 30 April 2010. Lord Harris receives a pension under the plan. Executive Directors, other than Andy Corden, are offered an allowance of 20% of their base salary to fund their own pension provision. The individual is able to choose whether this allowance is paid to the Company's defined contribution Group Personal Pension Plan ('GPPP'). Martin Harris receives his allowance as a salary supplement. Christian Sollesse has split his allowance between a contribution to the GPPP scheme and a salary supplement. Neil Page received an allowance of 20% of his base salary which was paid in to the GPPP, but for 2011/12 will be splitting his allowance between a contribution to the GPPP scheme and a salary supplement. Andy Corden receives payments of 4.5% of his Belgian salary into a pension scheme in Belgium.

v) Benefits

The Executive Directors are eligible for car benefits, life assurance and private medical cover. Andy Corden also receives a housing allowance, holiday pay, a representation allowance and a benefit where he receives a thirteenth month of his Belgian salary every year.

Shareholding guidelines

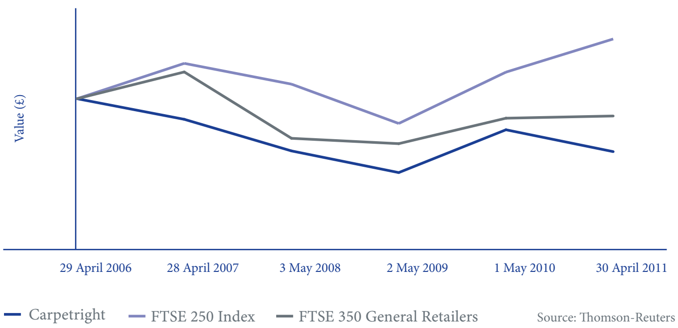
The Committee has introduced share ownership guidelines to create greater alignment with the interests of shareholders and to be consistent with one of the objectives of the incentive framework. The Committee has proposed that all Executive Directors should build up a shareholding in the Company over a five-year period starting from 2010 or their date of appointment to the Board (if later) that is equal to their annual basic salary and maintain it thereafter. At the year end the holdings of Lord Harris and Martin Harris were above this level. Neil Page held 9,531 shares which, based on the year end share price of 693.5p, represented 24% of his salary. At the year end Andy Corden, who was appointed to the Board in June 2011, held 2,486 shares (6% of his salary, based on an exchange rate of £1:€1.123) and Claire Balmforth, who was appointed to the Board in May 2011, did not hold any shares in the Company.

Directors' remuneration report continued

Performance graph

The graph below shows the value, at 30 April 2011 of £100 in Carpetright plc shares on 20 April 2006 compared with that of £100 invested in the FTSE 250 Index or the FTSE 350 General Retail Index, which the Directors believe to be the most suitable broad comparators. The other points plotted are the values at intervening financial year-ends.

Total shareholder return



Service contracts

It is the Company's policy to employ Executive Directors under contracts with an indefinite term subject to termination by notice given by either party, normally of 12 months. If the Company terminates employment without giving full notice to the Director, the Company has the option to either:

- pay damages calculated by reference to common law principles, including an obligation on the Director to mitigate loss; or
- to make a payment in lieu of notice calculated by reference to basic salary and benefits only. This payment would be reduced or terminated if alternative employment was secured during the notice period and there is a requirement to mitigate loss.

The Executive Directors' service contracts became effective on the following dates:

	Contract date	Notice period
Lord Harris	20 November 2006	12 months
Martin Harris	27 January 2011	12 months
Neil Page	2 March 2009	12 months
Claire Balmforth	3 May 2011	12 months
Andy Corden	30 August 2002	12 months
Christian Sollesse[1]	20 November 2006	12 months

1. Christian Sollesse stepped down from the Board on 2 June 2011. His unexpired notice at the date of this report is 11 months.

External appointments

Executive Directors retain remuneration from outside non-executive directorships. During the year Lord Harris's directors' fees payable by Arsenal Holdings plc and Arsenal Football Club plc totalling £25,000 were donated to charity. Martin Harris received £10,000 as a non-executive director of Harris Ventures Limited.

Non-Executive Directors

Non-Executive Directors do not have service contracts. They are appointed for an initial three year period, subject to being re-elected by members.

The Non-Executive Directors' letters of appointment became effective on the following dates:

	Appointment date	Date of re-appointment	Unexpired term at the date of this report
Baroness Noakes	1 February 2001	1 February 2011	7 months
Guy Weston	1 February 2005	1 February 2011	7 months
Alan Dickinson	22 October 2010		2 years 4 months
Sandra Turner	22 October 2010		2 years 4 months
Geoff Brady (ceased to be a Director on 31 August 2010)	1 March 2007		
Simon Metcalf (ceased to be a Director on 22 October 2010)	1 June 2004		

The fees of the Non-Executive Directors are determined by the Board. It is the Board's policy to set these fees according to recommendations made by the Chairman and Chief Executive and the Group Finance Director. Such recommendations are made with reference to external data on fee levels in similar businesses, having taken account of the responsibilities of individual Directors and their expected annual time commitment. The Non-Executive Directors are not eligible for any of the Company's variable pay arrangements.

The fees of the Non-Executive Directors were last reviewed in June 2010. As a result of this review the fees of the Non-Executive Directors were unchanged.

The following section provides details of the remuneration, pension and share plan interests of the Directors for the 52 week period ended 30 April 2011 and has been audited.

i) Directors' emoluments

The remuneration of the Directors for the year was as follows:

	Notes	Salary/Fees £000	Bonus £000	Pension supplement £000	Contributions to Group Personal Pension Plan £000	Benefits £000	**Total 2011 £000**	Total 2010 £000
Lord Harris	1,2	482	–	–	–	40	**522**	721
Martin Harris	2,3	280	–	56	–	31	**367**	380
Neil Page	2,4	280	–	–	56	29	**365**	479
Christian Sollesse	2,5	280	–	31	25	35	**371**	419
Baroness Noakes		51	–	–	–	–	**51**	51
Guy Weston		36	–	–	–	–	**36**	36
Alan Dickinson	6	19	–	–	–	–	**19**	–
Sandra Turner	6	19	–	–	–	–	**19**	–
Geoff Brady	7	12	–	–	–	–	**12**	36
Simon Metcalf	7	20	–	–	–	–	**20**	41
Total 2011		**1,479**	**–**	**87**	**81**	**135**	**1,782**	
Total 2010	2	1,440	513	18	52	140		2,163

1. Highest paid Director.
2. The bonus figures for the prior year have been restated to reflect amounts actually paid.
3. Martin Harris received a pension salary supplement, following the closure of the defined benefit Carpetright plc Pension Plan on 30 April 2010.
4. The total for 2010 includes a cash bonus of £45,000 paid on the first anniversary of his appointment in lieu of bonus arrangements with his previous employer.
5. Christian Sollesse received a pension salary supplement and contributions to the GPPP, following the closure of the defined benefit Carpetright plc Pension Plan on 30 April 2010
6. Part year only, since October 2010.
7. For 2011, part year only, to date of retirement from the Board.

No emoluments were waived during the period.

ii) Long term incentive plan

The table below shows the conditional awards granted under this plan:

Director	Date of Grant	As at 1 May 2010	Granted/(lapsed) in the year	Vested in the year	Outstanding at 30 April 2011	Share price at date of award (pence)	First exercise date	Last exercise date
Martin Harris	18 Sept 2009	59,480	–	–	59,480	853	Sept 2012	Mar 2013
	16 Sept 2010	–	37,837	–	37,837	740	Sept 2013	Mar 2014
Neil Page	18 Sept 2009	60,961	–	–	60,961	853	Sept 2012	Mar 2013
	16 Sept 2010	–	37,837	–	37,837	740	Sept 2013	Mar 2014
Christian Sollesse	18 Sept 2009	65,650	–	–	65,650	853	Sept 2012	Mar 2013
	16 Sept 2010	–	37,837	–	37,837	740	Sept 2013	Mar 2014

1. None of the 2009 awards vest if growth in underlying Earnings per Share ('EPS') is less than 25% per annum over the three financial years measured from the financial year immediately preceding the year in which the award is granted. For growth of 25% per annum, 30% of the award vests and for growth of 50% per annum, all of the award vests. For growth between these two points between 30% and 100% vests on a sliding scale.
2. None of the 2010 awards vest if growth in underlying EPS is less than 17.5% per annum over the three financial years measured from the financial year immediately preceding the year in which the award is granted. For growth of 17.5% per annum, 25% of the award vests and for growth of 35% per annum, all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale.
3. Neither the 2009 conditional award nor the 2010 conditional award is currently expected to vest.

Directors' remuneration report continued

iii) Sharesave options

At the end of the year, the Directors' SAYE share options were as follows:

	As at 1 May 2010	Granted during year	Lapsed during year	As at 30 April 2011	Exercise price pence	First exercise date	Last exercise date
Lord Harris	5,491	–	–	**5,491**	295	Apr 2014	Oct 2014
Martin Harris	5,491	–	–	**5,491**	295	Apr 2014	Oct 2014
Neil Page	5,491	–	–	**5,491**	295	Apr 2014	Oct 2014
Christian Sollesse[1]	5,491	–	–	**5,491**	295	Apr 2014	Oct 2014

1. An option of 5,491 shares was also granted to Mrs Caroline Sollesse, an employee of the Company.
2. The market price of Carpetright shares was 693.5 pence on 30 April 2011 (1 May 2010: 868 pence). During the period ended 30 April 2011, the shares of Carpetright plc traded between a low of 631 pence and a high of 842.5 pence.

iv) All Employee Share Ownership Plan (AESOP)

Carpetright operates an AESOP under which staff may contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. All of the Executive Directors, other than Claire Balmforth and Andy Corden, participate in the AESOP, contributing £125 per month. Claire Balmforth will be joining the AESOP with effect from July 2011. Andy Corden is not eligible to join the AESOP as he is resident in Belgium.

v) Directors' Pensions Benefits

Only the Executive Directors' basic salaries are pensionable. On 30 April 2010 the defined benefit Carpetright plc Pension Plan closed to future accrual. Martin Harris and Christian Sollesse are deferred members of the plan.

Details of pensions earned by the Executive Directors who are members of the Plan are shown below:

	Accrued Pension				Transfer Value		
	Pension accrued at 30 April 2011	Increase in accrued pension during the year	Increase in pension during the year net of inflation[1]	Cost to the Plan of the increase in pension in excess of contributions	**As at 30 April 2011**	As at 1 May 2010	Change in transfer value net of Directors' contributions [2]
	£000 pa	£000 pa	£000	£000	**£000**	£000	£000
Lord Harris[3]	**28**	–	–	–	**516**	524	(8)
Martin Harris	**17**	–	–	–	**215**	203	12
Christian Sollesse	**35**	1	–	–	**636**	594	42

1. The cost to the Plan of the increase represents the incremental value to the Director of his service during the period, calculated on service to 30 April 2010. It is based on the increase in accrued pension net of inflation after deducting the Director's contribution.
2. The total change in value includes the effects of fluctuations in the transfer value due to factors beyond the control of the Company and the Directors, such as stock market movements. It is calculated after deducting Directors' contributions.
3. Lord Harris has been in receipt of pension since September 2007.
4. During the period a former executive director, John Kitching, received an augmentation to his pension benefits of £386 pa.

Shareholder Approval

A resolution to approve the Remuneration Report is being proposed at the Annual General Meeting. The Chairman of the Remuneration Committee will be available at the Annual General Meeting.

By order of the Board:

Guy Weston
Chairman of the Remuneration Committee
27 J[illegible]e [illegible]

Other information

Directors' interests

The beneficial interests of those persons who were Directors as at 30 April 2011 and their immediate families in the ordinary shares of the Company are set out below.

	30 April 2011	1 May 2010
Lord Harris	12,568,122	12,567,874
Martin Harris	3,939,683	3,964,447
Neil Page	9,531	9.318
Christian Sollesse	42,886	42,396
Baroness Noakes	32,225	32,225
Guy Weston	12,000	12,000
Alan Dickinson	–	–
Sandra Turner	–	–

In addition, Lord Harris has a non-beneficial interest in 196,414 shares (2010: 229,514). 139,000 of these shares are included within Martin Harris's beneficial interests. The Executive Directors have an indirect interest in 27,869 shares held in trust to satisfy awards made under the LTIP. Save as disclosed in this section, none of the Directors has any non-beneficial interests in the shares of the Company.

Between 30 April 2011 and the date of this report 36 shares have been purchased for each of Lord Harris, Neil Page and Christian Sollesse, and 35 shares have been purchased for Martin Harris under the Company's AESOP. In addition, 35 shares were purchased for Mrs Sollesse under the AESOP and these form part of Christian Sollesse's beneficial holding. There have been no other changes to the above shareholdings.

Save as disclosed herein, no Director had a material interest in any contract or arrangement with the Company during the year, other than through their respective service contracts.

Details of transactions during the period with companies of which Lord Harris and/or Martin Harris is a Director and/or in which Lord Harris holds a material interest are noted below. All of these transactions are on normal commercial terms.

