carpetright.

Annual report and accounts 2019

Index

Carpetright is Europe's leading specialist floorcoverings retailer in the domestic home improvement sector.

Our primary business objective is to help customers transform their homes using our products and services, whether they choose to shop with us in-store or by using our online platforms.

Our multi-channel proposition will maximise value for our shareholders by delivering long-term sustainable growth in earnings per share and cash flow.

We're **honest and straightforward**

We **care about our customers and colleagues**

We **make it easy**

This Strategic Report was approved by the Board of Directors on 25 June 2019 and was signed on its behalf by Jeremy Sampson – Company Secretary and Legal Director.

More online

This report, along with our other announcements and stakeholder information, can be found on our corporate website: carpetright.plc.uk

Chairman's statement

Overview

Carpetright has endured a difficult 12 months and I have been pleased with the resilience shown by our operations, together with the faith customers have continued to show in the business during the period. The Company Voluntary Arrangement ("CVA") announced on 12 April 2018, together with a £65.1m Placing and Open Offer, announced on 18 May 2018, were concluded successfully on 8 June 2018. Taken in conjunction with a £17.25m (gross) shareholder loan in May 2018, this provided the Group with the opportunity to stabilise its finances and rationalise a number of stores, from 545 to 466 by year end.

We launched the "Carpetright for Life" campaign in September 2018, which helped reinforce the Group's position as market leader and reassure customers we will be around for the long term when considering a purchase. The Board has overseen an evolution in our strategy, continuing investments (finance permitting) in our brand and stores, whilst growing areas such as online and hard flooring.

Results and dividend

Total revenue for the year ended 27 April 2019 decreased by 13.4% to £386.4m (2018: £446.3m), reflecting some 80 UK store closures arising as a result of the CVA and our desire to rightsize the estate. UK like-for-like sales declined by 9.1% with an increase of 3.4% in the Rest of Europe. The disruption surrounding the CVA hit UK sales hard in the first half, although this improved in the second half, placing us well for continuing the recovery of the business. Our Rest of Europe operations performed well, largely escaping the collateral damage from the CVA and under the leadership of a new management team from the second half.

Underlying EBITDA decreased by 59.2% to a £2.9m (2018: £7.1m). After the impact of separately reported items, the statutory loss before tax was £24.8m, representing a 64.5% improvement on the prior year (2018: loss of £69.8m). Basic earnings per share were 7.9p loss (2018: 93.6p loss per share).

In light of the continued turnaround of the Group and early signs of recovery, the Board considers it appropriate to manage cash tightly, investing prudently in our store infrastructure and certain strategic investments, such as furthering our online presence. As a result, the Board has taken the decision not to pay a final dividend (2018: £nil). Based on our current outlook we do not expect this position to change in the current financial year.

The Board

We saw in the year the departures of our Chief Financial Officer, Neil Page and Senior Independent Director, Andrew Page. I would like to extend my thanks to Neil for his dedication and resilience through an exceptionally challenging period for the Group. Andrew provided me and the rest of the Board with crucial guidance and insight and I am delighted that David Clifford has agreed to take over as Senior Independent Director. We welcomed Jeremy Simpson as Chief Financial Officer and Jemima Bird as Non-Executive Director and look forward to both of them playing a full part in the turnaround of the Group.

We are further announcing today, the departure of Sandra Turner, after nearly nine years' service on the Board. Sandra will be missed greatly and I would like to offer my sincere appreciation for all she has done. We are pleased to announce that Pauline Best will join the Board as an independent non-executive director with effect from 1 August 2019 and will succeed Sandra as Chair of the Remuneration Committee.

Further details of the Board's work can be found in the Directors' report starting on page 28 of this Annual Report.

Our people

On behalf of the Board, I would like to offer thanks to the more than 3,000 colleagues working in our stores, distribution centre and support offices for their dedication, hard work and resilience through the year, particularly in playing their full part in steering the Group through the CVA, a period that will have been uncertain for them and their families. I regret the loss of a number of colleagues arising from the store closures that were necessary in underpinning the recovery of the Group, but believe this leaves the business stronger for those that remain and whose livelihoods rely on its future success.

Summary and outlook

The consumer environment remains fragile, in light of the uncertainties in our economy surrounding the UK's decision to leave the EU. We are pleased that the Carpetright brand retains the highest prompted recognition in the market and we achieved and maintained a five star "Trustpilot" score during the fourth quarter. As Europe's leading flooring specialist, our performance is reflective of the wider "big ticket" home improvement sector. We remain confident in our strategy and the vision to deliver our operational turnaround through the coming year.

I appreciate the pain that has been shared by our wider stakeholder group of customers, suppliers, landlords, shareholders and colleagues through this year and believe the Group ends the year far stronger than it started. We continue to focus on the management of costs and conservation of cash, but importantly are determined to take the initiative in driving strategic and tactical improvements to the business that will benefit both the short and long term.

I remain optimistic for the future of Carpetright and the opportunity to deliver value to shareholders and our wider stakeholder group.

Bob Ivell
Chairman

Our business model

We are a specialist floorcoverings retailer focused on helping our customers in the UK, Netherlands, Belgium and the Republic of Ireland to transform their homes.

