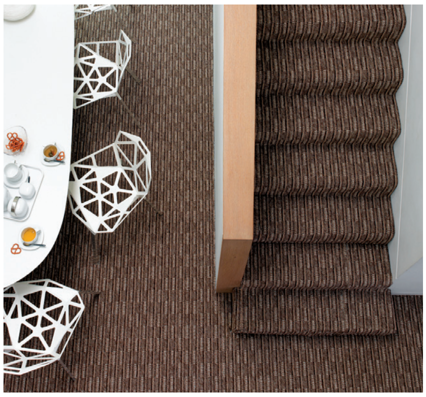
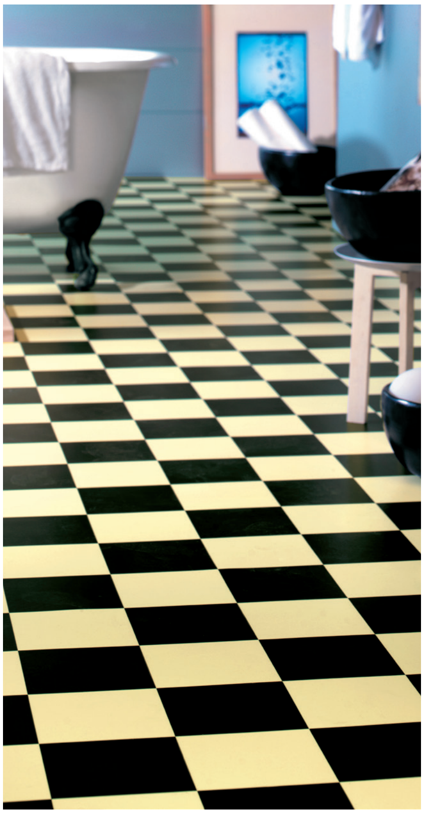
Carpetright plc

Annual report and accounts 2013





About us

Carpetright plc is Europe's leading specialist floor covering retailer, selling a wide range of carpets, rugs, vinyls and laminates together with associated accessories. We have extended our product offering to include beds in around half of our stores.

The Group trades from 620 stores organised and managed in two geographical segments, the UK and the Rest of Europe (comprising the Netherlands, Belgium and the Republic of Ireland).

Business review

Financial highlights

The Directors present their Annual Report to the shareholders together with the audited financial statements for the financial year ended 27 April 2013. This report describes the results and activity for the period, future plans, trends and factors affecting the development, position and performance of the business.

Principal activities

We are Europe's leading specialist floor covering retailer, selling a wide range of carpets, rugs, vinyls and laminates together with associated accessories. We have extended our product offering to include beds in around half of our stores.

We trade from 620 stores organised and managed in two geographical segments, the UK and the Rest of Europe (comprising the Netherlands, Belgium and the Republic of Ireland).

We operate a cutting and distribution facility at Purfleet at which a significant proportion of customers' orders are cut-to measure and despatched to stores. These orders are generally delivered and fitted using one of our recommended independent fitters. The majority of the remaining orders are either purchased from stock in store, or ordered and delivered directly to customers' homes by the manufacturer.

Business review

Governance

Financial statements

Financial highlights

	52 weeks ended 27 April 2013	52 weeks ended 28 April 2012	Change
Revenue	£457.6m	£471.5m	(2.9%)
Underlying profit before tax[1]	£9.7m	£4.0m	142.5%
Profit/(loss) before tax	(£5.1m)	£13.5m	
Underlying earnings per share[1]	9.6p	4.5p	113.3%
Basic earnings/(loss) per share	(9.8p)	16.4p	
Dividend per share	Nil	Nil	

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

Group at a glance

Over 3,200 Colleagues

4 Countries

620 Stores

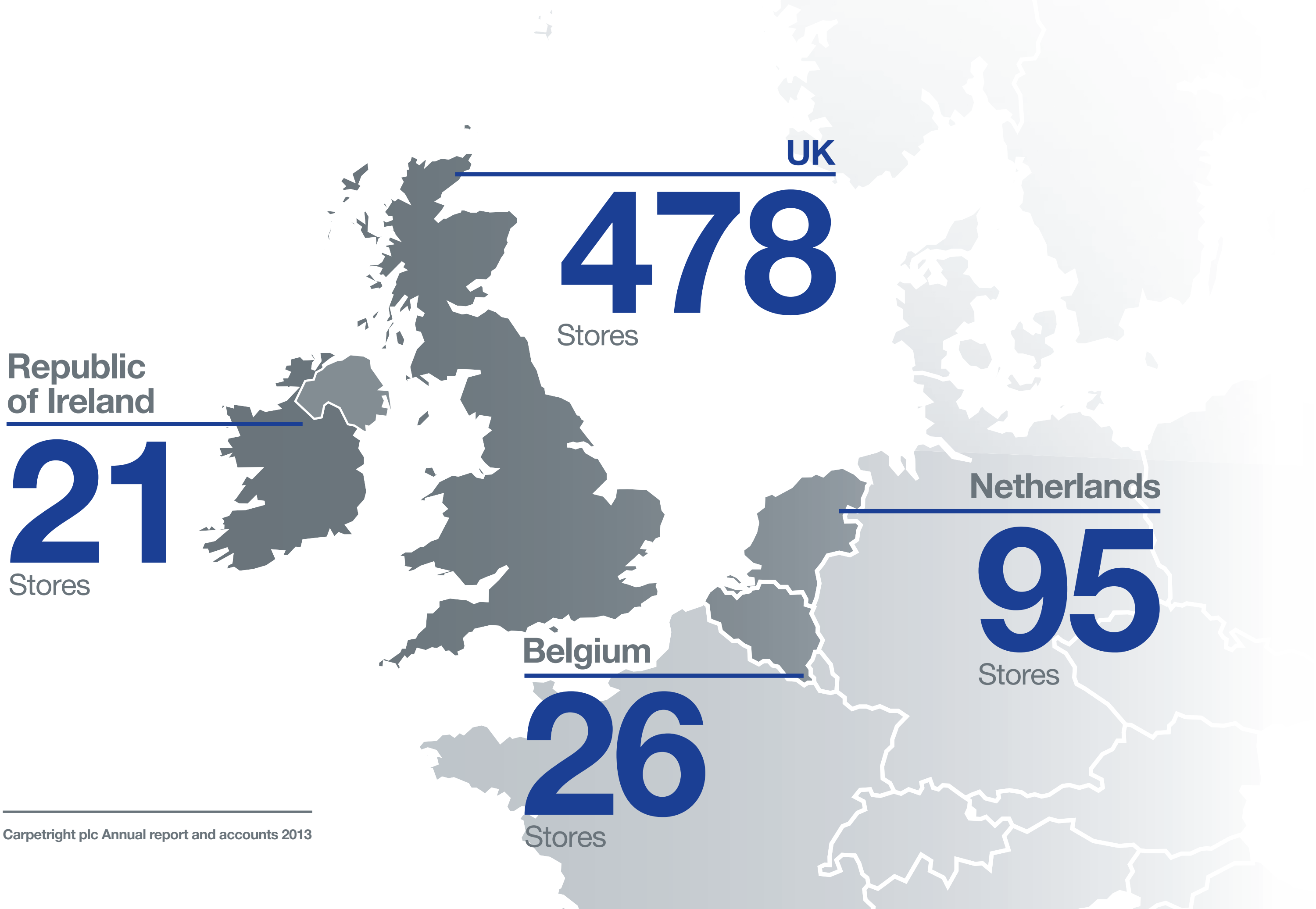
Store portfolio at 27 April 2013

UK

	Sites	'000 Sq ft
Standalone	462	4,124
Concessions	16	29
Total	**478**	**4,153**

Rest of Europe

	Sites	'000 Sq ft
Netherlands	95	1,104
Belgium	26	307
Republic of Ireland	21	155
Total	**142**	**1,566**
Group total	**620**	**5,719**



Regional performance

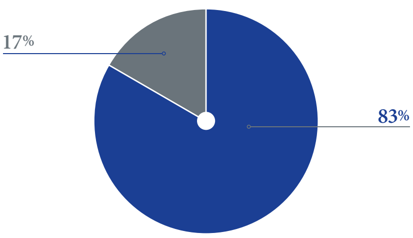
UK

	52 weeks ended 27 April 2013	52 weeks ended 28 April 2012
Revenue	**£381.6m**	£381.6m
Underlying operating profit	**£10.9m**	£2.8m
Trading space ’000 sq ft	**4,153**	4,270
Number of stores	**478**	490
Number of people	**2,663**	2,718

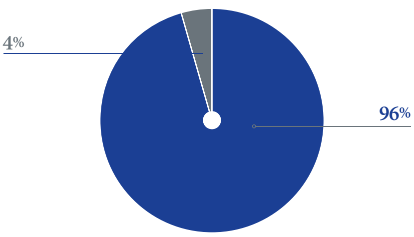
Rest of Europe

Revenue	**£76.0m**	£89.9m
Underlying operating profit	**£0.5m**	£5.2m
Trading space ’000 sq ft	**1,566**	1,570
Number of stores	**142**	142
Number of people	**617**	666

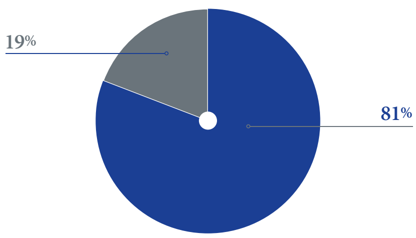
Revenue contribution: Group %



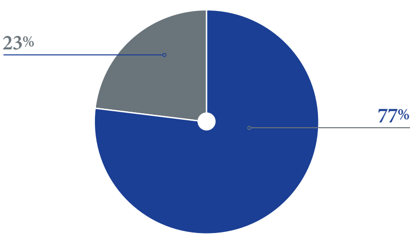
Profit contribution: Group %



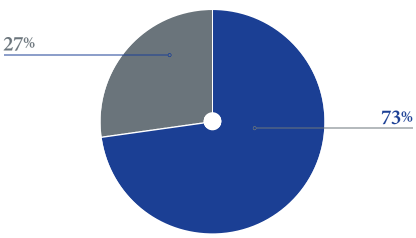
People %



Store portfolio: Regional % (sites)



Store portfolio: Regional % (sq ft)



UK ● Rest of Europe ●

Business review continued

Chairman's statement

Lord Harris of Peckham
Chairman

"The backbone of the business and the key to Carpetright's future success will be the quality of our service, backed by the very best product ranges at competitive prices."

In my statement last year I noted that, while we expected economic conditions to remain difficult for some time, we were encouraged that we were beginning to see a positive impact from the self-help actions we were taking. These two trends did indeed come to characterise the year as a whole, with solid like-for-like sales growth achieved in the UK being driven by self-help actions, in an overall floor coverings market which we believe declined year on year. In Europe, political and economic uncertainty continues to depress consumer demand and this has impacted the Group particularly hard in the Netherlands. Against this background it is therefore encouraging to be able to report an improvement in underlying Group profit and a further reduction in net debt.

Total revenue for the 52 weeks ended 27 April 2013 decreased by 2.9% to £457.6m (2012: £471.5m). Underlying profit before tax increased by 142.5% to £9.7m (2012: £4.0m). After the impact of exceptional items the loss before tax was £5.1m (2012: profit of £13.5m) (further information on these items is contained in the Financial Review). Underlying earnings per share increased to 9.6p (2012: 4.5p) and basic loss per share was 9.8p (2012: earnings of 16.4p). During the period we have continued our focus on reducing the Group's net debt. It is therefore pleasing to announce that as at 27 April 2013 this has nearly halved to £10.2m (2012: £19.1m), demonstrating the ability of the Group to continue to generate cash even in these difficult times.

In my statement last year, I said we would look to restore payment of a dividend when debt has been reduced, a sustained recovery is evident and the financial results of the Group reflected this. Good progress has been made on the debt and we believe our self-help activities have momentum, although it is important to continue to invest in these to improve the level of profitability. That said, the economic environment continues to be uncertain and the Board feel it is important to see a continued recovery before restoring the dividend. The Board believes the difficult decision not to pay a dividend is in the best interests of the business and the Board will continue to review the dividend policy on a biannual basis.

In May 2012, Darren Shapland was appointed as Chief Executive and he has made a huge contribution in his first year in this role. Darren has established an Executive Committee to manage the business on a day-to-day basis and I am working closely with them to pass on the benefit of my knowledge and experience. As anticipated, my active executive involvement will continue to decrease over time as part of a progressive transfer to Darren and the executive management team.

I would like to welcome Andrew Page who will be joining the Board, as a Non-Executive Director, effective from 1 July 2013. I am sure his experience and track record will enable him to make a valuable contribution to the Board.

The backbone of the business and the key to Carpetright's future success will be the quality of our service, backed by the very best product ranges at competitive prices. Each is key to guaranteeing that our proposition continues to resonate with our customers. The management team is striving to ensure that every colleague is fully attuned to the need for continuous improvement in all of these areas. I am sure that our colleagues in stores, distribution centres and support offices will rise to the challenge, as it is their efforts that really make the difference. Once again, on behalf of the Board, I extend my thanks for their commitment this year.

Looking forward, we expect fragile consumer confidence will continue to produce a weak floor coverings market. We are concentrating on maintaining the momentum delivered by our self-help actions taken during the year, whilst recognising within our plans that economic conditions are likely to remain difficult for some time.

Lord Harris of Peckham
Chairman

Chief Executive's review

Darren Shapland
Chief Executive

"The success of our self-help activities in improving Group performance during the period was particularly encouraging, demonstrating that a focus on factors within our control can yield good results.

While we expect trading conditions to remain challenging, we are confident this combination of self-help initiatives will underpin the positive momentum of the Group."

As the Chairman notes in his statement, the Group grew underlying profits and generated cash during the year, with an encouraging increase in UK retail store like-for-like sales and a significant improvement in gross profit percentage year-on-year. In the Rest of Europe, trading conditions in the Netherlands remained difficult whilst progress has been made in the recovery plan for the Republic of Ireland.

The improvement in the Group's performance this year has been driven, in large part, by the success of our programme of self-help measures, a number of which were accelerated on conclusion of the review completed immediately following my appointment as Chief Executive in May 2012. The results from this package of initiatives have been very encouraging and further potential exists in the ongoing roll-out over the next two financial years.

The programme is concentrated on six elements, each of which is discussed in more detail below:

1. **Modernising the estate**
2. **Adjusting the store portfolio**
3. **Enhancing our range of floor coverings and services**
4. **Optimising digital as part of a multi-channel offering**
5. **Developing our bed proposition**
6. **Delivering a step change in service**

1. Modernising the estate

We are part way through a three year programme of refurbishing the UK store estate, introducing an updated store design, with a new, more contemporary feel, in which it is easier for customers to shop. This has involved improving natural light, updating signage, developing new layouts, replacing floor coverings and upgrading in-store lighting.

We have focused on the 357 larger out-of-town stores of the estate, those circa 8,000 sq ft and above, of which 244 are circa 10,000 sq ft, including a bed department. This excludes 22 of our stores trading under the Storey Carpets brand.

The typical spend per store is around £55k, with post-refurbishment sales showing an increase of around 10% compared to the un-invested estate, resulting in an average payback of about one year. As some of these stores have now passed their first anniversary, it has been encouraging to see they are continuing to show sales growth above that of the un-invested estate.

Within this programme there were 57 smaller-scale refreshes of newer stores which did not need a full refurbishment but required some updating to align them to the latest look. These typically cost around £20k per store.

To date, we have completed 186 modernisations, representing over 50% of this group of larger out-of-town stores, and the customer response has been very positive. We aim to complete the refurbishment of the remaining larger out-of-town stores over the next two years.

At the same time as modernising the larger out-of-town locations we have also been looking at our smaller format stores. We have 47 stores on high streets and a further 16 concessions sites, which tend to be between 2,000-4,000 sq ft in size. We have trialled a 'sample only' format in two stores, with a special 'smooth flooring' area and extended ranges of roll stock samples, plus a dedicated area for premium branded carpets within our range. While we are still refining the proposition, the results have been strong enough to support a plan to modernise the stores in this format.

Our last group of stores are the mid-size locations of around 4,000-8,000 sq ft, of which we have 36. Again we have trialled a new format, with the focus on 'sample only' with a small takeaway range. The results have been encouraging and we are looking to finalise the elements of this mid-size format by October 2013.

Following the success of the UK plan, we have also commenced a similar refurbishment programme in the Rest of Europe to adapt to changing customer preferences. By the end of the year, we had refurbished six stores with positive initial results. Although trading conditions in this business remain challenging, we are planning a further four store refurbishments in the first quarter of this financial year, prior to assessing the potential for a further roll out.

Chief Executive's review continued

2. Adjusting the store portfolio

At the end of April 2013 we had 478 stores trading in the UK and during the last 12 months we opened 11 stores and closed 23. This net reduction is primarily the result of completing detailed catchment analysis which identified a small number of overlaps, where having more than one store in a town was not beneficial to profit or cash flow. The new stores have been smaller than the estate average. These are primarily high street stores located in the Greater London area, where there is a high concentration of potential customers who currently do not have easy access to a Carpetright store. We have been encouraged by the early trading results and see potential for a further 10-15 of these opportunities.

We continue to take a robust view at lease renewal, which provides an opportunity to secure lower rental cost for future years. In the period we achieved an average rent reduction of over 10% on the current rent payable in respect of leases which were renewed and exited seven poor performing stores. Within the next five years 20% of the estate has lease renewals scheduled.

In the Rest of Europe we had 142 stores trading as at the end of April 2013. During the last 12 months we opened three stores and closed three. We now have 13 stores operating a 'sample only' with a small takeaway range format, which has the benefit of lower operating costs without negatively affecting customer choice. This format allows us to reduce fixed occupancy costs by either sub-letting or handing back space to the landlord, hence increasing profit.

3. Enhancing our range of floor coverings and services

In the current economic environment our customers are looking harder than ever for value before making their purchase. Based on our experience, we are adapting our ranges and promotional activity to continue to offer the best prices across a broader flooring selection, to strengthen our product authority as market leader and maximise our market opportunity.

In the UK, in line with broadening our appeal to more affluent customers, we introduced a selection of branded carpets at very competitive prices, such as Brintons, Ulster and Westex, and sisal and sea grass ranges to the majority of stores during the period. The results have been encouraging, generating incremental sales.

Analysis indicates that more of our customers are choosing to have their carpet fitted for them, rather than doing it themselves. As a consequence, we are seeing a higher proportion of our 'pay and take' roll stock – which was traditionally taken home by the customer from the store on the day of purchase – being fitted for the customer. The trend has enabled us to introduce samples of these products, enabling us to offer a wider selection, particularly in a number of smaller stores.

A further area of opportunity is to develop our smooth flooring selection in the UK, building on our extensive knowledge and success in this market in continental Europe, where it has traditionally made up a much greater proportion of the sales mix. The roll out of our stocked laminate offering has continued and is now in over 340 stores, alongside a laminate sample range available in all stores. In addition, we introduced a competitive Luxury Vinyl Tile (LVT) offer into 300 stores, with plans to extend this to over 440 stores by the end of July 2013. Alongside this, we have introduced a new range of engineered wood, which is also being rolled out over the same time period. We continue to believe this category will provide an area of growth, supported by the strength of our value and service proposition.

In the Rest of Europe, we have adapted displays to broaden the colour choice on our most popular roll stock ranges and introduced LVT to all stores. In addition, we have introduced a distressed wood collection along with sisal and sea grass, the latter two under the branding of 'Natural Collection'.

4. Optimising digital as part of a multi-channel offering

Our customer research indicates that the nature of our product means that the vast majority of customers prefer to visit a store to make their purchase, to give them the opportunity to see and touch their choice of floor covering. However, the internet is playing an ever-increasing role in pre-purchase behaviour, becoming a vital research tool for many customers and the rapid growth of smart phone and tablet use also underlines the importance of having an effective and integrated digital proposition.

We continued to develop and improve our online presence during the period. By the end of the year, on a weekly basis we were achieving an average of over 87,000 unique visitors to our website, a 21% increase on the same period last year and this has produced a corresponding increase in appointment leads. Some of the increase is attributable to an enhanced search engine optimisation programme and increased investment in pay-per-click. The ability to track attributable sales has given us encouragement to invest more in this area this year. This initiative, alongside widening the range of available samples, has helped to increase the volume of sample requests by 70%. We have also continued to focus activity in improving our conversion to sales ratio, through a call centre manned by knowledgeable colleagues and by improved follow-up at store level.

In the Rest of Europe, we are developing a process for appointment leads and samples and improving the compatibility of our websites on mobile devices. We expect to have this operational by the end of the calendar year.