	Lease and concession agreement payments made		Lease and concession agreement payments received		Supplies of goods/services payments made	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Clacton Property Investments Ltd	17	233	–	–	–	–
Edinburgh Retail LLP	269	441	–	–	–	–
Glenrothes Retail LLP	28	187	–	–	–	–
Greenock Retail Ltd	225	225	–	–	–	–
Harris Ventures Ltd	62	199	–	375	33	59
Hull Unit Trust	357	354	–	–	–	–
Islandview Properties Ltd	–	248	–	–	–	–
Neath Retail LLP	2	150	–	–	–	–
Wick Retail Ltd	30	54	–	–	–	–

As at 30 April 2011 the Group owed related parties £11k (2010: £nil).

Directors' indemnity arrangements

The Company has provided qualifying third-party indemnities for the benefit of each Director and former Director who held office during the 2010/11 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout the 2010/11 financial year.

Creditors' payment policy

While the Group does not follow any formal code or standard on payment practice, it agrees terms and conditions for its business transactions when orders for goods and services are placed, and includes the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding at the period end for the Company was 52 days (2010: 57 days).

Other information continued

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as bank loan agreements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole except for:

- a term loan and revolving facilities agreement dated 19 March 2008, as amended and restated most recently on 27 June 2011, for term loans of €14m and £22m and a revolving credit facility of £45m, which provides that on a change of control all lenders' commitments are cancelled and all outstanding loans, together with accrued interest, will become immediately due and payable;
- a €5m term loan agreement dated 4 July 2005, subject to an addendum roll over agreement dated 6 June 2008, which provides that if there is a substantial change in ownership the bank is entitled to accelerate repayment of the loan; and
- under the Company's all-employee and discretionary share schemes, a change of control of the Company would normally be a vesting event, facilitating the exercise or transfer of awards, subject to any relevant performance conditions being satisfied.

The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company's share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

Share capital

Details of the Company's issued share capital can be found in note 24 to the consolidated financial statements. All of the Company's issued ordinary shares are fully paid up and rank equally in all respects.

The rights and obligations attaching to the Company's ordinary shares, in addition to those conferred on their holders by law, are contained in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. The holders of ordinary shares are entitled to receive the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the FSA's Listing Rules or the City Code on Takeovers and Mergers.

The Company is not aware of any agreements between shareholders that might result in the restriction of transfer or voting rights in relation to the shares held by such shareholders.

Shares acquired through Carpetright's employee share schemes rank equally with all other ordinary shares in issue and have no special rights. The Trustee of the Company's Employee Benefit Trust ('EBT') has waived its rights to dividends on shares held by the EBT and does not exercise its right to vote in respect of such shares. Shares held in trust on behalf of participants in the All Employee Share Ownership Plan are voted by the Trustee as directed by the participants. Details of share-based payments, including information regarding the shares held by the EBT, can be found in notes 24 and 25 to the financial statements on pages 60 and 61.

Substantial shareholdings

As at 27 June 2011, the Company has been notified of the following substantial shareholdings, other than those of the Directors, in the issued share capital of the Company:

	Total number of shares held	Percentage of shares held
Franklin Templeton Institutional, LLC	10,753,942	16.0%
The Olayan Group	10,099,000	15.0%
Harris Associates Inc	6,734,429	10.0%
Cascade Investments LLP	4,040,857	6.0%
Artisan Partners LP	3,480,472	5.2%
A H Palmer and E A O'Keeffe as joint trustees[1]	2,623,000	3.9%

1. Of these shares, 793,000 are held on behalf of Martin Harris and so are also included in his reported holding on page 25.

Other information continued

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the business review, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Director's Report, including the Statement of Directors' responsibilities, has been approved by the Board.

By order of the Board

Lord Harris
Chairman and Chief Executive
27 June 2011

Financial statements
Consolidated income statement

for 52 weeks ended 30 April 2011

	Notes	Group 52 weeks to 30 April 2011 £m	Group 52 weeks to 1 May 2010 £m
Revenue	2	**486.8**	516.6
Cost of sales		**(188.8)**	(200.6)
Gross profit	2	**298.0**	316.0
Other operating income		**3.9**	2.4
Administration expenses		**(291.0)**	(290.2)
Operating profit	2,3	**10.9**	28.2
Underlying operating profit	2	**21.2**	34.1
Exceptional items	2,5	**(10.3)**	(5.9)
Finance costs	6	**(5.4)**	(6.8)
Finance income	6	**1.1**	0.9
Profit before tax		**6.6**	22.3
Tax	7	**(2.0)**	(6.5)
Profit for the financial period attributable to equity shareholders of the Company		**4.6**	15.8
Basic earnings per share (pence)	9	**6.8**	23.5
Diluted earnings per share (pence)	9	**6.9**	23.5

All material items in the income statement arise from continuing operations.

Consolidated statement of comprehensive income

for 52 weeks ended 30 April 2011

	Notes	Group 52 weeks to 30 April 2011 £m	Group 52 weeks to 1 May 2010 £m
Profit for the financial period		**4.6**	15.8
Actuarial gain/(loss) on defined benefit pension scheme	22	**0.4**	(3.0)
Exchange gain/(loss) in respect of hedged equity investments		**2.4**	(1.7)
Tax on components of other comprehensive income	7	**(0.4)**	0.6
Other comprehensive income for the period		**2.4**	(4.1)
Total comprehensive income for the period attributable to equity shareholders of the Company		**7.0**	11.7

Consolidated statement of changes in equity

for 52 weeks ended 30 April 2011

Group

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 2 May 2009	0.7	15.4	(0.1)	0.1	11.9	(2.3)	41.5	67.2
Total comprehensive income for the financial period	–	–	–	–	(1.7)	1.1	12.3	11.7
Purchase of own shares by Employee Benefit Trust	–	–	(0.2)	–	–	–	–	(0.2)
Transfer of Treasury shares to participants	–	–	0.1	–	–	–	(0.1)	–
Share based payments and related tax	–	–	–	–	–	–	0.6	0.6
Dividends paid to Group shareholders	–	–	–	–	–	–	(8.1)	(8.1)
At 1 May 2010	**0.7**	**15.4**	**(0.2)**	**0.1**	**10.2**	**(1.2)**	**46.2**	**71.2**
Total comprehensive income for the financial period	**–**	**–**	**–**	**–**	**2.4**	**1.1**	**3.5**	**7.0**
Purchase of own shares by Employee Benefit Trust	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Share based payments and related tax	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Dividends paid to Group shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(10.8)**	**(10.8)**
At 30 April 2011	**0.7**	**15.4**	**(0.3)**	**0.1**	**12.6**	**(0.1)**	**38.6**	**67.0**

Company

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 2 May 2009	0.7	15.4	(0.1)	0.1	(2.6)	(2.3)	38.4	49.6
Profit for the financial period	–	–	–	–	–	1.1	0.8	1.9
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	–	(3.0)	(3.0)
Exchange gain in respect of hedged equity investments	–	–	–	–	0.3	–	–	0.3
Tax on components of other comprehensive income	–	–	–	–	–	–	0.6	0.6
Other comprehensive income for the period	–	–	–	–	0.3	–	(2.4)	(2.1)
Total comprehensive income for the financial period	–	–	–	–	0.3	1.1	(1.6)	(0.2)
Purchase of own shares by Employee Benefit Trust	–	–	(0.2)	–	–	–	–	(0.2)
Transfer of Treasury shares to participants	–	–	0.1	–	–	–	(0.1)	–
Share based payments and related tax	–	–	–	–	–	–	0.6	0.6
Dividends paid to Group shareholders	–	–	–	–	–	–	(8.1)	(8.1)
At 1 May 2010	**0.7**	**15.4**	**(0.2)**	**0.1**	**(2.3)**	**(1.2)**	**29.2**	**41.7**
Profit/(loss) for the financial period	**–**	**–**	**–**	**–**	**–**	**1.1**	**(2.3)**	**(1.2)**
Actuarial gain on defined benefit pension scheme	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Exchange gain in respect of hedged equity investments	**–**	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
Tax on components of other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**0.3**	**–**	**–**	**0.3**
Total comprehensive income for the financial period	**–**	**–**	**–**	**–**	**0.3**	**1.1**	**(2.3)**	**(0.9)**
Purchase of own shares by Employee BenefitTrust	**–**	**–**	**(0.1)**	**–**	**–**	**–**	**–**	**(0.1)**
Share based payments and related tax	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Dividends paid to Group shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(10.8)**	**(10.8)**
At 30 April 2011	**0.7**	**15.4**	**(0.3)**	**0.1**	**(2.0)**	**(0.1)**	**15.8**	**29.6**

The notes on pages 33 to 65 form an integral part of the financial statements.

Consolidated balance sheets

as at 30 April 2011

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 (restated) £m
Assets					
Non-current assets					
Intangible assets	10	**65.8**	67.2	**35.1**	37.1
Property, plant and equipment	11	**147.4**	149.5	**96.3**	97.8
Investment property	12	**26.1**	26.1	**7.7**	7.7
Investment in subsidiary undertakings	13	**–**	–	**16.8**	15.4
Deferred tax assets	21	**2.9**	2.9	**–**	–
Trade and other receivables	15	**1.1**	1.4	**46.9**	51.2
Total non-current assets		**243.3**	247.1	**202.8**	209.2
Current assets					
Inventories	14	**38.7**	41.3	**30.5**	32.4
Trade and other receivables	15	**32.8**	38.1	**26.9**	31.1
Cash and cash equivalents	16	**8.3**	8.3	**4.7**	3.6
Total current assets		**79.8**	87.7	**62.1**	67.1
Total assets		**323.1**	334.8	**264.9**	276.3
Liabilities					
Current liabilities					
Trade and other payables	17	**(105.3)**	(114.2)	**(89.0)**	(95.8)
Obligations under finance leases	18	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Borrowings and overdrafts	19	**(21.3)**	(22.2)	**(16.8)**	(17.9)
Current tax liabilities		**(2.1)**	(5.6)	**(1.2)**	(4.7)
Total current liabilities		**(128.8)**	(142.1)	**(107.1)**	(118.5)
Non-current liabilities					
Trade and other payables	17	**(35.4)**	(34.2)	**(51.4)**	(43.9)
Obligations under finance leases	18	**(2.9)**	(2.9)	**(1.9)**	(1.9)
Borrowings	19	**(49.6)**	(53.3)	**(45.1)**	(49.0)
Derivative financial instruments	23	**(0.1)**	(1.1)	**(0.1)**	(1.1)
Provisions for liabilities and charges	20	**(9.1)**	(1.8)	**(9.1)**	(1.8)
Deferred tax liabilities	21	**(26.2)**	(23.4)	**(16.6)**	(13.6)
Retirement benefit obligations	22	**(4.0)**	(4.8)	**(4.0)**	(4.8)
Total non-current liabilities		**(127.3)**	(121.5)	**(128.2)**	(116.1)
Total liabilities		**(256.1)**	(263.6)	**(235.3)**	(234.6)
Net assets		**67.0**	71.2	**29.6**	41.7
Equity					
Share capital	24	**0.7**	0.7	**0.7**	0.7
Share premium	24	**15.4**	15.4	**15.4**	15.4
Treasury shares	24	**(0.3)**	(0.2)	**(0.3)**	(0.2)
Other reserves		**51.2**	55.3	**13.8**	25.8
Total equity attributable to equity shareholders of the Company		**67.0**	71.2	**29.6**	41.7

The notes on pages 33 to 65 form an integral part of the financial statements.

These financial statements from pages 29 to 65 were approved by the Board of Directors on 27 June 2011 and were signed on its behalf by:

Lord Harris of Peckham **Neil Page**
Directors

Consolidated statements of cash flow

for 52 weeks ended 30 April 2011

	Notes	**Group 52 weeks to 30 April 2011 £m**	Group 52 weeks to 1 May 2010 £m	**Company 52 weeks to 30 April 2011 £m**	Company 52 weeks to 1 May 2010 £m
Cash flows from operating activities					
Profit before tax		**6.6**	22.3	**(0.8)**	6.0
Adjusted for:					
Depreciation and amortisation	2,3	**15.5**	19.1	**12.1**	15.3
(Profit)/loss on property disposals		**(0.5)**	0.7	**(0.5)**	0.7
Exceptional non-cash items		**10.8**	3.5	**10.7**	12.7
Other non-cash items		**(0.2)**	(0.5)	**(0.3)**	(0.5)
Net finance costs	6	**4.3**	5.9	**4.3**	5.6
Operating cash flows before movements in working capital		**36.5**	51.0	**25.5**	39.8
(Increase)/decrease in inventories		**2.9**	1.5	**2.0**	(0.8)
(Increase)/decrease in trade and other receivables		**5.9**	(3.8)	**9.4**	(4.8)
Increase/(decrease) in trade and other payables		**(13.2)**	9.6	**(11.4)**	11.9
Cash generated by operations		**32.1**	58.3	**25.5**	46.1
Interest paid		**(5.0)**	(7.0)	**(4.6)**	(6.5)
Corporation taxes paid		**(2.7)**	(9.9)	**(0.8)**	(7.5)
Net cash generated from operating activities		**24.4**	41.4	**20.1**	32.1
Cash flows from investing activities					
Purchases of intangible assets		**(0.5)**	(1.1)	**(0.5)**	(1.1)
Purchases of property, plant and equipment and investment property		**(9.9)**	(9.0)	**(8.4)**	(7.4)
Proceeds on disposal of property, plant and equipment and investment property		**0.9**	0.5	**0.9**	0.5
Interest received		**0.1**	0.2	**0.2**	–
Net cash used in investing activities		**(9.4)**	(9.4)	**(7.8)**	(8.0)
Cash flows from financing activities					
Purchase of Treasury shares by Employee Benefit Trust	24	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Repayment of borrowings	29	**(13.2)**	(43.6)	**(13.2)**	(35.5)
New loans advanced	29	**12.5**	2.7	**12.5**	–
Intercompany loans		**–**	–	**5.3**	5.1
Repayment of obligations under finance leases		**–**	(0.9)	**–**	(0.9)
Dividends paid to Group shareholders	8	**(10.8)**	(8.1)	**(10.8)**	(8.1)
Net cash used in financing activities		**(11.6)**	(50.1)	**(6.3)**	(39.6)
Net increase/(decrease) in cash and cash equivalents in the period	29	**3.4**	(18.1)	**6.0**	(15.5)
Cash and cash equivalents at the beginning of the period		**(5.0)**	13.0	**(5.4)**	10.5
Exchange differences		**0.9**	0.1	**(0.4)**	(0.4)
Cash and cash equivalents at the end of the period	16,29	**(0.7)**	(5.0)	**0.2**	(5.4)

The notes on pages 33 to 65 form an integral part of the financial statements.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of overdrafts repayable on demand. Overdrafts are excluded from the definition of cash and cash equivalents disclosed in the balance sheet.