Through our multichannel proposition, we are committed to creating a sustainable business for the benefit of our key stakeholders.

Our enablers

Market leader

We are the clear market leader in highly fragmented but growing floorcoverings markets

18%

share of the £2bn UK market

Brand awareness

We are, by quite some way, the leader in terms of brand awareness, with high familiarity among consumers

88%

UK prompted brand awareness

Significant scale

We are investing in modernising our network of stores to deliver an exceptional customer experience

466

stores in our key regions

Dedicated people

We are driven by a team of skilled and dedicated people across our stores, distribution centres and support offices

> 3,000

people

Our strategy

1. Who we are

We are working hard to transform our brand, culture, values and corporate identity

2. What we sell

We are broadening our total floorcovering range to meet customer demand

3. How we sell

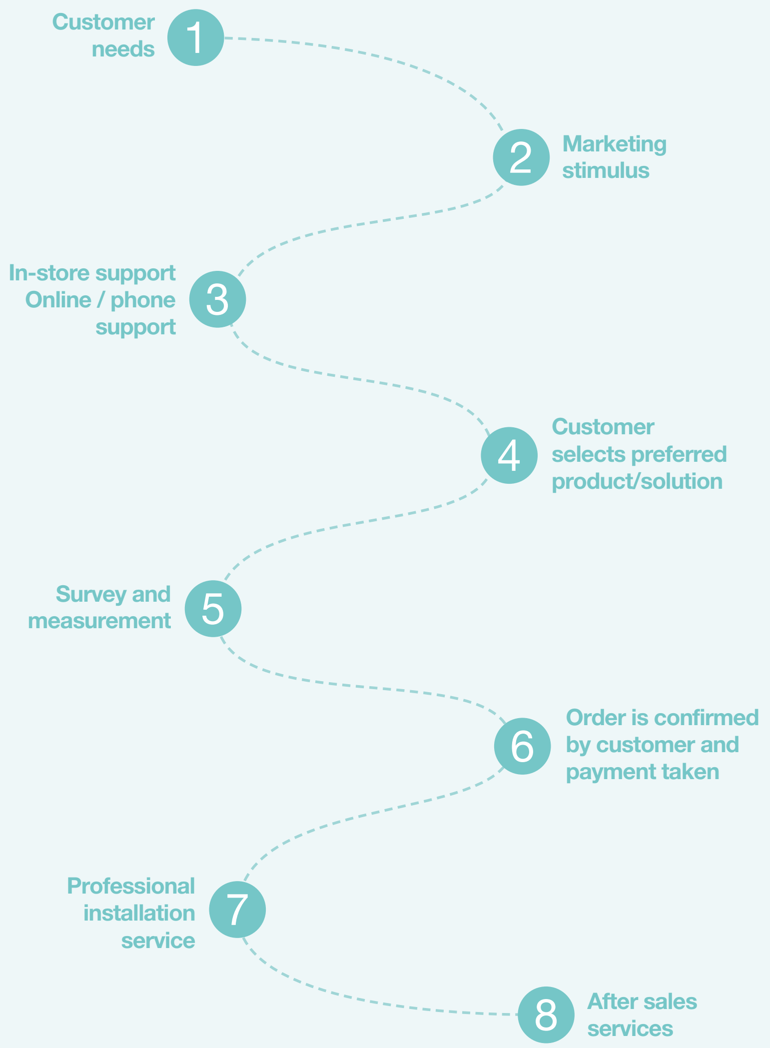
We are embedding product training, customer service standards, interest free credit and a host of other initiatives

4. Where we sell

We are repositioning our stores estate, allowing customers to access our products in a contemporary and welcoming retail environment

See page 6 for more for more information

The customer journey



Providing a high quality experience

We aim to provide a seamless customer experience with advice and support throughout to ensure satisfaction and loyalty

The Value we Create

Customers

We transform our customers' homes with high quality, inspirational products at great value

Colleagues

We provide a rewarding work environment which is fair, open, and provides opportunities to develop

Shareholders

We are re-building the business to deliver long-term growth for the benefit of our shareholders

Suppliers

We work collaboratively to bring great products to market

Our market

The Group has a specialist focus on the domestic floorcoverings markets in the UK, Netherlands, Belgium and the Republic of Ireland.

The Group also offers a selected range of beds in the UK, and curtains and blinds in the Netherlands and Belgium, giving access to other segments of the home furnishings sector.

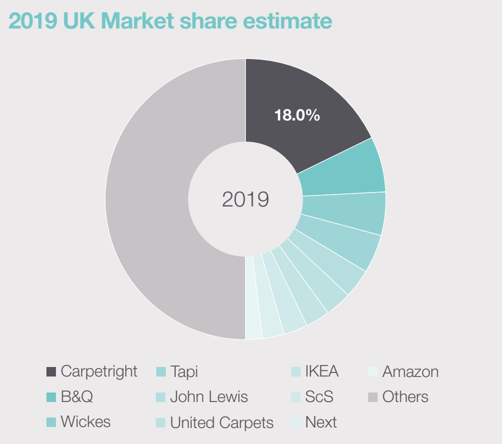
Market Leader

Carpetright is the clear market leader in highly fragmented, but growing floorcoverings markets across Europe.