5. Developing our bed proposition

Beds provide an important complementary revenue stream, in our UK business, to our core floor coverings offer and we believe this category has significant further growth potential. We have established a compelling offer with a typical in-store range of between 25-35 beds available at market leading prices, backed up by a good home delivery service. At the end of April 2013 the offer 'Sleepright by Carpetright' was trading from 271 stores (2012: 272 stores). The business delivered an increase in sales of 10.4% in the year as a whole, with 5.6% in the first half and 15.2% in the second half, giving an indication of the momentum being achieved. Beds now represent 6.7% of total UK sales revenue (2012: 6.1%) and 10.8% of the sales mix in those stores where it is available. Our biggest opportunity is now in building customer awareness that we sell beds and, to support this, we are increasing our investment in marketing activity focused on this area.

By building on the lessons learnt in the UK we have looked to replicate the bed proposition in the Netherlands, albeit adjusted to reflect the needs of the local consumer. We have opened bed departments in two stores as a trial and are rolling this out to four more stores by the end of July. These will be evaluated by the end of the calendar year.

6. Delivering a step change in service

In an environment where customers' service expectations continue to rise, we believe there is an opportunity to drive our customer service standards higher and make them a real competitive advantage. This view is supported by externally conducted market research. Based on this research, during the year, we introduced new point of sale and price tickets to improve the transparency of our pricing. In addition, we invested in training to develop our store colleagues to enable them to provide even better service to our customers.

Mystery shopper visits provide a robust measure of our performance, enabling recognition of the best stores and identifying those where corrective action is needed when we have fallen short of our expectations. Starting in late Summer 2012, we increased the frequency of these visits with every store now getting at least one visit every month. Simultaneously, all store colleagues received training on selling and service standards and we have increased the bonus and incentives for those who achieve the required standard.

As more customers place a premium on their time, we have seen a growth in the number of customers who would like to make their purchase decision in their own home. This trend underlines the increasing importance of the role of the estimator in visiting customers' homes, providing a selected range of flooring and measuring room(s). We are currently evaluating how we can optimise this resource to provide a market leading service in this area and, as a start, have commenced a programme of 'mystery shopper' evaluation of our current performance and increased our training in this area.

Our cutting and distribution centre at Purfleet provides a market leading cut-to-measure service to our stores, together with short lead times. This gives our store colleagues the ability to sell with the confidence of meeting our customers' expectation of fulfilling their order rapidly. Later this year, we are switching to a new transport fleet, which will reduce our fuel consumption and enable us to increase the proportion of products under centralised distribution. The latter will free up time in store, to be invested in improving our customer service.

In the majority of instances, the last contact point the customer has with Carpetright is with the flooring fitter. In the UK, we recommend the use of one of 1,284 fitters who have been independently assessed and validated. To monitor the performance of the fitter, customers are contacted after the fitting to seek comments on their experience. This allows our store managers to track individual performance and identify areas for improvement. We are looking to improve the robustness of this process by introducing automation in the capture of the customer comments. We offer all our recommended fitters access to an independent assessment and have broadened the numbers of disciplines to support the expansion of our range into laminate and LVT.

Outlook

Historically, trends in UK housing transactions and mortgage approvals have been useful lead indicators of consumer demand in our sector, bearing a positive correlation with floor covering sales. Both of these indicators have recently shown some early signs of improvement, although this is from a very low base and it remains premature to call a wider recovery in the economy.

The success of our self-help activities in improving Group performance during the period was particularly encouraging, demonstrating that a focus on factors within our control can yield good results.

While we expect trading conditions to remain challenging, we are confident this combination of self-help initiatives will underpin the positive momentum of the Group.

Darren Shapland
Chief Executive

Business objectives and strategies

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:

Strategy	KPI	Definition
Modernising the estate Introducing a new format with a more contemporary feel in which it is easier for customers to shop.	Number of stores in new format	The number of stores trading at the end of the year in the new format.
Adjusting the portfolio Managing our store base to exploit opportunities which deliver better overall profitability.	Number of stores	The number of stores trading at the end of the year.
	Store space ('000 sq ft)	Store gross area, including both selling and warehouse space (space occupied by sub tenants is excluded).
Enhancing our range of floor coverings and services Ensuring we continually improve and develop our flooring product ranges to provide consumers with a market leading product choice which offers great value, backed up by excellent customer service.	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 the financial year. Stores closed during the year are excluded from both years (calculated in local currency).
	Gross Profit %	Gross profit as a percentage of net sales (calculated in local currency).
Optimising digital as part of a multi-channel offering Extending the reach of Carpetright's brand by developing our online presence.	Participation of sales originated from online leads	Net sales completed online and those in stores that are attributable to online leads.
Developing our bed proposition Developing a bed proposition as a complementary revenue stream to our core floor coverings business, offering consumers a wide choice at competitive prices.	Sales participation of beds	Net sales of beds as a proportion of total sales.
Simplifying our processes and a focus on cash management To provide the flexibility to offer competitive prices and improve our service, we have a programme of activity to simplify and reduce the cost of processes, alongside a focused approach to cash management.	Costs as % of sales	Operating costs expressed as a percentage of net sales (calculated in local currency).
	Net debt	Value of net debt at year end.

Performance	Business	2013	2012	2011	2010
An extensive programme of refurbishment has resulted in 186 stores now trading in the new format.	UK	**186**	32	n/a	n/a
Initial stores modernised and format being refined.	Europe	**6**	n/a	n/a	n/a
We have opened 11 stores and closed 23.	UK	**478**	490	539	561
We have opened three stores and closed three.	Europe	**142**	142	140	142
The reduction in stores numbers has resulted in a corresponding decrease in square footage.	UK	**4,153**	4,270	4,514	4,626
Whilst store numbers are static, we have returned 4k sq ft of surplus space to landlords.	Europe	**1,566**	1,570	1,558	1,580
Against a back drop of a challenging consumer environment, self-help activities have delivered sales growth throughout the year.	UK	**2.2%**	(0.2%)	(6.0%)	4.2%
The deterioration of customer confidence in the Netherlands has had a significant impact, partially offset by the success of the recovery plan in the Republic of Ireland.	Europe	**(11.0%)**	(1.2%)	(4.0%)	(6.2%)
Good progress made on increasing gross profit through a combination of better sourcing and promotional planning.	UK	**61.5%**	58.9%	62.2%	61.9%
Continued focus on better sourcing and promotional planning.	Europe	**57.2%**	57.0%	57.1%	58.5%
We have continued to develop and improve our online presence, focusing activity on our conversion to sales ratio.	UK	**5.2%**	3.9%	2.1%	n/a
The development of the proposition has increased both sales and mix participation.	UK	**6.7%**	6.1%	5.1%	3.5%
We have reduced our store cost base by 0.9% through reduction in the number of stores and successful rent negotiations. This was offset by an increase in advertising supporting self-help activities.	UK	**58.7%**	58.2%	57.7%	55.0%
Underlying costs decreased by 2.2% reflecting tight management control and a focus on achieving efficiencies. This was partially offset by the expected increased occupancy costs following the sales and leaseback of four Belgian properties at the end of the previous financial year.	Europe	**56.7%**	52.5%	53.3%	51.6%
The cash generative nature of the business provided the funding for the store modernisation programme and an overall reduction in net debt.	Group	**£10.2m**	£19.1m	£65.7m	£71.3m

Business review continued

Financial review

Neil Page
Group Finance Director

Highlights

A summary of the reported financial results for the year ended 27 April 2013 is set out below:

	2013 £m	2012 £m	Change
Revenue	**457.6**	471.5	(2.9%)
Underlying operating profit[1]	**11.4**	8.0	42.5%
Net finance charges	**(1.7)**	(4.0)	57.5%
Underlying profit before tax[1]	**9.7**	4.0	142.5%
Exceptional items	**(14.8)**	9.5	
Profit/(loss) before tax	**(5.1)**	13.5	
Earnings/(loss) per share (pence)			
– underlying[1]	**9.6**	4.5	113.3%
– basic	**(9.8)**	16.4	
Dividends per share (pence)	**Nil**	Nil	
Net debt	**(10.2)**	(19.1)	£8.9m

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

Overview

Total sales decreased by 2.9% to £457.6m, with the UK business being level and a decline in the Rest of Europe. During the year, the Group opened 14 stores and closed 26 which gave a net decrease of 12 stores, with a total store base of 620. Total store space declined by 2.1% to 5.7 million square feet.

The challenging consumer environment in the UK is continuing to impact the disposable incomes of our customers and subdued mortgage approval volumes influence a lower level of activity within our sector. Against this backdrop, our self-help actions continue to deliver positive results. The key driver in the performance of the Rest of Europe continues to be the deterioration of consumer confidence in the Netherlands, where the floor coverings market remains weak.

Overall, Group underlying operating profit increased by 42.5% to £11.4m. Underlying net finance charges were £2.3m lower at £1.7m, the result of lower average net debt achieved, for the most part, through the sale and leaseback of freehold properties in the latter part of the previous financial year. These factors combined to generate an underlying profit before tax of £9.7m, a 142.5% increase on the prior year.

Exceptional charges totalled £14.8m (2012: a surplus of £9.5m) primarily from onerous lease provisions, net losses on the disposal of property and non-cash impairment charges.

As a result, the loss before tax was £5.1m (2012: profit of £13.5m). Basic loss per share was 9.8p reflecting the post tax loss (2012: earnings of 16.4p).

The combination of cash flow from continued underlying profitability and the level of net capital expenditure, enabled year-end net debt to be reduced by £8.9m to £10.2m (2012: £19.1m). The cash flow strength of the Group is highlighted by the fact that in the past four years net debt has been reduced by over 89% from £97.1m as at May 2009.

Performance by Business

For year to 27 April 2013

		Year on Year Movement		
	Total £m	Reported	Local Currency	Like-for-like[1]
Revenue				
UK	381.6	Level		2.2%
Rest of Europe	76.0	(15.5%)	(10.4%)	(11.0%)
Total revenue	**457.6**	**(2.9%)**		
Underlying operating profit				
UK	10.9	289.3%		
Rest of Europe	0.5	(90.4%)	(90.5%)	
Total underlying operating profit	**11.4**	**42.5%**		
Underlying operating profit %				
UK	2.9%	2.2ppts		
Rest of Europe	0.7%	(5.1ppts)		
Total underlying operating profit %	**2.5%**	**0.8%ppts**		

1. 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.

UK

Total UK revenue in the year was £381.6m, in line with the previous year. We opened 11 stores and closed 23 stores in the year, which translated into net space decline of 117,000 sq ft, a decrease of 2.7%.

After taking into account the movement in the number of stores, like-for-like sales for the year increased by 2.2% and can be attributed to the following key factors:

i) The stores which have now been fully refurbished are reporting sales increases around 10% above the underlying store base;
ii) The development of our bed business. This category now makes up 6.7% of UK sales (2012: 6.1%);
iii) The introduction of an improved laminate range to more stores;
iv) The increased use of digital media; and
v) A 54.4% decline in the wholesale businesses, which now represents 1.5% of sales (2012: 3.3%). Whilst there remains a market, the level of profitability available to Carpetright has been significantly reduced by structural changes in the insurance replacement market. This is likely to remain a relatively small proportion of total sales for the foreseeable future.

The progress made on the self-help initiatives was reflected in the sales line with first half like-for-like sales up 0.8% and this accelerated in the second half to 3.6%.

Gross profit increased by 4.4% to £234.8m, representing 61.5% of sales, an increase of 2.6 percentage points. This improvement was achieved in the floor covering margin through better sourcing and promotional planning. The impact of the increase of bed sales at a lower margin was offset by a corresponding decrease from our wholesale business.

The total UK cost base increased by 0.9% compared with the prior year to £223.9m (2012: £222.0m). Store payroll costs continue to be managed closely to the volume of sales and increased by 0.2% to £58.3m (2012: £57.6m). Store occupancy costs fell 0.9% to £126.4m (2012: £127.5m) due to a net reduction in the number of stores, successful rent negotiations and reduced depreciation, although this was partially offset by utility and business rates inflation. The underlying rent in like-for-like stores increased marginally by 0.3% (2012: 0.2%), with the majority of rent reviews being settled at zero, a reflection of the current economic climate. Marketing and central support costs were up 5.7% at £39.2m (2012: £37.1m), primarily the result of an increased investment in sales-driving advertising activity supporting self-help initiatives and an increase in performance related bonuses.

Underlying operating profit increased significantly to £10.9m (2012: £2.8m).

UK – Performance Review

The key financial results for the UK were:

	2013 £m	2012 £m	Change
Revenue	**381.6**	381.6	Level
Like-for-like sales	**2.2%**	(0.2%)	
Gross profit	**234.8**	224.8	4.4%
Gross profit %	**61.5%**	58.9%	2.6ppts
Costs	**(223.9)**	(222.0)	(0.9%)
Underlying operating profit	**10.9**	2.8	289.3%
Underlying operating profit %	**2.9%**	0.7%	2.2ppts

The UK portfolio is now as follows:

	Store Numbers				Sq Ft ('000)	
	28 April 2012	Openings	Closures	27 April 2013	28 April 2012	27 April 2013
Standalone	474	11	(23)	**462**	4,241	**4,124**
Concessions	16	–	–	**16**	29	**29**
Total	**490**	**11**	**(23)**	**478**	**4,270**	**4,153**

Business review continued

Financial review continued

Rest of Europe

In the Netherlands, following the implementation of government austerity measures which adversely affected consumer confidence, the flooring market was weak. This resulted in an extremely challenging year for our business. Belgium also faced a difficult period with a similar package of austerity measures, although our sales were not as severely impacted. Whilst in the Republic of Ireland we achieved consistent sales growth throughout the year, as our recovery plan continues to gain momentum.

The three businesses combined to produce a total sales decline of 10.4% in local currency, with like-for-like sales decreasing by 11.0%. After exchange rate movements, total sales fell 15.5% in reported revenue.

Gross profit percentage increased marginally to 57.2% (2012: 57.0%), but was not enough to offset the decline in sales, resulting in a decline of gross profit to £43.5m (2012: £51.2m). In local currency terms, this represented a 9.7% decline.

Reported operating costs decreased by 6.5% to £43.0m. In local currency terms, costs decreased by 0.3%, which included an additional £0.8m of occupancy costs following the sale and leaseback disposal of four freehold properties in Belgium at the end of the last financial year. The reduction in the remaining costs reflects tight management control and a focus on achieving efficiencies.

The net result was an underlying operating profit of £0.5m (2012: £5.2m). In local currency terms, the underlying profit decreased by 90.5%.

Rest of Europe – Performance Review

The key financial results for the Rest of Europe were:

	2013 £m	2012 £m	Change (Reported)	Change (Local Currency)
Revenue	**76.0**	89.9	(15.5%)	(10.4%)
Like-for-like sales	**(11.0%)**	(1.2%)		
Gross profit	**43.5**	51.2	(15.0%)	(9.7%)
Gross profit %	**57.2%**	57.0%	0.2ppts	
Costs	**(43.0)**	(46.0)	6.5%	0.3%
Underlying operating profit	**0.5**	5.2	(90.4%)	(90.5%)
Underlying operating profit %	**0.7%**	5.8%	(5.1ppts)	

The Rest of Europe portfolio is now as follows:

	Store Numbers				Sq Ft ('000)	
	28 April 2012	Openings	Closures	**27 April 2013**	28 April 2012	**27 April 2013**
Netherlands	94	1	–	**95**	1,094	**1,104**
Belgium	28	1	(3)	**26**	329	**307**
Republic of Ireland	20	1	–	**21**	147	**155**
Total	**142**	**3**	**(3)**	**142**	1,570	**1,566**

Net Finance Costs and Taxation

Underlying net finance charges were £1.7m (2012: £4.0m) reflecting lower average net debt and a reduction in the margin rates on borrowings. The effective tax rate on profits is 29.3% (2012: 18.7%). This increase arises as a combination of non-recurring adjustments in the prior year and the impact of a change in UK tax rates.

Exceptional Items

The Group recorded a net charge of £14.8m (2012: surplus of £9.5m) in the year.

	(Charge)/Gain	
	2013 £m	2012 £m
Profit/(loss) on disposal of properties	**(1.2)**	13.4
Onerous lease charge	**(8.1)**	(0.3)
Impairment charge – store assets	**(0.3)**	(1.0)
– freehold property	**(5.2)**	–
Restructuring costs	**–**	(2.1)
Write off of unamortised refinancing fees	**–**	(0.5)
	(14.8)	9.5

We continued to trade our property portfolio, although the deterioration in the UK out-of-town retail property market has made this more challenging. A net loss of £1.2m was made on property disposals in the year (2012: profit of £13.4m).

During the period, a property portfolio review was completed. This resulted in the closure of 11 stores previously trading under the 'Storey Carpets' brand. In all of these locations there is a 'Carpetright' store in close proximity. As expected, a proportion of the sales have transferred to nearby stores with an annualised benefit to profit to be around £1m. In addition, we have had leases for two stores return under privity of contract following their current occupier's administration. As a result, along with three other closures, the Group is making an onerous lease provision for the estimated future outgoings of these stores of £5.4m. In April 2011, we made onerous lease provisions for 20 UK stores, we have disposed of eight of these, leaving 12, where in the light of the deterioration of the out-of-town property market, the provision has been reviewed and increased by £2.7m.

We have reviewed the carrying value of the store assets in our balance sheet, consistent with the approach in previous years. The model used to value these assets includes a number of assumptions relating to market growth and inflationary expectations. These tests have led to a net impairment charge of £0.3m (2012: £1.0m).

Historically, the Group has made net gains on disposal of freehold properties and has a track record of overachievement against valuations. Nevertheless, the weakening of the property market in both the UK and the Netherlands, with more properties being returned to landlords, has led us to review the carrying value of the Group's freehold properties. This has resulted in a non-cash impairment charge of £5.2m.

Earnings per Share

Basic loss per share was 9.8 pence (2012: earnings of 16.4 pence), reflecting the post tax loss. Underlying earnings per share increased to 9.6 pence (2012: 4.5 pence).

Dividend

Whilst recognising good progress has been made in reducing our debt and there has been some encouragement in the increase of the level of underlying profitability, the current economic environment continues to be uncertain. As a result, the Board feels it is important to see a continued recovery in Group performance before restoring the dividend. The Board has therefore decided not to pay a final dividend (2012: nil pence), resulting in no full year dividend (2012: nil pence).

Balance Sheet

The Group had net assets of £65.3m (2012: £70.7m) at the end of the year, a decrease of £5.4m since 28 April 2012, reflecting the post tax loss for the year.

	27 April 2013 £m	28 April 2012 £m
Freehold and long leasehold property	**75.0**	83.3
Other non current assets	**118.0**	121.9
Stock	**37.6**	38.3
Trade & other current assets	**19.8**	24.1
Creditors < 1 year	**(103.2)**	(110.2)
Creditors > 1 year	**(66.6)**	(63.3)
Net Debt	**(10.2)**	(19.1)
Pension Deficit	**(5.1)**	(4.3)
Net Assets	**65.3**	70.7

Net debt and cash flow

The cash generative nature of the business remains one of the strengths of the Group, with operating cash flow of £17.4m in the year (2012: £29.1m).

The increase in working capital in the year was attributable to the decline in merchandise creditors in the Netherlands, a consequence of the lower sales, the net amortisation of property lease incentives and the reversal of a timing difference from the previous year related to payment of UK VAT. The payment for provisions reflects the cash outgoing for previous years' exceptional items, predominantly onerous leases in the UK and Republic of Ireland.

Cash Flow

	2013 £m	2012 £m
Underlying operating profit	**11.4**	**8.0**
Depreciation and other non-cash items	**14.6**	14.8
Exceptional items	**–**	(1.6)
(Increase)/Decrease in stock	**1.0**	(0.4)
(Increase)/Decrease in working capital	**(6.2)**	13.3
Provisions paid	**(3.4)**	(5.0)
Operating cash flow	**17.4**	**29.1**
Net interest paid	**(1.4)**	(4.9)
Corporation tax paid	**(1.4)**	(3.0)
Net capital receipts/(expenditure)	**(6.6)**	22.8
Free cash flow	**8.0**	**44.0**
Other	**0.9**	2.6
Movement in net debt	**8.9**	**46.6**
Opening net debt	**(19.1)**	**(65.7)**
Closing net debt	**(10.2)**	**(19.1)**

Business review continued

Financial review continued

Net capital receipts/(expenditure) was an outflow of £6.6m (2012: inflow of £22.8m). This can be broken down into the following principal categories:

	2013 £m	2012 £m
Capital expenditure	**(9.6)**	(6.9)
Purchase of freehold properties	**(1.6)**	(3.7)
Proceeds from freehold property disposals	**2.7**	32.0
Proceeds from leasehold property disposals	**1.9**	1.4
Net capital receipts/(expenditure)	**(6.6)**	22.8

After the repayment of borrowings, net debt decreased by £8.9m to £10.2m at the year end (2012: £19.1m).