Notes to the accounts

1 Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

Basis of preparation

The financial statements of the Group are made up to the Saturday nearest to 30 April. The financial year for 2011 represents the 52 weeks ended 30 April 2011. The comparative financial year for 2010 was 52 weeks ended 1 May 2010.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union, together with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, pension assets and liabilities and share based payments which are measured at fair value.

Basis of consolidation

The consolidated financial statements include the Company and its subsidiary undertakings. The acquisition of subsidiaries is accounted for using the purchase method. The results of subsidiaries acquired or disposed of in the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal respectively.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes to accounting standards

The following new standards and amendments to standards, which are mandatory for the first time in the financial year beginning 2 May 2010, are relevant for the Group but have not had any impact in the current financial year:

IFRS 3 (revised)	Business combinations
IAS 27 (revised)	Consolidated and separate financial statements
IAS 38 (amendment)	Intangible assets
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations
IAS 36 (amendment)	Impairment of assets
IFRS 2 (amendments)	Group cash-settled share based payment transactions
IAS 32 (amendment)	Classification of rights issues

The following IFRIC interpretations, which are mandatory for the first time in the financial year beginning 2 May 2010, are either not currently relevant or material for the Group:

IFRIC 16, 'Hedges of net investment in a foreign operation'
IFRIC 17, 'Distribution of non-cash assets to owners'
IFRIC 18, 'Transfer of assets from customers'

Where applicable comparative amounts have been restated to conform with current presentation.

Prior year adjustment

In 2009/10 the Company accounted for the transfer of businesses from subsidiary undertakings. The balance of investment in subsidiaries in excess of the net asset value remaining in the subsidiary should have been transferred to goodwill within the Company. The 2009/10 Company balance sheet has been restated to include the transfer of £21.0m from investment in subsidiaries to goodwill.

Exchange differences

The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the opening rate for the month in which the transaction occurs which is used as a reasonable approximation to the rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period except where they are part of a net foreign investment hedge when they are recognised in equity.

On consolidation the assets and liabilities of the Group's foreign operations are translated at the rate of exchange ruling at the balance sheet date. Income and expenses of foreign operations are translated at the average rate during the period. Differences on translation are recognised as a separate component of equity. On disposal of a foreign operation the cumulative exchange differences for that operation are recognised in the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of that operation and are translated at the rate ruling at the balance sheet date.

1 Principal accounting policies continued

Segment reporting

Segmental information is presented using a 'management approach' on the same basis as that used for internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the Board of Directors.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for the provision of goods and services to customers outside the Group net of returns, sales allowances and value added and other sales based taxes. Revenue from goods and services is recognised at the point the Group fulfils its commercial obligations to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured.

Share based payments

The Group issues equity-settled share based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense and is calculated using Black-Scholes and Monte Carlo models. The value of the charge is adjusted to reflect expected and actual levels of options vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and performance conditions that are included in the assumptions about the number of options which are expected to become exercisable.

At each balance sheet date, the Group revises its estimates of the number of options which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the vesting period.

Impairment

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for indications of impairment at each balance sheet date. If there is an indication of impairment the recoverable amount of either the asset or the cash-generating unit to which it belongs is estimated. Cash-generating units are used where an individual asset does not generate cash flows which are independent of other assets. The recoverable amount of a non-financial asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash-generating unit.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of impairment at each reporting date.

Other operating income

Rental income earned on investment property is recognised, in other operating income, in accordance with the substance of the relevant rental agreements.

Profits or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the net carrying value at the date of sale. Disposals are accounted for when there has been an unconditional exchange of contracts except where payment or completion is expected to occur significantly after exchange.

Exceptional items

Profits/losses on property disposals and non-recurring transactions which are material by virtue of their size or incidence such as major reorganisation costs and impairments are disclosed as exceptional items.

Tax

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income.

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax is calculated at the rates of tax that are expected to apply when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date, and is not discounted.

Tax is charged or credited directly to equity if it relates to items that are credited or charged to equity; it is otherwise recognised in the income statement.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, paid.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity. Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Purchased brand names and other intangible assets are capitalised at cost. Acquired software licences and software development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation of intangible assets is calculated to write off the cost of the asset, on a straight line basis, over its expected useful life. The expected useful lives generally applicable are:

Brands	20 years
Computer software	5 to 10 years

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and any provisions for impairment in value.

Depreciation is provided to write down the cost of property, plant and equipment, on a straight line basis, to their estimated residual values over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives and residual values of assets are reviewed annually.

The estimated useful lives by asset category that are generally applicable are:

Freehold and long leasehold buildings	50 years
Short leasehold buildings	The shorter of the period of the lease and the estimated useful life
Fixtures and fittings	7 to 15 years
Computers	5 to 7 years
Motor vehicles	4 years
Other plant and machinery	7 to 10 years

Borrowing costs

Gross interest costs incurred on the financing of major projects are capitalised until the time that the assets are available for use. Unless a specific borrowing is taken out to finance the asset, interest is capitalised using the weighted average interest rate of all non specific borrowings. Where a specific borrowing is taken out to finance the asset interest is capitalised at the rate applicable to that borrowing.

1 Principal accounting policies continued

Investment property

Property that is held to earn rental income and for capital appreciation is separately disclosed as investment property. Investment property is carried at depreciated historical cost. Depreciation rates and useful lives of investment property are the same as those for property, plant and equipment.

Leasing commitments

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in fixed assets and the resulting lease obligations are included in creditors. The assets are depreciated over the shorter of their useful lives and the period of the lease. The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease. Premiums payable, rent free periods and contributions receivable on entering an operating lease are released to income on a straight line basis over the lease term.

Investment in subsidiaries

The Company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses. Income from investments is recognised in the income statement to the extent that post-acquisition profits are received. Distributions of pre-acquisition profits reduce the cost of the investment.

Inventories

Inventories are valued at the lower of weighted average cost and net realisable value. Net realisable value is based on estimated selling prices less further costs to be incurred to disposal. Provisions are made for obsolescence, mark down and shrinkage based on actual losses, ageing of inventories and sales trends.

Rebates receivable from suppliers

Volume related rebates receivable from suppliers are credited to the carrying value of the inventory to which they relate. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Trade receivables and payables

Trade receivables and payables are initially recognised at fair value and subsequently adjusted to the amount receivable or payable. Receivables are stated net of a provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, deposits repayable on demand and highly liquid investments. For the purposes of the cash flow statement, cash and cash equivalents also includes bank overdrafts which are shown within borrowings and overdrafts in current liabilities on the balance sheet.

Bank loans and overdrafts

Bank loans and overdrafts are initially recognised at fair value less directly attributable transaction costs. Interest bearing loans are subsequently measured at amortised cost using the effective interest rate model.

Provisions

A provision is recognised where the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are calculated on a discounted basis when appropriate.

Retirement benefit obligation

The Group operates defined benefit and defined contribution schemes and also participates in a multi-employer pension scheme in respect of its employees in The Netherlands. The assets and liabilities of all schemes are held separately from those of the Group. The Group is unable to identify its share of the assets and liabilities of the multi-employer scheme and, therefore, accounts for this scheme as a defined contribution scheme.

The cost of providing benefits under the defined benefit schemes is determined using the projected unit method, with actuarial valuations being carried out at each balance sheet date. The net retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation less the fair value of the scheme assets at the balance sheet date.

Actuarial gains and losses are recognised in full, directly in equity in the period in which they occur and are presented in other comprehensive income.

Other income and expenses associated with the defined benefit scheme are recognised in the income statement.

The pension cost of defined contribution schemes is charged in the income statement as incurred.

Financial instruments

Derivative financial instruments

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates and changes in interest rates. In accordance with its Treasury policy, the Group does not enter into derivatives for speculative purposes.

Derivatives are stated at their fair value. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting

Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the income statement. When the asset or liability for the hedged transaction is recognised in the balance sheet, the associated gain or loss on the hedging instrument previously recognised in other comprehensive income is included in the carrying amount of the hedged asset or liability. Gains or losses realised on cash flow hedges are then recognised in the income statement in the same period as the hedged item.

Where the Group hedges net investments in foreign entities through currency borrowings the gains or losses on the retranslation of the borrowings are recognised in equity.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the income statement.

Notes to the accounts continued

1 Principal accounting policies continued

Critical estimates and judgements

The preparation of consolidated financial statements under IFRSs requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

Impairment of assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or cash-generating unit is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

Retirement benefits

The present value of the defined benefit liabilities recognised in the balance sheet is dependent on the interest rates of high quality corporate bonds. The net financing charge is dependent on both the interest rates of high quality corporate bonds and the assumed investment returns on scheme assets. Other key assumptions for pension obligations, including mortality rates, are based in part on current market conditions.

New standards and interpretations

New standards and interpretations of existing standards that are not yet effective and have not been early adopted by the Group

At 30 April 2011 the following new standard which is expected to be relevant to the Group was issued but is not yet effective.

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after 1 January 2013). The standard introduces new requirements for classifying and measuring financial instruments. This is still subject to endorsement by the European Union, but is currently expected to be applied to the Group's 2013/14 financial statements.

2 Segmental analysis

The operating segments have been determined based on reports reviewed by the Board that are used to make strategic decisions. Following the closure of the Polish operation in 2010 the management structure for Europe changed. The Netherlands and Belgium were managed as a combined business by a single management team who had no other responsibilities. Information is presented to the Board of Carpetright plc (the Chief Operating Decision Maker) on a combined basis. As a result it is considered that the combined business forms a single reportable operating segment under IFRS 8. The comparative segmental information has been restated to the new basis.

The reportable operating segments derive their revenue primarily from the retail of floor coverings and beds. Central costs are incurred principally in the UK and are immaterial. As such these costs are included within the UK & RoI segment. Sales between segments are carried out at arm's length.

The segment information provided to the Board for the reportable segments for the 52 weeks ended 30 April 2011 is as follows:

	52 weeks to 30 April 2011			52 weeks to 1 May 2010			
	UK & RoI £m	Europe £m	Group £m	UK & RoI £m	Europe £m	Poland £m	Group £m
Gross revenue	408.3	82.3	490.6	428.8	89.2	2.2	520.2
Inter-segment revenue	(3.8)	–	(3.8)	(3.6)	–	–	(3.6)
Revenues from external customers	404.5	82.3	486.8	425.2	89.2	2.2	516.6
Gross profit	250.8	47.2	298.0	263.7	51.6	0.7	316.0
Underlying operating profit	14.4	6.8	21.2	26.2	9.6	(1.7)	34.1
Exceptional items	(10.3)	–	(10.3)	(2.4)	–	(3.5)	(5.9)
Operating profit	4.1	6.8	10.9	23.8	9.6	(5.2)	28.2
Finance income	1.1	–	1.1	0.9	–	–	0.9
Intercompany interest	(0.3)	0.3	–	–	0.1	(0.1)	–
Finance costs	(5.3)	(0.1)	(5.4)	(6.6)	(0.2)	–	(6.8)
Profit before tax	(0.4)	7.0	6.6	18.1	9.5	(5.3)	22.3
Tax	(0.5)	(1.5)	(2.0)	(4.3)	(2.2)	–	(6.5)
Profit for the financial period	(0.9)	5.5	4.6	13.8	7.3	(5.3)	15.8
Segment assets:							
Segment assets	225.4	109.2	334.6	244.3	105.3	2.7	352.3
Inter-segment balances	–	(11.5)	(11.5)	(11.4)	(5.3)	(0.8)	(17.5)
Balance sheet total assets	225.4	97.7	323.1	232.9	100.0	1.9	334.8
Segment liabilities:							
Segment liabilities	(233.4)	(34.2)	(267.6)	(232.9)	(37.9)	(10.3)	(281.1)
Inter-segment balances	11.5	–	11.5	5.2	2.4	9.9	17.5
Balance sheet total liabilities	(221.9)	(34.2)	(256.1)	(227.7)	(35.5)	(0.4)	(263.6)
Other segmental items:							
Depreciation and amortisation	12.5	3.0	15.5	15.5	3.4	0.2	19.1
Additions to non-current assets	11.7	1.4	13.1	6.5	1.6	–	8.1

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £396.6m (2010 : £416.5m) and the total revenue from external customers from other countries is £90.2m (2010 : £100.1m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £161.6m (2010 : £175.8m) and the total of those located in other countries is £90.3m (2010 : £89.0m).

