Carpetright plc

Interims Results Announcement for the 26 weeks ended 27 October 2018

"RESTRUCTURING PROGRAMME ON SCHEDULE AND IN LINE WITH MANAGEMENT EXPECTATIONS"

Strategic progress

- In a transitional year, on track to deliver £19m annualised cash savings:
  - Legacy property issues being addressed with 65 underperforming UK stores closed in the period
  - Implementation of restructuring activity reducing the Group's overhead costs
- In the UK, average store lease length has been reduced to 3.5 years, with 52% having an option to break within two years, providing further flexibility to reduce store size and/or relocate in a fast changing retail environment
- Refurbished stores continue to outperform the uninvested estate
- Strengthened product ranges across all categories, particularly hard flooring with launch of own brand laminate and luxury vinyl tile ranges
- Further investment in digital technology to improve both the online and in-store experience with planned implementation in Spring 2019

Financial Headlines

Group

- Group revenue decreased 15.7% to £191.1m (H1 FY18: £226.6m)
- Underlying EBITDA loss of £1.7m (H1 FY18: profit of £8.6m)
- Statutory loss before tax of £11.7m (H1 FY18: loss of £0.6m)
- Period end net debt of £12.4m (Year end 28 April 2018: net debt of £53.0m) reflecting:
  - Proceeds received from June's equity issue
  - Tight management of working capital and capital expenditure
  - Implementation of restructuring activity
  - Headroom in bank facilities of £58.8m

UK

- Like-for-like sales declined 12.7% over the half but with a marked sequential improvement, with the second quarter down 8.9%, this followed a 16.8% fall in the first quarter which reflected the challenges around stock availability, negative sentiment associated with the restructuring process and weak consumer demand
- Underlying EBITDA loss of £2.1m (H1 FY18: profit of £8.4m)

Rest of Europe

- Following management changes, like-for-like sales increased by 0.5% (H1 FY18: growth of 6.5%) - a significant improvement from the decline experienced in the second half of the previous financial year
- Underlying EBITDA of £0.4m (H1 FY18: £0.2m)

Commenting on the results, Wilf Walsh, Chief Executive, said:
"This is a transitional year for Carpetright as we work through our restructuring plan. We remain on schedule and are confident that this activity is already starting to yield benefits. This is the first stage in returning the Group to sustainable long term profitability."

Group financial summary

	H1 FY19 £m	H1 FY18 (note 7) £m	Change
BUSINESS PERFORMANCE			
Group revenue	**191.1**	**226.6**	**(15.7%)**
UK	*149.6*	*184.6*	*(19.0%)*
Rest of Europe	*41.5*	*42.0*	*(1.2%)*
Underlying EBITDA	**(1.7)**	**8.6**	**(119.8%)**
UK	*(2.1)*	*8.4*	*(125.0%)*
Rest of Europe	*0.4*	*0.2*	*100.0%*
Underlying (loss)/profit before tax	**(12.4)**	**1.2**	
Underlying (loss)/earnings per share	**(5.0p)**	**0.7p**	
Net debt	**(12.4)**	**(22.8)**	
STATUTORY REPORTING			
Separately reported items	**0.7**	**(1.8)**	
Loss before tax	**(11.7)**	**(0.6)**	
Basic loss per share	**(4.8p)**	**(1.8p)**	

Notes

1. Revenue represents amounts payable by customers for goods and services after deducting VAT and other charges.
2. 'Underlying' excludes separately reported items and related tax.
3. Net debt is calculated as the total of cash-in-hand, or at bank, offset by borrowings, finance leases and unamortised fees.
4. Sales represents amounts payable by customers for goods and services before deducting VAT and other charges.
5. Like-for-like sales are defined as those stores which categorised within the CVA process as 'A' and 'B' and those stores outside the CVA process (e.g. freeholds) that have been trading continuously during the period and for a full 12 months at the start of the current financial year.
6. Comparative period is the 26-week period ended 28 October 2017.
7. The Group adopted IFRS 15 - "Revenue from Contracts with Customers" from 29 April 2018. The accounting standard has been retrospectively applied resulting in restatements to prior year comparatives. Under the new standard, the point at which revenue is recognised has changed and due to IFRS 15's definition of 'transfer of control', revenue will be deferred and recognised at a later date than previously recorded under IAS 18. Underlying profit before tax for H1 2018 has decreased by £0.9m, from a profit of £2.1m to £1.2m. This revenue has been subsequently recognised in the second half of FY 2018, with the overall full year impact on the income statement being a £0.3m reduction in the underlying loss before tax from £8.7m to £8.4m. This deferral of revenue also impacts the previous period and therefore the period on period impact is not considered to be material.

Certain statements in this report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. The Group undertakes no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Results presentation
Carpetright plc will hold a presentation to analysts at Citigate Dewe Rogerson, 3 London Wall Buildings, London Wall, London EC2M 5SY at 09:00 today.

A copy of this statement and the presentation will be made available on our website www.carpetright.plc.uk

For further enquiries please contact:

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Notes to Editors
Carpetright plc is Europe's leading specialist floor coverings and beds retailer. Since the first store was opened in 1988 the business has developed both organically and through acquisition within the UK and other European countries. The Group is organised into two geographical regions, the UK and the Rest of Europe (comprising The Netherlands, Belgium and the Republic of Ireland).

Chief Executive's Review

The restructuring activity undertaken during the period is addressing the fundamental financial challenge facing the Group – legacy property costs which had become an increasingly unsupportable burden over recent years. This process is necessary to resolve the significant historical UK property issues and to improve liquidity. I would like to thank shareholders, lending banks, landlords, suppliers and colleagues for the support they have given to the Group during this difficult period.

The results for the first half reflect a challenging six months. Having secured the necessary creditor approvals and financing, the implementation phase of the restructuring process commenced in earnest during the second quarter. While these measures inevitably impacted on our financial performance in the period, I am pleased to say that our plans to realise £19m of annualised savings are on schedule.

This is the first stage in returning the Group to sustainable long term profitability.

UK

The restructuring activity was concentrated on our UK store estate, against a backdrop of turmoil across the UK retail sector. It would be wrong to blame the media for reporting the facts that we issued two profit warnings and implemented a Company Voluntary Arrangement ("CVA"). However, we must recognise that negative headlines did impact on both our colleagues' and customers' confidence in our brand. Unlike other retailers going through a similar process, you don't generally pick a product up from the shelves in our stores - we ask customers to leave a deposit ahead of delivery and this clearly became a significant issue for some during this period. This uncertainty can be seen in our UK performance with like-for-like sales being down 16.8% in the first quarter. The rate of decline reduced to 8.9% in quarter two as the negative brand impact reduced and we increased our investment in advertising with a clear message, "carpetright.for life" – brand perception has improved since the campaign launch and we remain the clear market leader.

In terms of our legacy property portfolio, of the 81 trading stores designated as Category C within the CVA, we closed 54 in the period, with a further two stores expected to close in the second half. The balance of 25 stores are anticipated to continue to trade on nil rent as these landlords have opted to let us to continue to pay the business rates, while avoiding an empty unit on their retail park (these stores remain under a 60-day notice period). In addition, a further eleven Category B stores have closed where the landlord has exercised an option to take back the lease, with an expectation of a further nine closures in the second half. Over 52% of our UK stores now have an option to break within two years, providing further flexibility to downsize and/or relocate in a fast changing retail environment.

The store closure programme has been extensive along with, regrettably, a number of redundancies in both stores and our head office as we rebase the business in line with the reduced store estate.

During the period we continued to focus on developing our authority in the hard flooring category. We have launched our own brand "Tegola" ranges in both laminate and luxury vinyl tiles, alongside extended zones to display a wider range in the category. The initial results are encouraging and we aim to expand this activity in the second half.

Margins were under pressure during the period, with reduced footfall and an increasingly competitive market place. This led us to increase in the size of promotional discounts as we sought to maintain sales volumes. This reduction in the margin rate was in line with our guidance for the period given in June 2018.

As previously announced, a withdrawal of credit insurance by certain providers caused us some stock problems early in the period. However, I am pleased to report that our maintained position as market leader is now ensuring we are moving closer to the terms we enjoyed with the majority of our suppliers prior to the implementation of the CVA.

We have continued to invest in digital technology to improve both the online and in-store experience. I am excited about the transformational effect this will have on sales and service. This project will go live in Spring 2019.

We have paused the store refurbishment programme temporarily, while we achieve clarity on the shape of our UK store portfolio. The introduction of our new branding and contemporary store fit, creating a modern shopping environment for our customers, remains central to the recovery plan. The strategic sense of this investment is evident in the store sales figures, with refurbished stores outperforming the uninvested estate. As at the period end date, we have 188 stores trading under the new brand. We intend to re-start the refurbishment activity in the second half.

Rest of Europe

Under new leadership, our European business delivered like-for-like sales growth of 0.5% in the first half driven by the larger Netherlands business. Improved promotional planning and stronger retail discipline have been established and, consistent with the experience of the UK, refurbished stores are performing ahead of the rest of the estate. We are confident that activity is now in place to improve profitability.

Outlook

This is a transitional year for Carpetright as we work through our restructuring plan. We remain on schedule and are confident that this activity is already starting to yield benefits as we exit a historically underinvested, poorly sited and over rented property portfolio and tackle competition threats across the estate, while growing our digital capability.

In the near term, the strength of consumer spending and confidence, along with the uncertainty relating to the UK's exit from the European Union, remain concerns for any retail business. However, we believe that as market leader, and having taken decisive action to reduce our cost base significantly, we are structurally best placed in the floorcoverings sector to deal with the challenges these headwinds might present and return the business to sustainable long term profitability.

We are Carpetright.