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 £79.7m at the year-end (2012: £86.6m), compared to a net book value of £73.6m recorded in the financial statements (2012: £81.8m). The movement in the year is predominantly the result of recognising weaker property markets.

Pensions

The IAS 19 valuation as at 27 April 2013 was a net deficit of £5.1m in relation to defined benefit pension arrangements (2012: £4.3m). The Carpetright scheme closed to future accrual on 30 April 2010. Plan assets increased to £21.7m (2012: £18.3m) driven by higher market values and additional Company contributions agreed with the pension trustees following the triennial valuation in April 2011. The present value of plan liabilities increased to £26.8m (2012: £22.6m) driven principally by a reduction in the discount rate to 4.2% (2012: 4.6%).

Current liquidity

At the year end the Group held cash balances of £7.9m (2012: £9.6m) principally a combination of Sterling and Euros.

Gross bank borrowings at the balance sheet date were £15.5m (2012: £26.0m) of which £1.6m is term based with the balance of £13.9m being drawn down from overdraft and revolving credit facilities. The Group had further undrawn, committed facilities of £46.7m at the balance sheet date.

In June 2011, the Group completed a refinancing arrangement of its principal facilities, 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. As at 27 April 2013, the facilities provided debt capacity of around £63m. Arrangement fees and legal costs are amortised over the period to June 2014, although paid in cash at the outset. The facilities contain financial covenants which are tested on a quarterly basis. The Group monitors actual and prospective compliance with these on a regular basis.

Neil Page
Group Finance Director

Principal risks and uncertainties

Carpetright recognises that effective business management requires regular review of business risks to identify, evaluate and prioritise them, to assign management ownership and to ensure appropriate controls are in place to provide mitigation.

The process for identification of business risks is described on page 24 of this report.

The risk factors addressed below are those which we believe could adversely affect 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 effect on the Group.

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

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. The strategies that we are following to achieve this are set out on page 8 of this report. We face a number of strategic and operational risks which are set out below, together with the controls and actions which mitigate the impact of those risks.

	Risk Description	Mitigation
Strategic Risks	**Development and execution of a strategy:** The business requires a strategy that responds to the challenges of the market place so as to position itself for long-term growth.	The Board holds an annual strategy day and from this business plans are developed to ensure targets are both set and resourced appropriately. Regular monitoring of performance against plan is carried out to ensure targets are being achieved and that they remain relevant to and focused on the Group strategy.
Strategic Risks	**Economic uncertainty:** The economy is a major influence on consumer spending. Trends in employment, inflation, taxation, consumer debt levels and interest rates impact consumer expenditure in discretionary areas. Changes in Government policies may also affect our consumers' ability to purchase our products and services.	Throughout the year we have continued to monitor the effectiveness of our pricing, promotional and marketing strategies across our businesses, tailoring our consumer offering where appropriate.
Strategic Risks	**Cost control:** In the event we are unable to control our costs the financial results of the Group will be adversely affected.	We have a budgetary and planning process which has been developed to ensure that there is an appropriate budget for both operational costs and capital expenditure. There is a system of authorisation to prevent costs being incurred without appropriate authorisation and being in excess of budget. In addition we continually focus on our cost base to ensure that we are able to manage our margins.
Strategic Risks	**Reputation:** The failure to properly mitigate and manage other risks may manifest itself by damaging Carpetright's reputation. This may lead to a lack of confidence by consumers, thereby adversely affecting the business.	We have mitigation strategies in place to manage our other risks, thereby reducing the chance of them arising. In the event that there is a threat of reputational damage, there is a process in place to deal with enquiries from the press, investors and others, as well as social media.
Operational Risks	**People:** Our profitability is dependent upon our ability to attract, retain and motivate people across all levels of the business.	We invest in training to develop our colleagues to provide great service to our customers. Our approach to remuneration aims to ensure that high calibre executives are attracted and retained.

Business review continued

Principal risks and uncertainties continued

	Risk Description	Mitigation
Operational Risks	**Product and service quality:** The Carpetright name is a key asset of the business and as the largest operator in its markets, expectations of the Group are high. Failure to provide high quality products and services could lead to a loss of trust and confidence, and damage the Group's reputation and brand. This could result in a decline in the customer base and affect the ability to recruit good people.	The protection of the Carpetright brand and position in its core markets will be sustained by unique and extensive product and service offerings in our stores. Colleague and fitter training is delivered continually with fitters being independently assessed.
Operational Risks	**IT systems, supply chain and business continuity:** Carpetright is dependent on the reliability and capability of key information systems and technology. A major incident or sustained performance problems with regard to store, logistics, multi-channel or support office systems could constitute a significant threat to the business, at least in the short term.	Business continuity plans have been documented and arrangements made to mitigate significant risks arising. The systems implemented within the UK and the Republic of Ireland are mirrored in a separate location. Plans are in place to replicate this in the remaining European businesses by the end of September 2013.
Operational Risks	**Compliance:** The Group risks incurring penalties or punitive damages arising from failure to comply with legislative or regulatory requirements across many areas.	The Group has developed clear policies on compliance and it is the Group's Legal Director's responsibility to identify prospective changes to laws and regulations and to bring these to the attention of the relevant people.
Financial Risks	**Finance and Treasury:** The Group risks exposure to exchange rate, interest rate, liquidity and credit risks having an adverse or unexpected impact on results, funding requirements or purchasing ability.	The Group frequently reviews its financial position to ensure that its funding requirements are being met. Bank covenant tests are regularly monitored. Rolling cash flow forecasts are produced weekly.

People

The Group employs over 3,200 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 matters of concern to be raised 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 individual 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 people the skills they need to carry out their jobs and in due course to move up to new roles, enabling them to develop their careers and ensuring that there is a pipeline of talent within the Group.

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 surveys, conferences, management briefings, weekly briefings broadcast to stores and offices, and other less formal communications. Additionally, all annual results and interim management statements are made available through the intranet. Directors and senior management regularly visit stores and discuss matters of current interest and concern with colleagues.

Share ownership

Colleagues have an opportunity to invest in the Company's shares and through two all-employee share schemes, namely an All Employee Share Ownership Plan and a Savings Related Share Option Scheme. Approximately 500 colleagues 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 colleagues and our customers, will also help us to enhance shareholder returns. The Customer and Corporate Responsibility Committee was created on 1 July 2012 and oversees, amongst other matters, the Group's CR activities. Martin Harris is the Executive Director responsible for co-ordinating the Group's CR activities. Details of the number of meetings and attendance are set out on page 22.

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

Providing excellent service

Our aim is to provide an outstanding customer experience by selling a comprehensive range of products at the keenest prices, supported by dedicated store teams and, where required, by organising a high quality estimating and fitting service.

One of the streams in our strategic plan is delivering a step change in service delivery as we believe that this can help significantly differentiate us from our competitors.

Post-sales calls to customers were introduced in the UK in winter 2011/12, allowing immediate feedback thereby ensuring that any issues can be immediately addressed by the relevant store. We also introduced this process in the Rest of Europe in March 2013.

In the Netherlands we introduced an online customer satisfaction survey with a response rate of nearly 60% and were very encouraged by the results, with the majority of our customers ranking us 'good' or 'very good' in all areas of service and over 97% of the respondents saying they would recommend Carpetright.

In the UK we undertake a mystery shopping programme which assesses the customer service and selling skills of our store colleagues. Part of their overall remuneration is based upon their success in achieving high customer service scores. During 2013/14 we will be rolling this out to our estimators.

We have identified that the estimating service is very important to the overall customer experience. We are therefore increasing our training to improve our estimating service, and this will remain a focus for the company.

We do not employ our own fitters in the UK but instead have a commercial arrangement to introduce those fitters in whose skills we have confidence and recommend to our customers. 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. As at 27 April 2013 we would recommend 1,284 independent fitters who have been independently assessed by FITA. We also ensure that fitters carry public liability insurance.

We will be developing our colleagues in 2013/14 in order to underpin our provision of excellent service and our targets for this are included in the 'Developing committed people' section below. For the financial year 2013/14 our targets are:

- To achieve 100% post-sales calls in the UK;
- To improve our mystery shopper scores in the UK;
- To introduce fitters' identity cards to Northern Ireland and the Republic of Ireland;
- To introduce a quality assurance programme to ensure that recommended fitters in the UK continue to meet the required standards;
- To ensure all recommended fitters in the Netherlands and Belgium meet or exceed the same standards as those in the UK; and
- To introduce a fitters' Code of Conduct in Belgium and the Netherlands.

Developing committed people

As at 27 April 2013 we employed 3,280 colleagues in stores, distribution centres and offices throughout the UK and the Rest of Europe. Our aims are to ensure everyone has the appropriate skills and knowledge; to offer our people a good range of benefits; and to value and promote the diversity of our workforce.

In the UK over 2,500 man-days of training were undertaken, in addition to on-line Health and Safety training. This training is intended to develop our colleagues and enable them to provide great service to our customers.

In Europe, we targeted our training towards our colleagues in stores, focussing on product training to enable them to provide a great service to our customers. Additionally eLearning training was rolled out. Furthermore all store managers and assistant managers in the Netherlands and Belgium have undergone management skills training appropriate to their position.

Our colleagues in the Netherlands participate in a 10 mile run to raise money for a children's cancer charity which is aiming to build a hospital in the Utrecht area, and in 2013 members of the Executive Team will be joining them.

For the financial year 2013/14 our targets are:

- To deliver a training programme for every estimator and store manager in the UK;
- To deliver product knowledge training to every store-based colleague in the UK on beds, smooth floor coverings and carpets;
- To provide refresher training on measuring and planning to every store-based colleague in the UK;
- To ensure every new colleague attends a structured induction programme;

Corporate responsibility continued

- To design and deliver eLearning packages on all products for availability via the Company's intranet;
- To test the core competencies of all store based colleagues in the Netherlands and Belgium through an on-line platform to prove competency levels and identify any specific training requirements; and
- To introduce a management training programme for high potential store managers in the Netherlands and Belgium as preparation for more senior positions in the future.

Sourcing great products

We are committed to buying our products from suppliers who operate responsibly. Our aims are to ensure suppliers are subject to vetting for satisfactory ethics and procedures, to insist our product suppliers sign up to the Carpetright Ethical and Environmental Code of Conduct, and to ensure we act in a responsible and ethical manner. This covers matters such as the prohibition of the use of child and forced labour, freedom of association and the provision of safe and hygienic working conditions. In respect of the products, the Code of Conduct prohibits the use of certain chemicals and includes a timber policy to ensure all timber floor covering products are manufactured from sustainable resources.

All floor covering and bed suppliers to our businesses both in the UK and in the Rest of Europe have signed up to compliance with our Code of Conduct.

Our product suppliers are, principally, based in Europe, which means that less fuel is used in transporting the products than if we sourced from further afield.

We now sell Luxury Vinyl Tiles which are made from 40% recycled materials and which are, themselves, 100% recyclable. Further, both sisal and sea-grass products are now available in the majority of our stores.

For the financial year 2013/14 our targets are:

- To grow our sales of Luxury Vinyl Tiles;
- To introduce a carpet collection made partly from maize in the Netherlands and Belgium; and
- To identify and source products from suppliers who use techniques that reduce raw materials usage in the carpet manufacturing process.

Creating a safe place to work and shop

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

Quarterly Health and Safety Committee meetings take place in all business units. We are pleased to report that there have not been any fatalities again this year (2012: nil). There has been an increase in the overall level of accidents in the UK to 116 (2012: 110). Pleasingly, the number of serious accidents that are reportable to the Health and Safety Executive decreased in the period to 11 (2012: 12), and there were 3 (2012: 7) 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. In Europe manual handling training was undertaken by all colleagues in the Netherlands and Belgium.

The Health and Safety manual used in the UK is being translated and revised for use in the Rest of Europe.

For the financial year 2013/14 our targets are:

- To deliver the remaining 225 Easylift devices and associated training, thereby ensuring all stores in the UK and RoI that have rollstock have an Easylift device;
- For our European business, to translate, revise and launch health and safety procedures manual as documented in our UK manual;
- To assess an automated 'roll-on' device for easily rolling roll-stock onto standard European roll-stock stands; and
- To implement a programme to replace all non-standard roll-stock stands in the UK with standard stands as they are easier to maintain.

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 the UK we make our own cardboard tubes on site, thereby reducing the cost of delivery of what is, essentially, air in the centre of the tubes. Where possible we re-use cardboard tubes. Sheet polythene wrapping and cardboard tubes that are not re-used but are delivered within the UK (excluding Northern Ireland) from our main distribution centre are recycled. No waste produced from our store support office, warehouse and distribution centre is sent to landfill; general rubbish being compacted and incinerated to produce energy. Currently other waste from stores is sent to landfill, although we aim to address this in the forthcoming financial year.

In Belgium and the Netherlands sheet polythene wrapping around our carpets is also collected and recycled.

We continue to consider whether there are opportunities to recycle of end-of-use carpets. A mattress recycling service is offered to our customers in the Netherlands.

We were able to reduce our water consumption in the UK by approximately a third during the year, and nearly half measured over the last two years, which has been achieved through improved analysis of consumption data and identification of any high-use locations.

We are trialling different forms of energy-efficient lighting and, where a store undergoes a full refurbishment, it is the intention to install such lighting at that location.

Nearly 60% of the eligible property portfolio in the UK now has Automatic Meter Reading (AMR) electricity meters, which provide daily meter reading data and allows us to target any high-consumption locations, understand why the usage is higher than anticipated and manage our consumption appropriately. AMR electricity meters were also installed in 92% of stores in the Netherlands where installation is possible, although it is too early to assess their success.

Approximately 72% of our eligible property portfolio in the UK now has gas AMR meters, enabling us to monitor gas consumption in a similar way to electricity consumption. This has enabled us to identify stores that were, for example, leaving heating on overnight. In the Netherlands 80% of stores of the eligible property portfolio has had AMR meters installed.

For the financial year 2013/14 our targets are:

- To explore the potential to introduce movement sensitive lighting to our main UK distribution and cutting warehouse;
- To install a further 108 gas AMR meters in the UK, completing the roll-out to all eligible trading stores;
- To install a further 186 electricity AMR meters in the UK, completing the roll-out to all eligible trading stores;
- To divert all waste generated by stores in the UK (excluding Northern Ireland) from landfill to either recycling or incineration to produce electricity;
- To provide a bed recycling service in the UK; and
- To introduce a new, more energy efficient, fleet of lorries.

Our key measures within CR are:

Key Initiative	Indicator	2013	2012	Progress
Providing Great Service	Complaints per £1m of sales in the UK[1]	**5.8**	11.3	We attribute the reduction to the success of post-sales calls to customers and greater focus on customer satisfaction.
	Complaints per €1m of sales in the Rest of Europe	**5.8**	3.7	The figure for 2013 includes complaints submitted via our website. It is not practicable to restate the prior year.
Developing Committed People	Number of man-days training in the UK[2]	**2,500**	–	Comparative figures are not available for 2012.
	Number of man-days training in the Netherlands and Belgium	**376**	–	Comparative figures are not available for 2012.
Creating a Safe Place to Work and Shop	Number of accidents in the UK	**116**	110	There is no common factor which we can attribute to the accidents that have occurred.
	Number of accidents in the Rest of Europe	**13**	17	The number of accidents has reduced, with the most significant decline in serious accidents.
	Number of reportable accidents in the UK	**11**	12	A reduction in reportable accidents in our stores, but an increase in the principal warehouse, with no common factor found.
	Number of accidents in the Rest of Europe which would have been reportable if they occurred in the UK	**3**	7	The number of serious accidents declined by over half.
Respect for the Environment	Energy efficiency – kWh/sq m of sales space in the UK[3,4]	**255**	207	The increase is principally due to a cold winter and spring, necessitating increased heating in stores.
	Energy efficiency – kWh/sq m of sales space in the Netherlands[4,5]	**168**	–	Comparative figures are not available for 2012.
	Energy efficiency – km/litre of delivery fleet[6]	**3.45**	3.52	Our fleet is ageing and we aim to replace it in 2013/14 with more fuel-efficient vehicles.
	Recycling in tonnes[6]	**2,402**	2,366	There has been an increase in stocked product lines, which allows us to recycle packaging which was not received previously.

1. Excludes internet sales but includes the Republic of Ireland.
2. Number of actual man-days is in excess of this number.
3. Figures are for the UK store estate only. 2012 figure is actual, restated from estimated figure published in 2012.
4. Based on estimated meter readings.
5. Based on calendar year ending 31 December 2012.
6. Figures are for UK and Republic of Ireland only.

Board of Directors

Lord Harris of Peckham (70)
Chairman

Lord Harris is now in his 56th 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. He stepped down from the position of Chief Executive of Carpetright in May 2012.

Darren Shapland (46)
Chief Executive

Darren took up his current role as Chief Executive in May 2012. He was a Non-Executive Director of Carpetright between September 2011 and May 2012. He was previously an Executive Director of J Sainsbury plc until July 2011 in the roles as its Chief Financial Officer and its Group Development Director and was Chairman of Sainsbury's Bank plc until February 2013. He was the Group Finance Director of Carpetright between 2002 and 2005, and prior to that was the Finance Director of Superdrug Stores plc. Between 1988 and 2000 he held a number of financial and operational roles at Arcadia plc (formerly The Burton Group). He is also a Non-Executive Director of Ladbrokes plc where he chairs its Audit Committee.

Neil Page (49)
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.

Martin Harris (44)
Group Development Director

Martin Harris took up his current role as Group Development Director in May 2013 and is responsible for the development of all aspects of Carpetright's customer-facing activities, including store development, marketing and the further evolution of the digital channel marketing. Martin is also responsible for our Corporate Responsibility programme. 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 Executive Director position of Buying Director in 2002. He was the Group Commercial Director from 2003 until May 2013 with responsibility for buying, logistics and marketing.

Baroness Noakes (64)
Deputy Chairman and Senior Independent Director

Baroness Noakes, a chartered accountant, joined the Board in February 2001. She is a Non-Executive Director of Severn Trent plc, the Royal Bank of Scotland Group plc and is 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 was appointed Deputy Chairman in May 2012. She chairs the Nomination Committee.

Alan Dickinson (62)
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 Royal Bank of Scotland (RBS) Group and Chief Executive of both RBS UK and the bank's UK Corporate Banking business. He is also Chairman of Brown Shipley and a Non-Executive Director of the Nationwide Building Society, Frogmore Property Company Limited and Willis Limited. He chairs the Remuneration Committee.

Sandra Turner (60)
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 McBride plc, Countrywide plc and Huhtamäki Oyj and was previously a Non-Executive Director of Northern Foods plc. She chairs the Customer and Corporate Responsibility Committee.

David Clifford (61)
Non-Executive Director

David Clifford, a chartered accountant, joined the Board in December 2011. He was previously a senior partner with KPMG. Throughout his career he held a variety of roles and led the Consumer Markets Unit of KPMG for a period, advising a number of retailers. He is a Trustee and the Treasurer of the Gurkha Welfare Trust. He chairs the Audit Committee.

Andrew Page (54)
Non-Executive Director

Andrew will join the Board in July 2013. He is the Chief Executive of The Restaurant Group plc. Prior to joining The Restaurant Group plc, he held a number of senior positions in the leisure and hospitality industry including Senior Vice President with InterContinental Hotels and Finance Director of Hanover International plc. Prior to that, Andrew spent six years as a Corporate Financier with Kleinwort Benson, having trained and qualified as a Chartered Accountant.

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 Corporate Governance Code published by the Financial Reporting Council.

The structure of the Board and its Committees is set out below:

Carpetright plc Board of Directors

Audit Committee	Nomination Committee	Remuneration Committee	Customer and Corporate Responsibility Committee

The Board

Details of the number of meetings and Board attendance are set out below:

Number of Full Board Meetings in the 2012/13 financial year: **6**

Directors	Attendance	Maximum number of Meetings the Director could have attended
Lord Harris Chairman	6	6
Darren Shapland Chief Executive	6	6
Neil Page Group Finance Director	6	6
Martin Harris Group Development Director	6	6
Baroness Noakes Deputy Chairman and Senior Independent Director	6	6
Alan Dickinson Independent Non-Executive Director	6	6
Sandra Turner Independent Non-Executive Director	6	6
David Clifford Independent Non-Executive Director	6	6

The Board currently consists of the Chairman, three Executive and four Non-Executive Directors, brief biographies of whom can be found on page 20. Andrew Page will join the Board on 1 July 2013 as an additional independent Non-Executive Director. 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 23.