We are the only scale specialist in the residential floorcoverings markets in the Netherlands and Belgium.

Given its 35 year heritage, the brand is widely known and benefits from high brand awareness in all territories.

Source: GlobalData, March 2019

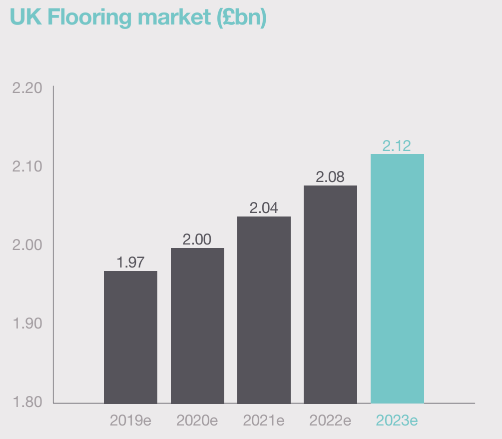


Growing market

The UK floorcoverings market was estimated to be worth £1.9bn and the markets in the Netherlands and Belgium were estimated to be worth a combined £1.6bn in 2018.

All markets are expected to continue to grow, reaching a combined £3.9bn in 2021 delivering 3.0% Compound Average Growth rate assuming constant exchange rates.

Source: GlobalData, March 2019

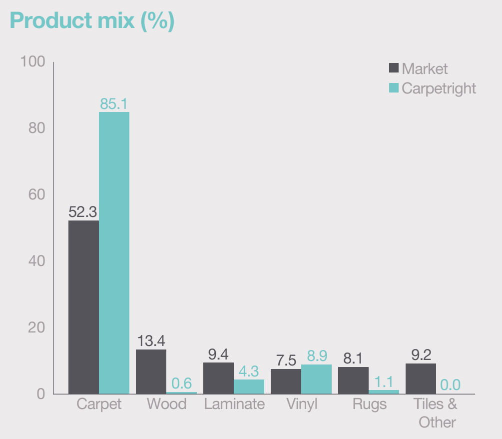


Consumer trends

Carpetright offers the broadest range of floorcovering products and accessories (carpets, rugs, wood, laminates, luxury vinyl tile (LVT)) as well as curtains and blinds and home decorations in Europe.

The business maintains an on-trend proposition with products from leading brands and ranges being continuously refreshed.

Source: GlobalData, March 2019



Our customer journey

1

Customer needs
- New home that requires flooring
- Replacement of current flooring
- Renovation of one or more rooms
- Desire for something new

2

Marketing stimulus
- TV
- Website/Social media
- Print/Newspaper
- Radio

3

In-store support
- Potential customers can walk in or pre-book in-store appointments with trained specialists
- Customers find these initial consultations helpful as they learn more about the options available to them and receive recommendations on products that meet their needs and price appetite

Online / phone support
- Transactional websites and dedicated service departments help customers choose a new flooring without needing to visit a store
- Flooring product samples are provided to potential customers free of charge to bring options to life

4

Customer selects preferred product/solution
- Customer uses expert advice to choose their preferred flooring option and place an order
- Carpetright gives the customer confidence that they have made the right choice

5

Survey and measurement
- Professional 'Home flooring surveyors' visit the customer's home to take measurements, which are provided to the store
- Surveyors can provide detailed quotation at time of visit and complete order process in the home if desired
- Full permission from the FCA allows us to take orders in the home in the UK

6

Order is confirmed by customer and payment taken
- Customer visits store/ phones to confirm order and make payment
- Customer service is monitored to ensure all requirements have been met and order processed correctly

7

Professional installation services
- Customers can arrange their own fitting service or Carpetright can allocate the installation to one of its approved, independently qualified third party fitters
- Products are typically collected by fitters from the store on behalf of their client

8

After sales services
- Customer contacted to check satisfaction
- Ensures customer satisfaction in order to drive loyalty and repeat business

Chief Executive's review

Wilf Walsh
Chief Executive

"Set against a background of declining consumer confidence and an uncertain political and economic environment, we have materially reduced our rent and rates profile while achieving the predicted sales transfer from closed stores with reduced central costs"

After a difficult year of essential restructuring for the business, I am pleased to be able to adopt a more upbeat tone when reflecting on the current state of our company. While it's clearly too early to declare the job done, we have made substantive progress in the key areas that drove us to make the difficult but necessary decision to restructure the business via a Company Voluntary Arrangement (CVA) and re-capitalisation. Subsequent moves by a host of other retailers to do the same proves that we are not unique in pursuing a plan to build a sustainable and successful future for the brand.

Specifically, our major issue was an unsustainable lease profile and a legacy property portfolio, which, despite our best efforts, proved too difficult to address without resorting to drastic action. I am grateful to our colleagues, suppliers and landlords in helping to make this a success. Against a background of declining consumer confidence and an uncertain political and economic environment, we have materially reduced our rent and rates profile while achieving the predicted sales transfer from closed stores and reducing central costs.

I am pleased to say that we remain on track to deliver the promised benefits of the CVA process, with £19m of annualised cash savings. This included a £6m sales transfer to remaining stores, equating to our 20% target.