Carpetright's trade has historically shown no distinct pattern of seasonality with trade cycles more closely following economic indicators such as consumer confidence and mortgage approvals.

3 Operating profit, analysis of costs by nature

Operating profit is stated after charging/(crediting):

	Notes	Group 2011 £m	Group 2010 £m
Rental income earned on investment property		**(2.4)**	(2.6)
Cost of inventories recognised as an expense in cost of sales		**166.1**	175.6
Operating lease rentals			
Minimum lease payments in respect of land and buildings		**93.6**	93.0
Minimum lease payments in respect of plant and machinery		**1.7**	1.7
Sublease rental income		**(2.9)**	(4.0)
Auditors' remuneration			
Fees payable to the Company's auditors for the audit of the Company's annual financial statements		**0.3**	0.3
Staff costs	4	**102.1**	106.6
Impairment of fixed assets			
Charged in administration expenses	5	**2.0**	3.2
Amortisation of intangible assets			
Charged in administration expenses	10	**2.4**	3.6
Depreciation of property, plant and equipment			
Owned assets			
Charged in cost of sales	11	**0.1**	–
Charged in administration expenses	11	**12.5**	14.4
Under finance leases			
Charged in cost of sales		**–**	0.7
Charged in administration expenses	11	**0.1**	0.1
Depreciation of investment property			
Charged in administration expenses	12	**0.4**	0.3

4 Staff costs

The average number of persons (full-time equivalents) employed by the Group (including Directors) was as follows:

	Group 2011 Number	Group 2010 Number	Company 2011 Number	Company 2010 Number
Stores	**2,889**	3,115	**2,367**	2,532
Central support office and warehouse	**395**	379	**344**	329
	3,284	3,494	**2,711**	2,861

The aggregate employment costs of employees and Directors were as follows:

	Note	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Wages and salaries (including short term employee benefits)		**90.9**	94.7	**73.0**	75.2
Social security costs		**9.3**	9.6	**7.0**	7.2
Post-employment benefits					
Defined benefit	22	**–**	(0.2)	**–**	(0.2)
Defined contribution		**2.2**	2.0	**1.0**	0.8
Share based payments	25	**(0.3)**	0.5	**(0.3)**	0.5
		102.1	106.6	**80.7**	83.5

Wages and salaries include short term employee benefits as defined in IAS 19, with the exception of costs associated with the Group's pension schemes. Post-employment benefits include costs associated with the Group's pension schemes with the exception of net interest costs and the actuarial gain on the defined benefit pension scheme and are included in administration expenses. Share based payments comprise the cost of awards in respect of employee share schemes in accordance with IFRS 2. These costs are explained in note 25.

The employment costs of key management[1] were as follows:

	Group 2011 £m	Group 2010 £m
Salaries (including short term employee benefits)	3.9	3.9
Social security costs	0.4	0.5
Post employment benefits	0.3	0.3
Share based payments	(0.2)	0.5
	4.4	5.2

1. Key management comprises Group Directors and those senior officers of the Group responsible for planning, directing or controlling Group activities.

During the year the Executive Directors realised no gains (2010: £0.2m) on the vesting of awards made under the Long Term Incentive Plan. Details of any gains, share options and other Directors' remuneration are disclosed in the Directors' remuneration report on pages 20 to 24.

5 Exceptional items

	Notes	Group 2011 £m	Group 2010 £m
Profits/(loss) on property disposals		0.5	(0.7)
UK & RoI impairment of property, plant and equipment	10, 11	(2.0)	(1.4)
Onerous lease provision	20	(8.8)	(1.4)
Poland:			
Impairment of property, plant and equipment	11	–	(1.8)
Closure costs		–	(1.7)
Over provision for pre-opening costs of the central warehouse facility		–	1.1
		(10.3)	(5.9)

The onerous lease provision relates to 26 properties in the UK & RoI that are not trading and are either empty or leased at below the passing rent. The provision covers the period until full cost recovery is expected.

6 Net finance costs

	Notes	Group 2011 £m	Group 2010 £m
Finance costs			
Interest on borrowings and overdrafts		(4.5)	(6.0)
Fees amortisation		(0.5)	(0.5)
Gains on hedging instruments		1.0	1.1
Interest on obligations under finance leases		(0.2)	(0.2)
Interest on pension scheme obligations	22	(1.1)	(1.0)
Other interest payable		(0.1)	(0.2)
		(5.4)	(6.8)
Finance income			
Expected return on pension scheme assets	22	1.1	0.9
		1.1	0.9
Net finance costs		(4.3)	(5.9)

7 Tax

(i) Analysis of the charge in the period

	Group 2011 £m	Group 2010 £m
UK current tax	**2.0**	4.4
Overseas current tax	**1.5**	1.6
Total current tax	**3.5**	6.0
UK deferred tax	**(1.4)**	(0.1)
Overseas deferred tax	**(0.1)**	0.6
Total deferred tax	**(1.5)**	0.5
Total tax charge in the income statement	**2.0**	6.5

The income statement has been credited with tax of £1.7m (2010: £0.4m) in respect of exceptional items and £1.1m in respect of exceptional tax arising from the impact of the change in tax rates on deferred tax.

(ii) Reconciliation of profit before tax to total tax

	Group 2011 £m	Group 2010 £m
Profit before tax	**6.6**	22.3
Tax charge at UK Corporation Tax rate of 28% (2010: 28%)	**1.8**	6.2
Adjusted for the effects of:		
Overseas tax rates	**(0.2)**	(0.3)
Adjustment for the impact of changes in tax rates on deferred tax	**(1.1)**	–
Non-qualifying depreciation	**0.6**	0.9
Other permanent differences	**0.6**	0.3
Adjustments in respect of prior periods	**0.3**	(0.6)
Total tax charge in the income statement	**2.0**	6.5

The weighted average annual effective tax rate for the period is 30.4% (2010: 29.5%). The increase arises primarily from one-off charges in the year not subject to tax and the disproportionate effect of permanently disallowable items on the reduced level of profit, offset by the credit arising from the impact of the change in tax rates on deferred tax.

(iii) Tax on items taken directly to or transferred from equity

	Group 2011 £m	Group 2010 £m
Deferred tax on actuarial gains, recognised in other comprehensive income	**0.4**	0.6
Deferred tax on share based payments	**–**	0.1
Total tax recognised in equity	**0.4**	0.7

The March 2011 Budget Statement announced that the Corporation tax rate would reduce from 28% to 26% from 1 April 2011. This change was substantively enacted on 29 March 2011 and has been incorporated into the financial statements. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year and would have the effect of reducing the deferred tax liability provided at 30 April 2011. The Directors do not anticipate that these changes will materially change the deferred tax position presented in these financial statements.

8 Dividends

Group and Company	2011 Pence per share	2011 £m	2010 Pence per share	2010 £m
Prior year final dividend paid	8.0	5.4	4.0	2.7
Current year interim dividend paid	8.0	5.4	8.0	5.4
	16.0	10.8	12.0	8.1

The Directors decided that no final dividend will be paid (2010: 8.0 pence per share: £5.4m).

This leaves the 2011 interim and final dividend payments at 8.0 pence per share amounting to £5.4m (2010: 16.0 pence; £10.8m).

9 Earnings per share

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by the Group's Employee benefit Trust (see note 25) which are treated as cancelled.

In order to compute diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Those share options granted to employees and Executive Directors, where the exercise price is less than the average market price of the Company's ordinary shares during the period, represent potentially dilutive ordinary shares.

	52 weeks ended 30 April 2011			52 weeks ended 1 May 2010		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	4.6	67.2	6.8	15.8	67.2	23.5
Effect of dilutive share options	0.1	0.4	0.1	0.1	0.4	–
Diluted earnings per share	4.7	67.6	6.9	15.9	67.6	23.5

Reconciliation of earnings per share excluding post tax profit on exceptional items:

	52 weeks ended 30 April 2011			52 weeks ended 1 May 2010		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	4.6	67.2	6.8	15.8	67.2	23.5
Adjusted for the effect of exceptional items:						
Exceptional items	10.3		15.3	5.9		8.7
Tax thereon	(1.7)		(2.5)	(0.5)		(0.6)
Exceptional tax benefit from tax rate change	(1.1)		(1.6)	–		–
Underlying earnings per share	12.1	67.2	18.0	21.2	67.2	31.6

The Directors have presented an additional measure of earnings per share based on underlying earnings. This is in accordance with the practice adopted by most major retailers. Underlying earnings is defined as profit excluding exceptional items and related tax.

Notes to the accounts continued

10 Intangible assets

Group

	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost:				
At 2 May 2009	55.4	23.5	0.1	79.0
Exchange differences	(0.7)	–	–	(0.7)
Additions	–	0.3	–	0.3
Disposals	–	(0.1)	–	(0.1)
At 1 May 2010	**54.7**	**23.7**	**0.1**	**78.5**
Exchange differences	**0.6**	**–**	**–**	**0.6**
Additions	**–**	**0.5**	**–**	**0.5**
At 30 April 2011	**55.3**	**24.2**	**0.1**	**79.6**
Accumulated amortisation and impairment:				
At 2 May 2009	0.5	7.2	0.1	7.8
Exchange differences	–	(0.1)	–	(0.1)
Amortisation	–	3.6	–	3.6
At 1 May 2010	**0.5**	**10.7**	**0.1**	**11.3**
Impairment	**–**	**0.1**	**–**	**0.1**
Amortisation	**–**	**2.4**	**–**	**2.4**
At 30 April 2011	**0.5**	**13.2**	**0.1**	**13.8**
Net book value:				
At 30 April 2011	**54.8**	**11.0**	**–**	**65.8**
At 1 May 2010	54.2	13.0	–	67.2

The Company revised the expected lives of store software assets from the beginning of the year. The reduction in the amortisation recognised in administration expenses for the current and future years is £1.2m.

Goodwill is not amortised. Instead it is subject to an impairment review at each reporting date or more frequently if there is an indication that it may be impaired. Other intangibles are amortised and also tested for impairment when there is an indication that the asset may be impaired. Goodwill impairment, intangible amortisation and impairment and reversals thereof are recognised in full in administration expenses in the income statement during the period in which they are identified. Goodwill is allocated to the cash generating units to which it relates.

Group goodwill comprises purchased goodwill in respect of the following business acquisitions:

Subsidiary	Acquisition date	2011 £m	2010 £m
Carpetland BV	2002	**20.0**	19.5
Mays Holdings Ltd	June 2005	**4.7**	4.7
Storey Carpets Ltd	May 2007	**15.3**	15.3
Melford Commercial Properties Ltd	March 2008	**6.9**	6.9
Ben de Graaff	July 2008	**5.0**	4.9
Sleepright UK Ltd	December 2008	**2.9**	2.9
Total goodwill		**54.8**	54.2

Goodwill is impaired if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. In the absence of a recent market transaction the recoverable amount is determined from value in use calculations. These calculations are based on 10 year profit projections, the same period used by the Group for appraising the potential of business acquisitions, adjusted for non-cash items, planned working capital movements, capital expenditure and the expected value of the business at the end of the period. The cash flow projections for the initial three year period are based on financial budgets and plans approved by the Board. The key drivers are like-for-like sales growth, gross margin percentage and anticipated cost inflation. Cash flows beyond the plan period are extrapolated at a constant growth rate of 2.5% (2010: 2.5%). The growth rate is in line with long term growth rates of the countries in which the Group operates. The pre-tax discount rate applied to cash flow projections is 8.0% (2010: 8.3%) and is based on the Group's weighted average cost of capital adjusted to reflect the risks of the businesses acquired. Based on these calculations goodwill is not impaired. An increase of 1% in the discount rate would not change the outcome of these calculations. An increase of 3% in the discount rate would be required before any material impairment of goodwill would be indicated.

Company

	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost:				
At 2 May 2009	–	23.4	0.1	23.5
Additions	3.1	0.3	–	3.4
At 1 May 2010	**3.1**	**23.7**	**0.1**	**26.9**
Prior year adjustment for goodwill on transfer of subsidiary businesses	**21.0**	**–**	**–**	**21.0**
At 1 May 2010 restated	**24.1**	**23.7**	**0.1**	**47.9**
Additions	**–**	**0.5**	**–**	**0.5**
At 30 April 2011	**24.1**	**24.2**	**0.1**	**48.4**
Accumulated amortisation and impairment:				
At 2 May 2009	–	7.2	0.1	7.3
Exchange differences	–	(0.1)	–	(0.1)
Amortisation	–	3.6	–	3.6
At 1 May 2010	**–**	**10.7**	**0.1**	**10.8**
Impairment	**–**	**0.1**	**–**	**0.1**
Amortisation	**–**	**2.4**	**–**	**2.4**
At 30 April 2011	**–**	**13.2**	**0.1**	**13.3**
Net book value:				
At 30 April 2011	**24.1**	**11.0**	**–**	**35.1**
At 1 May 2010 restated	24.1	13.0	–	37.1

Company goodwill comprises purchased goodwill arising on the transfer of businesses from subsidiaries to the parent company in respect of Mays Carpets Ltd – £4.7m; Storey Carpets Ltd – £15.7m; Carpetworld (Manchester) Ltd – £0.8m and Sleepright UK Ltd – £2.9m.