Wilf Walsh
Chief Executive Officer
11 December 2018

INTERIM RESULTS

A summary of the reported financial results for the 26 weeks ended 27 October 2018 is set out below:

	H1 FY19 £m	H1 FY18* £m	Change
Revenue	**191.1**	226.6	(15.7%)
Underlying EBITDA	**(1.7)**	8.6	(119.8%)
Depreciation and amortisation	**(5.8)**	(6.3)	
Net finance charges	**(4.9)**	(1.1)	
Underlying (loss)/profit before tax	**(12.4)**	1.2	
Underlying EPS	**(5.0p)**	0.7p	
Separately reported items	**0.7**	(1.8)	
Statutory loss before tax	**(11.7)**	(0.6)	
Basic EPS	**(4.8p)**	(1.8p)	
Net debt	**(12.4)**	(22.8)	

* See note 2 to the accounts re: implementation of IFRS 15 - "Revenue from Contracts with Customers."

Overview of Group Financial Performance

Group revenue for the period was £191.1m, being 15.7% below the prior year. Trading during the period was challenging, as a consequence of weakening consumer demand, exceptionally warm weather and the negative impact associated with the restructuring activity. The Group has made significant progress in reducing its cost base and is on track to deliver the annualised savings of £19m outlined at the time of the equity fund raising in June 2018. These factors combined to deliver an underlying EBITDA loss of £1.7m for the period (H1 FY18: profit of £8.6m).

After depreciation and amortisation charges of £5.8m and net finance charges of £4.9m in the period, the latter reflecting the increased costs of borrowing from the new financing arrangements, the underlying loss before tax was £12.4m (H1 FY18: profit of £1.2m).

Separately reported items were a net credit of £0.7m (H1 FY18: net charge of £1.8m) primarily relating to property profits on disposals, offset in part by dual running costs as the Group transitions to a new ERP system.

All these factors combined to produce a statutory loss before tax for the period of £11.7m (H1 FY18: loss of £0.6m).

The Group ended the period with net debt of £12.4m, a reduction of £40.6m since 28 April 2018, reflecting the combination of proceeds of the equity issue; the trading performance; tight management of working capital and capital expenditure; and the costs of implementing the restructuring activity.

Financial Review

UK

Key financial results for the UK:

	H1 FY19 £m	H1 FY18 £m	Change
Revenue	**149.6**	184.6	(19.0%)
Like-for-like sales	**(12.7%)**	0.7%	
Gross profit	**83.7**	109.6	(23.6%)
Gross profit %	**55.9%**	59.4%	(3.5ppts)
Costs	**(85.8)**	(101.2)	15.2%
Costs %	**(57.3%)**	(54.8%)	(2.5ppts)
Underlying EBITDA	**(2.1)**	8.4	(125.0%)
Underlying EBITDA %	**(1.4%)**	4.5%	(5.9ppts)

UK store portfolio is now as follows:

	Store numbers				Gross Sq ft ('000)	
	28 Apr 2018	Openings	Closures	**27 Oct 2018**	28 Apr 2018	**27 Oct 2018**
UK	410	-	(65)	345	3,577	3,014
As at 28 Oct 2017				418		3,633

Trading in the period was heavily impacted by the disruption caused by the restructuring announcements. A total of 65 underperforming stores were closed in the first half, to end the period on 345 trading stores (H1 FY18: 418). This translated into a space decline of 563,000sq ft to 3,014,000sq ft, a year-on-year decrease of 17.0%.

Like-for-like sales in the first quarter of the financial year were down 16.8%, whilst the performance in the second quarter was an improvement in this trend being down 8.9%, as challenges around stock availability and negative brand sentiment associated with the restructuring and refinancing started to subside. These combined to produce a like-for-like sales decline for the period of 12.7%.

Gross profit decreased by £25.9m to £83.7m, representing 55.9% of sales, a decrease of 3.5ppts in line with the guidance given in June 2018. This decline in margin rate reflects a combination of:

- An adverse impact of 2.5ppts from enhanced promotions to combat negative consumer sentiment associated with the restructuring process and a competitive market
- Clearance activity in closure stores, an impact of 0.5ppts
- A mix impact from the fixed element of warehouse & distribution costs not falling at the same rate as the sales decline, equivalent to 0.5ppts

For the second half of the year, we anticipate a year-on-year improvement in the gross profit margin rate of between 0.5ppts and 1.0ppts as we anniversary the adverse movements in the prior year. As a result, the expected full year decrease is in the range of 1.2ppts to 1.5ppts.

The total UK cost base decreased by 15.2% compared with the prior year to £85.8m (H1 FY18: £101.2m). Costs as a percentage of sales were 57.3% (H1 FY18: 54.8%). The movement in costs was a combination of:

- Store payroll costs decreased by £4.5m (14.6%) to £26.3m (H1 FY18: £30.8m) the principal drivers being the closure of stores; reducing the cost by a total £2.2m; efficiency measures which delivered a reduction of £1.2m; and reduced sales commission from the lower level of underlying sales.
- Store occupancy costs decreased by £9.8m (18.4%) to £43.4m (H1 FY18: £53.2m). This was a combination of a reduction in costs from store closures; the accelerated amortisation of lease incentives; and an increase in the utilisation of onerous lease provisions, being offset in part by inflationary increases in business rates and utilities. The average remaining life of lease in UK stores has been reduced to 3.5 years (H1 FY18: 5.5 years). This provides increased flexibility to exit, relocate or re-negotiate the level of rent.
- Marketing costs increased by 2.0% to £5.0m (H1 FY18: £4.9m), weighted to the latter part of the period to counter negative sentiment post the restructuring activity.
- Support office costs decreased 10.6% to £11.0m (H1 FY18: £12.3m) reflecting restructuring activity to reduce this semi- variable cost.

The combination of the above factors resulted in an underlying EBITDA loss of £2.1m (H1 FY18: profit of £8.4m).

An analysis of the adverse underlying EBITDA movement of £10.5m shows:

- **Underlying trading (adverse EBITDA impact of £18.5m)**
    - The decline in like-for-like sales alongside the decline in gross profit margin of 3.5ppts and inflationary costs, principally on business rates and fuel.
- **CVA impact (favourable EBITDA impact of £5.8m)**
    - While closure of 65 stores reduced sales and margin, this was offset by the cash benefits of cost reductions resulting from store closures; transfer of sales to existing stores in the catchment; rent reductions; reductions in overheads costs; and the acceleration of the amortisation of lease incentives.
- **Cost management (favourable EBITDA impact of £2.2m)**
    - Over and above the CVA activity – productivity has been improved through in-store efficiencies which have delivered a reduction in salary cost alongside benefits from the tendering of selected contracts.

Rest of Europe – The Netherlands, Belgium and the Republic of Ireland

Key financial results for the Rest of Europe

	H1 FY19 £m	H1 FY18 £m	Change (Reported)	Change (Local)
Revenue	**41.5**	42.0	(1.2%)	(1.9%)
Like-for-like sales (local currency)	**0.5%**	6.5%		
Gross profit	**20.4**	20.9	(2.4%)	(3.0%)
Gross profit %	**49.2%**	49.8%	(0.6ppts)	
Costs	**(20.0)**	(20.7)	3.4%	3.8%
Costs %	**(48.2%)**	(49.3%)	1.1ppts	
Underlying EBITDA	**0.4**	0.2	100.0%	91.4%
Underlying EBITDA %	**1.0%**	0.5%	0.5ppts	

Rest of Europe store portfolio is now as follows:

	Store numbers				**Gross Sq ft ('000)**	
	28 Apr 2018	Openings	Closures	**27 Oct 2018**	28 Apr 2018	**27 Oct 2018**
Netherlands	92	-	-	**92**	950	**942**
Belgium	23	-	(1)	**22**	228	**217**
Republic of Ireland	20	-	(1)	**19**	153	**143**
Europe	**135**	**-**	**(2)**	**133**	**1,331**	**1,302**
As at 28 Oct 2017				136		1,342

The change in leadership in the Dutch and Belgian businesses had a positive impact on performance during the period. Sales were boosted by a strong start to the period before the unusually hot summer and World Cup brought some disruption during July and August, along with the impact of the restructuring process on supply of stock. Sales recovered in the latter part of the period. The Republic of Ireland business experienced a small single digit like-for-like sales decline. The three businesses combined to produce a like-for-like sales increase of 0.5%. Refurbished stores continue to outperform the uninvested estate.

After exchange rate movements, total revenue decreased by 1.2% in reported currency.

Gross profit across the European business is behind last year with the gross profit margin rate down 0.6ppts across the three businesses to 49.2%. This is driven by changes in sales mix. This impact is expected higher in the second half, resulting in a full year decline of between 1.0ppts and 1.5ppts.

Savings have been made in costs across the businesses, with costs as a percentage of sales down 1.1ppts. Contributors to this improvement include lower advertising costs and rent reductions.

The net result was an underlying EBITDA of £0.4m, an improvement of £0.2m on H1 2018 in reported currency.

Group financial review

Net finance charges and taxation

The increase in borrowing costs reflects the updated bank financing facilities and the loan note. The charge of £4.9m (H1 FY18: £1.1m) consists primarily of interest on the revolving credit facilities and overdraft of £0.5m; non-utilisation fees of £0.2m; accrued loan note interest of £1.7m, payable at the end of the term in July 2020; and amortisation of loan fees of £2.3m.

The taxation charge on the loss for the half year was £0.3m (H1 FY18: charge of £0.6m). This is based on a full year effective tax rate of 7.3% (H1 FY18: 30.5%; FY FY18: credit of 9.0%). The full year forecast effective tax rate is lower than the Group's main rate of tax of 19%, due to tax credits not being recognised on expected losses and non-deductibles items.