Through these challenges, we have adopted a consistent strategy and are transforming this business by focussing on a simple plan:

- Who we are. Our brand, our stores, our people
- What we sell. An unrivalled choice of floorcoverings
- How we sell. Great customer service at unbeatable value
- Where we sell. An improved store portfolio supported by an outstanding digital offer

The strategy is supported by clear, uncomplicated principles and I am delighted to report that in our recent UK Employee Attitude Survey, 70% of respondents indicated that they were "proud" to work for Carpetright. After a year when we closed 83 stores across the Group and, regrettably, had to make a number of roles redundant, both in the field and at Store Support Office (SSO), this is particularly reassuring and reinforces our values –

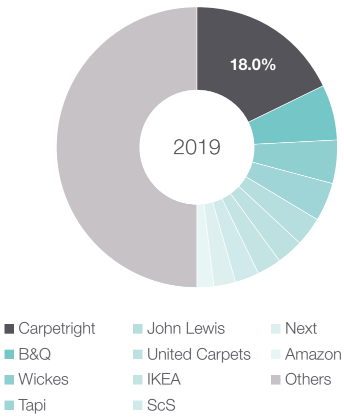
- We are honest and straightforward
- We care about customers and colleagues
- We make it easy

Dealing with the four main planks of the strategy in turn:

Who we are

Carpetright remains comfortably the largest floorcovering retailer in the UK and this leadership position was undoubtedly one of the key reasons why shareholders and other parties supported the £65m recapitalisation of the business that followed the CVA.

2019 UK Market share estimate



Source: GlobalData, March 2019

While our total sales were impacted by store closures and the negative newsflow surrounding the CVA over the first half of the year, in too many cases we also had multiple stores in some towns, delivering negative contributions. Despite recent upheavals and the restructuring of our business, we retain clear market leadership by some distance in the UK and this is a strong position from which to build our recovery.

It is also worth reflecting on the strength of the Carpetright brand and consumer perceptions. We have always enjoyed strong brand metrics, however these did take a dip in relation to trust and reputation during the launch of the CVA as customers were, understandably, nervous about the future of the business at that point. Unlike other retailers where the product is out on the shelf and available to take away, we ask customers to leave a deposit with us for a bespoke product ahead of delivery in days or, usually, weeks.

I am pleased to note that our brand metrics bounced back strongly following our "Carpetright For Life" campaign which we embarked on after our equity fundraise. Brand attributes such as Quality and Value/Affordable are now at their highest level since we began tracking these measures. Additionally, as a retailer that customers "know and trust" and which "has a really good reputation", our brand perceptions have improved markedly since Spring/Summer 2018. Prompted and spontaneous brand awareness both remain incredibly strong.

We have been facing significant competitive challenges over the past few years and, importantly, we can prove that, with the exception of a very small number of individual stores, we are more than holding our own – whether that's in locations where we face one direct national competitor or larger conurbations where there are multiple brand operators and options for the consumer. Our performance against our competition has improved consistently over the past 52 weeks.

It's clear that once we get to the one-year anniversary of a competitor store opening we begin to recover lost ground rapidly as the local market stabilises. This effect is most pronounced where we invest in refurbishment and upgrade to our "graphite" design store format. While this investment was restricted during the year, we are working hard to create a sustainable financing structure for 2020 onwards that will allow us to support the growth and development of the organisation.

We have been extremely robust in taking on competition and it's clear that this is a very difficult market for a new entrant and brand to gain traction unless they are prepared to pursue an uneconomic model, of course until time and money run out.

By the end of the 2019 financial year, we had 241 stores trading under the new brand format. Our objective is to ensure that every store has some form of consistent new branding and additional investment by the end of the CVA period in April 2021.

In terms of people, we will continue to invest in training – our Fuse platform acts as an effective tool for both product training and communication. Our key development focus for colleagues will be on the implementation of the Microsoft Dynamics 365 cloud-based platform as we migrate from our aged legacy systems.

We have been honest and straightforward with all our colleagues on the need for further restructuring in our business during the CVA period ending in April 2021. We encourage direct feedback and our staff forum on Fuse gives us constant and robust reminders of what is on colleagues' minds both in terms of day to day issues and the company in general.

I am constantly impressed by the number of long service awards that I get to sign every month. The loyalty and dedication of long serving colleagues throughout the past twelve months has been incredibly stoic and is very much appreciated.

What we sell

We want to maintain our credentials as Europe's leading floorcovering retailer. That means retaining our clear leadership position on carpet and growing our share of hard flooring as consumer tastes evolve. Our aim is to make hard flooring 25% of our overall business by 2022.

It is imperative that we stay on top of changes in consumer tastes and, in terms of product, we update our ranges across categories three times a year to ensure that we stay at the forefront of home interior design trends. Our new "Soft" carpet collection was our fastest growing own label product in the period, while our exclusive "Tegola" own brand laminate was launched successfully during the year and has been well-received by customers. Our "House Beautiful" and "Country Living" collections are also exclusive to Carpetright, providing differentiation in a sector where brands have not historically been strong. Our "Essential Value" range continues to provide budget conscious customers with a quality product at an affordable price. We continue to convert more effectively with increased higher margin underlay and accessories penetration.