Notes to the accounts continued

11 Property, plant and equipment

Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 2 May 2009	77.1	17.3	20.3	92.7	43.7	251.1
Exchange differences	(0.9)	–	(0.1)	(0.4)	(0.8)	(2.2)
Additions	–	0.4	0.6	6.3	0.5	7.8
Transfer between asset class	(0.9)	0.9	–	–	–	–
Transfer to investment property	(2.5)	–	–	(0.2)	–	(2.7)
Disposals	–	–	(0.8)	(4.1)	(1.2)	(6.1)
At 1 May 2010	**72.8**	**18.6**	**20.0**	**94.3**	**42.2**	**247.9**
Exchange differences	**0.9**	**–**	**0.1**	**0.5**	**0.7**	**2.2**
Additions	**4.4**	**0.1**	**0.3**	**6.6**	**1.2**	**12.6**
Transfer between asset class	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
Disposals	**–**	**–**	**(0.6)**	**(4.3)**	**(0.4)**	**(5.3)**
At 30 April 2011	**78.1**	**18.7**	**19.8**	**97.0**	**43.8**	**257.4**
Accumulated depreciation and impairment:						
At 2 May 2009	5.4	2.1	8.3	41.3	29.3	86.4
Exchange differences	(0.1)	(0.1)	–	(0.3)	(0.6)	(1.1)
Impairment	0.7	–	0.8	1.6	0.1	3.2
Depreciation	1.2	0.5	1.0	7.9	4.6	15.2
Transfer to investment property	(0.8)	–	–	(0.1)	–	(0.9)
Disposals	–	–	(0.6)	(2.6)	(1.2)	(4.4)
At 1 May 2010	**6.4**	**2.5**	**9.5**	**47.8**	**32.2**	**98.4**
Exchange differences	**0.1**	**–**	**0.1**	**0.4**	**0.7**	**1.3**
Impairment	**–**	**0.1**	**0.5**	**1.2**	**0.1**	**1.9**
Depreciation	**1.1**	**0.4**	**0.8**	**7.6**	**2.8**	**12.7**
Disposals	**–**	**–**	**(0.5)**	**(3.4)**	**(0.4)**	**(4.3)**
At 30 April 2011	**7.6**	**3.0**	**10.4**	**53.6**	**35.4**	**110.0**
Net book value:						
At 30 April 2011	**70.5**	**15.7**	**9.4**	**43.4**	**8.4**	**147.4**
At 1 May 2010	66.4	16.1	10.5	46.5	10.0	149.5

The impairment of property, plant and equipment relates to a net movement on 41 loss making stores in UK & RoI.

The Company revised the expected lives of store computer assets from the beginning of the year. The reduction in the depreciation recognised in administration expenses for the current and future years is £0.7m

Assets held under finance leases have the following net book value:

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Cost	**9.5**	9.5	**2.8**	2.8
Accumulated depreciation and impairment	**(2.0)**	(1.9)	**(1.5)**	(1.4)
Net book value	**7.5**	7.6	**1.3**	1.4

The assets held under finance leases comprise buildings.

Company

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 2 May 2009	30.5	10.8	20.2	79.2	17.5	158.2
Exchange differences	(0.1)	–	(0.1)	(0.2)	(0.1)	(0.5)
Additions	–	0.4	0.6	5.4	–	6.4
Transfer to investment property	(0.3)	–	–	–	–	(0.3)
Disposals	–	–	(0.7)	(1.6)	(0.5)	(2.8)
At 1 May 2010	**30.1**	**11.2**	**20.0**	**82.8**	**16.9**	**161.0**
Exchange differences	**–**	**–**	**0.1**	**0.1**	**–**	**0.2**
Additions	**4.4**	**–**	**0.3**	**6.4**	**0.1**	**11.2**
Disposals	**–**	**–**	**(0.6)**	**(4.2)**	**(0.2)**	**(5.0)**
At 30 April 2011	**34.5**	**11.2**	**19.8**	**85.1**	**16.8**	**167.4**
Accumulated depreciation and impairment:						
At 2 May 2009	1.2	1.7	8.3	31.8	9.4	52.4
Exchange differences	–	–	–	(0.2)	(0.1)	(0.3)
Impairment	–	–	0.7	0.6	0.1	1.4
Depreciation	0.3	0.2	1.0	7.3	2.9	11.7
Disposals	–	–	(0.5)	(1.0)	(0.5)	(2.0)
At 1 May 2010	**1.5**	**1.9**	**9.5**	**38.5**	**11.8**	**63.2**
Exchange differences	**–**	**–**	**0.1**	**0.1**	**0.1**	**0.3**
Impairment	**–**	**0.1**	**0.5**	**1.2**	**0.1**	**1.9**
Depreciation	**0.3**	**0.2**	**0.8**	**7.0**	**1.4**	**9.7**
Disposals	**–**	**–**	**(0.5)**	**(3.3)**	**(0.2)**	**(4.0)**
At 30 April 2011	**1.8**	**2.2**	**10.4**	**43.5**	**13.2**	**71.1**
Net book value:						
At 30 April 2011	**32.7**	**9.0**	**9.4**	**41.6**	**3.6**	**96.3**
At 1 May 2010	28.6	9.3	10.5	44.3	5.1	97.8

Notes to the accounts continued

12 Investment property

While investment property has not been independently valued the Directors consider that the value of such properties for the Group is approximately £38m (2010: approximately £32m) and for the Company it is not significantly different from the book value in either year. Operating expenses attributable to investment properties are incurred directly by tenants under tenant-repairing leases.

	Notes	Group £m	Company £m
Cost:			
At 2 May 2009		27.3	7.9
Exchange differences		(0.6)	(0.1)
Transfer from property, plant and equipment	11	2.7	0.3
At 1 May 2010		**29.4**	**8.1**
Exchange differences		**0.5**	**–**
Disposals		**(1.0)**	**–**
At 30 April 2011		**28.9**	**8.1**
Accumulated depreciation and impairment:			
At 2 May 2009		2.0	0.4
Exchange differences		0.1	–
Transfer from property, plant and equipment	11	0.9	–
Depreciation		0.3	–
At 1 May 2010		**3.3**	**0.4**
Exchange differences		**0.1**	**–**
Depreciation		**0.4**	**–**
Disposals		**(1.0)**	**–**
At 30 April 2011		**2.8**	**0.4**
Net book value:			
At 30 April 2011		**26.1**	**7.7**
At 1 May 2010		26.1	7.7

13 Investment in subsidiary undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affect the financial statements of the Group. All of the Group's subsidiary undertakings are included in the consolidated accounts.

	Country of incorporation and operation	Principal activity	Percentage of ordinary shares held directly	Percentage of ordinary shares held indirectly
Carpetright of London Limited	Great Britain	Holding	100%	
Melford Commercial Properties Limited	Great Britain	Property	100%	
Carpetright (Torquay) Limited	Great Britain	Property	100%	
Pluto Sp. Z.o.o.	Poland	Property	100%	
Carpetland NV	Belgium	Retail		100%
Infradis Real Estate NV	Belgium	Property		100%
Carpetland BV	The Netherlands	Retail		100%
Fontainebleau Vastgoed BV	The Netherlands	Property		100%

Company

	Notes	**2011 £m**	2010 restated £m
Cost:			
At the beginning of the period		**15.4**	39.1
Prior year adjustment for goodwill on transfer of subsidiary businesses	10	**–**	(21.0)
Additions		**1.4**	–
Impairment of investment in Carpetright Poland Sp. Z.o.o.		**–**	(2.7)
At the end of the period		**16.8**	15.4

The additional investment represents the capital injection into Pluto Sp. Z.o.o. which holds the remaining investment property in Poland.

14 Inventories

Group and Company inventories are held in the form of finished goods for resale. Write downs of stock values to net realisable value during the current and comparative periods are immaterial.

15 Trade and other receivables

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Non-current				
Receivables from subsidiaries	**–**	–	**45.8**	49.8
Prepayments and accrued income	**1.1**	1.4	**1.1**	1.4
	1.1	1.4	**46.9**	51.2
Current				
Trade receivables	**8.5**	8.1	**4.4**	3.2
Less: provision for impairment	**(0.6)**	(0.6)	**(0.4)**	(0.4)
	7.9	7.5	**4.0**	2.8
Other receivables	**7.3**	6.4	**7.3**	6.1
Prepayments and accrued income	**17.6**	24.2	**15.6**	22.2
	32.8	38.1	**26.9**	31.1
Total trade and other receivables	**33.9**	39.5	**73.8**	82.3

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

Notes to the accounts continued

15 Trade and other receivables continued

Provision for impairment

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
At the beginning of the period	**(0.6)**	(0.8)	**(0.4)**	(0.6)
Decrease in the provision in the period	**–**	0.2	**–**	0.2
At the end of the period	**(0.6)**	(0.6)	**(0.4)**	(0.4)

The table below shows the financial assets included in trade and other receivables at the balance sheet date:

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Major insurance companies	**4.1**	3.3	**4.1**	3.3
Property rent debtors	**2.2**	1.6	**2.2**	1.6
Other debtors	**1.1**	1.5	**1.0**	1.1
Retail customers	**7.8**	7.5	**4.0**	2.9
Trade and other receivables	**15.2**	13.9	**11.3**	8.9

Balances from retail customers are considered to have little credit risk as they are primarily settled by cash or major credit card and must be settled prior to the goods being collected from/delivered by the store.

The age profile of balances other than those with retail customers is set out below:

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Neither past due nor impaired	**4.7**	5.6	**4.7**	5.3
30 to 60 days	**1.7**	0.3	**1.6**	0.3
60 to 90 days	**0.1**	–	**0.1**	–
Over 90 days	**0.9**	0.5	**0.9**	0.5
Non-retail trade and other receivables	**7.4**	6.4	**7.3**	6.1

16 Cash and cash equivalents

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Cash at bank and in hand		**8.3**	8.3	**4.7**	3.6
Cash and cash equivalents on the balance sheets		**8.3**	8.3	**4.7**	3.6
Bank overdrafts	19	**(9.0)**	(13.3)	**(4.5)**	(9.0)
Cash and cash equivalents in the cash flow statements		**(0.7)**	(5.0)	**0.2**	(5.4)

17 Trade and other payables

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Current				
Trade payables	**55.3**	62.8	**45.6**	52.6
Other taxes and social security	**13.3**	13.2	**10.6**	10.1
Accruals and deferred income	**36.7**	38.2	**32.8**	33.1
	105.3	114.2	**89.0**	95.8
Non-current				
Accruals and deferred income	**35.4**	34.2	**35.4**	34.2
Payable to subsidiaries	**–**	–	**16.0**	9.7
	35.4	34.2	**51.4**	43.9
Total trade and other payables	**140.7**	148.4	**140.4**	139.7

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

18 Obligations under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Amounts payable within one year	**0.3**	0.3	**0.2**	0.2	**0.1**	0.1	**0.1**	0.1
Amounts payable between one and five years	**1.2**	1.2	**0.9**	1.0	**0.4**	0.3	**0.4**	0.3
Amounts payable after five years	**5.6**	6.0	**2.1**	2.3	**2.5**	2.6	**1.5**	1.6
	7.1	7.5	**3.2**	3.5	**3.0**	3.0	**2.0**	2.0
Less: future finance charges	**(4.1)**	(4.5)	**(1.2)**	(1.5)				
Present value of obligations under finance leases	**3.0**	3.0	**2.0**	2.0				
Current	**0.1**	0.1	**0.1**	0.1				
Non-current	**2.9**	2.9	**1.9**	1.9				

The Group leases certain properties under finance leases. The average lease term is 19 years (2010: 20 years). Minimum lease payments are discounted at the rate inherent in the leases. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Borrowings and overdrafts

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Current				
Unsecured overdraft	**9.0**	13.3	**4.5**	9.0
Borrowings:				
Secured	**12.3**	8.9	**12.3**	8.9
Borrowings and overdrafts	**21.3**	22.2	**16.8**	17.9
Non-current				
Borrowings:				
Secured	**49.6**	53.3	**45.1**	49.0
Borrowings	**49.6**	53.3	**45.1**	49.0
	70.9	75.5	**61.9**	66.9

Secured borrowings are denominated in Sterling and Euros and are secured on certain of the Group's assets.

The effective interest rates at the year end are as follows:

	Group 2011 %	Group 2010 %	**Company 2011 %**	Company 2010 %
Overdrafts	**3.5**	3.4	**4.0**	3.9
Borrowings	**4.0**	3.8	**4.2**	3.9

The maturity profile of borrowings and overdrafts are as follows:

	Group 2011 £m	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Amounts payable within one year	**21.3**	22.2	**16.8**	17.9
Amounts payable between one and two years	**45.1**	12.2	**45.1**	12.2
Amounts payable between two and five years	**4.5**	41.1	**–**	36.8
	70.9	75.5	**61.9**	66.9

The maturity analysis is grouped by when the debt is contracted to mature rather than by repricing dates.

20 Provisions for liabilities and charges

Group and Company	Notes	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m
At the beginning of the period		1.7	0.1	1.8
Added during the period	5	8.8	–	8.8
Utilised during the period		(1.4)	(0.1)	(1.5)
At the end of the period		9.1	–	9.1

Onerous lease provisions are expected to be used over periods of up to 5 years.