As at 27 April 2013 a quarter of the Board was female (two out of eight) and one out of six members of the Executive Committee was female.

All Directors will offer themselves for election or re-election at the Annual General Meeting in accordance with the UK Corporate Governance Code.

Until 14 May 2012 the roles of Chairman and Chief Executive were both held by Lord Harris. He ceased to be Chief Executive when Darren Shapland was appointed to that role. Lord Harris remains as Chairman and for the financial year ended in April 2013 worked four days per week in support of Darren Shapland in specific areas of the business, notably property and buying. Since 1 June 2013, reflecting the progress made in the last year, Lord Harris has reduced his time commitment to three days per week. Following the appointment of a Trading Director in May 2013, Lord Harris will be working with the Trading Director so that his involvement in the buying role can be transferred and it is anticipated that his executive involvement in the Company's property activities will also significantly reduce in the near future. As a consequence Lord Harris's time commitment is expected to reduce further.

A formal statement on the division of responsibilities between the Chairman and Chief Executive has been adopted by the Board and this makes it clear that the Chief Executive has the responsibility and accountability for running the business.

The Non-Executive Directors of the Company play a key governance role and bring an extra dimension to the Board's deliberations. The Board considered the independence of each Non-Executive Director against the criteria specified in the UK Corporate Governance Code and has 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 fact that Baroness Noakes is a Non-Executive Director of the Royal Bank of Scotland, the Company's principal banker, and she has served as a Director of the Company for more than nine years from the date of her first election.

Corporate governance continued

Baroness Noakes had intended to step down from the Board in 2012, but at the request of the Board agreed to remain on the Board in order to facilitate the transition of the Company to the new management arrangements. She has been the Senior Independent Director (SID) since 2004 and assumed the role of Deputy Chairman in May 2012. She ceased to be Chairman of the Audit Committee in July 2012 but continues to chair the Nomination Committee and remains a member of all Board Committees. She plays an active role in determining the agenda for the Board, the Board appraisal process and in ensuring that any issues raised by the Non-Executive Directors are dealt with. She also keeps under review the division of responsibilities between the Chairman and Chief Executive so that it works well in practice.

The Board views that it is appropriately balanced, comprising the Chairman, three Executive Directors and five independent Non-Executive Directors.

The Board believes that its current size and structure are appropriate for managing the Group in an effective and successful manner.

A process of evaluation of the Board and its Audit, Nomination, Remuneration and Customer and Corporate Responsibility Committees has been undertaken. The exercise to evaluate the performance of the Board was led by the Deputy Chairman, and those of the Audit and Remuneration Committees were 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 meet, with no Executive Directors present, at least once each year inter alia to review the performance of the Chairman.

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 which sets out those matters requiring Board approval and specifically reserved to it for decision.

Day-to-day management is delegated to the Chief Executive who chairs an Executive Committee. Other members of the Executive Committee are the Group Finance Director, Group Development Director, the Operations Directors for each of the UK and the Rest of Europe, the Trading Director and the Company Secretary.

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 four 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 it is refreshed. The Company provides the Committees with sufficient resources to undertake their duties. The Company Secretary, or his nominee, 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 page 25.

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 26 to 35.

The **Customer and Corporate Responsibility Committee** comprises the individuals set out in the table below which also provides details of the number of meetings and attendance. The Corporate Responsibility Report is set out on pages 17 to 19.

Number of Meetings in the 2012/13 financial year: 3

Members	Attendance	Maximum number of Meetings the Director could have attended
Sandra Turner Committee Chairman	3	3
Darren Shapland	3	3
Martin Harris	3	3
Baroness Noakes	3	3
David Clifford	3	3
Claire Balmforth Operations Director – UK	3	3
Andy Corden Operations Director – Europe	3	3

The **Nomination Committee** is chaired by Baroness Noakes. Details of its membership and attendance are set out below:

Number of Meetings in the 2012/13 financial year: 4

Members	Attendance	Maximum number of Meetings the member could have attended
Baroness Noakes Committee Chairman	4	4
Lord Harris	4	4
Alan Dickinson	4	4

The responsibilities of the Nomination Committee include:

- identifying and nominating candidates for the approval of the Board. External search consultants are generally appointed to assist in the search process;
- reviewing development needs of the Executive; and
- making recommendations to the Board on Board composition and balance.

The Committee considers the diversity of the Board and the skills and competencies of the existing Directors when drawing up specifications for new appointments. It ensures that the development needs of Executive Directors and other senior managers are addressed appropriately. The Chief Executive attends the Nomination Committee meetings at the invitation of the Committee Chairman.

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 re-appointment.

An external search consultancy was engaged in relation to the recruitment of Andrew Page as an additional independent Non-Executive Director.

Continuing Professional Development

All Board members are updated on matters relevant to the Group, including legal and regulatory developments, and members of Board committees are updated on matters relevant to their committee membership. In the year the Remuneration Committee received updates on current best practice from New Bridge Street.

The performance of individual Directors is considered as part of the annual Board appraisal process. The individual development needs of Executive Directors are overseen by the Nomination Committee, which includes the Chairman. Non-Executive Directors have access to professional development provided by external bodies. Their continuing competence is considered by the Nomination Committee as part of the annual process of recommending the reappointment of Directors at the AGM.

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, 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. An Executive Risk Committee ('ERC') comprising the Executive Directors and senior managers exists to review key risk and control issues. The ERC met quarterly.

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

Corporate governance continued

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

During the financial year the UK Risk Management Committee and the European Risk Management Committee met quarterly and each comprised a small number of the senior management team as regular members, who are able to call on the expertise of other managers as required. The work formerly carried out by the UK Risk Management Committee is being absorbed by the ERC and the UK Risk Management Committee is being disbanded. The UK Risk Management Committee and the ERC considered 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.

The principal risks and uncertainties affecting the business are set out on pages 15 and 16.

Health and safety
Enforcing the health and safety policy is a high priority for management and manuals are available to colleagues, supported by a training programme for stores, distribution centres and offices. 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 review by 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 pages 37 and 38.

Statement of Compliance
During the financial year ended 27 April 2013 the Company complied with the provisions set out in the UK Corporate Governance Code except as set out below.

The Company did not comply with provision A.2.1 of the UK Corporate Governance Code for the entire period as the roles of Chairman and Chief Executive were combined for a short period at the start of the 2012/13 financial year, until mid-May 2012. The roles were combined until such time as Darren Shapland was able to start in his role as the Chief Executive.

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 on the Company's corporate website at www.carpetright.plc.uk.

The Audit Committee is chaired by David Clifford. The Board has determined that Baroness Noakes and David Clifford have recent and relevant financial experience. Details of membership and attendance are set out below:

Number of Meetings in 2012/13 financial year: 4

Members	Attendance	Maximum number of Meetings the member could have attended
David Clifford Committee Chairman (from 1 July 2012)	4	4
Alan Dickinson	4	4
Baroness Noakes (Committee Chairman until 1 July 2012)	4	4
Sandra Turner (until 1 July 2012)	1	1

All members of the Audit Committee are independent Non-Executive Directors. At the invitation of the Committee, the Chief Executive, Group Finance Director, Director of Group 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 and pays particular attention to the financial statements for the year, the annual results announcement and the results for the half-year set out in the interim statement. Following review, these are recommended to the Board for approval.

The Audit Committee reviews the consistency of and any changes to the Group's accounting policies, the application of appropriate accounting standards, the methods used to account for significant or unusual transactions and areas of significant judgment. During the year the Audit Committee focused in particular on the judgments made in making provision for the impairment of stores, freehold properties and goodwill in the light of difficult trading conditions. In addition, it examined carefully all the other items which are disclosed as exceptional.

During the period ended 27 April 2013, other matters dealt with by the Audit Committee were:

- reviewing the independence, objectivity and effectiveness of the external auditors and, on the basis of that review, recommending to the Board their re-appointment 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 ERC, 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;
- carrying out detailed reviews into the controls in place relative to various elements of risk; 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 Quality Review Team of the Financial Reporting Council. On the basis of that review, the Audit Committee makes a recommendation on 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 intends to retender the audit no later than 2020 in accordance with the UK Corporate Governance Code. 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 27 April 2013 are disclosed in note 3 to the Financial Statements.

The Statement of Directors' Responsibilities in relation to the accounts is set out on page 39. The Statement by the Auditors on their responsibilities in respect of the accounts is contained in their report on page 76. The Chairman of the Audit Committee will be available at the Annual General Meeting.

Directors' remuneration report

Dear Shareholder,

This is my first full year as Chairman of the Remuneration Committee, and I am pleased to present the Directors' Remuneration Report for 2012/13 on behalf of the Board.

During the year the key appointment was of Darren Shapland as Chief Executive and the separation of the roles of Chairman and Chief Executive. Following this appointment and as part of the progressive handover of responsibilities, Lord Harris's time commitment reduced to four days per week, and this reduced further to three days per week on 1 June 2013. As a result Lord Harris's remuneration has been reduced accordingly.

The metrics used in Carpetright's 2012/13 annual bonus and 2009 long-term incentive (which became capable of vesting in September 2012) are based on financial measures (underlying profit before tax and growth in EPS respectively).

The 2012/13 annual bonus was affected by difficult economic conditions which were off-set, in part, by self-help measures. This resulted in payment at less than would have been paid for on-target performance. Annual bonuses for Executive Directors who served as Directors throughout the year will be approximately 29% of salary. The Committee has also determined that the annual incentive arrangements for Executive Directors for the 2013/14 financial year will be better aligned with the incentive arrangements with their colleagues in the UK who have a proportion of their bonuses linked to internal customer service targets, measured through UK mystery shopper visits.

The financial performance in 2011/12 resulted in a determination that none of the long-term incentive awards made in 2009 would vest and all awards made therefore lapsed. Although not finally determined, the results in the year under review are unlikely to result in any of the long-term incentive awards made in 2010 vesting.

A benchmarking exercise of Executive Directors' salaries was undertaken during the year which resulted in no pay increase for any of the Executive Directors.

The Committee reviewed the Company's long-term incentive arrangements during the year. The Committee wants to reward the senior executive team for delivering a recovery in the Group's performance as well as laying the foundations for long-term value to shareholders. To that end the intention is to introduce a new Performance Share Plan ('PSP') at this year's Annual General Meeting. The performance targets which are proposed will enable senior executives to earn enhanced awards in return for meeting targets linked to the new strategy. The Company has consulted its major shareholders on the proposed new arrangement.

I will be available to answer any questions at the AGM in September and very much hope that you will support the 2012/13 Directors' Remuneration Report at our forthcoming meeting.

Alan Dickinson
Chairman of the Remuneration Committee
24 June 2013

Directors' remuneration report

This report is made by the Board on the recommendation of the Remuneration Committee and has been prepared in accordance with the UK Corporate Governance Code, relevant regulations and the relevant parts of the Listing Rules of the UK Listing Authority. The first part of the report provides details of the Remuneration Committee and remuneration policy. The second part provides details of the remuneration, pensions and share plan interests of the Directors and former Directors who served as a Director of the Company during the 52 weeks ended 27 April 2013.

Remuneration policy section

The Committee's policy is to provide remuneration packages for the Executive Directors which include an appropriate balance between the fixed and variable elements of pay, and which reflect their responsibilities relative to the size and nature of the business.

It is committed to ensuring the management teams are rewarded for delivering the Company's growth plans and long-term shareholder value. The Committee aims to set levels of fixed pay that are competitive within the markets within which it competes for talent and short- and long-term incentive opportunities at levels that are sufficient to motivate Executives to achieve the Company's short- and long-term goals without encouraging inappropriate behaviours. The remuneration strategy ensures that a significant element of Executives' remuneration remains 'at risk'.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the Committee will ensure that the overall remuneration policy does not encourage inappropriate operational risk-taking.

Components of remuneration

The main remuneration components for the Executive Directors comprise basic salary, pensions, benefits and incentive plans, which are set out below:

i) Basic salary

Basic salary for each Executive Director and other Senior Executives is determined by the Committee, taking account of the responsibilities, performance and experience of the individual. A benchmarking exercise was carried out in the period in relation to the Executive Directors and other Senior Executives. The Remuneration Committee took account of market trends in reviewing basic salaries. When reviewing the salaries of the Executive Directors, the Committee also has regard to the impact on the cost of pension provision and pay and conditions elsewhere in 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 no increase is to take place in 2013. The current salaries of the Executive Directors are as follows:

	Current base salary
Darren Shapland	£450,000
Neil Page	£280,000
Martin Harris	£280,000

The combined annual salary increase for all colleagues and management was 1.3%.

ii) Pensions

Darren Shapland and Martin Harris 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 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') or receive the allowance by way of a salary supplement. Darren Shapland and Martin Harris each receive their allowance as a salary supplement. Neil Page splits his allowance between a contribution to the GPPP scheme and a salary supplement.

iii) Benefits

The Executive Directors are eligible for car benefits, life assurance and private medical cover.

iv) Annual incentives

Executive Directors are eligible to receive an annual performance bonus which is a proportion of salary based on the achievement of the annual budgeted underlying profit.

The maximum bonus opportunity for Executive Directors in respect of the 2013/14 financial year is 100% (2012/13: 100%) of basic salary, with 40% (2012/13: 30%) of salary payable for on-target performance. 90% of the 2013/14 bonus will be dependent on underlying profit before tax targets. The target at which minimum bonus is payable has been set at a level in excess of the underlying profit before tax achieved in 2012/13. The remaining 10% of the bonus will be determined by reference to an internal customer service targets, measured through UK mystery shopper visits. This aligns the reward of the Executive directors with the rest of their colleagues in the United Kingdom.

Where bonuses are paid, they are paid in cash and do not form part of the Directors' pensionable earnings. Subject to the discretion of the Committee, bonuses may be clawed back where the financial results have been materially misstated, where an error has been made in assessing the size of the bonus or where the individual had committed an act of gross misconduct in respect of the relevant financial year.

v) 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 made in 2012 to Executive Directors (excluding Lord Harris who declined his award) were made at 100% of salary.

Lord Harris has not been eligible to receive future awards since ceasing to be Chief Executive. It is the Company's policy that awards under the LTIP will be satisfied using shares purchased in the market or by new issue shares, provided that the use of new issue shares will not breach the rules of the scheme.

At the time of Darren Shapland's recruitment as Chief Executive, the Committee undertook to introduce a revised long-term incentive arrangement to focus Darren and the other members of the senior executive team on delivering not only a recovery in Group performance but also to drive long-term value for shareholders. The intention was that this should enable senior executives to earn enhanced awards in return for meeting targets linked to the new strategy. The Company has consulted its major shareholders on the proposed new arrangement, and a new Performance Share Plan ('PSP') will be proposed for adoption at this year's Annual General Meeting.

Awards under the new plan will continue to consist of annual grants of performance shares that vest three years after grant subject to the extent that performance targets have been achieved. However, in order to tie-in with the new strategy and the commitments made to Darren Shapland at the time of his appointment award levels over the first two years of the scheme's operation, when the importance of the implementation of the revised strategy is most critical, will be increased before reverting to a lower normal level of award for future years.

The scheme will reflect current market and best practice, while being appropriately tailored to the Company's specific circumstances.

Providing the scheme is approved by shareholders, annual awards of performance shares may be made to Executive Directors and other members of the Executive Committee with a market value of shares at grant of 250% of salary for the first two years of the PSP's operation and a normal limit of 150% of salary is expected to apply thereafter (i.e. from 2015). Lower percentages of salary would apply to less senior roles, again with enhanced award levels in the first two years. After the first two years, awards with a market value of up to 250% of salary could be made in exceptional circumstances under the PSP. The current maximum in the 2004 LTIP is 300% of salary but the Committee's policy in recent years has been to make awards up to a maximum of 100% of salary.

Directors' remuneration report continued

Awards will vest after a three year period to the extent performance conditions have been achieved. Vesting of awards made under the LTIP have been subject to performance targets set by reference to the Company's Earnings Per Share. The 2013 and 2014 awards under the new PSP will also be subject to an earnings based performance metric which will be cumulative underlying profit before tax. In reaching this decision the Committee considered other metrics such as relative and absolute Total Shareholder Return but found there was insufficient correlation between the performance of the business and the returns generated. Consequently underlying profit before tax was selected as it is considered by the Committee to be the metric most relevant to the Company's business. Performance against this target will be fully disclosed in future annual reports. In future years, the Committee would be able to set different targets provided that it reasonably concludes that these are no less challenging in the circumstances than the targets set for the initial awards.

The Committee decided to measure performance on a cumulative basis in order to ensure consistent enhanced performance as well as, given the current economic uncertainty, reducing the risk that a change in economic conditions in a single year of the performance period will unduly influence performance against the targets.

The proposed targets for the awards to be made in 2013 are that if cumulative underlying profit before tax over the three-year measurement period is £60m then 10% of the award will vest, if it is £75m then 100% of the award will vest, and there would be vesting on a straight line basis between the two points.

vi) 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
Darren Shapland	11 May 2012	12 months
Martin Harris	27 January 2011	12 months
Neil Page	2 March 2009	12 months

Outside appointments of the Chairman and Executive Directors

Executive Directors retain remuneration from outside non-executive directorships. During the year Lord Harris's directors' fees payable by Arsenal Holdings plc were waived and paid directly by Arsenal to charity.

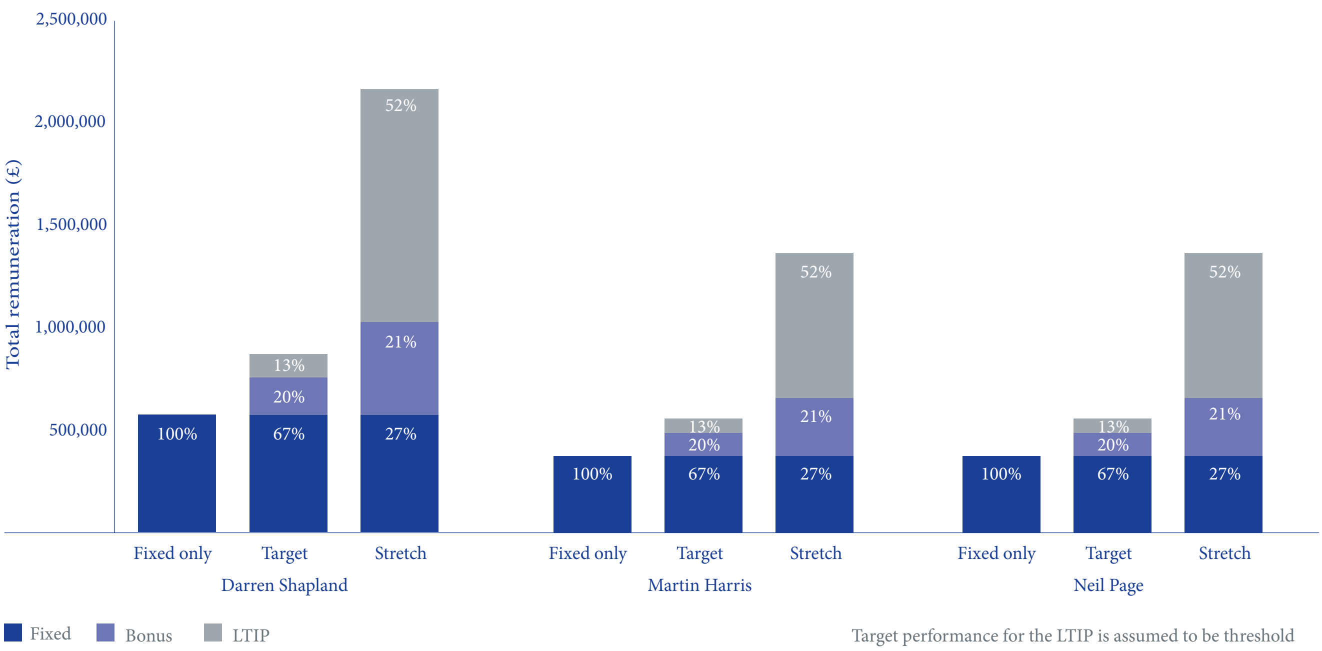
Darren Shapland received a fee at a rate of £150,000 per annum in respect of his role as Chairman of Sainsburys Bank plc; his commitment of one day per week ceased in February 2013. Darren Shapland also receives a fee at a rate of £60,000 per annum as a Non-Executive Director of Ladbrokes plc.