At cost to our suppliers (mainly on consignment) we established safety supplies of product in our Purfleet SSO in the run-up to the original date for the UK's exit from the EU in March to ensure we were prepared for a "No Deal" Brexit. While, in this scenario, current expectations are that there would be no additional tariffs on the products we source from the EU, our concern remains the immediate potential disruption at port of entry. We are confident that, with supplier support, we can repeat this process later in the year to guarantee no short-term material disruption to our product pipeline as market leader.

How we sell

Great customer service is at the heart of everything that we do, so we were rightly delighted when the business achieved five-star Trustpilot status for customer satisfaction earlier this calendar year. We intend to maintain this level consistently. In comparison to other retailers the customer journey between accessing our brand online and the after-care following the flooring being fitted at the customer's home is usually quite complex, not least due to the bespoke nature of the product and service provided.

Inevitably, a floorcovering purchase involves disruption and some form of intrusion whether that's a visit from one of our highly trained Home Flooring Surveyors, to measure a property and advise on potential options, or third party fitters moving items of furniture, laying the chosen product and taking away unwanted surplus. While we serviced over one million orders last year with a very low number of complaints, one complaint is one too many and we know there is room for further improvement. With a relentless focus on genuinely great customer service, we have a key differentiator in our sector.

Despite a difficult year for colleagues caused by some uncertainty about the business, our "Do We Measure Up?" score of customers being "highly satisfied" was at 75%. In our industry, good news tends to travel slowly as a customer getting what they paid for with accompanying excellent service is the default position and shouldn't be seen as remarkable. Bad news, however, travels incredibly quickly, especially on social media. So when we've got it wrong, engaging with our detractors and resolving issues rapidly is vital for reputation, repeat business and recommendations.

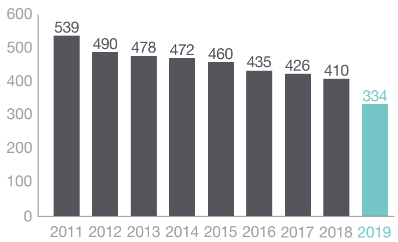
Part of that process is about understanding customer needs and utilising the outstanding product knowledge our colleagues have in store to greatest effect. Interest Free Credit (up to four years at 0% interest) is a great enabler for both the customer and colleagues in delivering affordable home transformation.

Likewise, recommending the appropriate floorcovering and underlay/accessories to make the chosen carpet last longer and perform more efficiently are beneficial for both the customer and our business as we improve conversion rates and average transaction values.

We have been trialling a new "instore experience" colleague training programme in two of our Southern regions and the early results look promising ahead of a potential nationwide rollout in 2020.

Where we sell

UK store numbers



Our restructuring programme clearly had its greatest impact within the UK store estate as we addressed the significant legacy issues discussed above. The bottom line is that excessive property costs were primarily to blame for our decision to restructure via a CVA.

Landlords, in the main, have been understanding and supportive of Carpetright's need to restructure its store portfolio and we are grateful for this partnership and a welcome spirit of genuine collaboration. Most landlords now realise that the focus on estimated rental values and upward-only rent reviews has been overtaken by events. Retailers faced with enormous pressures need more flexibility around their lease portfolio and we have noticed that landlords are now prioritising security of income as the property world realigns itself with the real world.

The year-on-year reduction in store numbers since 2014 shows that the CVA merely accelerated the strategic decision we made some years ago to right-size the business on a more economic physical footprint.

It's also interesting to note that, since the CVA, we have maintained several stores, previously earmarked for closure, on zero rent, as landlords would rather not have an empty store on their site or indeed pick up the rates bill of a departed tenant. The contribution from these previously loss-making stores has, unsurprisingly, been much improved although the oppressive rates burden remains something in clear need of Government reform.

The inherent flexibility in our restructured estate will be enhanced by a project we are currently undertaking with Javelin Group to review our portfolio against an "ideal" bricks and mortar model across the UK. The output from this study will enable us to make our retail estate more flexible and ensure improved certainty of contribution in direct contrast to our historical legacy portfolio.

We have several successful department store concessions around the UK and we recently tied up with leading retailer, Furniture Village, for a concession in Guildford. This was on a site where we had to shut a store that had an unsustainable rent and the concession model allows both parties flexibility as well as a mutually lower cost model.

While the complexity of our product and customer journey means it does not necessarily lend itself to a solely online transaction, as market leader we need to ensure that we lead the way on digital to satisfy those customers who do not want to visit a physical retail outlet. Last year we doubled our conversion rate online and Jeremy Maxwell, our new Group Commercial Director, has led a comprehensive review of our digital operations. Jeremy's team is working on several exciting initiatives to grow remote sales and develop a new CRM capability to support our rationalised store estate.

These initiatives will centre on maximising the quantity and quality of website traffic and high impact referrals, as well as innovative digital content and tools to enhance the user experience and maintain and grow a quality customer database.

Summary

For Carpetright, in common with a host of other retailers, 2018/19 was a year that was all about survival. This coming year will be about steering the business through an improvement in performance and laying the groundwork for longer term, sustainable earnings and cash generation. We have made significant inroads into the major challenges of last year. Specifically, we have restructured our property estate, with further flexibility and cost reductions to come, and developed a credible digital strategy.