21 Deferred tax assets and liabilities

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Deferred tax asset	(2.9)	(2.9)	–	–
Deferred tax liabilities	26.2	23.4	16.6	13.6
Net deferred tax liabilities	23.3	20.5	16.6	13.6

Deferred tax assets and liabilities are offset against each other where there is a legally enforceable right to offset.

The movement in deferred tax assets and liabilities recognised by the Group during the current and prior period is:

Group

	Accelerated tax depreciation	Fair value adjustments	Rollover	Short term timing differences	Tax losses	Share based payments	Retirement benefit obligations	Total
At 2 May 2009	9.4	4.6	15.7	(0.1)	(4.2)	(0.1)	(0.7)	24.6
Exchange differences	(0.1)	(0.2)	–	–	0.1	–	–	(0.2)
Charge/(credit) to the income statement	0.1	–	0.1	(0.1)	0.6	–	–	0.7
Credit to other comprehensive income	–	–	–	–	–	–	(0.6)	(0.6)
Tax credit to equity	–	–	–	–	–	(0.1)	–	(0.1)
Transferred to current tax	–	–	(3.9)	–	–	–	–	(3.9)
At 1 May 2010	9.4	4.4	11.9	(0.2)	(3.5)	(0.2)	(1.3)	20.5
Exchange differences	0.1	0.1	–	(0.1)	(0.1)	–	–	–
Charge/(credit) to the income statement	(1.0)	(0.1)	(0.3)	(0.5)	0.4	–	–	(1.5)
Charge to other comprehensive income	–	–	–	–	–	–	0.4	0.4
Transferred to current tax	–	–	3.9	–	–	–	–	3.9
At 30 April 2011	8.5	4.4	15.5	(0.8)	(3.2)	(0.2)	(0.9)	23.3

Company

	Accelerated tax depreciation	Fair value adjustments	Rollover	Short term timing differences	Tax losses	Share based payments	Retirement benefit obligations	Total
At 2 May 2009	6.4	–	13.8	(0.5)	(0.6)	(0.1)	(0.7)	18.3
Charge/(credit) to the income statement	(0.6)	–	0.5	(0.2)	0.2	–	–	(0.1)
Credit to other comprehensive income	–	–	–	–	–	–	(0.6)	(0.6)
Tax credit to equity	–	–	–	–	–	(0.1)	–	(0.1)
Transferred to current tax	–	–	(3.9)	–	–	–	–	(3.9)
At 1 May 2010	**5.8**	**–**	**10.4**	**(0.7)**	**(0.4)**	**(0.2)**	**(1.3)**	**13.6**
Charge/(credit) to the income statement	**(0.9)**	**–**	**(0.2)**	**(0.3)**	**0.1**	**–**	**–**	**(1.3)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Transferred to current tax	**–**	**–**	**3.9**	**–**	**–**	**–**	**–**	**3.9**
At 30 April 2011	**4.9**	**–**	**14.1**	**(1.0)**	**(0.3)**	**(0.2)**	**(0.9)**	**16.6**

At the reporting date, the Group had unused tax losses of £8.9m (2010: £8.8m) which can be carried forward indefinitely and are available for offset against future profits. A deferred tax asset of £2.9m (2010: £2.9m) has been recognised in respect of these losses. The Group has brought forward tax losses of £2.7m for which no deferred tax asset has been recognised.

Deferred tax assets of £2.5m (2010: £2.7m) were available for offset against deferred tax liabilities of £28.7m (2010: £26.1m) hence the Group's deferred tax liabilities as at 30 April 2011 are £26.2m (2010: £23.4m).

22 Retirement benefit obligations

The Group operates a variety of pension schemes, principally in the UK, The Netherlands and Belgium. They comprise defined benefit schemes where benefits are based on employees' length of service and average final salary, and defined contribution schemes where the employer company pays a set contribution to the scheme. The UK defined benefit schemes referred to in note 22 (i) (a) and the first two defined contribution schemes referred to in note 22 (ii) are accounted for by the Company.

(i) Defined benefit schemes

(a) UK defined benefit schemes

The Company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay for its employees and has assumed the liability for the scheme previously operated by Storey Carpets Ltd (Storeys). The Company scheme was closed to defined benefit service accrual on 30 April 2010 and has been closed to new members since 31 March 2006. The scheme previously operated by Storeys is also closed to new members and has no active members. The assets of the schemes are held separately from those of the Company. The assets of the Company scheme are invested in a Managed Fund operated by an independent investment manager. Contributions are determined by a qualified actuary using the projected unit method. The most recent actuarial review was at 6 April 2008 when the actuarial value of the assets represented 79% of the benefits accrued to members after allowing for expected future increases in earnings. A deficit reduction plan has been agreed with the Trustees under which £0.4m was paid in the year (2010: £0.3m).

The assets of the Storeys scheme are held in independently managed funds. The most recent actuarial review of the Storeys scheme was at 1 March 2008 when the actuarial value of the assets represented 84% of the benefits accrued to members.

Notes to the accounts continued

22 Retirement benefit obligations continued

The assets and liabilities of the schemes were valued on an IAS 19 basis at 30 April 2011 by a qualified actuary. The numbers set out below are the aggregate of the two schemes.

1) Key assumptions used:

	2011 %	2010 %
Expected rate of salary increases	**n/a**	n/a
RPI inflation linked pension escalation	**3.2**	3.3
CPI inflation linked pension escalation (Carpetright scheme)	**3.7**	n/a
Discount rate	**5.3**	5.5
Deferred pension revaluation	**3.0**	3.6
Expected return on scheme assets	**6.2**	6.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The assumptions used for future life expectancy of members of the scheme are derived from industry data and standard tables. Specifically the S1NMA table (2010: S1NMA table) with medium cohort improvement has been used for male pensioners and the S1NFA table (2010: S1NFA table) with medium cohort improvement for female pensioners projected by year of birth.

The most significant assumptions are the expected return on scheme assets, salary increases and the discount rate, of which the most sensitive assumption is the discount rate. If this assumption increased or decreased by 0.1% the defined benefit obligation would change by £0.2m (2010: £0.2m).

2) The amount included in the balance sheet arising from the Group's and Company's obligations in respect of the defined benefit scheme is as follows:

	2011 £m	2010 £m
Present value of pension scheme obligations	**21.4**	21.1
Fair value of pension scheme assets	**(17.4)**	(16.3)
Retirement benefit obligations recognised in the balance sheet	**4.0**	4.8

3) The amounts recognised in the income statement in respect of the defined benefit pension scheme are as follows:

	Notes	2011 £m	2010 £m
Current service cost recognised in administrative expenses	4	**–**	0.3
Curtailment gain recognised in administrative expenses	4	**–**	(0.5)
Interest cost on pension scheme obligations recognised in interest payable	6	**1.1**	1.0
Expected return on pension scheme assets recognised in interest receivable	6	**(1.1)**	(0.9)
Total recognised in the income statement		**–**	(0.1)

4) Reconciliation of movement in net pension deficit:

	2011 £m	2010 £m
Opening balance	**(4.8)**	(2.4)
Total recognised in the income statement	**–**	0.1
Less contributions	**0.4**	0.5
Actuarial gain/(loss) recognised in equity	**0.4**	(3.0)
Closing balance	**(4.0)**	(4.8)

5) The amounts recognised directly in equity in respect of the defined benefit pension scheme are as follows:

	2011 £m	2010 £m
Actuarial gain on plan assets	**0.4**	2.8
Experience adjustment on liabilities	**–**	–
Change in assumptions underlying present value of liabilities	**–**	(5.8)
Total	**0.4**	(3.0)
Cumulative total	**(2.6)**	(3.0)

6) Movements in the pension scheme obligation are as follows:

	2011 £m	2010 £m
Opening balance	**21.1**	14.7
Current service cost	**–**	0.3
Curtailment gain	**–**	(0.5)
Interest on pension scheme obligation	**1.1**	1.0
Actuarial gain recognised in equity	**–**	5.8
Benefits paid	**(0.8)**	(0.4)
Employee contributions	**–**	0.2
Closing balance	**21.4**	21.1

7) Movements in the fair value of the pension scheme assets are as follows:

		2011 £m		2010 £m
Opening balance		**16.3**		12.3
Expected return on pension scheme assets	**1.1**		0.9	
Actuarial gain recognised in equity	**0.4**		2.8	
Actual return on assets		**1.5**		3.7
Employer contributions		**0.4**		0.5
Employee contributions		**–**		0.2
Benefits paid		**(0.8)**		(0.4)
Closing balance		**17.4**		16.3

Notes to the accounts continued

22 Retirement benefit obligations continued

8) The assets in the pension scheme and the expected rates of return are:

	2011			2010			2009		
	Long term expected rate of return %	£m	Category of asset as a proportion of total %	Long term expected rate of return %	£m	Category of asset as a proportion of total %	Long term expected rate of return %	£m	Category of asset as a proportion of total %
Equities	7.0	10.0	57.5	7.4	9.2	56.4	7.1	7.0	56.9
Bonds	4.7	2.7	15.5	5.0	2.3	14.1	5.5	2.1	17.1
Property	7.0	–	–	7.4	0.1	0.6	n/a	–	–
Cash	4.0	0.3	1.7	4.4	0.3	1.9	0.5	0.1	0.8
Annuities	5.3	4.4	25.3	5.5	4.4	27.0	6.8	3.1	25.2
Fair value of pension scheme assets		17.4	100.0		16.3	100.0		12.3	100.0
Present value of pension scheme obligations		(21.4)			(21.1)			(14.7)	
Retirement benefit obligations		(4.0)			(4.8)			(2.4)	
Related deferred tax asset		0.9			1.3			0.7	
		(3.1)			(3.5)			(1.7)	

The long term return on equities is assumed to be 3.3% in excess of inflation (2010: 3.8%). The rate of return on bonds is assumed to be in line with the yield on AA-rated corporate bonds.

9) History of experience gains and losses:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets	17.4	16.3	12.3	14.8	8.5
Present value of defined benefit obligations	(21.4)	(21.1)	(14.7)	(16.1)	(10.3)
Liability recognised in the balance sheet	(4.0)	(4.8)	(2.4)	(1.3)	(1.8)
Experience adjustments on pension scheme obligations	–	–	(0.8)	(0.2)	(0.1)
Percentage of pension scheme obligation (%)	–	–	(5.4%)	(1.2%)	(1.0%)
Experience adjustments on pension scheme assets	0.4	2.8	(3.7)	(1.5)	(0.4)
Percentage of pension scheme assets (%)	2.3%	17.2%	(30.1%)	(10.1%)	(4.7%)

Employer contributions of £0.6m are expected to be paid into these pension schemes during the financial year 2011/12.

(b) Multi-employer scheme

The Group's Dutch subsidiary participates in a multi-employer run industry pension scheme which has arrangements similar to those of a defined benefit scheme. It is not possible to identify the Group's share of the underlying assets and liabilities of the scheme, and therefore in accordance with IAS19, the Group has taken the exemption for multi-employer pension schemes not to disclose pension scheme assets and liabilities. Accordingly, although this scheme is a defined benefit scheme it is treated as a defined contribution scheme recognising the contributions payable in each period in the income statement. Under the terms of the scheme, the scheme deficit is recovered through increased contributions from participating members. At the period end the Group was unable to obtain a valuation of the industry scheme's full surplus or deficit. Contributions charged to the income statement amounted to £1.1m (2010: £1.1m).

(ii) Defined contribution schemes

The Company launched a Group Personal Pension Plan ("GPP Plan") in April 2006. Contributions made by employees are matched by the Company to an upper limit. The assets of the scheme are held separately from those of the Company and are invested by an independent investment manager. Contributions for the period amounted to £1.0m (2010: £0.8m).

In addition, the Group operates defined contribution pension schemes for subsidiary companies in Belgium and The Netherlands. The Group makes contributions into the schemes, the assets of which are held separately from those of the Group and are invested by local insurance companies. The contributions by the Group into individual company schemes for the period were a net charge of £nil (2010: £nil) and contributions to industry collective schemes were £0.1m (2010: £0.1m).

23 Financial instruments

(i) Financial risk management objectives and policies

Risk management

The Group's principal financial instruments comprise derivatives, borrowings and bank overdrafts, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments which arise directly from the Group's operations include trade receivables and payables.

Exposure to credit, liquidity, foreign currency exchange and interest rate risks arise in the normal course of the Group's business operations and these risks are managed in accordance with the Group's treasury risk management strategy, which is also discussed in the Business Review in the section Management of liquidity risk and financing on page 12.

(a) Credit risk

The Group does not have significant concentrations of credit risk as exposure is spread over a number of counterparties and customers.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables, the majority of which relates to retail customers (see note 15). Retail customers are required to settle outstanding balances in cash or using a major credit card prior to goods being collected from/delivered by the store.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with a minimum AA credit rating. The maximum amount of credit risk is represented by the carrying amounts of financial assets.