Shareholding guidelines

Share ownership guidelines exist to create greater alignment with the interests of shareholders and to be consistent with one of the objectives of the incentive framework. All Executive Directors should build up a shareholding in the Company equal to their annual basic salary and maintain it thereafter by the retention of shares with a value equal to 50% on the net of taxes gain on their vested long-term incentives subject always to their individual circumstances. At the year end the holdings of Lord Harris and Martin Harris were above this level. Neil Page held 10,029 shares which, based on the year end share price of 635p, represented 23% of his salary. Darren Shapland held 25,419 shares which, based on the year end share price of 635p, represented 36% of his salary.

Mix between fixed and variable pay elements

The chart below shows the mix between the fixed elements of remuneration, annual bonus and long-term incentives in different scenarios



Target performance for the LTIP is assumed to be threshold

In developing the scenarios, the following assumptions have been made:

Salary:	The salary for the year ahead
Pension:	20% of salary allowance based on the salary for the year ahead
Benefits:	The value given in the emoluments table this year
Bonus:	at stretch is 100% of salary and at target is 40% of salary
LTIP:	maximum is 250% of salary and at target assumes vesting of 25% of salary

Chairman and Non-Executive Directors

The Chairman and the Non-Executive Directors do not have service contracts. The Chairman has been appointed for an indefinite term and the Non-Executive Directors are appointed for an initial three year period, subject to being re-elected by members annually.

The Chairman and 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	Notice period
Lord Harris (Chairman)	11 May 2012		Indefinite	3 months
Baroness Noakes	1 February 2001	1 February 2013	7 months	1 month
Alan Dickinson	22 October 2010		4 months	1 month
Sandra Turner	22 October 2010		4 months	1 month
David Clifford	1 December 2011		1 year 5 months	1 month
Andrew Page	1 July 2013		3 years	1 month

Directors' remuneration report continued

The fees of the Chairman are determined by the Remuneration Committee. Non-Executive Directors' fees are determined by the Executive Directors. These fees are set 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 Chairman and the Non-Executive Directors are not eligible for any of the Company's variable pay arrangements. The Chairman is entitled to car benefits, life assurance and private medical cover. The Non-Executive Directors receive no benefits.

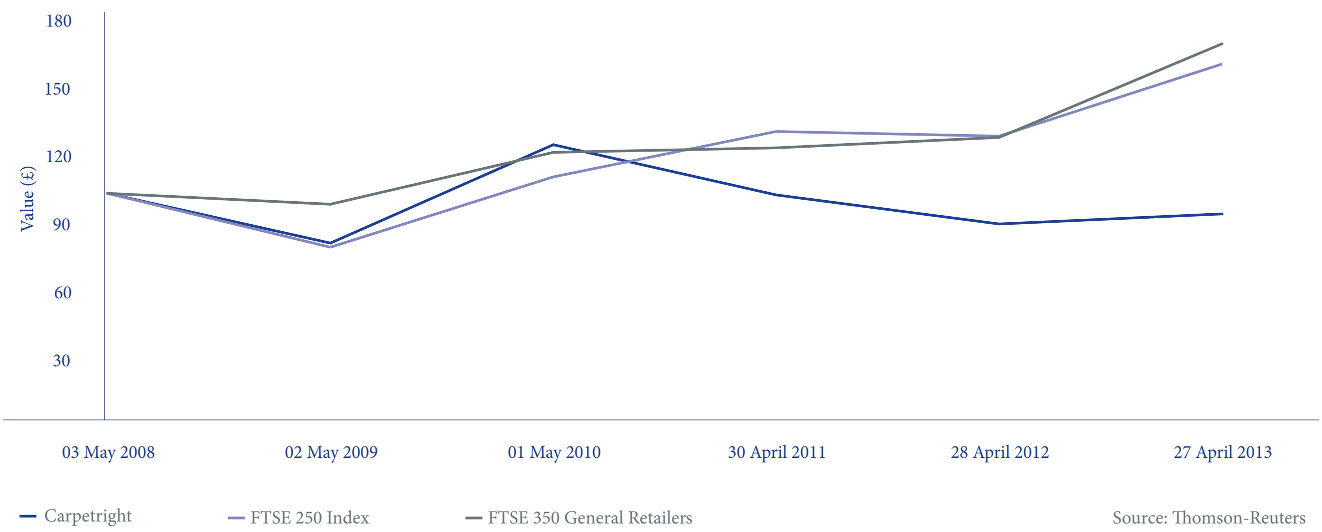
The fees of the Non-Executive Directors were last reviewed in May 2012. The base fees for Non-Executive Directors are £39,000 p.a. The fees of Baroness Noakes are £60,000 to take account of her role as Deputy Chairman, membership of all Board Committees, chairing the Nomination Committee and her role as the Senior Independent Director. The fees for chairing each Committee are £5,000 per chair. The fees for Lord Harris were reduced from £300,000 p.a. to £225,000 p.a. with effect from 1 June 2013 to reflect a reduction in time commitment from four to three days per week.

Implementation Section

Performance graph

The graph below shows the value, at 27 April 2013, of £100 in Carpetright plc shares on 27 April 2008 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



Remuneration Committee

The Remuneration Committee is chaired by Alan Dickinson. Details of its membership and attendance are set out below:

Number of Meetings in the 2012/13 financial year:		6
Members	Attendance	Maximum number of Meetings the member could have attended
Alan Dickinson Committee Chairman	6	6
Baroness Noakes	6	6
Sandra Turner	6	6
David Clifford (Until 1 July 2012)	1	1

At the invitation of the Committee, the Chairman, Chief Executive, Group Finance Director, and the Director of Human Resources regularly attend Committee meetings. The Committee considers their views when reviewing the remuneration of the Executive Directors and Senior Executives. They are not involved in decisions concerning their own remuneration.

The responsibilities of the Committee include:

- determining and agreeing with the Board the broad remuneration policy for the Chairman, Executive Directors and Senior Executives;
- setting individual remuneration arrangements for the Chairman and Executive Directors;
- recommending and monitoring the level and structure of remuneration for those members of senior management with in the scope of the Committee; and
- approving the service agreements of each Executive Director, including termination arrangements.

The Committee's terms of reference are available on the Company's corporate website (www.carpetright.plc.uk).

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was advised by New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc). The Committee's advisers attended two of the six Committee meetings. New Bridge Street, which is a signatory to the Code of Conduct for Remuneration Advisers, did not provide other services to the Company. Fees paid by the Company to New Bridge Street during the year amounted to £45k (2011/12: £33k). Other members of the Aon plc group of companies provided insurance broking and advisory services to the Company.

Remuneration review

Since the publication of last year's report on Directors' remuneration, the Committee has:

- conducted a review of the remuneration arrangements of the Executive Directors and Senior Executives;
- determined the bonus award for the 2012/13 financial year;
- approved the bonus structure for the 2013/14 financial year;
- determined the level of awards and performance condition under the Company's Long Term Incentive Plan for Directors and Senior Executives;
- determined that a new Long Term Incentive Plan should be proposed for adoption by shareholders at the Company's Annual General Meeting and consulted with its shareholders on the introduction of the plan;
- approved increases in remuneration for a limited number of Senior Executives;
- reviewed its own terms of reference; and
- conducted its annual evaluation of its own performance and that of its advisers.

Directors' remuneration report continued

The following section provides details of the remuneration, pension and share plan interests of the Directors for the 52 week period ended 27 April 2013 and has been audited.

i) Directors' emoluments

No emoluments were waived during the period. The remuneration of the Directors for the year was as follows:

	Notes	Salary/Fees £000	Contributions to Pension Plan or pensions supplement £000	Benefits £000	Bonus £000	Recruitment LTIP buyout £000	Payments following termination of employment £000	Total 2013 £000	Total 2012 £000
Darren Shapland	1,2,3	439	87	27	118	345	–	**1,016**	23
Martin Harris	3	280	56	32	80	–	–	**448**	367
Neil Page	3	280	56	29	80	–	–	**445**	365
Andy Corden	3,4,5	279	12	26	40	–	–	**357**	367
Claire Balmforth	5	220	44	29	92	–	–	**385**	265
Lord Harris		307	–	35	–	–	–	**342**	522
Baroness Noakes		60	–	–	–	–	–	**60**	51
Alan Dickinson		44	–	–	–	–	–	**44**	39
Sandra Turner		43	–	–	–	–	–	**43**	36
David Clifford		43	–	–	–	–	–	**43**	15
Former Directors	6	–	–	–	–	–	67	**67**	404
Total 2013		**1,995**	**255**	**178**	**410**	**345**	**67**	**3,250**	
Total 2012		1,829	185	169	35	–	236		2,454

1. Highest paid Director.
2. The Recruitment LTIP buyout was paid in respect of LTIPs that lapsed from previous employment as a result of joining the Company. The net proceeds were subscribed for shares in the Company.
3. The bonus will be paid in July 2013, and relates to the financial year 2012/13.
4. Paid by subsidiary companies in Euros. The average exchange rate of €1.23:£1 has been used for the financial year 2012/13 and the average exchange rate of €1.16:£1 was used for the financial year 2011/12.
5. Claire Balmforth and Andy Corden stepped down from the Board on 11 May 2012. They both remain senior executives on their previous contract terms. Their full annual remuneration is disclosed.
6. The amounts received post-termination in the year relate to Christian Sollesse, whose final payment was made in June 2012. The payment includes amounts paid in lieu of salary (£24k), Pension and pension supplement (£7k) holiday pay and other benefits (£36k). Payments were made monthly, subject to mitigation, and continued to June 2012.

ii) 2012/13 annual bonus

The Committee reviewed the levels of bonus opportunity for the Executive Directors for the 2012/13 financial year in the light of the challenging trading environment and concluded that it would be appropriate to retain the percentage of salary payable for maximum at 100% of salary.

The performance targets for 2012/13 were set by reference to budgeted levels of underlying profit before tax. The targets for the UK and the Group were partly achieved, but targets were not achieved for the Rest of Europe. The bonus for Andy Corden and Claire Balmforth, the Operations Directors for the Rest of Europe and the UK respectively, both of whom stepped down from the Board in May 2012 but retain their executive responsibilities, was based as to 50% on the Rest of Europe and UK performance respectively and 50% on Group performance. The bonus for the other Directors was based exclusively on Group performance.

Consequently a bonus will be paid in 2013 (2012: nil) to the Executive Directors who served during the period. Where bonuses are paid, they are paid in cash and do not form part of the Directors' pensionable earnings. The Group targets for the 2012/13 financial year were set such that no bonus would be paid unless the underlying profit before tax exceeded that achieved in the prior financial year by 50%. The Group targets were as follows, with straight-line vesting between a Group underlying profit before tax of £6m and £20m:

Underlying profit before tax	Proportion of maximum bonus
Less than £6m	0%
£6m	10%
£20m	100%

The targets for the Rest of Europe and the UK are commercially sensitive and have not been disclosed.

As a result of the performance achieved in the year bonuses of between 14% and 42% of salary will be paid in 2013 (2012: nil) to the Executive Directors who served during the period. These bonuses will be paid in cash and do not form part of the Directors' pensionable earnings.

iii) Long term incentive plan

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

Director	Table Footnotes	Date of Grant	As at 28 April 2012	Granted/(lapsed) in the year	Vested in the year	Outstanding at 27 April 2013	Share price at date of award (pence)	First exercise date	Last exercise date
Darren Shapland	1,3,6	28 June 2012	–	92,573	–	92,573	486	Sept 2014	Mar 2015
	4	20 Sept 2012	–	67,822	–	67,822	664	Sept 2015	Mar 2016
Martin Harris		18 Sept 2009	59,480	(59,480)	–	–	853	Sept 2012	Mar 2013
	2,6	16 Sept 2010	37,837	–	–	37,837	740	Sept 2013	Mar 2014
	3,6	20 Sept 2011	57,601	–	–	57,601	486	Sept 2014	Mar 2015
	4	20 Sept 2012	–	42,200	–	42,200	664	Sept 2015	Mar 2016
Neil Page		18 Sept 2009	60,961	(60,961)	–	–	853	Sept 2012	Mar 2013
	2,6	16 Sept 2010	37,837	–	–	37,837	740	Sept 2013	Mar 2014
	3,6	20 Sept 2011	57,601	–	–	57,601	486	Sept 2014	Mar 2015
	4	20 Sept 2012	–	42,200		42,200	664	Sept 2015	Mar 2016
Claire Balmforth		18 Sept 2009	14,067	(14,067)	–	–	853	Sept 2012	Mar 2013
	2,6	16 Sept 2010	15,202	–	–	15,202	740	Sept 2013	Mar 2014
	3,6	20 Sept 2011	41,143	–	–	41,143	486	Sept 2014	Mar 2015
	4	20 Sept 2012	–	33,157		33,157	664	Sept 2015	Mar 2016
Andy Corden	2,5,6	16 Sept 2010	26,696	–	–	26,696	740	Sept 2013	Mar 2014
	3,6	20 Sept 2011	59,957	–	–	59,957	486	Sept 2014	Mar 2015
	4	20 Sept 2012	–	40,644		40,644	664	Sept 2015	Mar 2016

1. This award was made under rule 9.4.2 of the Listing Rules. The share price used was the same share price as was used for the awards made in September 2011 and the terms are identical to those of the 2011 awards.
2. The 2010 awards are measured by reference to a percentage growth in underlying EPS. This translates to none of the 2010 awards vest if underlying EPS is less than 51.3p in the financial year 2012/13. If underlying EPS is 51.3 then 25% of the award vests and if EPS is 77.7p all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale.
3. The 2011 awards are measured by reference to a percentage growth in underlying EPS. This translates to none of the 2011 awards vest if underlying EPS is less than 21.1p in the financial year 2013/14. If underlying EPS is 21.1p then 25% of the award vests and if EPS is 24.0p all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale.
4. None of the 2012 awards vest if underlying EPS is less than 21.1p in the financial year 2014/15. If underlying EPS is 21.1p then 25% of the award vests and if EPS is 24.0p all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale.
5. Andy Corden's award in 2010 was made on a phantom basis such that a payment will be made based upon the market value of a share, rather than receiving shares.
6. Neither the 2010 conditional award nor the 2011 conditional award is currently expected to vest.

Directors' remuneration report continued

iv) Sharesave options

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

	As at 28 April 2012	Granted during year	Exercised during year	Lapsed during year	**As at 27 April 2013**	Exercise price pence	First exercise date	Last exercise date
Lord Harris	5,491	–	–	–	**5,491**	295.0	Apr 2014	Oct 2014
Darren Shapland	–	1,654	–	–	**1,654**	544.0	Apr 2016	Oct 2016
Martin Harris	5,491	–	–	–	**5,491**	295.0	Apr 2014	Oct 2014
Neil Page	5,491	–	–	–	**5,491**	295.0	Apr 2014	Oct 2014
Claire Balmforth	568	–	–	–	**568**	633.5	Apr 2014	Oct 2014
Claire Balmforth	1,063	–	–	–	**1,063**	423.0	Apr 2015	Oct 2015
Claire Balmforth	–	165	–	–	**165**	544.0	Apr 2016	Oct 2016

1. The market price of Carpetright shares was 635 pence on 27 April 2013 (28 April 2012: 604 pence). During the period ended 27 April 2013, the shares of Carpetright plc traded between a low of 585 pence and a high of 728.5 pence.

v) All Employee Share Ownership Plan (AESOP)

Carpetright operates an AESOP under which team members may contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. Lord Harris, Martin Harris, Neil Page and Claire Balmforth participate in the AESOP, contributing £125 per month.

vi) 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 Darren Shapland are deferred members of the plan.

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

	Accrued Pension				Transfer Value		
	Pension accrued at 27 April 2013	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 27 April 2013**	As at 28 April 2012	Change in transfer value net of Directors' contributions[2]
	£000 pa	£000 pa	£000	£000	**£000**	£000	£000
Lord Harris[3]	**31.0**	0.9	–	–	**649**	615	34
Martin Harris	**17.8**	0.4	–	–	**367**	328	39
Darren Shapland[4]	**6.6**	0.1	–	–	**156**	133	23

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. Darren Shapland's pension rights arise as a result of his previous employment as Group Finance Director of the Company.

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.

At last year's Annual General Meeting held on 6 September 2012, the Directors' remuneration report received the following votes from shareholders:

	For (including discretionary votes)	Against	Total votes cast (for and against excluding votes withheld)	Votes withheld[1]	Total votes cast (including withheld votes)
To approve the Remuneration Report	43,280,411	120,236	43,400,647	1,612	43,402,259
% votes cast	99.7%	0.3%	100%	–	–

1. A vote that is withheld does not constitute a vote in law and has not therefore been included in the totals above.

By order of the Board:

Alan Dickinson
Chairman of the Remuneration Committee
24 June 2013

Governance continued

Other information

Directors' interests

The beneficial interests of those persons who were Directors as at 27 April 2013 and their immediate families in the ordinary shares of the Company are set out below.

	27 April 2013	28 April 2012
Lord Harris	**12,377,481**	12,608,393
Martin Harris	**4,102,682**	3,939,954
Darren Shapland	**25,419**	–
Neil Page	**10,029**	9,802
Baroness Noakes	**32,225**	32,225
David Clifford	**5,000**	–
Alan Dickinson	**–**	–
Sandra Turner	**–**	–

In addition, Lord Harris has a non-beneficial interest in 229,514 shares (2012: 196,414). 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 27 April 2013 and the date of this report 40 shares have been purchased for each of Lord Harris and Neil Page, and 39 shares have been purchased for Martin Harris under the Company's AESOP. 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		Supplies of goods/services payments received		Supplies of goods/services payments made	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Edinburgh Retail LLP	**143**	267	**–**	–	**–**	–
Greenock Retail Ltd	**253**	226	**–**	–	**–**	–
Harris Ventures Ltd	**62**	62	**–**	2	**3**	29
Hull Unit Trust	**193**	387	**–**	–	**–**	–

As at 27 April 2013 the Group owed related parties £nil (2012: £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 2012/13 financial year. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout the 2012/13 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 55 days (2012: 56 days).

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. Details of balance at the financial year end can be found at note 23 to the consolidated financial statements; 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 70 to 72.

Other information continued

Substantial shareholdings
As at 24 June 2013, 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	10,865,418	16.1%
The Olayan Group	9,397,513	13.9%
Harris Associates Inc	6,614,414	9.8%
Cascade Investments LLP	4,693,658	7.0%
Artisan Partners LP	4,051,465	6.0%
UBS	2,363,263	3.5%
A H Palmer and E A O'Keeffe as joint trustees[1]	2,158,232	3.2%

1. Of these shares, 793,000 are held on behalf of Martin Harris and so are also included in his reported holding on page 36.

Donations
Charitable donations of £253 (2012: £175,000) were made during the year. No political donations were made (2012: £nil).

Investor relations
There is a formal investor relations programme based around the results presentations and interim management statements. All of the Non-Executive Directors are available to attend meetings should shareholders so request. The Chairman and Executive Directors feed back any investor comments to the Board. All Directors normally attend the Annual General Meeting and are available to answer any questions that shareholders may raise.

All shareholders will have at least 20 working days' notice of the Annual General Meeting. As required by the Code the Board will, at the 2013 Annual General Meeting, announce the proxy votes in favour of and against each resolution following a vote by a show of hands, and the votes cast will be posted on the corporate website.

Authority to purchase own shares
At the 2012 Annual General Meeting shareholders gave the Company renewed authority to purchase a maximum of 6,754,651 shares of one penny each. This resolution remains valid until the date of this year's Annual General Meeting. As at 27 April 2013, the Directors had not used this authority. The Company's present intention is to cancel any shares acquired under such authority, unless purchased to satisfy outstanding awards under employee share incentive plans. A resolution seeking renewal of the authority will be proposed at this year's Annual General Meeting.

Annual General Meeting
The 2013 Annual General Meeting of the Company will be held on 5 September 2013 at Harris House, Purfleet Bypass, Purfleet, Essex RM19 1TT at 12.00 noon. A full description of the business to be conducted at the meeting is set out in the separate Notice of Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable laws and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors confirm that, after reviewing expenditure commitments, expected cash flows and borrowing facilities, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next financial year and the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details of the Group's liquidity are given in the financial review on page 14.