We have also challenged competition from other retailers robustly to maintain our market leadership position, and dealt with a decline in consumer confidence by reinforcing our brand credentials, improving our range of floorcoverings and enhancing our reputation for quality and value.

I am pleased to report that with the majority of our supplier partners we are negotiating terms closer to those we enjoyed before the CVA. We are grateful to all those suppliers in the UK, Belgium and Northern Europe for their support and for their agreement that nursing the market leader back to health was in everybody's long term interests.

As expected, the performance of the business improved significantly over the second half of the period, with the like-for-like decline in sales reducing significantly, as both colleagues and customers had their confidence in the brand restored. Our performance in the early weeks of the 2019/20 financial year has been encouraging, with positive like-for-like sales growth indicating that we are clearly beginning to recover lost ground. With the disruptions of last year now behind us, we can concentrate fully on the day-to-day running of this customer facing business.

Finally, I am delighted to welcome Jeremy Simpson to the Board as Group CFO. He has made a swift and positive impact on the team and our business in general.

The focus of our strategy remains unchanged as we maintain and grow our position as market leader. My thanks, as ever, go to our resilient and supportive shareholders, to the Board and of course to our hard-working, loyal colleagues from Aberdeen to Truro, Belfast to Cork, and from Amsterdam down to Brussels.

Whilst the financial and political climate remains unpredictable and we know that there is still hard work ahead, we remain confident and positive about our future.

We are Carpetright.

Wilf Walsh
Chief Executive Officer

Measuring our performance

The Board of Directors and senior management receive a wide range of management information delivered in a timely manner. Listed below are the principal measures that are reviewed on a regular basis to monitor the performance of the Group.

Like-for-like sales % growth

Definition

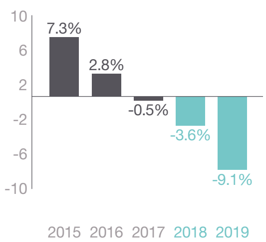
Calculated as this year's sales divided by last year's sales for all stores that are at least 12 months old at the beginning of the financial year.

Stores closed during the year and "C" stores under the CVA are excluded from both years (calculated in local currency).

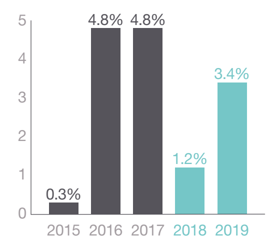
Rationale

Maximising like-for-like sales opportunities drives cash inflow. This KPI also measures the health of our core retail estate and reflects customer reaction to our products, proposition and price.

Performance UK (%)



Rest of Europe (%)



Gross profit percentage

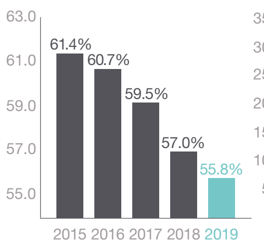
Definition

Gross profit as a percentage of revenue (calculated in local currency).

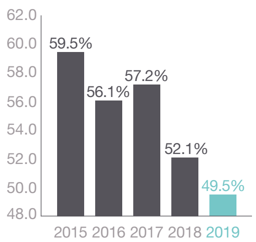
Rationale

Gross profit is an important indicator of the Group's financial performance. It reflects our ability to source effectively, run an efficient supply chain, and promote and deliver the correct mix of products to maximise cash margin.

Performance* UK (%)



Rest of Europe (%)



Underlying EBITDA

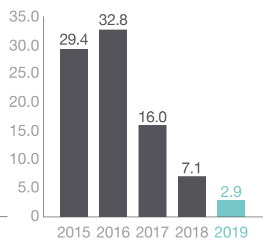
Definition

Underlying EBITDA means underlying earnings before interest, taxation, depreciation and amortisation.

Rationale

Underlying EBITDA is used to analyse the Group's core operating profitability before non-operating expenses and non-cash charges (depreciation and amortisation).

Group (£m)*



Net Promoter Score (NPS)

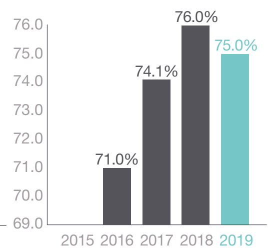
Definition

Net Promoter Score (NPS) is a measure of a customer's willingness to recommend our service to others in terms of Satisfaction and Loyalty calculated by subtracting the percentage of Detractors from the percentage of Promoters.

Rationale

Customer Satisfaction and Loyalty are important indicators of the success, or not, of the Customer Journey, our colleague interaction and our range of products and services.

Performance UK (%)



Operating cash flow

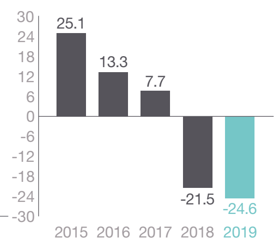
Definition

This measure is determined by taking underlying operating profit and adding back non-cash items and any movements in working capital.

Rationale

The Group's ability to finance its future investment, pay corporation taxes, pay interest on its borrowings and make returns to shareholders is aided by strong cash flows from its operations.

Group (£m)



Note:

* Prior financial years have been restated, where necessary, as a result of the adoption of IFRS 15 – see note 33 for details.