Separately reported items

The Group makes certain adjustments to statutory profit measures in order to help investors understand the underlying performance of the business. These adjustments are reported as separately reported items. The Group recorded a net credit of £0.7m in the period (H1 FY18: net charge of £1.8m).

	H1 FY19 £m	H1 FY18 £m	YE 2018 £m
Underlying (loss)/profit before tax	**(12.4)**	1.2	(8.4)
Non-cash items			
Impairment of goodwill	**-**	-	(34.7)
Freehold property impairment	**-**	-	(5.1)
Store asset impairment	**-**	-	(5.7)
Net onerous lease provision release/(charge)	**-**	-	(2.3)
Release of fixed-rent accruals and lease incentives	**-**	-	2.8
Restructuring costs			
Redundancy provisions	**0.5**	-	(3.8)
Store closure costs associated with CVA	**-**	-	(2.0)
Professional fees	**-**	-	(6.4)
Profit/(loss) on disposal of properties	**1.5**	(0.4)	(1.7)
Strategy			
Store refurbishment – asset write-offs	**-**	(0.5)	(0.6)
ERP dual running costs	**(0.8)**	(0.5)	(1.5)
Other			
Share-based payments	**(0.3)**	(0.3)	(0.5)
Legacy defined benefit pension administration costs	**(0.2)**	(0.1)	(0.3)
Total separately reported items	**0.7**	(1.8)	(61.8)
Statutory loss before tax	**(11.7)**	(0.6)	(70.2)

Provisions totalling £5.8m were recognised at 28 April 2018 reflecting the expected cost of the Group's restructuring, including redundancy, legal and logistical costs. During the period £0.5m of the provision has been released reflecting the reassessed total cost of implementing the restructuring.

A net gain of £1.5m was made on the disposal of properties during the year (H1 FY18: £0.4m loss).

The Group has continued to incur dual running costs as it replaces legacy IT systems and transitions to a new ERP platform. Due to the quantum and one-off nature of the project, these costs have been reported as separately reported items.

In light of the variable nature of employee share-based payments, these have been classified as separately reported items. This also allows for greater visibility of these charges in the accounts. A charge of £0.3m was incurred during the period (H1 FY18: £0.3m).

The Group assessed the adequacy of existing onerous provisions at the balance sheet date - £2.2m was released due to store closures, offset by a reassessment of the existing store provision in light of the current UK retail market. The net impact recorded within separately reported items was nil.

The cash flow impact of separately reported items (excluding £0.4m proceeds from the sale of a freehold property) was an outflow of £1.3m in the period (H1 FY18: outflow of £1.6m).

The tax impact of the separately reported items is a credit of £nil (H1 FY18: Credit of £0.1m).

Earnings per share

Underlying earnings per share were a loss of 5.0p (H1 FY18: earnings of 0.7p) reflecting the fall in underlying profitability of the Group. After accounting for tax, the Group generated basic losses per share of 4.8p (H1 FY18: loss of 1.8p).

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Balance Sheet

The Group had net assets of £65.0m at the end of the half year (YE 2018: £13.5m), an increase of £51.5m since 28 April 2018.

Summary Balance Sheet

	27 October 2018 £m	28 April 2018 £m	Movement £m
Freehold & long leasehold property	54.1	54.6	(0.5)
Tangible assets	51.7	54.6	(2.9)
Intangible assets	29.2	27.0	2.2
Other non-current assets	2.9	3.0	(0.1)
Non-current assets	137.9	139.2	(1.3)
Inventories	39.9	39.8	0.1
Trade debtors	0.9	0.2	0.7
Prepayments and accrued income	11.0	14.9	(3.9)
Other debtors	4.8	1.6	3.2
Current assets	56.6	56.5	0.1
Trade payables	(26.9)	(29.9)	3.0
Rent and rates accruals	(2.8)	(2.9)	0.1
Taxation and social security	(12.4)	(11.0)	(1.4)
Other creditors and accruals	(28.2)	(28.5)	0.3
Provisions	(3.5)	(10.6)	7.1
Corporate tax payable	(0.8)	(0.8)	-
Creditors < 1 year	(74.6)	(83.7)	9.1
Deferred tax provision	(8.2)	(7.6)	(0.6)
Pension deficit	(0.9)	(0.8)	(0.1)
Provisions	(8.9)	(9.1)	0.2
Other long-term creditors	(24.5)	(28.0)	3.5
Creditor > 1 year	(42.5)	(45.5)	3.0
Cash/overdraft	17.4	4.8	12.6
Loans	(28.4)	(56.0)	27.6
Finance leases	(1.4)	(1.8)	0.4
Net debt	(12.4)	(53.0)	40.6
Net assets	65.0	13.5	51.5

Non-current assets

The Group owns a significant property portfolio, most of which is used for retail purposes. The carrying value of these properties reduced by £0.5m to £54.1m as at the balance sheet date. The carrying values are supported by a combination of value-in-use and independent valuations, with the movement reflecting the disposal of one freehold in the UK and depreciation. An impairment review has been performed at the balance sheet date and no further impairment is considered necessary.

Tangible assets reduced by £2.9m, primarily a result of depreciation of £5.0m offset by additions of £2.4m and exchange differences.

The intangible assets balance consists primarily of goodwill and software assets. The increase of £2.2m reflects the continued expenditure on the new Microsoft Dynamics 365 ERP system, which is expected to become operational in the latter part of the current financial year.

Current assets
The reduction in prepayments and accrued income reflects the lower rent charge and shift to monthly payments, while the increase in other debtors is primarily driven by a change in the settlement days with payment providers.

Creditors less than one year
Trade payables reduced by £3.0m reflecting lower purchases from flooring suppliers, partly due to reduced credit limits. Average trade creditor days at the half year date were 61 days (YE FY18: 65 days).

Provisions at the 2018 year end reflected the restructuring costs and onerous contract provisions arising from the CVA process. The reduction of £7.1m at H1 FY19 reflects the utilisation and release of this element of the onerous provision, including a £0.5m release from restructuring provisions as actual redundancy costs are lower than previously anticipated.

Creditors greater than a year
At 27 October 2018, the IAS 19 net retirement benefit deficit was £0.9m (2018 YE: £0.8m). Under the technical provision basis, the Group's schemes would have a surplus resulting from a reduction in scheme liabilities combined with increases in the market value of scheme assets and company contributions. However, application of the 'asset ceiling' under IAS 19 results in the Group de-recognising any surplus from the Storey's scheme. This treatment is consistent with the 2018 year end.

The non-current provisions balance decreased by £0.2m to £8.9m. This balance reflects the onerous lease provision for UK and ROI stores not impacted by the CVA. A reassessment of the provision has been performed at the balance sheet date, resulting in the extension of existing provisions to cover onerous costs to the end of the lease for UK stores, bringing the treatment in line with those stores in the Republic of Ireland. This has been offset by the release from stores closed as part of the store closure programme.

Other long-term creditors declined by £3.5m reflecting the utilisation of lease inducements.

As a consequence of the continued focus on managing the estate to reduce square footage, elimination of store catchment overlap and implementing the CVA, operating lease liabilities for land and buildings had reduced to £328.7m (H1 FY18: £517.1m; YE18: £408.0m).

Net debt and cash flow

The Group's net debt at 27 October 2018 was £12.4m, a decrease of £40.6m from the year end FY18 net debt of £53.0m, with the average net debt being £25.5m over the period (H1 FY18: £27.9m).

The reduction in net debt is largely driven by the receipt of £62.7m net proceeds from the Placing and Open Offer in June 2018, and receipt of the Loan Note proceeds of £17.3m. These funds were used to repay bank debt of £32.0m and a loan of £12.5m.

The increase in working capital was attributable to the impact of a change in the settlement days with payment providers, amortisation of rent-free periods and generally lower volumes associated with trading.

Provisions paid of £6.9m relates to the utilisation of onerous contracts, mainly for stores closed during the period as a result of the CVA, and the utilisation of the restructuring provision held for legal, logistical, inventory loss and redundancy costs throughout the CVA closure programme.

Net capital expenditure was significantly below the prior year at £3.9m (H1 FY18: £13.1m), reflecting the temporary pause of the store refurbishment programme until greater clarity is achieved on the shape of our UK store portfolio. Investment in IT continued on a new ERP system and re-platforming the website. The Group expects full year capital expenditure to be around £12m.

Loan note and facility fees of £3.0m related to the refinancing activities outlined above.

	H1 FY19 £m	H1 FY18 £m
Underlying EBITDA	(1.7)	8.6
Separately reported items – cash	(1.3)	(1.6)
(Increase)/decrease in stock	(0.1)	1.4
Increase in working capital	(4.6)	(2.6)
Contributions to pension schemes	(0.6)	(0.4)
Provisions paid	(6.9)	(2.4)
Operating cash flows	**(15.2)**	**3.0**
Net interest paid	(1.0)	(0.9)
Corporation tax receipts/(paid)	0.3	(2.1)
Net capital expenditure	(3.9)	(13.1)
Free cash flows	**(19.8)**	**(13.1)**
Net capital proceeds	62.7	-
(Repayment)/drawdown of bank facility	(32.0)	17.5
Repayment of shareholder loan	(12.5)	-
Loan note	17.3	-
Payment of loan note fees & facility fee	(3.0)	-
Repayment of finance lease obligations	(0.1)	(0.3)
Movement in cash and cash equivalents	**12.6**	**4.1**
Cash and cash equivalents at the beginning of the period	4.8	5.4
Borrowings – due to banks	(13.0)	(30.5)
Loan note (net of fee amortisation)	(15.4)	-
Finance leases	(1.4)	(2.0)
Exchange differences	-	0.2
Closing net debt	**(12.4)**	**(22.8)**
Opening net debt	(53.0)	(9.8)
Movement in net debt	**40.6**	**(13.0)**

Liquidity
Gross bank borrowings at the balance sheet date were £14.3m (H1 FY18: £30.7m), being a combination drawn down from overdraft and revolving credit facilities. The Group had further undrawn facilities of £40.1m at the balance sheet date. In addition, the Group held gross cash balances of £18.7m. The combination of these resulted in net cash of £4.4m, providing total headroom against bank facilities of £58.8m.