Disclosure of information to auditors

Each of the Directors of the Company has confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware and that each Director has taken all steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement

Each of the Directors whose names and details are set out on page 20 of this report confirms that to the best of their 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

Jeremy Sampson
Company Secretary and Legal Director
24 June 2013

Consolidated income statement

for 52 weeks ended 27 April 2013

	Notes	Group 52 weeks to 27 April 2013 Before exceptional items £m	Exceptional items (Note 5) £m	Total £m	Group 52 weeks to 28 April 2012 Before exceptional items £m	Exceptional items (Note 5) £m	Total £m
Revenue	2	457.6	–	457.6	471.5	–	471.5
Cost of sales		(179.3)	–	(179.3)	(195.5)	–	(195.5)
Gross profit	2	278.3		278.3	276.0		276.0
Administration expenses		(269.2)	(13.6)	(282.8)	(270.2)	(3.4)	(273.6)
Other operating income		2.3	(1.2)	1.1	2.2	13.4	15.6
Operating profit/(loss)	2,3	11.4	(14.8)	(3.4)	8.0	10.0	18.0
Finance costs	5,6	(2.7)	–	(2.7)	(5.1)	(0.5)	(5.6)
Finance income	6	1.0	–	1.0	1.1	–	1.1
Profit/(loss) before tax		9.7	(14.8)	(5.1)	4.0	9.5	13.5
Tax	7	(3.2)	1.7	(1.5)	(1.0)	(1.5)	(2.5)
Profit/(loss) for the financial period attributable to equity shareholders of the Company		6.5	(13.1)	(6.6)	3.0	8.0	11.0
Basic earnings/(losses) per share (pence)	9	9.6	(19.4)	(9.8)	4.5	11.9	16.4
Diluted earnings/(losses) per share (pence)	9			(9.8)			16.4

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

Consolidated statement of comprehensive income

for 52 weeks ended 27 April 2013

	Notes	Group 52 weeks to 27 April 2013 £m	Group 52 weeks to 28 April 2012 £m
Profit/(loss) for the financial period		(6.6)	11.0
Actuarial loss on defined benefit pension scheme	22	(1.6)	(0.9)
Exchange gain/(loss) in respect of hedged equity investments		1.9	(7.5)
Tax on components of other comprehensive income	7	0.1	–
Other comprehensive income/(expense) for the period		0.4	(8.4)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company		(6.2)	2.6

Statements of changes in equity

for 52 weeks ended 27 April 2013

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 1 May 2011	0.7	15.4	(0.3)	0.1	12.6	(0.1)	38.6	67.0
Total comprehensive income/(expense) for the financial period	–	–	–	–	(7.5)	0.1	10.0	2.6
Issue of new shares	–	0.9	–	–	–	–	–	0.9
Share based payments and related tax	–	–	–	–	–	–	0.2	0.2
At 28 April 2012	**0.7**	**16.3**	**(0.3)**	**0.1**	**5.1**	**–**	**48.8**	**70.7**
Total comprehensive income/(expense) for the financial period	–	–	–	–	1.9	–	(8.1)	(6.2)
Issue of new shares	–	0.3	–	–	–	–	–	0.3
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 27 April 2013	**0.7**	**16.6**	**(0.3)**	**0.1**	**7.0**	**–**	**41.2**	**65.3**

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 1 May 2011	0.7	15.4	(0.3)	0.1	(2.0)	(0.1)	15.8	29.6
Total comprehensive income/(expense) for the financial period	–	–	–	–	1.8	0.1	18.7	20.6
Issue of new shares	–	0.9	–	–	–	–	–	0.9
Share based payments and related tax	–	–	–	–	–	–	0.2	0.2
At 28 April 2012	**0.7**	**16.3**	**(0.3)**	**0.1**	**(0.2)**	**–**	**34.7**	**51.3**
Total comprehensive income/(expense) for the financial period	–	–	–	–	(0.2)	–	(9.3)	(9.5)
Issue of new shares	–	0.3	–	–	–	–	–	0.3
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 27 April 2013	**0.7**	**16.6**	**(0.3)**	**0.1**	**(0.4)**	**–**	**25.9**	**42.6**

The notes on pages 44 to 74 form an integral part of the financial statements.

Balance sheets

as at 27 April 2013

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Assets					
Non-current assets					
Intangible assets	10	**60.8**	61.4	**31.4**	32.7
Property, plant and equipment	11	**108.6**	119.6	**70.4**	80.1
Investment property	12	**20.2**	20.7	**7.4**	7.4
Investment in subsidiary undertakings	13	**–**	–	**16.1**	16.8
Deferred tax assets	21	**2.6**	2.6	**–**	–
Trade and other receivables	15	**0.8**	0.9	**48.3**	49.2
Total non-current assets		**193.0**	205.2	**173.6**	186.2
Current assets					
Inventories	14	**37.6**	38.3	**30.4**	30.8
Trade and other receivables	15	**19.8**	24.1	**14.0**	18.4
Current tax assets		**–**	–	**–**	0.4
Cash and cash equivalents	16	**7.9**	9.6	**6.4**	6.1
Total current assets		**65.3**	72.0	**50.8**	55.7
Total assets	2	**258.3**	277.2	**224.4**	241.9
Liabilities					
Current liabilities					
Trade and other payables	17	**(102.9)**	(109.2)	**(90.8)**	(93.2)
Obligations under finance leases	18	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Borrowings and overdrafts	19	**(12.2)**	(9.5)	**(8.0)**	(5.4)
Current tax liabilities		**(0.3)**	(1.0)	**(0.3)**	–
Total current liabilities		**(115.5)**	(119.8)	**(99.2)**	(98.7)
Non-current liabilities					
Trade and other payables	17	**(31.6)**	(33.8)	**(43.5)**	(46.2)
Obligations under finance leases	18	**(2.5)**	(2.6)	**(1.4)**	(1.5)
Borrowings	19	**(3.3)**	(16.5)	**(3.3)**	(16.5)
Provisions for liabilities and charges	20	**(11.1)**	(6.4)	**(11.1)**	(6.0)
Deferred tax liabilities	21	**(23.9)**	(23.1)	**(18.2)**	(17.4)
Retirement benefit obligations	22	**(5.1)**	(4.3)	**(5.1)**	(4.3)
Total non-current liabilities		**(77.5)**	(86.7)	**(82.6)**	(91.9)
Total liabilities	2	**(193.0)**	(206.5)	**(181.8)**	(190.6)
Net assets		**65.3**	70.7	**42.6**	51.3
Equity					
Share capital	24	**0.7**	0.7	**0.7**	0.7
Share premium	24	**16.6**	16.3	**16.6**	16.3
Treasury shares	24	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Other reserves		**48.3**	54.0	**25.6**	34.6
Total equity attributable to equity shareholders of the Company		**65.3**	70.7	**42.6**	51.3

The notes on pages 44 to 74 form an integral part of the financial statements.

These financial statements from pages 40 to 74 were approved by the Board of Directors on 24 June 2013 and were signed on its behalf by:

Darren Shapland **Neil Page**
Directors

Statements of cash flow

for 52 weeks ended 27 April 2013

	Notes	Group 52 weeks to 27 April 2013 £m	*Restated* Group 52 weeks to 28 April 2012 £m	Company 52 weeks to 27 April 2013 £m	*Restated* Company 52 weeks to 28 April 2012 £m
Cash flows from operating activities					
Profit/(loss) before tax		**(5.1)**	13.5	**(6.4)**	20.3
Adjusted for:					
Depreciation and amortisation	2,3	**14.1**	14.6	**11.5**	11.8
(Profit)/loss on property disposals		**1.2**	(4.6)	**1.1**	(4.8)
(Profit)/loss on property subsidiary disposal		**–**	(8.8)	**–**	–
Dividend received from subsidiaries		**–**	–	**–**	(22.9)
Exceptional non-cash items		**13.6**	2.3	**12.3**	1.9
Share-based compensation charge		**0.5**	0.2	**0.5**	0.2
Net finance costs	6	**1.7**	4.0	**1.5**	4.5
Operating cash flows before movements in working capital		**26.0**	21.2	**20.5**	11.0
(Increase)/decrease in inventories		**1.0**	(0.4)	**0.4**	(0.4)
Decrease in trade and other receivables		**3.5**	7.9	**3.6**	22.1
Increase/(decrease) in trade and other payables		**(9.7)**	5.4	**(5.7)**	3.9
Provisions paid		**(3.4)**	(5.0)	**(3.0)**	(4.4)
Cash generated by operations		**17.4**	29.1	**15.8**	32.2
Interest paid		**(1.4)**	(4.9)	**(1.5)**	(5.3)
Corporation taxes paid		**(1.4)**	(3.0)	**(0.3)**	(1.4)
Net cash generated from operating activities		**14.6**	21.2	**14.0**	25.5
Cash flows from investing activities					
Purchases of intangible assets		**(0.6)**	(0.1)	**(0.5)**	(0.1)
Purchases of property, plant and equipment and investment property		**(10.6)**	(12.0)	**(8.8)**	(10.7)
Proceeds on disposal of property, plant and equipment and investment property		**4.6**	22.1	**4.6**	21.3
Proceeds on property subsidiary disposal		**–**	12.8	**–**	–
Interest received		**–**	–	**0.3**	–
Net cash generated from/(used) in investing activities		**(6.6)**	22.8	**(4.4)**	10.5
Cash flows from financing activities					
Issue of new shares		**0.3**	0.9	**0.3**	0.9
Repayment of borrowings	29	**(13.9)**	(42.9)	**(13.9)**	(38.7)
Intercompany loans		**–**	–	**–**	4.4
Net cash used in financing activities		**(13.6)**	(42.0)	**(13.6)**	(33.4)
Net increase/(decrease) in cash and cash equivalents in the period	29	**(5.6)**	2.0	**(4.0)**	2.6
Cash and cash equivalents at the beginning of the period		**1.5**	(0.7)	**2.1**	0.2
Exchange differences		**–**	0.2	**0.5**	(0.7)
Cash and cash equivalents at the end of the period	16,29	**(4.1)**	1.5	**(1.4)**	2.1

The notes on pages 44 to 74 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.

To provide greater transparency the movement in trade and other payables has been analysed further to disclose cash movements in provisions. The change in presentation has been applied retrospectively and has no effect on the net cash generated from operating activities in respect of prior years.

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.

General information

Carpetright plc ('the Company') and its subsidiaries (together, 'the Group') are retailers of floor coverings and beds. The Company is listed on the London Stock Exchange and incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is Harris House, Purfleet Bypass, Purfleet, Essex, RM19 1TT.

The nature of the Group's operations and its principal activities are set out in the Business Review on pages 1 to 17.

Basis of preparation

The financial statements of the Group are drawn up to within seven days of the accounting record date being 30 April of each year. The financial year for 2013 represents the 52 weeks ended 27 April 2013. The comparative financial year for 2012 was 52 weeks ended 28 April 2012.

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 IFRS.

The consolidated financial statements have been prepared on the historical cost basis except for pension assets and liabilities and share based payments which are measured at fair value. The principal accounting policies set out below have been consistently applied to all periods presented unless otherwise stated.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its profit and loss account. The loss for the Company for the period was £7.8m (2012: profit of £19.7m).

New and amended accounting standards

The following new standards and amendments to standards, which are mandatory for the first time in the financial year beginning 29 April 2012, are relevant for the Group but have not had a material impact in the current financial year:

- IFRS 7 (revised) 'Financial instruments: disclosures' – disclosure on transfer of financial assets.
- IAS 12 'Income taxes' – accounting for investment properties.
- IAS 32 'Financial instruments: presentation'.

At 27 April 2013 the following new standards and interpretations and amendments to existing standards which are expected to be relevant to the Group and have an immaterial impact on the financial statements, were issued but not yet effective:

- IFRS 7 (amendment) 'Financial instruments' – disclosures on offsetting (effective from 1 January 2013).
- IFRS 9 (reissued) 'Financial instruments' (effective for periods beginning on or after 1 January 2015). The standard sets out how an entity should classify and measure financial assets, as well as the derecognition of financial instruments. The Group will apply IFRS 9 when it becomes effective and is endorsed by the EU.
- IFRS 10 'Consolidated financial statements' (effective for periods beginning on or after 1 January 2013).
- IFRS 12 'Disclosures of interest in other entities' (effective for periods beginning on or after 1 January 2013).
- IFRS 13 'Fair value measurement' (effective for periods beginning on or after 1 January 2013).
- IAS 1 (amendment) 'Presentation of financial statements' (effective for periods beginning on or after 1 July 2012). The amendment changes the presentation of the Statement of other comprehensive income.
- IAS 19 (revised) 'Employee benefits' (effective for periods beginning on or after 1 January 2013). This changes the recognition and measurement of defined benefit expense as well as the disclosures.
- IAS 27 (revised) 'Consolidated and separate financial statements' (effective for periods beginning on or after 1 January 2013).
- IAS 28 (revised) 'Investment in associates' (effective for periods beginning on or after 1 January 2013).
- IAS 32 (amendment) 'Financial instruments: presentation' (effective for periods beginning on or after 1 January 2014).
- The '2011 Improvement project' (effective from 1 January 2013). The EU has not yet endorsed these changes.

IFRS 10, IFRS 12, IAS 27 (revised) and IAS 28 (revised) are effective for EU entities for periods beginning on or after 1 January 2014.

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.

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.

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 Executive Committee.

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 model. 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.

Notes to the accounts continued

1. Principal accounting policies continued

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, onerous leases 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; otherwise, it is 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 they 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.

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 property, plant and equipment and the resulting lease obligations are included in payables. 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 charged or credited 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.

Notes to the accounts continued

1. Principal accounting policies continued

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 and 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 credit 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

Hedge accounting

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.

Critical estimates and judgements

The preparation of consolidated financial statements under IFRS 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 is 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.

2. Segmental analysis

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

The segment information provided to the Executive Committee for the reportable segments for the 52 weeks ended 27 April 2013 is as follows:

	52 weeks to 27 April 2013			52 weeks to 28 April 2012		
	UK £m	**Europe £m**	**Group £m**	UK £m	Europe £m	Group £m
Gross revenue	**385.7**	**76.0**	**461.7**	387.1	89.9	477.0
Inter-segment revenue	**(4.1)**	**–**	**(4.1)**	(5.5)	–	(5.5)
Revenues from external customers	**381.6**	**76.0**	**457.6**	381.6	89.9	471.5
Gross profit	**234.8**	**43.5**	**278.3**	224.8	51.2	276.0
Underlying operating profit	**10.9**	**0.5**	**11.4**	2.8	5.2	8.0
Exceptional items	**(14.3)**	**(0.5)**	**(14.8)**	10.5	(0.5)	10.0
Operating profit/(loss)	**(3.4)**	**–**	**(3.4)**	13.3	4.7	18.0
Finance income	**1.0**	**–**	**1.0**	1.1	–	1.1
Intercompany interest	**(0.1)**	**0.1**	**–**	(0.7)	0.7	–
Finance costs	**(2.7)**	**–**	**(2.7)**	(5.2)	(0.4)	(5.6)
Profit/(loss) before tax	**(5.2)**	**0.1**	**(5.1)**	8.5	5.0	13.5
Tax	**(1.1)**	**(0.4)**	**(1.5)**	(1.6)	(0.9)	(2.5)
Profit/(loss) for the financial period	**(6.3)**	**(0.3)**	**(6.6)**	6.9	4.1	11.0
Segment assets:						
Segment assets	**204.3**	**99.3**	**303.6**	217.7	100.6	318.3
Inter-segment balances	**(24.1)**	**(21.2)**	**(45.3)**	(20.2)	(20.9)	(41.1)
Balance sheet total assets	**180.2**	**78.1**	**258.3**	197.5	79.7	277.2
Segment liabilities:						
Segment liabilities	**(188.6)**	**(49.7)**	**(238.3)**	(197.3)	(50.3)	(247.6)
Inter-segment balances	**21.2**	**24.1**	**45.3**	20.8	20.3	41.1
Balance sheet total liabilities	**(167.4)**	**(25.6)**	**(193.0)**	(176.5)	(30.0)	(206.5)
Other segmental items:						
Depreciation and amortisation	**11.7**	**2.4**	**14.1**	12.0	2.6	14.6
Additions to non-current assets	**8.7**	**1.6**	**10.3**	7.3	1.4	8.7

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £381.6m (2012: £381.6m) and the total revenue from external customers from other countries is £76.0m (2012: £89.9m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £154.6m (2012: £162.9m) and the total of those located in other countries is £81.1m (2012: £74.4m).

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.

Notes to the accounts continued

3. Operating profit/(loss), analysis of costs by nature

Operating profit/(loss) is stated after charging/(crediting):

	Notes	Group 2013 £m	Group 2012 £m
Rental income earned on investment property		(1.9)	(2.1)
Cost of inventories recognised as an expense in cost of sales		158.6	171.1
Operating lease rentals:			
Minimum lease payments in respect of land and buildings		90.0	91.5
Minimum lease payments in respect of plant and machinery		1.6	1.7
Sublease rental income		(1.8)	(2.4)
Auditor's remuneration – for the audit of the Company's annual financial statements		0.2	0.2
Staff costs	4	98.7	98.0
Impairment of non-current assets	5	5.5	1.0
Amortisation of intangible assets	10	1.9	2.5
Depreciation of property, plant and equipment:			
Owned assets	11	11.8	11.7
Under finance leases	11	0.1	0.1
Depreciation of investment property	12	0.3	0.3

4. Staff costs

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

	Group 2013 Number	Group 2012 Number	Company 2013 Number	Company 2012 Number
Stores	2,674	2,689	2,184	2,175
Store support office and distribution centre	387	386	335	332
	3,061	3,075	2,519	2,507

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

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Wages and salaries (including short term employee benefits)		86.5	86.3	70.6	67.9
Social security costs		9.6	9.1	6.7	6.7
Post-employment benefits – Defined contribution	22	2.1	2.4	0.9	1.0
Share based payments	25	0.5	0.2	0.5	0.2
		98.7	98.0	78.7	75.8

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/(loss) on the defined benefit pension schemes) 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 2013 £m	Group 2012 £m
Salaries (including short term employee benefits)	**4.6**	3.3
Social security costs	**0.6**	0.5
Post employment benefits	**0.4**	0.4
Share based payments	**0.3**	0.1
	5.9	4.3

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 (2012: no gains) on the vesting of Long Term Incentive Plans. Details of these plans, share options and other Directors' remuneration are disclosed in the Directors' remuneration report on pages 26 to 35.

5. Exceptional items

	Notes	Group 2013 £m	Group 2012 £m
Property profits/(losses):			
UK and the Netherlands		**(1.2)**	4.6
Sale of Belgian property subsidiary		**–**	8.8
Onerous lease provisions	20	**(8.1)**	(0.3)
Impairment charge:			
Store assets	11	**(0.3)**	(1.0)
Freehold properties	11,12	**(5.2)**	–
Store support office restructuring		**–**	(2.1)
Write off of unamortised refinancing fees		**–**	(0.5)
Exceptional items before tax		**(14.8)**	9.5

In accordance with IAS 36 assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. The impairment provision relates to properties in the UK and the Netherlands.

The onerous lease provision relates to properties in the UK and the Republic of Ireland that are not trading and are either empty or leased at below the passing rent.

Further details of these exceptional items are disclosed in the Chief Executive's review on pages 5 to 7.

6. Net finance costs

	Notes	Group 2013 £m	Group 2012 £m
Finance costs			
Interest on borrowings and overdrafts		**(1.1)**	(3.2)
Fees amortisation		**(0.5)**	(0.5)
Gains on hedging instruments		**–**	0.1
Interest on obligations under finance leases		**(0.1)**	(0.1)
Interest on pension scheme obligations	22	**(1.0)**	(1.1)
Other interest payable		**–**	(0.3)
		(2.7)	(5.1)
Finance income			
Expected return on pension scheme assets	22	**1.0**	1.1
		1.0	1.1
Net finance costs		**(1.7)**	(4.0)

Notes to the accounts continued

7. Tax

(i) Analysis of the charge in the period

	Notes	Group 2013 £m	Group 2012 £m
UK current tax		**0.5**	0.9
Overseas current tax		**0.2**	1.1
Total current tax		**0.7**	2.0
UK deferred tax		**0.6**	0.7
Overseas deferred tax		**0.2**	(0.2)
Total deferred tax	21	**0.8**	0.5
Total tax charge in the income statement		**1.5**	2.5

The tax charge for the year includes a credit of £0.9m in respect of exceptional items (2012: charge of £3.1m). In addition, the impact of the change in tax rates on deferred tax liability has resulted in an exceptional tax credit of £0.8m (2012: £1.6m credit).