(b) Liquidity risk

The Group finances its operations from a mix of retained profits and bank borrowings achieved through term loans, revolving credit agreements and overdraft facilities. Daily cash balances are forecast and surplus cash is placed on treasury deposit with the Group's bankers at commercial rates. All counterparties have minimum AA credit ratings.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest:

Group	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 30 April 2011					
Interest bearing loans and borrowings, including derivatives	**23.4**	**45.6**	**4.5**	**–**	**73.5**
Finance leases	**0.3**	**0.3**	**0.9**	**5.6**	**7.1**
Trade and other payables	**82.4**	**–**	**–**	**–**	**82.4**
	106.1	**45.9**	**5.4**	**5.6**	**163.0**
At 1 May 2010					
Interest bearing loans and borrowings, including derivatives	25.5	14.2	41.4	–	81.1
Finance leases	0.3	0.3	0.9	6.0	7.5
Trade and other payables	92.4	–	–	–	92.4
	118.2	14.5	42.3	6.0	181.0
Company					
At 30 April 2011					
Interest bearing loans and borrowings, including derivatives	**18.7**	**45.5**	**–**	**–**	**64.2**
Finance leases	**0.2**	**0.2**	**0.7**	**2.0**	**3.1**
Trade and other payables	**87.0**	**–**	**–**	**–**	**87.0**
	105.9	**45.7**	**0.7**	**2.0**	**154.3**
At 1 May 2010					
Interest bearing loans and borrowings, including derivatives	21.0	14.1	36.9	–	72.0
Finance leases	0.2	0.2	0.8	2.3	3.5
Trade and other payables	89.0	–	–	–	89.0
	110.2	14.3	37.7	2.3	164.5

Committed overdraft facilities are renewable annually and amounts undrawn were £5.5m and €0.5m (2010: £2.4m and €1.0m). The Company has committed facilities to July 2015. These facilities comprise a £22.0m amortising term loan, a €14.0m amortising term loan and a £45.0m revolving credit facility. Repayments on the term loans cannot be redrawn. There are a number of covenants which commit the Group to maintaining certain rates of leverage and fixed charge cover. The Company is, and is expected to remain, in compliance with these covenants. At 30 April 2011 the revolving credit facility, under the previous facility, had an undrawn amount of £22.5m (2010: £35.0m).

23 Financial instruments continued

(c) Foreign exchange risk

Outside the UK the Group operates in The Republic of Ireland, The Netherlands and Belgium. Revenues and expenses of these operations are denominated in Euros. The Group mitigates currency risk in respect of the net investment in European operations by designating Euro-denominated borrowings as hedging instruments of Euro-denominated investments in foreign operations.

If the closing Sterling-Euro rate had been 0.01 points lower in the period the exchange difference reported in the statement of comprehensive income would have been £0.6m higher (2010: £0.6m higher). At 30 April 2011 if Sterling had weakened/strengthened by 10% against the Euro profit after tax for the year would have been £0.7m higher/lower as a result of the translation of the Euro-denominated businesses.

Financial assets and liabilities and foreign operations are translated at the following rates of exchange:

	Euro 2011	Euro 2010	Zloty 2011	Zloty 2010
Average rate	1.18	1.13	4.70	4.71
Closing rate	1.12	1.15	4.42	4.50

(d) Interest rate risk

The Group has various borrowings bearing interest at a margin over LIBOR or EURIBOR rates. Group policy is to manage interest rate risk by purchasing interest rate swap agreements to partially hedge the term loans. The remainder is liable to interest at prevailing interest rates.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of hedging instruments in place at 30 April 2011 and 1 May 2010 respectively. Consequently analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in note 1
- cash flow hedges were effective

Based on the Group's net debt position at the year end a 1% change in interest rates would affect the Group's profit before tax by approximately £0.6m (2010: £0.3m).

The interest rate profile of the financial assets and liabilities of the Group, after the impact of interest rate swaps, is as follows:

	2011					2010				
	Weighted average effective interest rate %	Floating rate £m	Fixed rate £m	Interest free £m	Total £m	Weighted average effective interest rate %	Floating rate £m	Fixed rat £m	Interest free £m	Total £m
Sterling	0.1	4.5	–	10.8	15.3	0.3	3.6	–	8.9	12.5
Euro	1.2	3.6	–	4.7	8.3	1.2	4.6	–	4.7	9.3
Zloty	–	0.2	–	0.1	0.3	–	0.1	–	–	0.1
Total financial assets		8.3	–	15.6	23.9		8.3	–	13.6	21.9
Sterling	2.6	(48.5)	(3.1)	(69.0)	(120.6)	3.2	(26.3)	(34.1)	(78.0)	(138.4)
Euro	4.0	(16.1)	(6.3)	(13.4)	(35.8)	3.3	(4.7)	(14.5)	(14.0)	(33.2)
Zloty	–	–	–	–	–	–	–	–	(0.4)	(0.4)
Total financial liabilities		(64.6)	(9.4)	(82.4)	(156.4)		(31.0)	(48.6)	(92.4)	(172.0)

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders. The Group considers capital to be equity and net debt. Net debt is disclosed in note 29.

The Group manages its capital by: continued focus on free cash flow generation; setting the level of capital expenditure and dividend in the context of the current year and forecast free cash flow; and monitoring the level of the Group's financial and leasehold debt in the context of Group performance.

(ii) Fair value of financial assets and liabilities

Financial assets and liabilities are classified in accordance with IAS 39. Financial instruments have not been reclassified or derecognised in the period. There are no financial assets which have been pledged or held as collateral. None of the Group's loans is impaired. In addition the Group does not have any financial assets or liabilities measured at fair value through the income statement other than derivatives. There are no available-for-sale financial assets.

The fair values of financial assets and liabilities, together with their carrying amounts are:

	Group 2011		Group 2010		Company 2011		Company 2010	
	Nominal value £m	**Carrying and fair value £m**	Nominal value £m	Carrying and fair value £m	**Nominal value £m**	**Carrying value and fair value £m**	Nominal value £m	Carrying value and fair value £m
At cost:								
Cash and cash equivalents	**–**	**8.3**	–	8.3	**–**	**4.7**	–	3.6
Loans and receivables at amortised cost:								
Trade and other receivables	**–**	**15.6**	–	13.6	**–**	**56.4**	–	58.8
Total financial assets	**–**	**23.9**	–	21.9	**–**	**61.1**	–	62.4
Financial liabilities at amortised cost:								
Borrowings and overdrafts	**–**	**(70.9)**	–	(75.5)	**–**	**(61.9)**	–	(66.9)
Finance lease obligations	**–**	**(3.0)**	–	(3.0)	**–**	**(2.0)**	–	(2.0)
Financial liabilities at cost:								
Trade and other payables	**–**	**(82.4)**	–	(92.4)	**–**	**(87.0)**	–	(89.0)
Derivative financial instruments used for hedging:								
Interest rate swaps	**6.3**	**(0.1)**	42.7	(1.1)	**6.3**	**(0.1)**	42.7	(1.1)
Total financial liabilities	**6.3**	**(156.4)**	42.7	(172.0)	**6.3**	**(151.0)**	42.7	(159.0)
Net financial liabilities	**6.3**	**(132.5)**	42.7	(150.1)	**6.3**	**(89.9)**	42.7	(96.6)

Determination of fair values

The fair values of derivatives are estimated using future cash flows discounted at risk-adjusted discount rates based on market yield curves. As the market yield curves are observable the fair values fall into level 2 of the three tier hierarchy. The carrying values of all other financial assets and liabilities are deemed to reflect fair value.

(iii) Derivative financial instruments

The Group has various Euro and Sterling-denominated borrowings which bear interest at floating rates. Interest on the Sterling borrowing is charged at LIBOR plus a margin. The Euro-denominated borrowings bear interest at the prevailing EURIBOR rate plus a margin. Interest rate swaps fix a portion of the floating interest charge on term debt at fixed rates of interest ranging from 3.52% to 4.34% (2010: 3.52% to 5.25%). The maturity profiles of the interest rate swaps are set to terminate prior to the underlying hedged borrowings.

Derivative financial instruments are not purchased for speculative purposes.

Non-current liabilities	**Group 2011 £m**	Group 2010 £m	**Company 2011 £m**	Company 2010 £m
Interest rate swaps – cash flow hedges	**(0.1)**	(1.1)	**(0.1)**	(1.1)

Notes to the accounts continued

23 Financial instruments continued

(iv) Hedge accounting

(a) Cash flow hedges

Interest rate swaps denominated in Euros have been executed to hedge the Group's exposure to changes in floating interest rates. Hedge documentation is put in place at inception of all hedging relationships. Effectiveness tests are performed at each reporting date.

Interest rate swaps are measured at fair value under IAS 39. Changes in fair value are posted to other comprehensive income in respect of the portion of the hedges which satisfy the criteria to be effective hedges. Charges or credits relating to the portion which does not satisfy these criteria are recognised directly in the income statement.

(b) Net investment hedges

Euro-denominated borrowings are designated as hedging instruments of Euro-denominated net assets of the Group's foreign operations in order to protect the Group from currency risk in respect of the Group's Euro-denominated foreign operations. Borrowing balances are carried at amortised cost which approximates fair value since borrowings bear interest at the prevailing floating rate. The carrying value of borrowings amounted to €13.9m (2010: €22.3m).

24 Share capital

Group and Company	Number of allotted, called up and fully paid ordinary shares Millions	Share capital £m	Share premium £m	Treasury shares £m	Total £m
At 2 May 2009	67.2	0.7	15.4	(0.1)	16.0
Purchase of own shares by Employee Benefit Trust	–	–	–	(0.2)	(0.2)
Transfer of Treasury shares to participants	–	–	–	0.1	0.1
At 1 May 2010	**67.2**	**0.7**	**15.4**	**(0.2)**	**15.9**
Purchase of own shares by Employee Benefit Trust	–	–	–	(0.1)	(0.1)
At 30 April 2011	**67.2**	**0.7**	**15.4**	**(0.3)**	**15.8**

The Group's LTIP was established to grant contingent rights to shares. Such grants are made on recommendation by the Group's Remuneration Committee. Shares are purchased by a Trust and held until they are used to satisfy the LTIP awards. As required by IAS 32 grants of such shares are classified as Treasury shares and accordingly are deducted from total equity attributable to equity holders of the parent. The assets, liabilities, income and costs of the LTIP and Trust are included in both the Company and the consolidated financial statements. During the period the Trust purchased 10,000 ordinary shares for £0.1m (2010 – 16,500 shares for £0.2m). At the year end the Trust held 27,869 (2010: 17,869) ordinary shares of 1p each with a market value of £0.2m (2010: £0.2m).

The Group also operates a share option scheme under which shares are issued to satisfy share options upon exercise.

25 Share based payments

Included within administrative expenses is a credit of £0.3m (2010: charge of £0.5m) in respect of equity-settled share based payments.

The Group's employee share schemes are described below and additional detail is disclosed in the Directors' remuneration report on pages 20 to 24. Scheme participants are either Directors of the Company or employees of the Group. The costs associated with the schemes are accounted for in the Company's accounts.

(i) LTIP

Under this scheme participants may receive annual awards in the form of contingent entitlements to Company shares. These entitlements are equity-settled through the purchase of existing shares by the administering Trust. The shares vest three years after award if participants remain with the Group during the vesting period and the Group meets targeted levels of performance. The performance conditions are fully described in the Directors' remuneration report in the section titled Long Term Incentive Plan.

During the period contingent entitlements to 214,022 shares were awarded (LTIP 2009: 227,608). The amount recognised in the income statement in respect of all LTIP awards is a credit of £0.4m (2010: charge of £0.4m). The fair values of the 2006 awards were determined using a Monte Carlo simulation model which takes account of the performance conditions. The fair value per share is based on the expected number of shares that will vest. Subsequent awards, where there is no market condition, are valued using a Black-Scholes option pricing model. The Group's Employee Benefit Trust is administered by the Equity Trust (Guernsey) Limited and it waves its right to dividends on the shares held.

Reconciliation of movements in the periods ended 30 April 2011

	LTIP 2010		LTIP 2009		LTIP 2006	
	Number of options '000s	Fair value £m	Number of options '000s	Fair value £m	Number of options '000s	Fair value £m
Outstanding at 2 May 2009	–	–	–	–	101.8	0.3
Granted	–	–	227.6	1.8	–	–
Forfeited	–	–	–	–	(17.8)	–
Vested	–	–	–	–	(22.2)	(0.1)
Expired	–	–	–	–	(61.8)	(0.2)
Outstanding at 1 May 2010	**–**	**–**	**227.6**	**1.8**	**–**	**–**
Granted	**214.0**	**1.4**	**–**	**–**	**–**	**–**
Forfeited	**–**	**–**	**–**	**–**	**–**	**–**
Vested	**–**	**–**	**–**	**–**	**–**	**–**
Expired	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding at 30 April 2011	**214.0**	**1.4**	**227.6**	**1.8**	**–**	**–**
Exercisable at 30 April 2011	**–**	**–**	**–**	**–**	**–**	**–**
Exercisable at 1 May 2010	–	–	–	–	–	–

The valuation assumptions used in the application of the Monte Carlo and Black-Scholes models applied to the relevant schemes above are as follows:

Valuation assumptions	LTIP 2010 award	LTIP 2009 award	LTIP 2006 award
Fair value per share	675	776	773
Share price at grant (pence)	740	853	1,177
Exercise price (pence)	1.0	1.0	1.0
Expected volatility (%)[1]	44.6	46.3	23.0
Vesting period (years)	3.0	3.0	3.0
Dividend yield (%)	3.0	3.1	4.2
Risk free interest rate (%)	2.0	2.0	4.9

1. Expected volatility is based on historical volatility over the three year period preceding the date of grant. The risk free interest rate is the yield on zero-coupon UK government bonds at the date of grant of the respective awards over a term consistent with the vesting period.