Going concern
The Group meets its day to day working capital requirements through its bank facilities, a non-bank loan and available cash resources. The principal banking facility includes a revolving credit facility of £45.0m, a Sterling overdraft of £7.5m and a euro overdraft of €2.4m, all of which are committed to the end of December 2019. The non-bank loan of £17.3m is committed to July 2020. The principal banking facility is subject to three main financial covenants which assess underlying EBITDA, net debt and fixed charge cover. These covenants are subject to testing at 26 January 2019, 27 April 2019, 27 July 2019 and 26 October 2019 within the twelve months from the approval of these interim financial statements. Given the challenging six months trading conditions, headroom against the EBITDA covenant is expected to be the most sensitive over the course of the next twelve months and is at its tightest level in October 2019.

As part of the Board's assessment of going concern, trading and working capital requirements, forecasts have been prepared for the seventeen month period through to April 2020. These forecasts have been subjected to sensitivity testing for the forecast period which, while not anticipated by the Board, reflects a continuation of the challenging six month trading experienced by the Group.

The most critical assumptions when assessing covenants over the next twelve months is the expected level of revenues and gross margin. Given the volatility in UK trading performance during the restructuring period, and the ongoing political, economic and consumer spending uncertainty, including the potential adverse consequences of the UK's exit from the European Union, the Board challenged itself on the appropriate trading levels to use in this assessment. The Board also considered mitigating actions which could be implemented.

The Directors have also considered the future cash requirements of the Group, including the expiry of the principal banking facility at the end of December 2019, and are satisfied that the facilities are sufficient to meet its liquidity needs over the course of the next 12 months. Notwithstanding the performance, the existing facilities mature in December 2019 and it is the Board's intention to have completed a refinancing prior to the announcement of the full year results in June 2019.

If the Group's forecast is not achieved, there is a risk that the Group might not meet the EBITDA covenant and, should such a situation materialise, the Group would have discussions with its bank lenders in order to ensure it continues to comply with the terms of its bank facilities. Without the support of the banks in these circumstances, and assuming no additional financing, the Group and Parent Company would be unable to meet their liabilities as they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Whilst recognising the inevitable uncertainties of the current retail market and the Group's ongoing restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of twelve months following the signing of these interim financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Further information on the Group's borrowings is given in note 9 to the Interim Results.

Condensed consolidated income statement (unaudited)
for 26 weeks ended 27 October 2018

	Notes	26 weeks to 27 October 2018 Underlying performance £m	26 weeks to 27 October 2018 Separately reported Items (note 4) £m	26 weeks to 27 October 2018 Total £m	26 weeks to 28 October 2017 (restated, see note 2) Underlying performance £m	26 weeks to 28 October 2017 (restated, see note 2) Separately reported Items (note 4) £m	26 weeks to 28 October 2017 (restated, see note 2) Total £m	52 weeks to 28 April 2018 (restated, see note 2) Underlying performance £m	52 weeks to 28 April 2018 (restated, see note 2) Separately reported Items (note 4) £m	52 weeks to 28 April 2018 (restated, see note 2) Total £m
Revenue	3	**191.1**	**–**	**191.1**	226.6	–	226.6	445.0	–	445.0
Cost of sales		**(87.0)**	**–**	**(87.0)**	(96.1)	–	(96.1)	(195.1)	–	(195.1)
Gross profit		**104.1**	**–**	**104.1**	130.5	–	130.5	249.9	–	249.9
Administration expenses		**(106.8)**	**(0.8)**	**(107.6)**	(123.0)	(1.0)	(124.0)	(245.6)	(59.6)	(305.2)
Other operating income/(expense)		**1.0**	**1.5**	**2.5**	1.1	(0.8)	0.3	2.4	(2.2)	0.2
Operating (loss)/profit before depreciation and amortisation		**(1.7)**	**0.7**	**(1.0)**	8.6	(1.8)	6.8	6.7	(61.8)	(55.1)
Depreciation		**(5.4)**	**–**	**(5.4)**	(5.5)	–	(5.5)	(11.0)	–	(11.0)
Amortisation		**(0.4)**	**–**	**(0.4)**	(0.8)	–	(0.8)	(1.3)	–	(1.3)
Operating (loss)/profit	3	**(7.5)**	**0.7**	**(6.8)**	2.3	(1.8)	0.5	(5.6)	(61.8)	(67.4)
Finance costs	5	**(4.9)**	–	**(4.9)**	(1.1)	–	(1.1)	(2.8)	–	(2.8)
(Loss)/profit before tax		**(12.4)**	**0.7**	**(11.7)**	1.2	(1.8)	(0.6)	(8.4)	(61.8)	(70.2)
Tax	6	**(0.3)**	**–**	**(0.3)**	(0.7)	0.1	(0.6)	3.2	3.1	6.3
(Loss)/profit for the financial period attributable to owners of the Company		**(12.7)**	**0.7**	**(12.0)**	0.5	(1.7)	(1.2)	(5.2)	(58.7)	(63.9)
Basic (loss)/earnings per share (pence)	7	**(5.0)**		**(4.8)**	0.7		(1.8)	(7.6)		(94.1)
Diluted loss per share (pence)	7			**(4.8)**			(1.8)			(94.1)

All items in the income statement arise from continuing operations.

Condensed consolidated statement of comprehensive income (unaudited)
for 26 weeks ended 27 October 2018

	Notes	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 (restated, see note 2) £m	52 weeks to 28 April 2018 (restated, see note 2) £m
Loss for the financial period		**(12.0)**	(1.2)	(63.9)
Items that may not be reclassified to the income statement:				
Re-measurements of defined benefit plans	15	**(0.6)**	2.6	1.6
Tax on items that may not be reclassified to the income statement		**0.1**	(0.5)	(0.4)
Total items that may not be reclassified to the income statement		**(0.5)**	2.1	1.2
Items that may be reclassified to the income statement:				
Exchange gains		**1.0**	3.2	2.5
Total items that may be reclassified to the income statement		**1.0**	3.2	2.5
Other comprehensive gains for the period		**0.5**	5.3	3.7
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(11.5)**	4.1	(60.2)

The notes on pages 20 to 34 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of changes in equity (unaudited)
for 26 weeks ended 27 October 2018

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 28 April 2018	0.7	19.1	(1.4)	0.1	10.1	–	(9.3)	19.3
Restatement for IFRS 15	–	–	–	–	–	–	(5.8)	(5.8)
At 28 April 2018 (restated, see note 2)	0.7	19.1	(1.4)	0.1	10.1	–	(15.1)	13.5
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(12.0)**	**(12.0)**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**1.0**	**–**	**(0.5)**	**0.5**
Total comprehensive income/(expense) for the financial period	**–**	**–**	**–**	**–**	**1.0**	**–**	**(12.5)**	**(11.5)**
Net proceeds from capital raising (see note 18)	**2.3**	**–**	**–**	**–**	**–**	**60.4**	**–**	**62.7**
Transfer from Merger reserve (see note 18)	**–**	**–**	**–**	**–**	**–**	**(60.4)**	**60.4**	**–**
Share-based payments and related tax	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
At 27 October 2018	**3.0**	**19.1**	**(1.4)**	**0.1**	**11.1**	**–**	**33.1**	**65.0**

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 29 April 2017	0.7	17.8	(1.6)	0.1	7.6	–	53.4	78.0
Restatement for IFRS 15 (see note 2)	–	–	–	–	–	–	(6.0)	(6.0)
At 29 April 2017 (restated, see note 2)	0.7	17.8	(1.6)	0.1	7.6	–	47.4	72.0
Loss for the period (restated, see note 2)	–	–	–	–	–	–	(1.2)	(1.2)
Other comprehensive income for the period	–	–	–	–	3.2	–	2.1	5.3
Total comprehensive income for the financial period	–	–	–	–	3.2	–	0.9	4.1
Shares purchased by employee benefit trust	–	–	0.2	–	–	–	(0.2)	–
Share-based payments and related tax	–	–	–	–	–	–	0.2	0.2
At 28 October 2017	0.7	17.8	(1.4)	0.1	10.8	–	48.3	76.3

The notes on pages 20 to 34 form an integral part of this consolidated interim financial information.