(ii) Reconciliation of profit/(loss) before tax to total tax

	Group 2013 £m	Group 2012 £m
Profit/(loss) before tax	**(5.1)**	13.5
Tax charge/(credit) at UK Corporation Tax rate of 24% (2012: 26%)	**(1.2)**	3.5
Adjusted for the effects of:		
Overseas tax rates	**–**	(0.2)
Fall in UK tax rates	**(0.8)**	(1.6)
Non-qualifying depreciation	**0.6**	0.6
Other permanent differences	**1.1**	0.9
Losses recognised	**–**	(0.6)
Gains not subject to tax	**–**	(1.1)
Capital gains	**1.8**	1.7
Adjustments in respect of prior periods	**–**	(0.7)
Total tax charge in the income statement	**1.5**	2.5

The weighted average annual effective tax rate for the period is 29.3% (2012: 18.7%). The increase arises from a combination of non-recurring items in the prior year and the impact of changes in the UK tax rate.

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

	Group 2013 £m	Group 2012 £m
Deferred tax on actuarial gains, recognised in other comprehensive income	**(0.1)**	–
Deferred tax on share based payments	**0.1**	–
Total tax recognised in equity	**–**	–

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. The reduction from 24% to 23% was substantively enacted at the balance sheet date and has therefore been reflected in these Group financial statements.

In addition to the changes in the corporation tax disclosed above, it was announced in the December 2012 Budget Statement that the rate would be reduced from 23% to 21% from 1 April 2014 and in the March 2013 Budget Statement it was announced that the rate would be further reduced to 20% from 1 April 2015. These further rate reductions had not been substantively enacted at the balance sheet date and are therefore not reflected in these Group financial statements.

The proposed reductions of the main rate of corporation tax to 21% and 20% by 1 April 2014 and 1 April 2015, respectively, are expected to be enacted separately each year. The combined effect would be to reduce the net deferred tax liability provided at 27 April 2013 by £2.4m.

8. Dividends

The Directors decided that no final dividend will be paid (2012: No final dividend paid). This results in no dividend in the year to 27 April 2013 (2012: No dividend paid).

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 Equity Trust (Jersey) Limited (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 to 27 April 2013			52 weeks to 28 April 2012		
	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/(losses) per share	(6.6)	67.5	(9.8)	11.0	67.2	16.4
Effect of dilutive share options	–	0.3	–	–	0.3	–
Diluted earnings/(losses) per share	(6.6)	67.8	(9.8)	11.0	67.5	16.4

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

	52 weeks to 27 April 2013			52 weeks to 28 April 2012		
	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/(losses) per share	(6.6)	67.5	(9.8)	11.0	67.2	16.4
Adjusted for the effect of exceptional items:						
Exceptional items	14.8	–	21.9	(9.5)	–	(14.1)
Tax thereon	(0.9)	–	(1.3)	3.1	–	4.6
Exceptional tax benefit from tax rate change	(0.8)	–	(1.2)	(1.6)	–	(2.4)
Underlying earnings/(losses) per share	6.5	67.5	9.6	3.0	67.2	4.5

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 1 May 2011	55.3	24.2	0.1	79.6
Exchange differences	(2.0)	–	–	(2.0)
Additions	–	0.1	–	0.1
Disposals	–	(0.1)	–	(0.1)
At 28 April 2012	**53.3**	**24.2**	**0.1**	**77.6**
Exchange differences	**0.6**	**–**	**–**	**0.6**
Additions	**–**	**0.6**	**–**	**0.6**
At 27 April 2013	**53.9**	**24.8**	**0.1**	**78.8**
Accumulated amortisation and impairment:				
At 1 May 2011	0.5	13.2	0.1	13.8
Amortisation	–	2.5	–	2.5
Disposals	–	(0.1)	–	(0.1)
At 28 April 2012	**0.5**	**15.6**	**0.1**	**16.2**
Exchange differences	**–**	**(0.1)**	**–**	**(0.1)**
Amortisation	**–**	**1.9**	**–**	**1.9**
At 27 April 2013	**0.5**	**17.4**	**0.1**	**18.0**
Net book value:				
At 27 April 2013	**53.4**	**7.4**	**–**	**60.8**
At 28 April 2012	52.8	8.6	–	61.4

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.

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

Subsidiary	Acquisition date	2013 £m	2012 £m
Carpetland BV	October 2002	**19.0**	18.4
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	**4.6**	4.6
Sleepright UK Ltd	December 2008	**2.9**	2.9
Total goodwill		**53.4**	52.8

The movement in the value of goodwill in the year is solely a result of movement in exchange rates.

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 of the goodwill held by the Group 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 and capital expenditure. The cash flow projections for the initial five 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 five year plan period are extrapolated at a constant growth rate of 2.5% (2012: 2.5%) and a terminal value is included at five times year 10 EBITDA. 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 7.7% (2012: 8.0%) 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 lead to an impairment of goodwill.

Company	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost:				
At 1 May 2011	24.1	24.2	0.1	48.4
Additions	–	0.1	–	0.1
Disposals	–	(0.1)	–	(0.1)
At 28 April 2012	**24.1**	**24.2**	**0.1**	**48.4**
Additions	**–**	**0.6**	**–**	**0.6**
At 27 April 2013	**24.1**	**24.8**	**0.1**	**49.0**
Accumulated amortisation and impairment:				
At 1 May 2011	–	13.2	0.1	13.3
Amortisation	–	2.5	–	2.5
Disposals	–	(0.1)	–	(0.1)
At 28 April 2012	**–**	**15.6**	**0.1**	**15.7**
Amortisation	**–**	**1.9**	**–**	**1.9**
At 27 April 2013	**–**	**17.5**	**0.1**	**17.6**
Net book value:				
At 27 April 2013	**24.1**	**7.3**	**–**	**31.4**
At 28 April 2012	24.1	8.6	–	32.7

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.

The impairment review of Company goodwill is the same as that of the Group and does not lead to an impairment.

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 1 May 2011	78.1	18.7	19.8	97.0	43.8	257.4
Exchange differences	(2.6)	(0.1)	(0.2)	(1.2)	(2.3)	(6.4)
Additions	–	–	0.1	7.3	1.2	8.6
Disposals	(21.2)	(1.2)	(1.0)	(11.6)	(3.1)	(38.1)
At 28 April 2012	**54.3**	**17.4**	**18.7**	**91.5**	**39.6**	**221.5**
Exchange differences	**0.8**	**–**	**0.1**	**0.4**	**0.9**	**2.2**
Additions	**1.6**	**–**	**0.4**	**6.0**	**1.7**	**9.7**
Disposals	**(4.2)**	**–**	**(0.3)**	**(2.7)**	**(0.5)**	**(7.7)**
At 27 April 2013	**52.5**	**17.4**	**18.9**	**95.2**	**41.7**	**225.7**
Accumulated depreciation and impairment:						
At 1 May 2011	7.6	3.0	10.4	53.6	35.4	110.0
Exchange differences	(0.4)	–	(0.1)	(1.4)	(1.9)	(3.8)
Impairment	–	–	0.2	0.8	–	1.0
Depreciation	1.1	0.3	0.8	7.4	2.2	11.8
Disposals	(2.3)	(0.2)	(0.8)	(10.8)	(3.0)	(17.1)
At 28 April 2012	**6.0**	**3.1**	**10.5**	**49.6**	**32.7**	**101.9**
Exchange differences	**–**	**0.1**	**–**	**0.6**	**0.5**	**1.2**
Impairment	**3.5**	**1.2**	**–**	**0.3**	**–**	**5.0**
Depreciation	**0.8**	**0.5**	**0.9**	**7.5**	**2.2**	**11.9**
Disposals	**(0.1)**	**–**	**(0.2)**	**(2.2)**	**(0.4)**	**(2.9)**
At 27 April 2013	**10.2**	**4.9**	**11.2**	**55.8**	**35.0**	**117.1**
Net book value:						
At 27 April 2013	**42.3**	**12.5**	**7.7**	**39.4**	**6.7**	**108.6**
At 28 April 2012	48.3	14.3	8.2	41.9	6.9	119.6

In accordance with IAS 36 assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable (see note 5).

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

	Group 2013 £m	Group 2012 £m	**Company 2013 £m**	Company 2012 £m
Cost	**9.1**	9.3	**2.3**	2.5
Accumulated depreciation and impairment	**(2.2)**	(2.0)	**(1.4)**	(1.5)
Net book value	**6.9**	7.3	**0.9**	1.0

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 1 May 2011	34.5	11.2	19.8	85.1	16.8	167.4
Exchange differences	–	–	(0.2)	(0.2)	–	(0.4)
Additions	–	–	0.1	7.0	0.3	7.4
Disposals	(11.9)	(1.2)	(1.0)	(11.4)	(3.0)	(28.5)
At 28 April 2012	**22.6**	**10.0**	**18.7**	**80.5**	**14.1**	**145.9**
Exchange differences	**–**	**–**	**0.1**	**0.1**	**–**	**0.2**
Additions	**1.6**	**–**	**0.4**	**5.9**	**0.2**	**8.1**
Disposals	**(4.2)**	**–**	**(0.3)**	**(2.2)**	**(0.4)**	**(7.1)**
At 27 April 2013	**20.0**	**10.0**	**18.9**	**84.3**	**13.9**	**147.1**
Accumulated depreciation and impairment:						
At 1 May 2011	1.8	2.2	10.4	43.5	13.2	71.1
Exchange differences	–	–	(0.1)	(0.4)	–	(0.5)
Impairment	–	–	0.2	0.8	–	1.0
Depreciation	0.3	0.2	0.8	6.9	1.1	9.3
Disposals	(0.5)	(0.2)	(0.8)	(10.7)	(2.9)	(15.1)
At 28 April 2012	**1.6**	**2.2**	**10.5**	**40.1**	**11.4**	**65.8**
Exchange differences	**–**	**–**	**0.1**	**0.1**	**–**	**0.2**
Impairment	**2.4**	**0.8**	**–**	**0.3**	**–**	**3.5**
Depreciation	**0.2**	**0.3**	**0.9**	**7.1**	**1.1**	**9.6**
Disposals	**(0.1)**	**–**	**(0.1)**	**(1.8)**	**(0.4)**	**(2.4)**
At 27 April 2013	**4.1**	**3.3**	**11.4**	**45.8**	**12.1**	**76.7**
Net book value:						
At 27 April 2013	**15.9**	**6.7**	**7.5**	**38.5**	**1.8**	**70.4**
At 28 April 2012	21.0	7.8	8.2	40.4	2.7	80.1

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 and for the Company is not significantly different to the book value in either year. Operating expenses attributable to investment properties are incurred directly by tenants under tenant-repairing leases.

	Group £m	Company £m
Cost:		
At 1 May 2011	28.9	8.1
Exchange differences	(1.7)	–
Disposals	(4.9)	(0.3)
At 28 April 2012	**22.3**	**7.8**
Exchange differences	**0.5**	**–**
At 27 April 2013	**22.8**	**7.8**
Accumulated depreciation and impairment:		
At 1 May 2011	2.8	0.4
Exchange differences	(0.2)	–
Depreciation	0.3	–
Disposals	(1.3)	–
At 28 April 2012	**1.6**	**0.4**
Exchange differences	**0.2**	**–**
Impairment	**0.5**	**–**
Depreciation	**0.3**	**–**
At 27 April 2013	**2.6**	**0.4**
Net book value:		
At 27 April 2013	**20.2**	**7.4**
At 28 April 2012	20.7	7.4

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 Directors have taken advantage of Section 410 of the Companies Act 2006 by providing information only in relation to subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affect the financial statements. A full list of all subsidiary undertakings will be annexed to the next Annual Return of Carpetright plc to be filed at Companies House. 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 by Company	Percentage of ordinary shares held indirectly by Company
Carpetright of London Limited	England and Wales	Holding	100%	
Melford Commercial Properties Limited	England and Wales	Property	100%	
Carpetright (Torquay) Limited	England and Wales	Property	100%	
Pluto Sp. Z.o.o.	Poland	Property	100%	
Carpetland NV	Belgium	Retail		100%
Carpetland BV	Netherlands	Retail		100%
Fontainebleau Vastgoed BV	Netherlands	Property		100%

Company	**2013 £m**	2012 £m
Cost:		
At the beginning of the period	**16.8**	16.8
Impairment of investment in Pluto Sp. Z.o.o.	**(0.7)**	–
At the end of the period	**16.1**	16.8

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 year amounted to a charge of £1.0m (2012: credit of £0.3m).

15. Trade and other receivables

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Non-current				
Receivables from subsidiaries	–	–	47.5	48.3
Prepayments and accrued income	0.8	0.9	0.8	0.9
	0.8	0.9	48.3	49.2
Current				
Trade receivables	5.4	5.9	1.6	1.9
Less: provision for impairment	(0.4)	(0.6)	(0.4)	(0.4)
	5.0	5.3	1.2	1.5
Other receivables	2.7	3.6	2.2	3.7
Prepayments and accrued income	12.1	15.2	10.6	13.2
	19.8	24.1	14.0	18.4
Total trade and other receivables	20.6	25.0	62.3	67.6

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

Provision for impairment

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
At the beginning of the period	(0.6)	(0.6)	(0.4)	(0.4)
Receivables written off against the provision in the period	0.2	–	–	–
At the end of the period	(0.4)	(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 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Major insurance companies	1.4	1.6	0.8	1.6
Property rent receivables	1.1	1.7	1.2	1.7
Other receivables	0.2	0.3	0.2	0.4
Retail customers	5.0	5.3	1.2	1.5
Trade and other receivables	7.7	8.9	3.4	5.2

Balances from retail customers principally relate to products awaiting collection, but 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 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Neither past due nor impaired	1.4	1.5	0.9	1.6
30 to 60 days	0.3	0.8	0.3	0.8
60 to 90 days	–	–	–	–
Over 90 days	1.0	1.3	1.0	1.3
Non-retail trade and other receivables	2.7	3.6	2.2	3.7

Notes to the accounts continued

16. Cash and cash equivalents

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Cash at bank and in hand		7.9	9.6	6.4	6.1
Bank overdrafts	19	(12.0)	(8.1)	(7.8)	(4.0)
Cash and cash equivalents in the cash flow statements		(4.1)	1.5	(1.4)	2.1

17. Trade and other payables

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Current				
Trade payables	55.9	58.5	48.3	48.1
Other taxes and social security	13.3	14.8	10.8	12.2
Accruals and deferred income	33.7	35.9	31.7	32.9
	102.9	109.2	90.8	93.2
Non-current				
Accruals and deferred income	31.6	33.8	31.6	33.8
Payable to subsidiaries	–	–	11.9	12.4
	31.6	33.8	43.5	46.2
Total trade and other payables	134.5	143.0	134.3	139.4

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.

Current accruals and deferred income include accruals for the contractual rent uplifts of £10.6m (2012: £10.4m) in the Group and the Company.

18. Obligations under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £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	0.8	0.8	0.5	0.4	0.4	0.4
Amounts payable after five years	4.8	5.1	1.4	1.6	2.0	2.2	1.0	1.1
	6.3	6.6	2.4	2.6	2.6	2.7	1.5	1.6
Less: future finance charges	(3.7)	(3.9)	(0.9)	(1.0)				
Present value of obligations under finance leases	2.6	2.7	1.5	1.6				
Current	0.1	0.1	0.1	0.1				
Non-current	2.5	2.6	1.4	1.5				

The Group leases certain properties under finance leases. The average lease term is 18 years (2012: 19 years) for properties. 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

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Current				
Bank overdraft	**12.0**	8.1	**7.8**	4.0
Bank loans	**0.2**	1.4	**0.2**	1.4
	12.2	9.5	**8.0**	5.4
Non-current				
Bank loans	**3.3**	16.5	**3.3**	16.5
	15.5	26.0	**11.3**	21.9

All bank loans are denominated in Sterling and Euros of which £11.3m (2012: £21.9m) are secured on certain Group assets.

The effective interest rates at the year end are as follows:	Group 2013 %	Group 2012 %	Company 2013 %	Company 2012 %
Overdrafts	**2.7**	3.3	**3.0**	4.3
Borrowings	**3.0**	3.9	**3.0**	3.9

The maturity profiles of borrowings are as follows:	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Amounts payable within one year	**12.2**	9.5	**8.0**	5.4
Amounts payable between one and two years	**0.3**	1.4	**0.3**	1.4
Amounts payable between two and five years	**3.0**	15.1	**3.0**	15.1
	15.5	26.0	**11.3**	21.9

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

20. Provisions for liabilities and charges

	Group 2013 £m			Company 2013 £m		
Group and Company	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m
At the beginning of the period	5.9	0.5	6.4	5.9	0.1	6.0
Added during the period	8.1	–	8.1	8.1	–	8.1
Utilised during the period	(2.9)	(0.5)	(3.4)	(2.9)	(0.1)	(3.0)
At the end of the period	11.1	–	11.1	11.1	–	11.1

Onerous lease provisions are expected to be used over periods of up to five years and relate to properties in the UK and the Republic of Ireland that are not trading and are either empty or leased at below the passing rent.

Notes to the accounts continued

21. Deferred tax assets and liabilities

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Deferred tax assets	**(2.6)**	(2.6)	**–**	–
Deferred tax liabilities	**23.9**	23.1	**18.2**	17.4
Net deferred tax liabilities	**21.3**	20.5	**18.2**	17.4

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 1 May 2011	8.5	4.4	15.5	(0.8)	(3.2)	(0.2)	(0.9)	23.3
Exchange differences	(0.3)	(0.3)	–	(0.1)	0.2	–	–	(0.5)
Charge/(credit) to the income statement	(0.7)	(0.5)	2.2	–	(0.5)	–	–	0.5
Disposal of property subsidiary	(0.6)	(2.1)	–	(0.1)	–	–	–	(2.8)
At 28 April 2012	**6.9**	**1.5**	**17.7**	**(1.0)**	**(3.5)**	**(0.2)**	**(0.9)**	**20.5**
Exchange differences	**0.1**	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**–**
Charge/(credit) to the income statement	**(0.2)**	**–**	**0.9**	**–**	**0.1**	**–**	**–**	**0.8**
Charge/(credit) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Tax charge/(credit) to equity	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
At 27 April 2013	**6.8**	**1.5**	**18.6**	**(1.0)**	**(3.5)**	**(0.1)**	**(1.0)**	**21.3**

Company	Accelerated tax depreciation	Fair value adjustments	Rollover	Short term timing differences	Tax losses	Share based payments	Retirement benefit obligations	Total
At 1 May 2011	4.9	–	14.1	(1.0)	(0.3)	(0.2)	(0.9)	16.6
Charge/(credit) to the income statement	(0.6)	–	2.2	(0.3)	(0.5)	–	–	0.8
At 28 April 2012	**4.3**	**–**	**16.3**	**(1.3)**	**(0.8)**	**(0.2)**	**(0.9)**	**17.4**
Charge/(credit) to the income statement	**(0.5)**	**–**	**1.1**	**0.1**	**0.1**	**–**	**–**	**0.8**
Charge/(credit) to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Tax charge/(credit) to equity	**–**	**–**	**–**	**–**	**–**	**0.1**	**–**	**0.1**
At 27 April 2013	**3.8**	**–**	**17.4**	**(1.2)**	**(0.7)**	**(0.1)**	**(1.0)**	**18.2**

At the reporting date, the Group had unused tax losses of £11.8m (2012: £12.2m) which can be carried forward indefinitely and are available for offset against future profits. A deferred tax asset of £3.5m (2012: £3.5m) has been recognised in respect of these losses.

Deferred tax assets of £3.3m (2012: £3.4m) were available for offset against deferred tax liabilities of £27.2m (2012: £26.5m) hence the Group's deferred tax liabilities as at 27 April 2013 are £23.9m (2012: £23.1m).

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 22 (i) (a) and the first two defined contribution schemes referred to in 22 (ii) are accounted for by the Company.

(i) Defined benefit schemes

(a) UK defined benefit schemes

The Company operated 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 a fund management company. Contributions are determined by a qualified actuary using the projected unit method. The most recent actuarial review was at 6 April 2011 when the actuarial value of the assets represented 77% 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 £0.6m was paid in the year (2012: £0.6m).

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 2011 when the actuarial value of the assets represented 90% of the benefits accrued to members. A deficit reduction plan has been agreed with the Trustees under which £0.2m was paid in the year (2012: £0.1m).

The assets and liabilities of the schemes were valued on an IAS 19 basis at 27 April 2013 by a qualified actuary. The numbers set out below are the aggregate of the two schemes.