Financial review

Jeremy Simpson
Chief Financial Officer

"We saw steady improvement as the year progressed, both in the UK and Benelux and the Group made significant progress in reducing its cost base"

As previously reported, trading during the first half of the year was challenging, as a consequence of weakening consumer demand, exceptionally warm weather and the negative impact associated with the CVA. This led to a 15.7% first half decline in Group revenues, including a 12.7% like-for-like decline in the UK. Whilst second half revenues were down 11.1% on the prior year, we saw steady improvement, with UK like-for-like revenues down 8.2% in the third quarter and 2.3% in the fourth. Full year revenues decreased by 13.4% to £386.4m (2018: £446.3m), impacted particularly by store closures as part of the CVA; an analysis of like-for-like revenues is provided in the operational reviews below.

Gross margin declined by 1.6ppts to 54.5% (2018: 56.1%). This arose from two primary sources: promotional activity to mitigate competitor action arising from publicity surrounding the CVA and a change in sales mix in Rest of Europe. Whilst the promotional activity was necessary to maintain sales during a difficult period, the position improved during Q4 as revenues recovered, and we saw a 0.5% margin improvement. The Rest of Europe saw a particular improvement in hard flooring sales in the year – an important strategic initiative for the Group – and we need to respond to the improved scale this offers with further buying improvements, especially as we continue to grow this category in the UK.

We closed 80 UK stores in the year as part of the CVA and three in Rest of Europe, with four opening. This net decrease of 79 meant our total store base numbered 466 at year end (2018: 545), with total store space decreasing by 14% to 4.2 million square feet during the period (2018: 4.9 million square feet).

	2019 £m	2018 £m	Change
Revenue	**386.4**	446.3	(13.4%)
Gross profit	**210.4**	250.3	(15.9%)
Gross profit %	**54.5%**	56.1%	(1.6ppts)
Costs (excluding depreciation & amortisation)	**(207.5)**	(243.2)	14.7%
Costs (excluding depreciation & amortisation) %	**(53.7%)**	(54.5%)	0.8ppts
Underlying EBITDA	**2.9**	7.1	(59.2%)
Depreciation and amortisation	**(11.4)**	(12.3)	7.3%
Underlying operating loss	**(8.5)**	(5.2)	(63.5%)
Net finance charges	**(8.4)**	(2.8)	(200%)
Underlying (loss)/profit before tax	**(16.9)**	(8.0)	–
Separately reported items	**(7.9)**	(61.8)	–
(Loss)/profit before tax	**(24.8)**	(69.8)	–
(Loss)/Earnings per share (pence)			
Underlying	**(5.1p)**	(5.8p)	–
Basic	**(7.9p)**	(93.6p)	–
Net debt	**(27.4)**	(53.0)	£25.6m lower

The Group 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 raise in June 2018. We achieved a saving of £13.6m in the period and the remaining initiatives to deliver the full savings target are well underway. Overall, expenses fell by £35.7m to £207.5m (2018: £243.2m), a decrease of some 14.7%.

Underlying EBITDA declined by £4.2m to £2.9m (2018: £7.1m), reflecting lower revenues, which were mitigated in part by the expense savings and Q4 margin improvement discussed above.

Depreciation and amortisation charges were £11.4m (2018: £12.3m). The Group's underlying operating loss was £8.5m (2018: £5.2m).

Net finance charges were £5.6m higher than the prior year at £8.4m (2018: £2.8m), reflecting the higher rate of interest payable on the Group's loans and amortisation of fees associated with the shareholder loan agreed in May 2018.

Separately reported items totalled £7.9m (2018: £61.8m). The primary drivers of this charge related to a review of asset impairment in light of developments within the Group's property portfolio, together with a review of inventory and project costs incurred ahead of the implementation of a new ERP platform, Microsoft Dynamics 365 ("D365"). Further detail on these costs can be found below. Taking into account separately reported items, the statutory loss before tax for the period was £24.8m (2018: £69.8m loss) and basic loss per share was 7.9p (2018: 93.6p loss per share).

The Group ended the year with net debt of £27.4m (2018: £53.0m), reflecting the receipt of proceeds from the Placing and Open Offer and shareholder loan, offset by pre-tax losses resulting from the turnaround of the Group, an adverse movement in working capital due to a number of factors, including the withdrawal of credit insurance from many of our suppliers and the continued, albeit reduced investment in the store refurbishment programme. The shareholder loan of £17.25m (gross) delivered cash inflow of £2.4m, net of fees and settlement of the previous loan. A summary of the net debt movement is outlined below:

	2019 £m
Opening net debt	(53.0)
Operating cash flow	2.9
Working capital movement	(27.5)
Interest and tax cash expense	(2.1)
Investing activities	(8.1)
Capital proceeds	62.7
Non-cash items	(2.3)
Closing net debt	**(27.4)**

Revenue Recognition

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 revenues and profit before tax for the year were reduced by £17.2m and £8.2m respectively, with a corresponding release from 2018 increasing revenues and profit before tax by £20.7m and £10.1m respectively, the difference reflecting the year on year fall in revenues. The overall full year impact on the income statement was a £3.5m increase in revenues and £1.9m increase in profit before tax. Further details are set out in note 33.