Condensed consolidated balance sheet (unaudited)
as at 27 October 2018

	Notes	**27 October 2018 £m**	28 October 2017 (restated, see note 2) £m	**28 April 2018 (restated, see note 2) £m**
Assets				
Non-current assets				
Intangible assets		**29.2**	61.3	27.0
Property, plant and equipment		**95.2**	108.3	98.7
Investment property		**10.6**	15.6	10.5
Deferred tax assets		**2.4**	2.3	2.3
Trade and other receivables		**0.5**	0.8	0.7
Total non-current assets		**137.9**	188.3	139.2
Current assets				
Inventories		**39.9**	44.2	39.8
Trade and other receivables		**16.7**	20.9	16.7
Cash and cash equivalents	9	**18.7**	9.9	6.6
Total current assets		**75.3**	75.0	63.1
Total assets		**213.2**	263.3	202.3
Liabilities				
Current liabilities				
Trade and other payables	11	**(70.3)**	(92.3)	(72.3)
Current tax liabilities		**(0.8)**	–	(0.8)
Borrowings and overdrafts	9	**(14.3)**	(30.7)	(57.8)
Obligations under finance leases	9	**(0.1)**	(0.1)	(0.1)
Provisions for liabilities and charges	12	**(3.5)**	–	(10.6)
Total current liabilities		**(89.0)**	(123.1)	(141.6)
Non-current liabilities				
Trade and other payables	11	**(24.5)**	(32.4)	(28.0)
Deferred tax liabilities		**(8.2)**	(14.5)	(7.6)
Borrowings	9	**(15.4)**	–	–
Obligations under finance leases	9	**(1.3)**	(1.9)	(1.7)
Retirement benefit obligations	15	**(0.9)**	(0.2)	(0.8)
Provisions for liabilities and charges	12	**(8.9)**	(14.9)	(9.1)
Total non-current liabilities		**(59.2)**	(63.9)	(47.2)
Total liabilities		**(148.2)**	(187.0)	(188.8)
Net assets		**65.0**	76.3	13.5
Equity				
Share capital		**3.0**	0.7	0.7
Share premium		**19.1**	17.8	19.1
Treasury shares		**(1.4)**	(1.4)	(1.4)
Other reserves		**44.3**	59.2	(4.9)
Total equity attributable to shareholders of the company		**65.0**	76.3	13.5

The notes on pages 20 to 34 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of cash flows (unaudited)
for 26 weeks ended 27 October 2018

	Note	**26 weeks to 27 October 2018 £m**	26 weeks to 28 October 2017 (restated, see note 2) £m	52 weeks to 28 April 2018 (restated, see note 2) £m
Cash flows from operating activities				
Loss before tax		**(11.7)**	(0.6)	(70.2)
Adjusted for:				
Depreciation and amortisation		**5.8**	6.3	12.3
(Profit)/loss on property disposals	4	**(1.5)**	0.9	2.3
Other separately reported items	4	**1.0**	0.6	11.2
Separately reported non-cash items	4	**(0.5)**	–	47.8
Share based compensation		**0.3**	0.3	0.5
Net finance costs	5	**4.9**	1.1	2.8
Operating cash flows before movements in working capital		**(1.7)**	8.6	6.7
(Increase)/decrease in inventories		**(0.1)**	1.4	5.6
Decrease/(increase) in trade and other receivables		**1.8**	(3.7)	0.3
(Decrease)/increase in trade and other payables	11	**(6.4)**	1.1	(23.2)
Net expenditure on exit of operating leases		**(0.3)**	(1.0)	(1.9)
Other separately reported items and restructuring costs		**(1.0)**	(0.6)	(2.6)
Contributions to pension scheme		**(0.6)**	(0.4)	(0.9)
Provisions paid		**(6.9)**	(2.4)	(5.5)
Cash (used in)/generated from operations		**(15.2)**	3.0	(21.5)
Interest paid		**(1.6)**	(0.9)	(1.8)
Corporation taxes received/(paid)		**0.3**	(2.1)	(1.4)
Net cash flows used in operating activities		**(16.5)**	–	(24.7)
Cash flows from investing activities				
Purchases of intangible assets		**(2.3)**	(3.0)	(4.5)
Purchases of property, plant and equipment and investment property		**(2.0)**	(10.1)	(15.7)
Proceeds on disposal of property, plant and equipment and investment property		**0.4**	–	0.3
Net cash used in investing activities		**(3.9)**	(13.1)	(19.9)
Cash flows from financing activities				
Net proceeds from capital raising	18	**62.7**	–	–
Repayment of finance lease obligations	9	**(0.1)**	(0.3)	(0.3)
(Decrease)/increase in borrowings	9	**(44.5)**	17.5	32.0
New loans advanced	9	**14.9**	–	12.0
Net cash generated from financing activities		**33.0**	17.2	43.7
Net increase/(decrease) in cash and cash equivalents in the period		**12.6**	4.1	(0.9)
Cash and cash equivalents at the beginning of the period		**4.8**	5.4	5.4
Exchange differences		**–**	0.2	0.3
Cash and cash equivalents at the end of the period		**17.4**	9.7	4.8

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.

The notes on pages 20 to 34 form an integral part of this consolidated interim financial information.

Notes to the financial statements

1. General information

Carpetright plc (‘*the company*’) and its subsidiaries (together ‘*The Group’*) are engaged in the retail of flooring and bed products through a network of retail stores and other channels located in the UK and continental Europe.

Carpetright plc is a company listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The registered address office is Carpetright plc, Purfleet Bypass, Purfleet, Essex, RM19 1TT.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the auditors whose report is set out on pages 36 to 37. The financial information presented herein does not amount to statutory accounts within the meaning of Section 434 of the Companies Act 2006. The 2018 Annual report and financial statements has been filed with the Registrar of Companies. The independent auditors’ report on the 2018 Annual report and financial statements was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The financial period represents the 26 weeks to 27 October 2018 (comparative financial period: 26 weeks to 28 October 2017; prior financial year: 52 weeks to 28 April 2018). The financial information comprises the results of the Company and its subsidiaries (the ‘*Group*’).

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 11 December 2018.

2. Accounting policies

Basis of preparation

The interim results, comprising the condensed consolidated interim financial statements and the interim management report have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. They should be read in conjunction with the Annual report and financial statements for the 52 weeks ended 28 April 2018, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Group meets its day to day working capital requirements through its bank facilities, a non-bank loan and available cash resources. The principal banking facility includes a revolving credit facility of £45.0m, a Sterling overdraft of £7.5m and a euro overdraft of €2.4m, all of which are committed to the end of December 2019. The non-bank loan of £17.3m is committed to July 2020. The principal banking facility is subject to three main financial covenants which assess underlying EBITDA, net debt and fixed charge cover. These covenants are subject to testing at 26 January 2019, 27 April 2019, 27 July 2019 and 26 October 2019 within the twelve months from the approval of these interim financial statements. Given the challenging six months trading conditions, headroom against the EBITDA covenant is expected to be the most sensitive over the course of the next twelve months and is at its tightest level in October 2019.

As part of the Board’s assessment of going concern, trading and working capital requirements, forecasts have been prepared for the seventeen month period through to April 2020. These forecasts have been subjected to sensitivity testing for the forecast period which, while not anticipated by the Board, reflects a continuation of the challenging six month trading experienced by the Group.

The most critical assumptions when assessing covenants over the next twelve months is the expected level of revenues and gross margin. Given the volatility in UK trading performance during the restructuring period, and the ongoing political, economic and consumer spending uncertainty, including the potential adverse consequences of the UK's exit from the European Union, the Board challenged itself on the appropriate trading levels to use in this assessment. The Board also considered mitigating actions which could be implemented.

The Directors have also considered the future cash requirements of the Group, including the expiry of the principal banking facility at the end of December 2019, and are satisfied that the facilities are sufficient to meet its liquidity needs over the course of the next 12 months. Notwithstanding the performance, the existing facilities mature in December 2019 and it is the Board's intention to have completed a refinancing prior to the announcement of the full year results in June 2019.

If the Group's forecast is not achieved, there is a risk that the Group might not meet the EBITDA covenant and, should such a situation materialise, the Group would have discussions with its bank lenders in order to ensure it continues to comply with the terms of its bank facilities. Without the support of the banks in these circumstances, and assuming no additional financing, the Group and Parent Company would be unable to meet their liabilities as they fall due. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Whilst recognising the inevitable uncertainties of the current retail market and the Group's ongoing restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of twelve months following the signing of these interim financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Further information on the Group's borrowings is given in note 9.

New standards, amendments and interpretations

The accounting policies adopted for the half year to 27 October 2018 have been prepared on a consistent basis with those of the annual consolidated financial statements for the 52 weeks ended 28 April 2018 with the exception of taxation, the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments', which are explained below. The changes in accounting policies will also be adopted in the consolidated Annual Report and Financial Statements for the year ending 27 April 2019.

Taxes on income for interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- **IFRS 15 'Revenue from Contracts with Customers'**

  IFRS 15 'Revenue from Contracts with Customers' is a new standard based on a five-step model framework, which replaces all existing revenue recognition standards. The standard requires revenue to represent the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group adopted IFRS 15 from 29 April 2018 using a fully retrospective approach.

  Under the new standard, the point at which revenue is recognised has changed and due to IFRS 15's definition of 'transfer of control', revenue will be deferred and recognised at a later date than previously recorded under IAS18.

This deferral of revenue also impacts the previous period and therefore the period on period impact is not considered to be significant.

The opening balance sheet position and comparative periods have been restated to reflect the decrease in revenue, associated costs and taxation recorded in the 2017 and 2018 financial years, as well as the impact of this on working capital balances within the balance sheet.

As at 29 April 2017:

- There is a decrease of £6.0m to brought forward retained earnings as a result of the full retrospective approach.

As at 28 October 2017:

- The Inventories balance of £39.8m has increased to £44.2m;
- The Deferred tax asset balance of £2.0m has increased to £2.3m;
- The Trade and other receivables balance of £31.4m has decreased to £20.9m;
- The Trade and other payables balance of £89.5m has increased to £92.3m;
- The Deferred tax liabilities balance of £16.1m has decreased to £14.5m; and
- There is a net impact on the income statement of £0.9m increase in the loss after taxation from £0.3m to a loss after taxation of £1.2m.

As at 28 April 2018:

- The Inventories balance of £35.7m has increased to £39.8m;
- The Deferred tax asset balance of £2.0m has increased to £2.3m;
- The Trade and other receivables balance of £25.4m has decreased to £16.7m;
- The Trade and other payables balance of £69.4m has increased to £72.3m;
- The Deferred tax liabilities balance of £9.0m has decreased to £7.6m; and
- There is a net impact on the income statement of £0.3m decrease in the loss after taxation for the year, from £64.2m to £63.9m.