1) Key assumptions used:

	2013 %	2012 %
RPI inflation	**3.4**	2.8
Discount rate	**4.2**	4.6
Deferred pension revaluation	**2.8**	2.2
Expected return on scheme assets	**4.4**	5.2

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 dates and standard tables. Specifically the S1NMA table (2012: S1NMA table) with medium cohort improvement has been used for male pensioners and the S1NFA table (2012: 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 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 £0.4m (2012: £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:

	2013 £m	2012 £m
Present value of pension schemes' obligations	**(26.8)**	(22.6)
Fair value of pension schemes' assets	**21.7**	18.3
Retirement benefit obligations recognised in the balance sheet	**(5.1)**	(4.3)

Notes to the accounts continued

22. Retirement benefit obligations continued

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

	Notes	2013 £m	2012 £m
Interest cost on pension schemes' obligations recognised in interest payable	6	**1.0**	1.1
Expected return on pension schemes' assets recognised in interest receivable	6	**(1.0)**	(1.1)
Total recognised in the income statement		**–**	–

4) Reconciliation of movement in net pension deficit:

	2013 £m	2012 £m
Opening balance	**(4.3)**	(4.0)
Less contributions	**0.8**	0.6
Actuarial loss recognised in equity	**(1.6)**	(0.9)
Closing balance	**(5.1)**	(4.3)

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

	2013 £m	2012 £m
Actuarial gain/(loss) on plan assets	**2.0**	(0.2)
Experience adjustment on liabilities	**–**	0.5
Change in assumptions underlying present value of liabilities	**(3.6)**	(1.2)
Total	**(1.6)**	(0.9)
Cumulative total	**(5.1)**	(3.5)

6) Movements in the pension schemes' obligations are as follows:

	2013 £m	2012 £m
Opening balance	**22.6**	21.4
Interest on pension schemes' obligations	**1.0**	1.1
Actuarial loss recognised in equity	**3.6**	0.7
Benefits paid	**(0.4)**	(0.6)
Closing balance	**26.8**	22.6

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

		2013 £m		2012 £m
Opening balance		**18.3**		17.4
Expected return on pension schemes' assets	**1.0**		1.1	
Actuarial gain/(loss) recognised in equity	**2.0**		(0.2)	
Actual return on assets		**3.0**		0.9
Employer contributions		**0.8**		0.6
Benefits paid		**(0.4)**		(0.6)
Closing balance		**21.7**		18.3

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

	2013			2012			2011		
	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	**5.2**	**10.1**	**46.3**	6.0	9.7	53.3	7.0	10.0	57.5
Bonds	**3.4**	**5.8**	**26.9**	3.7	3.0	16.5	4.7	2.7	15.5
Property	**5.2**	**0.2**	**0.9**	6.0	0.2	1.1	7.0	–	–
Cash	**2.7**	**0.1**	**0.5**	2.7	0.2	1.1	4.0	0.3	1.7
Annuities	**4.2**	**5.5**	**25.4**	4.6	5.2	28.0	5.3	4.4	25.3
Fair value of pension schemes' assets		**21.7**	**100.0**		18.3	100.0		17.4	100.0
Present value of pension schemes' obligations		**(26.8)**			(22.6)			(21.4)	
Retirement benefit obligations		**(5.1)**			(4.3)			(4.0)	
Related deferred tax asset		**1.0**			1.0			0.9	
		(4.1)			(3.3)			(3.1)	

The long-term return on equities is assumed to be 1.6% in excess of inflation (2012: 2.6%). 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:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fair value of scheme assets	**21.7**	18.3	17.4	16.3	12.3
Present value of defined benefit obligations	**(26.8)**	(22.6)	(21.4)	(21.1)	(14.7)
Liability recognised in the balance sheet	**(5.1)**	(4.3)	(4.0)	(4.8)	(2.4)
Experience adjustments on pension scheme obligations	**–**	0.5	–	–	(0.8)
Percentage of pension scheme obligation (%)	**–**	(2.2%)	–	–	(5.4%)
Experience adjustments on pension scheme assets	**2.0**	(0.2)	0.4	2.8	(3.7)
Percentage of pension scheme assets (%)	**9.2%**	(1.1%)	2.3%	17.2%	(30.1%)

Employer contributions of £0.9m are expected to be paid into these pension schemes during the financial year 2013/14.

(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 IAS 19, 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 (2012: £1.3m).

(ii) Defined contribution schemes

The Company launched a Group Personal Pension 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 Scottish Life. Contributions for the period amounted to £0.9m (2012: £1.0m).

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 (2012: £nil) and contributions to industry collective schemes were £0.1m (2012: £0.1m).

Notes to the accounts continued

23. Financial instruments

(i) Financial risk management objectives and policies

Risk management

The Group's principal financial instruments comprise borrowings and 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 each of these risks is managed in accordance with the Group's treasury risk management strategy, which is also discussed in the Business Review in the section Current liquidity.

(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 customer products held ready for collection (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 is limited because the counterparties are banks with a minimum A- 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 A- 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 27 April 2013					
Interest bearing loans and borrowings	**12.5**	**0.6**	**3.2**	**–**	**16.3**
Finance leases	**0.3**	**0.3**	**0.9**	**4.8**	**6.3**
Trade and other payables	**80.7**	**–**	**–**	**–**	**80.7**
	93.5	**0.9**	**4.1**	**4.8**	**103.3**
At 28 April 2012					
Interest bearing loans and borrowings	2.1	1.6	15.9	–	19.6
Finance leases	0.3	0.3	0.9	5.1	6.6
Trade and other payables	85.0	–	–	–	85.0
	87.4	1.9	16.8	5.1	111.2
Company					
At 27 April 2013					
Interest bearing loans and borrowings	**8.3**	**0.6**	**3.2**	**–**	**12.1**
Finance leases	**0.2**	**0.2**	**0.6**	**1.4**	**2.4**
Trade and other payables	**84.8**	**–**	**–**	**–**	**84.8**
	93.3	**0.8**	**3.8**	**1.4**	**99.3**
At 28 April 2012					
Interest bearing loans and borrowings	2.1	1.6	15.9	–	19.6
Finance leases	0.2	0.2	0.6	1.6	2.6
Trade and other payables	86.6	–	–	–	86.6
	88.9	1.8	16.5	1.6	108.8

Committed overdraft facilities are renewable annually and amounts undrawn were £2.2m and €nil (2012: £6.0m and €0.9m). The Company has committed facilities to July 2015. These facilities comprise 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 Group has and is expected to remain in compliance with these covenants. At 27 April 2013 the Euro amortising term loan was €1.8m and the revolving credit facility had an undrawn amount of £42.5m (2012: £32.5m).

(c) Foreign exchange risk

Outside the UK the Group operates in the Republic of Ireland, the Netherlands, Belgium and has an investment property in Poland. Revenues and expenses of these operations are denominated in Euros or Zlotys. The Group's investment in Poland is not sufficiently material to require the risk to be hedged. 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 lower (2012: £0.7m lower). At 27 April 2013 if Sterling had weakened/strengthened by 10% against the Euro, profit after tax for the year would have been £0.1m 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 2013	Euro 2012	**Zloty 2013**	Zloty 2012
Average rate	**1.23**	1.16	**5.12**	4.90
Closing rate	**1.19**	1.23	**4.93**	5.12

Notes to the accounts continued

23. Financial instruments continued

(d) Interest rate risk

The Group has various borrowings bearing interest at a margin over LIBOR or EURIBOR 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 and a constant ratio of fixed to floating interest rates as at 27 April 2013 and 28 April 2012 respectively. Consequently analysis relates to the situation at those dates and is not representative of the years then ended.

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 £0.1m (2012: £0.3m).

The interest rate profile of the financial assets and liabilities of the Group is as follows:

	2013					2012				
	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 rate £m	Interest free £m	Total £m
Sterling	**–**	**3.9**	**–**	**3.1**	**7.0**	0.2	6.1	–	4.8	10.9
Euro	**0.4**	**3.7**	**–**	**4.5**	**8.2**	1.2	3.2	–	4.6	7.8
Zloty	**–**	**0.3**	**–**	**–**	**0.3**	–	0.3	–	–	0.3
Total financial assets		**7.9**	**–**	**7.6**	**15.5**		9.6	–	9.4	19.0
Sterling	**1.0**	**(9.8)**	**(2.4)**	**(70.8)**	**(83.0)**	1.0	(15.4)	(2.7)	(72.2)	(90.3)
Euro	**0.8**	**(5.7)**	**(0.2)**	**(9.9)**	**(15.8)**	2.2	(10.6)	–	(12.8)	(23.4)
Total financial liabilities		**(15.5)**	**(2.6)**	**(80.7)**	**(98.8)**		(26.0)	(2.7)	(85.0)	(113.7)

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. There are no available-for-sale financial assets.

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

	Group		Company	
	2013	2012	2013	2012
	Fair value £m	Fair value £m	Fair value £m	Fair value £m
At cost:				
Cash and cash equivalents	7.9	9.6	6.4	6.1
Loans and receivables at amortised cost:				
Trade and other receivables	7.6	9.4	50.6	53.1
Total financial assets	15.5	19.0	57.0	59.2
Financial liabilities at amortised cost:				
Borrowings and overdrafts	(15.5)	(26.0)	(11.3)	(21.9)
Finance lease obligations	(2.6)	(2.7)	(1.5)	(1.6)
Financial liabilities at cost:				
Trade and other payables	(80.7)	(85.0)	(84.8)	(86.6)
Total financial liabilities	(98.8)	(113.7)	(97.6)	(110.1)
Net financial liabilities	(83.3)	(94.7)	(40.6)	(50.9)

Determination of fair values

The carrying values of all other financial assets and liabilities are deemed to reflect fair value.

(iv) Hedge accounting

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 €1.8m (2012: €6.7m).

Notes to the accounts continued

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 1 May 2011	67.2	0.7	15.4	(0.3)	15.8
Issue of new shares	0.3	–	0.9	–	0.9
At 28 April 2012	**67.5**	**0.7**	**16.3**	**(0.3)**	**16.7**
Issue of new shares	**–**	**–**	**0.3**	**–**	**0.3**
At 27 April 2013	**67.5**	**0.7**	**16.6**	**(0.3)**	**17.0**

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 did not purchase any ordinary shares (2012: nil shares purchased). At the year end the Trust held 27,869 (2012: 27,869) ordinary shares of 1p each with a market value of £0.2m (2012: £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 administration expenses is a charge of £0.5m (2012: £0.2m) 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 26 to 35. 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 327,224 shares were awarded (2012: 360,778). The amount recognised in the income statement in respect of all LTIP awards is a charge of £0.3m (2012: £0.1m). The fair values of the awards, where there is no market condition, are valued using a Black-Scholes option pricing model. The Group's LTIP Trust is administered by the Equity Trust (Jersey) Limited and it waives its right to dividends on the shares held.

Reconciliation of movements in the periods ended 27 April 2013

	LTIP 2012		LTIP 2011		LTIP 2010	
	Share awards '000s	Fair value £m	Share awards '000s	Fair value £m	Share awards '000s	Fair value £m
Outstanding at 1 May 2011	–	–	–	–	214.0	1.4
Granted	–	–	360.7	1.6	–	–
Forfeited	–	–	(27.8)	(0.1)	(57.2)	(0.4)
Outstanding at 28 April 2012	**–**	**–**	**332.9**	**1.5**	**156.8**	**1.0**
Granted	**327.3**	**2.1**	**92.6**	**0.4**	**–**	**–**
Forfeited	**(13.0)**	**(0.1)**	**(20.5)**	**(0.1)**	**(8.9)**	**(0.1)**
Outstanding at 27 April 2013	**314.3**	**2.0**	**405.0**	**1.8**	**147.9**	**0.9**
Exercisable at 27 April 2013	**–**	**–**	**–**	**–**	**–**	**–**
Exercisable at 28 April 2012	–	–	–	–	–	–

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

Valuation assumptions	LTIP 2012 award	LTIP 2011 award	LTIP 2010 award
Fair value per share (pence)	641	459	675
Share price at grant (pence)	664	486	740
Exercise price (pence)	1.0	1.0	1.0
Expected volatility (%)[1]	35.9	39.7	44.6
Vesting period (years)	3.0	3.0	3.0
Dividend yield (%)	1.1	1.8	3.0
Risk free interest rate (%)	0.4	0.8	2.0

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.

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

Three and five year SAYE schemes were introduced in 2004. Employees and Executive Directors 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 £0.2m (2012: £0.1m).

Notes to the accounts continued

25. Share based payments continued

Reconciliation of movements in the periods ended 27 April 2013

	SAYE 2013		SAYE 2012		SAYE 2011		SAYE 2010		SAYE 2009		SAYE 2008		SAYE 2007	SAYE 2006
	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	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	Number of options '000s
Outstanding at 1 May 2011	–	–	–	–	94.1	30.0	25.0	20.7	325.8	285.1	13.2	22.6	4.0	6.8
Granted	–	–	266.0	42.8	–	–	–	–	–	–	–	–	–	–
Forfeited	–	–	(3.4)	–	(49.3)	(14.1)	(9.5)	(14.6)	(13.8)	(36.2)	(8.0)	(6.0)	(0.4)	(6.8)
Vested	–	–	–	–	–	–	–	–	(283.4)	(3.2)	(5.2)	–	–	–
Outstanding at 28 April 2012	**–**	**–**	**262.6**	**42.8**	**44.8**	**15.9**	**15.5**	**6.1**	**28.6**	**245.7**	**–**	**16.6**	**3.6**	**–**
Granted	**101.0**	**17.0**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeited	**(1.3)**	**–**	**(47.8)**	**(6.7)**	**(9.7)**	**(2.9)**	**(3.2)**	**(1.8)**	**–**	**(12.8)**	**–**	**(4.1)**	**(3.6)**	**–**
Vested	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28.6)**	**(7.6)**	**–**	**–**	**–**	**–**
Outstanding at 27 April 2013	**99.7**	**17.0**	**214.8**	**36.1**	**35.1**	**13.0**	**12.3**	**4.3**	**–**	**225.3**	**–**	**12.5**	**–**	**–**
Exercisable at 27 April 2013	**–**	**–**	**–**	**–**	**–**	**–**	**12.3**	**–**	**–**	**–**	**–**	**12.5**	**–**	**–**
Exercisable at 28 April 2012	–	–	–	–	–	–	–	–	28.6	–	–	–	3.6	–

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

Valuation assumptions	SAYE 2013 3 yr	SAYE 2013 5 yr	SAYE 2012 3 yr	SAYE 2012 5 yr	SAYE 2011 3 yr	SAYE 2011 5 yr	SAYE 2010 3 yr	SAYE 2010 5 yr	SAYE 2009 3 yr	SAYE 2009 5 yr	SAYE 2008 3 yr	SAYE 2008 5 yr
Fair value per share (pence)	**248**	**339**	179	231	264	298	333	331	95	81	148	132
Share price at grant (pence)	**679**	**679**	529	529	792	792	941	941	474	474	723	723
Exercise price (pence)	**544**	**544**	423	423	634	634	753	753	295	295	618	618
Expected volatility (%)[1]	**34.7**	**39.1**	40.0	44.1	41.6	39.9	47.4	38.7	42.4	35.2	33.6	29.7
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
Dividend yield (%)	**–**	**–**	2.3	2.3	2.3	2.3	3.1	3.1	6.8	6.8	7.2	7.2
Risk free interest rate (%)	**2.9**	**4.9**	2.9	2.9	1.6	2.4	3.1	3.1	2.2	2.6	4.1	4.1
Possibility of ceasing employment before vesting (%)	**40**	**50**	40	50	40	50	40	50	40	50	40	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 27 April 2013 relates to the acquisition of property, plant and equipment and intangible assets, and are:

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Authorised and contracted	**2.1**	2.5	**1.7**	1.8

Capital commitments include £1.4m (2012: £2.4m) in the Group and £1m (2012: £1.7m) in the Company, for which a provision has been made in the accounts.

27. Operating lease commitments

At 27 April 2013 the future minimum lease payments in respect of land and buildings and other assets under operating leases are:

	2013		2012	
Group	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	**88.6**	**1.0**	88.0	1.1
Amounts payable between one and five years	**315.8**	**2.4**	319.0	1.3
Amounts payable after five years	**410.6**	**1.3**	467.5	0.5
	815.0	**4.7**	874.5	2.9

	2013		2012	
Company	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	**80.0**	**0.9**	80.4	1.0
Amounts payable between one and five years	**293.5**	**2.2**	299.5	1.2
Amounts payable after five years	**395.0**	**1.2**	456.3	0.5
	768.5	**4.3**	836.2	2.7

Operating lease payments are negotiated for an average of 6.7 years (2012: 6.5 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 £7.1m (2012: £9.8m).

28. Contingent liabilities

The Group has no material contingent liabilities at 27 April 2013.

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 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Current assets				
Cash and cash equivalents	7.9	9.6	6.4	6.1
Bank overdrafts	(12.0)	(8.1)	(7.8)	(4.0)
	(4.1)	1.5	(1.4)	2.1
Current liabilities				
Borrowings and overdrafts	(0.2)	(1.4)	(0.2)	(1.4)
Obligations under finance leases	(0.1)	(0.1)	(0.1)	(0.1)
	(0.3)	(1.5)	(0.3)	(1.5)
Non-current liabilities				
Borrowings	(3.3)	(16.5)	(3.3)	(16.5)
Obligations under finance leases	(2.5)	(2.6)	(1.4)	(1.5)
	(5.8)	(19.1)	(4.7)	18.0
Total net debt	(10.2)	(19.1)	(6.4)	(17.4)

Reconciliation of movements in the periods ended 27 April 2013

	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Net increase/(decrease) in cash and cash equivalents	(5.6)	2.0	(4.0)	2.6
Net decrease in borrowings	13.9	42.9	13.9	38.7
Other non cash movements	0.6	1.7	1.1	0.6
	8.9	46.6	11.0	41.9

30. Related parties

Group

Related party transactions with the Directors are disclosed in the Directors' Report on page 36.

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 £0.3m in 2013 (2012: £0.2m).

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			
2012/13	2.6	47.5	11.9
2011/12	3.8	48.3	12.4

The Company guaranteed bank and other borrowings of subsidiary undertakings amounting to £4.1m (2012: £4.1m).

Group five year financial summary

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Summarised income statements:					
Revenue	**457.6**	471.5	486.8	516.6	482.8
Gross profit	**278.3**	276.0	298.0	316.0	295.8
Operating profit/(loss)	**(3.4)**	18.0	10.9	28.2	22.3
Underlying operating profit	**11.4**	8.0	21.2	34.1	22.8
Net finance costs	**(1.7)**	(4.0)	(4.3)	(5.9)	(5.6)
Underlying profit before tax	**9.7**	**4.0**	**16.9**	**28.2**	**17.2**
Exceptional items	**(14.8)**	9.5	(10.3)	(5.9)	(0.5)
Profit/(loss) before tax	**(5.1)**	13.5	6.6	22.3	16.7
Tax	**(1.5)**	(2.5)	(2.0)	(6.5)	(4.9)
Profit/(loss) for the financial period	**(6.6)**	11.0	4.6	15.8	11.8
Extracts from balance sheets:					
Non-current assets	**193.0**	205.2	243.3	247.1	265.8
Net assets	**65.3**	70.7	67.0	71.2	67.2
Net debt	**(10.2)**	(19.1)	(65.7)	(71.3)	(97.1)
Ratios and statistics:					
Number of stores at period end	**620**	632	679	703	695
Total space (sq ft – gross) ’000	**5,719**	5,840	6,072	6,206	6,155
Gross margin (%)	**60.8%**	58.5%	61.2%	61.2%	61.3%
Underlying operating margin (%)	**2.5%**	1.7%	4.4%	6.6%	4.7%
Operating margin (%)	**(0.7%)**	3.8%	2.2%	5.5%	4.6%
Underlying earnings per share (pence)	**9.6p**	4.5p	18.0p	31.6p	18.2p
Basic earnings/(losses) per share (pence)	**(9.8p)**	16.4p	6.8p	23.5p	17.6p
Dividends per share (pence)	**–**	–	8.0p	16.0p	8.0p

Independent auditors' report to the members of Carpetright plc

We have audited the financial statements of Carpetright plc for the 52 week period ended 27 April 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Group and Company Statements of changes in equity, the Group and Company Balance sheets, the Group and Company statements of cash flow 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 on page 39, 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 27 April 2013 and of the Group's loss 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 lAS 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 39, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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
24 June 2013

Calendar

2013	
Q1 interim management statement	23 July
Annual General Meeting	5 September
First-half trading update	15 October
First-half ends	26 October
Interim results announcement	10 December

2014	
Q3 interim management statement	28 January
Second-half trading update	22 April
Year ends	26 April

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