25 Share based payments continued

(ii) Savings Related Share Option Scheme ("SAYE")

Three and five year SAYE schemes were introduced in 2004. UK based employees are invited to subscribe for options over shares in the Company at a 20% discount. The options are ordinarily exercisable within six months from the third or fifth anniversary of the grant date. The entitlement to share options is equity-settled. Funds for the purchase of Company shares are built up through the contribution of a maximum of £250 per month from salary. Share options were valued using a Black-Scholes option pricing model. The cost charged to the income statement in respect of this scheme is £0.1m (2010: £0.1m).

Reconciliation of movements in the periods ended 30 April 2011

	SAYE 2011		SAYE 2010		SAYE 2009		SAYE 2008		SAYE 2007		SAYE 2006		SAYE 2005
	3 yr	**5 yr**	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	5 yr
	Number of options '000s	**Number of options '000s**	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s
Outstanding at 2 May 2009	–	–	–	–	397.8	329.1	31.7	28.8	8.2	8.1	10.9	8.6	42.3
Granted	–	–	37.6	29.4	–	–	–	–	–	–	–	–	–
Forfeited	–	–	(1.1)	(0.4)	(33.3)	(18.7)	(8.1)	(3.6)	(2.0)	(2.4)	(10.9)	(0.9)	(3.4)
Vested	–	–	–	–	–	–	–	–	–	–	–	–	–
Outstanding at 1 May 2010	**–**	**–**	**36.5**	**29.0**	**364.5**	**310.4**	**23.6**	**25.2**	**6.2**	**5.7**	**–**	**7.7**	**38.9**
Granted	**97.5**	**30.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeited	**(3.4)**	**–**	**(11.5)**	**(8.3)**	**(36.3)**	**(25.3)**	**(2.4)**	**(2.6)**	**(6.2)**	**(1.7)**	**–**	**(0.9)**	**(38.9)**
Vested	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**(8.0)**	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding at 30 April 2011	**94.1**	**30.0**	**25.0**	**20.7**	**325.8**	**285.1**	**13.2**	**22.6**	**–**	**4.0**	**–**	**6.8**	**–**
Exercisable at 30 April 2011	**–**	**–**	**–**	**–**	**–**	**–**	**13.2**	**–**	**–**	**–**	**–**	**6.8**	**–**
Exercisable at 1 May 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6.2**	**–**	**–**	**–**	**38.9**

The valuation assumptions used in the application of the Black-Scholes model applied to the relevant schemes above are as follows:

	SAYE 2011		SAYE 2010		SAYE 2009		SAYE 2008		SAYE 2007		SAYE 2006		SAYE 2005
Valuation assumptions	**3 yr**	**5 yr**	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	5 yr
Fair value per share (pence)	**264**	**298**	333	331	95	81	148	132	322	352	256	265	295
Share price at grant (pence)	**792**	**792**	941	941	474	474	723	723	1,237	1,237	1,072	1,072	1,126
Exercise price (pence)	**634**	**634**	753	753	295	295	618	618	1,040	1,040	840	840	901
Expected volatility (%)[1]	**41.6**	**39.9**	47.4	38.7	42.4	35.2	33.6	29.7	19.9	21.6	22.7	22.9	23.6
Vesting period (years)	**3.1**	**5.1**	3.1	5.1	3.1	5.1	3.1	5.1	3.1	5.1	3.1	5.1	5.1
Dividend yield (%)	**2.3**	**2.3**	3.1	3.1	6.8	6.8	7.2	7.2	3.8	3.8	4.4	4.4	3.9
Risk free interest rate (%)	**1.6**	**2.4**	3.1	3.1	2.2	2.6	4.1	4.1	5.5	5.3	4.4	4.3	4.6
Possibility of ceasing employment before vesting (%)	**40**	**50**	40	50	40	50	40	50	40	50	40	50	50

1. Expected volatility is based on historical volatility over the three or five year period respectively preceding the date of grant. The risk free interest rate is the yield on zero-coupon UK government bonds at the date of grant of the respective awards over a term consistent with the vesting period.

(iii) All Employee Share Ownership Plan ("AESOP")

Under this scheme staff are invited to contribute up to £125 per month from pre-tax salary to purchase Company shares. The Group does not incur a share based payment charge in respect of this scheme since the Company shares are acquired at market value and are not subject to an accumulation period.

26 Capital and other financial commitments

Capital commitments at 30 April 2011 for which no provision has been made in the accounts relate to the acquisition of tangible and intangible assets, and are:

	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Authorised and contracted	5.2	1.8	4.9	1.4

27 Operating lease commitments

At 30 April 2011 the future minimum lease payments in respect of land and buildings and other assets under operating leases are:

Group

	2011		2010	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	86.9	1.5	91.6	1.6
Amounts payable between one and five years	310.9	1.9	334.5	2.2
Amounts payable after five years	459.2	0.2	548.6	–
	857.0	3.6	974.7	3.8

Company

	2011		2010	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	78.9	1.2	84.3	1.3
Amounts payable between one and five years	296.2	1.6	320.5	1.7
Amounts payable after five years	456.0	0.2	545.5	–
	831.1	3.0	950.3	3.0

Operating lease payments are negotiated for an average of 7 years (2010: 10 years). The Group enters into sublease agreements in respect of some of its operating leases for stores. At the reporting date the Group had contracted with tenants for future minimum operating sublease receipts amounting to £11.5m (2010: £13.9m).

28 Contingent liabilities

The Group has no material contingent liabilities at 30 April 2011.

The Company's contingent liabilities derive from guarantees for subsidiaries which are disclosed in note 30.

Notes to the accounts continued

29 Movement in cash and net debt

Group

	2010 Total £m	Cash flow £m	Exchange differences £m	Revaluation £m	2011 Total £m
Cash and cash equivalents in the balance sheet	8.3				**8.3**
Bank overdrafts	(13.3)				**(9.0)**
Cash and cash equivalents in the cash flow statement	(5.0)	**3.4**	**0.9**	**–**	**(0.7)**
Borrowings					
Current borrowings	(8.9)				**(12.3)**
Non-current borrowings	(53.3)				**(49.6)**
	(62.2)	**0.7**	**(0.4)**	**–**	**(61.9)**
Obligations under finance leases					
Current obligations under finance leases	(0.1)				**(0.1)**
Non-current obligations under finance leases	(2.9)				**(2.9)**
	(3.0)	**–**	**–**	**–**	**(3.0)**
Derivative financial instruments	(1.1)	**–**	**–**	**1.0**	**(0.1)**
Net debt	(71.3)	**4.1**	**0.5**	**1.0**	**(65.7)**

	2009 Total £m	Cash flow £m	Exchange differences £m	Revaluation £m	2010 Total £m
Cash and cash equivalents in the balance sheet	17.4				8.3
Bank overdrafts	(4.4)				(13.3)
Cash and cash equivalents in the cash flow statement	13.0	(18.1)	0.1	–	(5.0)
Borrowings					
Current borrowings	(12.7)				(8.9)
Non-current borrowings	(91.2)				(53.3)
	(103.9)	40.9	0.8	–	(62.2)
Obligations under finance leases					
Current obligations under finance leases	(0.9)				(0.1)
Non-current obligations under finance leases	(3.0)				(2.9)
	(3.9)	0.9	–	–	(3.0)
Derivative financial instruments	(2.3)	–	–	1.2	(1.1)
Net debt	(97.1)	23.7	0.9	1.2	(71.3)

Company

	2010 Total £m	Cash flow £m	Exchange differences £m	Revaluation £m	2011 Total £m
Cash and cash equivalents in the balance sheet	3.6				**4.7**
Bank overdrafts	(9.0)				**(4.5)**
Cash and cash equivalents in the cash flow statement	(5.4)	**6.0**	**(0.4)**	**–**	**0.2**
Borrowings					
Current borrowings	(8.9)				**(12.3)**
Non-current borrowings	(49.0)				**(45.1)**
	(57.9)	**0.7**	**(0.2)**	**–**	**(57.4)**
Obligations under finance leases					
Current obligations under finance leases	(0.1)				**(0.1)**
Non-current obligations under finance leases	(1.9)				**(1.9)**
	(2.0)	**–**	**–**	**–**	**(2.0)**
Derivative financial instruments	(1.1)	**–**	**–**	**1.0**	**(0.1)**
Net debt	(66.4)	**6.7**	**(0.6)**	**1.0**	**(59.3)**

Company

	2009 Total £m	Cash flow £m	Exchange differences £m	Revaluation £m	2010 Total £m
Cash and cash equivalents in the balance sheet	10.5				3.6
Bank overdrafts	–				(9.0)
Cash and cash equivalents in the cash flow statement	10.5	(15.5)	(0.4)	–	(5.4)
Borrowings					
Current borrowings	(5.5)				(8.9)
Non-current borrowings	(88.5)				(49.0)
	(94.0)	35.5	0.6	–	(57.9)
Obligations under finance leases					
Current obligations under finance leases	(0.9)				(0.1)
Non-current obligations under finance leases	(2.0)				(1.9)
	(2.9)	0.9	–	–	(2.0)
Derivative financial instruments	(2.3)	–	–	1.2	(1.1)
Net debt	(88.7)	20.9	0.2	1.2	(66.4)

30 Related parties

Group

Related party transactions with the Directors are disclosed in the Directors' Report on page 25.

Share based payment transactions which include transactions with key management are disclosed in notes 4 and 25.

Contributions to pension schemes are disclosed in note 22. Costs incurred by the Group to administer pension schemes amounted to less than £0.1m in both 2010 and 2011.

Company

The following table provides the total amount of transactions and year end balances with related parties for the relevant financial year.

	Sales of goods £m	Amounts due from related parties £m	Amounts due to related parties £m
Subsidiary undertakings			
2010/11	**3.8**	**45.8**	**16.0**
2009/10	3.6	49.8	9.7

The Company guaranteed bank and other borrowings of subsidiary undertakings amounting to £8.9m (2010: £8.6m)

31 Events after the balance sheet date

In June 2011, the Group completed a refinancing of its principal facilities, providing approximately £90m of debt capacity split between amortising term loans, a revolving credit facility and overdrafts in a mixture of Sterling and Euro currencies. The term of the term loans and the revolving credit facility are to July 2015.

Group five year financial summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Summarised income statements:					
Revenue	**486.8**	516.6	482.8	521.5	475.9
Gross profit	**298.0**	316.0	295.8	323.1	290.8
Operating profit	**10.9**	28.2	22.3	60.8	68.8
Underlying operating profit	**21.2**	34.1	22.8	63.4	59.5
Net finance costs	**(4.3)**	(5.9)	(5.6)	(1.3)	(1.8)
Underlying profit before tax	**16.9**	28.2	17.2	62.1	57.7
Exceptional items	**(10.3)**	(5.9)	(0.5)	(2.6)	9.3
Profit before tax	**6.6**	22.3	16.7	59.5	67.0
Tax on ordinary activities	**(2.0)**	(6.5)	(4.9)	(16.7)	(20.7)
Profit for the financial period	**4.6**	15.8	11.8	42.8	46.3
Extracts from balance sheets:					
Non-current assets	**243.3**	247.1	265.8	254.2	184.9
Net assets	**67.0**	71.2	67.2	74.3	68.0
Net debt	**(65.7)**	(71.3)	(97.1)	(57.5)	(6.9)
Ratios and statistics:					
Number of stores at period end	**679**	703	695	675	621
Total space (sq ft – gross) ‘000	**6,072**	6,206	6,155	5,816	5,397
Gross margin (%)	**61.2%**	61.2%	61.3%	62.0%	61.1%
Underlying operating margin (%)	**4.4%**	6.6%	4.7%	12.2%	12.5%
Operating margin (%)	**2.2%**	5.5%	4.6%	11.7%	14.5%
Underlying earnings per share (pence)	**18.0p**	31.6p	18.2p	63.5p	58.3p
Basic earnings per share (pence)	**6.8p**	23.5p	17.6p	63.2p	68.2p
Dividends per share (pence)	**8.0p**	16.0p	8.0p	52.0p	50.0p

Independent auditors' report to the members of Carpetright plc

We have audited the financial statements of Carpetright plc for the 52 week period ended 30 April 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statements of Changes in Equity, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2011 and of the Group's profit and the Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 27, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 June 2011

Calendar

2011	
Q1 interim management statement	2 August
Annual General Meeting	8 September
First-half trading update	25 October
First-half ends	29 October
Interim results announcement	13 December

2012	
Q3 interim management statement	31 January
Second-half trading update	24 April
Year ends	28 April

Advisers

Financial advisers
Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

Solicitors
Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Andrew Jackson
Essex House
Manor Street
Hull
East Yorkshire
England
HU1 1XH

Stockbrokers
Deutsche Bank AG
1 Great Winchester Street
London
EC2N 2DB

Peel Hunt
111 Old Broad Street
London
EC2N 1PH

Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

Bankers
National Westminster Bank plc
Tooting Branch
30 Tooting High Street
London
SW17 0RG

Registrars
Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY

Company Secretary and Registered Office
Mr Jeremy Sampson
Carpetright plc
Harris House
Purfleet Bypass
Purfleet
Essex
RM19 1TT
Telephone: 01708 802000

Carpetright plc

Harris House
Purfleet Bypass
Purfleet, Essex RM19 1TT

Telephone +44 (0)1708 802000

www.carpetright.co.uk
www.carpetright.plc.uk