- **IFRS 9 'Financial Instruments'**

  IFRS 9 'Financial Instruments' is a new standard which enhances the ability of investors and other users of financial information to understand the accounting for financial assets and reduces complexity. As the Group's financial assets are immaterial, the adoption of IFRS 9 has no material impact on the Group's financial statements and subsequently prior year comparatives have not been restated. The Group has determined that the provision arising from the expected credit losses on financial assets is in line with the levels of provisions already held.

Standards issued but not yet effective
IFRS 16 'Leases' is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months and depreciate lease assets separately from interest on lease liabilities in the income statement. This standard is effective for accounting periods commencing on or after 1 January 2019 and will be adopted for the Group's 2019/20 financial year.

Management's assessment of the expected impact on the Group's financial results following implementation is ongoing and is expected to significantly affect the presentation of the Group's consolidated financial statements due to the Group's large property lease commitment and, to a lesser extent, other operating leases. The anticipated impact on the consolidated income statement will be a significant increase in EBITDA due to the removal of the majority of rental charges from administrative expenses.

The Group's rental charge for the 26 weeks ended 27 October 2018 was £33.6m (26 weeks ended 28 October 2017: £39.9m; 52 weeks ended 28 April 2018: £80.2m). It is anticipated that there will be a material impact on the balance sheet. The Group's minimum operating lease obligations at 27 October 2018 were £328.7m (note 17).

There is not expected to be a material impact on the Group's cash flows, however presentation within the Consolidated cash flow statement will be adjusted.

Alternative Performance Measures

The Company uses a number of Alternative Performance Measures (APMs) in addition to those reported in accordance with IFRS. The Directors believe that these APMs, listed below, are important when assessing the underlying financial and operating performance of the Group and its segments. The following APMs do not have standardised meaning prescribed by IFRS and therefore may not be directly comparable to similar measures presented by other companies.

Underlying performance

Underlying performance, reported separately on the face of the Consolidated Income Statement, is from continuing operations and before separately reported items on the face of the income statement.

Sales

Sales represents amounts payable by customers for goods and services before deducting VAT and other charges.

Like-for-like sales (calculated in local currency)

Calculated as this year's sales compared to last year's sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year and stores expected to close as part of the ongoing store closure programme are excluded from both years. No account is taken of changes to store size or introduction of third party concessions.

Gross profit ratio

Calculated as Gross profit as a percentage of revenue. It is one of the Group's key performance indicators and is used to assess the underlying performance of the Group's segments.

Separately reported items

Defined below.

Underlying EBITDA

Underlying EBITDA is defined as operating profit before depreciation, amortisation and separately reported items.

It is one of the Group's key performance indicators and is used to assess the trading performance of Group businesses. It is also used as one of the targets against which the annual bonuses of certain employees are measured.

Underlying operating profit

Underlying operating profit is defined as operating profit before separately reported items.

It is one of the Group's key performance indicators and is used to assess the trading performance of Group businesses.

Underlying profit before tax
Underlying profit before tax is calculated as the net total of underlying operating profit less total net finance costs associated with underlying performance. It is one of the Group's key performance indicators and is used to assess the financial performance of the Group as a whole.

Underlying earnings per share
Underlying earnings per share is calculated by dividing underlying profit before tax less associated income tax costs by the weighted average number of ordinary shares in issue during the year. It is one of the Group's key performance indicators and is used to assess the underlying earnings performance of the Group as a whole.

Net debt
Net debt comprises the net total of current and non-current interest-bearing borrowings and cash and short-term deposits. Net debt is a measure of the Group's net indebtedness to banks and other external financial institutions.

Disclosure of 'separately reported items'
IAS 1 'Presentation of Financial Statements' provides no definitive guidance as to the format of the income statement but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the income statement when appropriate for a proper understanding of the entity's financial performance. In accordance with IAS 1, the Company has adopted a columnar presentation for its Consolidated income statement, to separately identify underlying performance results, as the Directors consider that this gives a better view of the underlying results of the ongoing business. As part of this presentation format, the Company has adopted a policy of disclosing separately on the face of its Consolidated income statement, within the column entitled 'Separately reported items', the effect of any components of financial performance for which the Directors consider separate disclosure would assist both in a better understanding of the financial performance achieved. In its adoption of this policy, the Company applies a balanced approach to both gains and losses and aims to be both consistent and clear in its accounting and disclosure of such items.

Both size and the nature and function of the components of income and expense are considered in deciding upon such presentation. Such items may include, inter alia, the financial effect of separately reported items which occur infrequently, such as major reorganisation costs, onerous leases, share based payments and impairments and the taxation impact of the aforementioned separately reported items.

Financial assets and liabilities

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

	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 £m	52 weeks to 28 April 2018 £m
Euro			
Average	**1.13**	1.13	1.13
Closing	**1.13**	1.13	1.14

3. Segmental analysis

The operating segments have been determined based on reports reviewed by the Board that are used to make strategic decisions. The reportable operating segments derive their revenue primarily from the retail of floor coverings and beds. Central costs are incurred principally in the UK. 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 Board for the reportable segments for the 26 weeks ended 27 October 2018 is as follows:

	26 weeks to 27 October 2018			26 weeks to 28 October 2017 (restated, see note 2)		
	UK £m	**Europe £m**	**Group £m**	UK £m	Europe £m	Group £m
Gross sales	**183.7**	**49.7**	**233.4**	226.3	48.9	275.2
Inter-segment revenue	**(0.7)**	**–**	**(0.7)**	(1.1)	–	(1.1)
Sales	**183.0**	**49.7**	**232.7**	225.2	48.9	274.1
Less: cost of interest free credit	**(2.8)**	**–**	**(2.8)**	(2.9)	–	(2.9)
Less: VAT and other sales taxes	**(30.6)**	**(8.2)**	**(38.8)**	(37.7)	(6.9)	(44.6)
Revenues from external customers	**149.6**	**41.5**	**191.1**	184.6	42.0	226.6
Gross profit	**83.7**	**20.4**	**104.1**	109.6	20.9	130.5
Underlying operating (loss)/profit	**(6.5)**	**(1.0)**	**(7.5)**	3.3	(1.0)	2.3
Separately reported items	**0.8**	**(0.1)**	**0.7**	(1.8)	–	(1.8)
Operating (loss)/profit	**(5.7)**	**(1.1)**	**(6.8)**	1.5	(1.0)	0.5
Finance costs	**(4.8)**	**(0.1)**	**(4.9)**	(1.1)	–	(1.1)
(Loss)/profit before tax	**(10.5)**	**(1.2)**	**(11.7)**	0.4	(1.0)	(0.6)
Tax	**(0.1)**	**(0.2)**	**(0.3)**	(1.5)	0.9	(0.6)
Loss for the financial period	**(10.6)**	**(1.4)**	**(12.0)**	(1.1)	(0.1)	(1.2)

	26 weeks to 27 October 2018			26 weeks to 28 October 2017 (restated, see note 2)		
Segment assets:	UK £m	Europe £m	Group £m	UK £m	Europe £m	Group £m
Segment assets	**171.3**	**90.5**	**261.8**	210.5	99.7	310.2
Inter-segment balances	**(31.8)**	**(16.8)**	**(48.6)**	(28.7)	(18.2)	(46.9)
Balance sheet total assets	139.5	73.7	213.2	181.8	81.5	263.3
Segment liabilities:						
Segment liabilities	**(144.8)**	**(52.0)**	**(196.8)**	(182.0)	(51.9)	(233.9)
Inter-segment balances	**16.8**	**31.8**	**48.6**	18.2	28.7	46.9
Balance sheet total liabilities	**(128.0)**	**(20.2)**	**(148.2)**	(163.8)	(23.2)	(187.0)
Other segmental items:						
Depreciation and amortisation	**4.4**	**1.4**	**5.8**	5.1	1.2	6.3
Additions to non-current assets	**3.7**	**1.0**	**4.7**	10.2	4.2	14.4

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £149.6m (H1 FY18: £184.6m) and the total revenue from external customers from other countries is £41.5m (H1 FY18: £42.0m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £110.9m (H1 FY18: £148.5m) and the total of those located in other countries is £73.1m (H1 FY18: £84.4m).

The Group'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.

4. Separately reported items

	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 £m *(restated)*	52 weeks to 28 April 2018 £m *(restated)*
Underlying (loss)/profit before tax	**(12.4)**	1.2	(8.4)
Property disposal income/(costs)			
Profit/(loss) on disposal of properties	**1.5**	(0.4)	(1.7)
Store refurbishment – asset write offs	–	(0.5)	(0.6)
Non-cash items			
Impairment of goodwill	–	–	(34.7)
Freehold property impairment	–	–	(5.1)
Store asset impairment	–	–	(5.7)
Net onerous lease provision release/(charge)	–	–	(2.3)
Share based payments	**(0.3)**	(0.3)	(0.5)
Restructuring costs			
Redundancy provisions	**0.5**	–	(3.8)
Store closure costs associated with CVA	–	–	(2.0)
Release of fixed-rent accruals and lease incentives	–	–	2.8
Professional fees	–	–	(6.4)
Other			
ERP dual running costs	**(0.8)**	(0.5)	(1.5)
Legacy defined benefit pension administration costs	**(0.2)**	(0.1)	(0.3)
Total separately reported items	**0.7**	(1.8)	(61.8)
Statutory loss before tax	**(11.7)**	(0.6)	(70.2)

The Group makes certain adjustments to statutory profit/loss measures in order to help investors understand the underlying performance of the business. These adjustments are reported as separately reported items. The Group recorded a net credit of £0.7m in the 26 weeks to 27 October 2018 (H1 FY18: charge of £1.8m).

Provisions totalling £5.8m were recognised at 28 April 2018 reflecting the expected cost of the Group's restructuring, including redundancy, legal and logistical costs. During the period £0.5m of the provision has been released reflecting the reassessed total cost of implementing the restructuring.

A net gain of £1.5m was made on the disposal of a number properties during the period (H1 FY18: £0.4m loss), principally a combination of surrender premiums received offset by costs associated with stores closing as part of the CVA process.

The Group has continued to incur dual running costs as it replaces legacy IT systems and transitions to a new ERP platform. Due to the quantum and one-off nature of the project, these costs have been reported as separately reported items.

In light of the variable nature of employee share-based payments, these have been classified as separately reported items. This also allows for greater visibility of these charges in the accounts. A charge of £0.3m was incurred during the period (H1 FY18: £0.3m).

The Group reported an impairment of £34.7m of goodwill at 28 April 2018 reflecting a revised outlook of the Group's business segments. Goodwill of £19.8m, relating to the European business, was retained and was supported by the underlying cashflow projections. A full impairment assessment has not been performed at 27 October 2018 and no additional impairment has been recorded.

The Group performed an impairment assessment over its freehold properties, investment properties and store assets in accordance with IAS 36 at the balance sheet date. The Group determined that no impairment was required (28 April 2018: £5.1m freehold property, £5.7m store assets).

The Group assessed the adequacy of existing onerous provisions at the balance sheet date. £2.2m was released due to store closures, offset by an increase in the existing store provision. The net impact recorded within separately reported items was £nil (28 April 2018: charge of £2.3m).

The cash flow impact of separately reported items (excluding £0.4m proceeds from the sale of a freehold property) was an outflow of £1.3m in the period (H1 FY18: outflow of £1.6m).

The tax impact of the separately reported items is a charge of £nil (H1 FY18: Credit of £0.1m).

5. Finance costs

	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 £m	52 weeks to 28 April 2018 £m
Interest on borrowings and overdrafts:			
Bank interest paid	**(0.4)**	(0.6)	(1.2)
Bank interest accrued [1]	**(0.1)**	(0.1)	(0.2)
Bank non-utilisation fees [2]	**(0.2)**	–	(0.1)
Interest on borrowings and overdrafts	**(0.7)**	(0.7)	(1.5)
Fee amortisation – banks	**(0.3)**	(0.3)	(1.0)
Fee amortisation – others [3]	**(2.0)**	–	–
Net finance expense on pension scheme obligations	**(0.1)**	–	(0.1)
Other interest accrued [4]	**(1.7)**	–	–
Interest on finance lease obligations	**(0.1)**	(0.1)	(0.2)
Other Finance charges	**(4.2)**	(0.4)	(1.3)
Finance expense	**(4.9)**	(1.1)	(2.8)

[1] "Bank interest accrued" includes amounts accrued over the duration of the facility based on net bank debt levels from month to month. Payment will be due at maturity of the facility in December 2019.
[2] "Bank non-utilisation fees" include interest incurred on undrawn facilities.
[3] "Fee amortisation – others" represents the unwinding of costs incurred on the drawdown of non-bank loans.
[4] "Other interest accrued" represents interest accruing on non-bank loans. This will become payable on maturity of the facility in July 2020.

6. Income Tax

	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 £m *(restated)*	52 weeks to 28 April 2018 £m *(restated)*
UK Tax expense	**0.1**	0.7	(4.3)
Overseas Tax expenses	**0.2**	(0.1)	(2.0)
Total Tax expense	**0.3**	0.6	(6.3)

The Income tax expense is recognised based on management's best estimate of the full year weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The taxation charge on the loss for the half year was £0.3m (H1 FY18: charge of £0.6m). This is based on a full year effective tax rate of 7.3% (HY FY18: 30.5%). The FY 2018 effective tax rate was a credit of 9.0%. The full year forecasted effective tax rate of 7.3% represents a decrease of 11.7% compared to the Group’s main rate of tax of 19%, due to tax not recognised on losses, offset by non-deductibles items.

7. (Loss)/earnings per share

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by the Group’s LTIP Trust 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.

	26 weeks ended 27 October 2018			26 weeks ended 28 October 2017			52 weeks ended 28 April 2018		
	Loss £m	**Weighted average number of shares Millions**	**Loss per share Pence**	Loss £m *(restated)*	Weighted average number of shares Millions	Earnings per share Pence *(restated)*	Loss £m *(restated)*	Weighted average number of shares Millions	Loss per share Pence *(restated)*
Basic loss per share	**(12.0)**	**251.2**	**(4.8)**	(1.2)	67.6	(1.8)	(63.9)	67.9	(94.1)
Effect of dilutive share options	**–**	**–**	**–**	–	–	–	–	–	–
Diluted loss per share	**(12.0)**	**251.2**	**(4.8)**	(1.2)	67.6	(1.8)	(63.9)	67.9	(94.1)

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 separately reported items and related tax.

	26 weeks ended 27 October 2018			26 weeks ended 28 October 2017			52 weeks ended 28 April 2018		
	Loss £m	**Weighted average number of shares Millions**	**(Loss)/ earnings per share Pence**	Loss £m *(restated)*	Weighted average number of shares Millions	(Loss)/ earnings per share Pence *(restated)*	Loss £m *(restated)*	Weighted average number of shares Millions	Loss per share Pence *(restated)*
Basic (loss)/earnings per share	**(12.0)**	**251.2**	**(4.8)**	(1.2)	67.6	(1.8)	(63.9)	67.9	(94.1)
Adjusted for the effect of separately reported items:									
Separately reported items	**(0.7)**	**–**	**(0.2)**	1.8	–	2.5	61.8	–	91.0
Tax thereon	**–**	**–**	**–**	(0.1)	–	–	(3.1)	–	(4.5)
Separately reported tax impact from tax rate change	**–**	**–**	**–**	–	–	–	–	–	–
Underlying (loss)/earnings per share	**(12.7)**	**251.2**	**(5.0)**	0.5	67.6	0.7	(5.2)	67.9	(7.6)

8. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks, including but not limited to: currency risk, interest rate risk, credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all the financial risks management information and disclosures required in the annual financial statements. This should be read in conjunction with the Group's Annual report and financial statements as at 28 April 2018. There have been no changes in the risk management since the year end.

The Group has no financial assets or liabilities that are measured at fair value, with all financial assets and financial liabilities held at amortised cost in accordance with IFRS 7. The carrying amount of financial assets and liabilities approximate their fair value. Borrowings are measured at amortised cost and the Directors are of the opinion that the carrying value of the borrowings are approximate to their fair value.

Liquidity

As stated in note 32 (Events after the reporting period) of the 2018 Annual report and accounts, the Group launched a Placing and Open Offer on the main market of the London Stock Exchange in May 2018, with net receipts of £62.7m received on 11 June 2018. Additionally, in June 2018, the Group repaid a £12.5m short-term shareholder loan.

The Group completed the refinancing of its facilities in May 2018, which came into effect on receipt of the Placing and Open Offer proceeds. The refinancing included committed banking facilities totalling £54.6m, consisting of a £45.0m revolving credit facility ("RCF"), £7.5m Sterling overdraft and €2.4m euro overdraft facilities. The facilities are committed until December 2019. Additionally, the Group has drawn on a loan note agreement from a significant shareholder during the period for £17.3m (gross of fees), which is committed until July 2020.

There were no other material changes to the contractual undiscounted cash outflows for financial liabilities.

9. Movement in cash and net debt

	28 April 2018 Total £m	Cash flow £m	Exchange differences £m	Other non-cash £m	27 October 2018 Total £m
Cash and cash equivalents in the balance sheet	6.6				**18.7**
Bank overdrafts	(1.8)				**(1.3)**
Cash and cash equivalents in the cash flow statement	4.8	**12.6**	**–**	**–**	**17.4**
Borrowings					
Current borrowings – bank	(45.0)	**32.0**	**–**	**–**	**(13.0)**
Current borrowings – non-bank	(11.0)	**12.5**	**–**	**(1.5)**	**–**
Non-current borrowings – non-bank	–	**(17.3)**	**–**	**1.9**	**(15.4)**
	(56.0)	**27.2**	**–**	**0.4**	**(28.4)**
Obligations under finance leases					
Current obligations under finance leases	(0.1)				**(0.1)**
Non-current obligations under finance leases	(1.7)				**(1.3)**
	(1.8)	**0.1**	**–**	**0.3**	**(1.4)**
Net (debt)/cash	(53.0)	**39.9**	**–**	**0.7**	**(12.4)**

	29 April 2017 Total £m	Cash flow £m	Exchange differences £m	Other non-cash £m	28 October 2017 Total £m
Cash and cash equivalents in the balance sheet	12.5				9.9
Bank overdrafts	(7.1)				(0.2)
Cash and cash equivalents in the cash flow statement	5.4	4.1	0.2	–	9.7
Borrowings					
Current borrowings	(13.0)				(30.5)
Non-current borrowings	–				–
	(13.0)	(17.5)	–	–	(30.5)
Obligations under finance leases					
Current obligations under finance leases	(0.1)	–	–	–	(0.1)
Non-current obligations under finance leases	(2.1)	0.3	–	(0.1)	(1.9)
	(2.2)	0.3	–	(0.1)	(2.0)
Net (debt)/cash	(9.8)	(13.1)	0.2	(0.1)	(22.8)

10. Reconciliation of liabilities arising from financing activities

	28 April 2018	Cash flow	Non-cash movement Exchange differences	Other non-cash	27 October 2018
Revolving credit facility	(45.0)	32.0	–	–	(13.0)
Non-bank loans	(11.0)	(4.8)	–	0.4	(15.4)
Finance leases	(1.8)	0.1	–	0.3	(1.4)
Total Liabilities	(57.8)	27.3	–	0.7	(29.8)

	29 April 2017	Cash flow	Non-cash movement Exchange differences	Other non-cash	28 October 2017
Revolving credit facility	(13.0)	(17.5)	–	–	(30.5)
Non-bank loans	–	–	–	–	–
Finance leases	(2.2)	0.3	–	(0.1)	(2.0)
Total Liabilities	(15.2)	(17.2)	–	(0.1)	(32.5)

11. Trade and other payables

	27 October 2018 £m	28 October 2017 £m *(restated)*	28 April 2018 £m *(restated)*
Current:			
Trade payables	26.9	50.7	29.9
Other taxes and social security	12.4	10.0	11.0
Accruals and deferred income	31.0	31.6	31.4
	70.3	92.3	72.3
Non-current:			
Accruals and deferred income	24.5	32.4	28.0
Closing balance at 27 October 2018	**94.8**	124.7	100.3

Included within Current Accruals and deferred income is £2.0m relating to lease incentives and fixed uplift rent accruals (£3.2m at 28 April 2018, £2.4m at 28 October 2017). Included within Non-current Accruals and deferred income is £24.5m relating to lease incentives and fixed uplift rent accruals (£28.0m at 28 April 2018, £32.4m at 28 October 2017). These balances are being amortised over the duration of the associated lease.

12. Provisions

	Onerous lease provisions £m	Re-organisation provisions £m	Total £m
Opening at 28 April 2018	13.9	5.8	19.7
Added during the period	2.2	–	2.2
Utilised during the period	(5.2)	(1.8)	(6.9)
Released during the period	(2.2)	(0.5)	(2.7)
Impact of movement in foreign exchange rates	0.2	–	0.1
Closing balance at 27 October 2018	**8.9**	**3.5**	**12.4**
Opening at 29 April 2017	17.5	–	17.5
Utilised during the period	(2.9)	–	(2.9)
Impact of movement in foreign exchange rates	0.3	–	0.3
Closing balance at 28 October 2017	14.9	–	14.9

	27 October 2018	28 October 2017	28 April 2018
Non-current	8.9	14.9	9.1
Current	3.5	–	10.6
Provision for liabilities and charges	**12.4**	14.9	19.7

13. Dividends

No dividends were paid or proposed in the 26 weeks to 27 October 2018 or in the 26 weeks to 28 October 2017.

14. Capital expenditure

During the period, cash flow on capital expenditure was £2.2m (H1 FY18: £2.5m) on IT infrastructure, £1.0m (H1 FY18: £9.1m) on the acquisition and fit out of stores and £1.1m (H1 FY2018: £1.5m) of capital maintenance. Net proceeds from the sale of assets during the period are £0.4m (H1 FY18: £nil).

Capital commitments contracted but not provided for at the end of the period are £1.3m (H1 FY18: £1.8m) for core IT infrastructure relating to the ERP project.

15. Retirement benefit obligation

	26 weeks to 27 October 2018 £m	26 weeks to 28 October 2017 £m	52 weeks to 28 April 2018 £m
Deficit in scheme at beginning of period	**(0.8)**	(3.2)	(3.2)
Net interest expense	**–**	–	(0.1)
Administrative fees	**(0.1)**	–	–
Employer contributions	**0.6**	0.4	0.9
Actuarial (losses)/gains	**(0.2)**	2.6	3.2
Asset ceiling restriction	**(0.4)**	–	(1.6)
Deficit in scheme at end of period	**(0.9)**	(0.2)	(0.8)
Fair value of pension scheme assets	**29.5**	30.1	30.2
Present value of pension scheme obligations	**(28.4)**	(30.3)	(29.4)
Asset ceiling	**(2.0)**	–	(1.6)
Retirement benefit obligations	**(0.9)**	(0.2)	(0.8)

The key assumptions used, determined in conjunction with independent qualified actuaries, are:

	27 October 2018 %	28 October 2017 %	28 April 2018 %
RPI inflation	**3.4**	3.4	3.3
Discount rate	**2.8**	2.6	2.5

The mortality rates assumptions are taken from the S2NXA CML 2016 (2017 S2NXA CML 2016) with medium cohort improvements, at a minimum of 1.25% pa. The amount of the deficit varies if the main financial assumptions change, particularly the mortality and discount rate. The sensitivity of a 0.1% change or a 1 year increase, in these assumptions is shown below:

		26 weeks to 27 October 2018 £m	52 weeks to 28 April 2018 £m
Increase/(decrease) by 0.1%	Discount rate	0.5	0.5
Increase/(decrease) by 0.1%	RPI inflation or CPI inflation	0.2	0.2
Increase/(decrease) by 1 year	Life expectancy	1.0	1.0

On 26 October 2018 the High Court of Justice of England and Wales issued a judgement ruling that occupational pension schemes should be amended to equalise pension benefits for men and women in relation to the Guaranteed Minimum Pension benefits. This is not expected to have a material impact on the Group's financial statements although it will likely result in a small increase to scheme liabilities. The impact of the ruling will be determined in the second half of the year and recognised at the year end.

16. Related party transactions

The Group's significant related parties are disclosed in the Group's 2018 annual financial statements. There were no material differences in related parties or related party transactions in the period compared to the prior period.

17. Operating lease commitments

As at 27 October 2018, the future minimum lease payments in respect of land and buildings and other assets under operating leases are:

	27 October 2018		**28 October 2017**		**28 April 2018**	
	Land and buildings £m	**Other £m**	**Land and buildings £m**	**Other £m**	**Land and buildings £m**	**Other £m**
Operating leases payable:						
Amounts payable within one year	**58.9**	**2.1**	79.6	2.1	64.2	2.1
Amounts payable between one and five years	**155.4**	**2.2**	258.1	2.6	201.3	3.1
Amounts payable after five years	**114.4**	**–**	179.7	–	142.5	–
	328.7	**4.3**	517.1	4.7	408.0	5.2

The future minimum lease payments as at 28 April 2018 of £408.0m included the impact of the CVA and committed payments for the impacted stores during the CVA period. The Group's operating leases have an average remaining length of 2.9 years (28 April 2018: 3.8 years).

18. Placing and Open Offer

The Group launched a Placing and Open Offer on the Main Market of the London Stock Exchange on 18 May 2018, with 232,463,221 new ordinary shares issued on 8 June 2018. Gross receipts of £65.1m before associated costs were received on 11 June 2018. The Placing and Open Offer was structured through a "cash-box" mechanism that resulted in an increase of £2.3m to Share Capital, and the creation of a Merger Reserve of £60.4m. As at 27 October 2018, amounts held in the Merger Reserve are considered distributable and therefore have been reclassified to Retained Earnings.

19. Events after the reporting period

There have been no events after the reporting period that require further disclosure or have a material impact on the interim financial statements.

Principal risks and uncertainties

The Board considers that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining six months of the financial year remain the same as those stated on pages 21-23 of the 2018 Annual Report and Accounts, which are available on our website www.carpetright.plc.uk.

In summary, the Group is subject to the same general risks as many other businesses; for example, changes in general economic conditions, currency and interest rate fluctuations, changes in taxation legislation, cyber-security breaches, failure of our IT infrastructure, the cost of our raw materials, the impact of competition, political instability and the impact of natural disasters.

The Board has identified risks in relation to the United Kingdom's exit from the European Union. Given the range of possible scenarios it is impossible for us to be specific, however the risks surrounding supply chain disruption, foreign exchange rate volatility and the potential impact on consumer demand are considered to be the most significant. We will continue with our regular risk mitigation process and will prepare for all likely scenarios until the outcome becomes clear.

Forward looking statements

Certain statements in this half year report are forward looking. Although the Group believes that the expectations reflected in these forward looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. We undertake no obligation to update any forward looking statements whether as a result of new information, future events or otherwise.

Statement of Directors' responsibilities

The Directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report

The Directors of Carpetright plc are listed in the Carpetright plc Annual Report for 28 April 2018, and on the Group's corporate website www.carpetright.plc.uk.

By order of the Board

Wilf Walsh	Neil Page
Chief Executive	Chief Financial Officer

11 December 2018

Independent review report to Carpetright plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Carpetright Plc's condensed consolidated interim financial statements (the 'interim financial statements') in the half-yearly financial report of Carpetright Plc for the 26 week period ended 27 October 2018. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Emphasis of matter

Without modifying our conclusion on the interim financial statements, the Group's forecast for the 17 months through to April 2020 contains assumptions over the trading performance of the existing businesses and cost saving measures. Each of these items is subject to a level of uncertainty.

The Group meets its day-to-day working capital requirements through its debt facilities and available cash resources. The principal banking facility includes a revolving credit facility of £45.0m, a Sterling overdraft of £7.5m and a Euro overdraft of €2.4m, all of which are committed to the end of December 2019. The Meditor non-bank loan of £17.3m is committed to July 2020. The principal banking facilities are subject to a number of financial covenants, comprising a fixed charge cover covenant, an EBITDA covenant and a net debt covenant. These covenants are subject to testing at 26 January 2019, 27 April 2019, 27 July 2019 and 26 October 2019 within the 12 months from the approval of these interim financial statements. The rolling EBITDA covenant is the covenant with the least headroom during this period.

As part of the Board's assessment of going concern, trading and working capital requirements, forecasts have been prepared covering a 17 month period through to April 2020. These forecasts have been subject to sensitivity testing, which, whilst not anticipated by the board, reflect the continuation of the challenging trading conditions throughout the forecast period. If the Group's forecast is not achieved, there is a risk that the Group will not meet its financial covenants and, should such a situation materialise, the facilities may be cancelled and all or part of the utilisation and all other amounts accrued or outstanding would be immediately due and payable.

These conditions, along with the other matters explained in Note 2 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. Given the matters noted above, the directors have drawn attention to this in disclosing a material uncertainty relating to going concern in the basis of preparation to the interim financial statements.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 27 October 2018;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
11 December 2018

Notes

a) The maintenance and integrity of the Carpetright Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.