UK – Performance review

The key financial results for the UK were:

	2019 £m	2018 £m	Change
Revenue	**301.0**	362.5	(17.0%)
Like-for-like revenue	**(9.1%)**	(3.6%)	
Gross profit	**168.1**	206.6	(18.6%)
Gross profit %	**55.8%**	57.0%	(1.2ppts)
Costs (excluding depreciation & amortisation)	**(168.5)**	(203.2)	17.1%
Costs (excluding depreciation & amortisation) %	**(56.0%)**	(56.1%)	0.1ppts
Underlying EBITDA	**(0.4)**	3.4	(111.8%)
Underlying EBITDA %	**(0.1%)**	0.9%	(1.0ppts)

The first half of the year was challenging, with a combination of consumer uncertainty and exceptionally warm weather compounding the negative newsflow surrounding the CVA. Our competitors sought to take advantage and it was a testament to our store colleagues and support staff that we managed to maintain market leadership during the period. The second half saw a significant improvement in like-for-like sales, with a 5.4% decline, compared to a 12.7% decline in the first half. Within this, we saw a substantial improvement during the fourth quarter, when like-for-like sales decline moderated to 2.3%. The combined result was a full year like-for-like sales decline of 9.1% (2018: down 3.6%).

Flooring revenues in the year were £280.2m (2018: £333.8m), with a like-for-like decline of 8.4%. This performance whilst disappointing, was in line with other major flooring specialists and reflected wider challenges in the "big ticket" home improvement sector. Whilst Brexit is a prevailing source of uncertainty, the detail is more nuanced, with political distractions from wider domestic initiatives, a weak housing market and a more cautious approach taken by our customers. Flooring is a product that can be "left for another day" by customers, but importantly is one that is needed by every householder, suggesting significant latent demand when confidence returns.

Whilst we cannot control the wider economy, we can inspire customer confidence in Carpetright as Europe's leading flooring retailer. We offer 0% finance over periods of up to 48 months to help in the affordability of our products. Supplies were disrupted in the immediate aftermath of the CVA, but it is a testament to our store support colleagues and the partnership shown by our suppliers that this was short lived. We offer an unrivalled range suitable for every domestic need and customers can place orders with us knowing we control our supply chain end to end, with our own cutting operations, and can be relied upon to see the journey through to fitting, care of our Which? Trusted Trader third party fitters.

Our bed performance in the year was weak, with revenues of £20.8m, down 27.5% on prior year (2018: £28.7m), representing a like-for-like decline of 18.4%. We are not known as a bed specialist, notwithstanding stocking beds in some 197 of our stores. An attempt to improve both the breadth and presentation of the range in 2018 was not successful and we sought to retrench in the period, focusing both on service and price point against the competition. We saw improved traction through the year, particularly during the fourth quarter, when the like-for-like decline reduced significantly. Whilst no cause for celebration, the steady improvement in performance showed our strategy is working and we move into 2020 with a drive to regain lost ground.

We opened four stores and closed 80 stores during the period, including one relocation. This translated into a net space reduction of 643,000 sq ft, a decrease of 18.0%. At the year end the average store size was 8,784 sq ft (2018: 8,724 sq ft) and average lease length was 4.0 years (2018: 4.8 years).

The UK portfolio is now as follows:

	Store numbers				Sq ft ('000)	
	28 April 2018	Openings	Closures	**27 April 2019**	28 April 2018	**27 April 2019**
Total	410	4	(80)	**334**	3,577	**2,934**

We had to engage in significant promotional activity during the first half, with gross margins consequently falling 3.5ppts to 55.9% (2018 H1: 59.4%). We maintained margins in the second half at 55.8%, some 1.2ppts ahead of the comparative period (2018 H2: 54.5%). The average Euro/Sterling rate in the year was unchanged at 1.13 (2018 1.13). Gross profit decreased by £38.5m to £168.1m (2018: £206.6m).

The cost base (excluding depreciation and amortisation) decreased by 17.1% to £168.5m (2018: £203.2m). Costs as a percentage of sales were largely unchanged at 56.0% (2018: 56.1%). The movement in costs reflected a £32.7m reduction in store costs and a £1.9m reduction in central costs. Utilisation of onerous lease provisions within these figures increased to £4.6m (2018: £4.3m) and advance rental accrual releases to £5.7m (2018: £3.1m). This reflected the acceleration arising from the curtailing of lease periods in our "C" and "B" stores and will in future be impacted by the new IFRS 16 lease accounting standard, further details of which are set out in note 33.

The combination of the above factors resulted in underlying EBITDA decreasing by 111.8% to a loss of £0.4m (2018: profit of £3.4m).

Rest of Europe – Performance review

The key financial results for the Rest of Europe were:

	2019 £m	2018 £m	Change (Reported currency)	Change (Local currency)
Revenue	**85.4**	83.8	1.9%	1.9%
Like-for-like revenue	**3.4%**	1.2%		
Gross profit	**42.3**	43.7	(3.2%)	(3.2%)
Gross profit %	**49.5%**	52.1%	(2.6ppts)	
Costs (excluding depreciation & amortisation)	**(39.0)**	(40.0)	2.7%	2.6%
Costs (excluding depreciation & amortisation) %	**(45.7%)**	(47.7%)	2.0ppts	
Underlying EBITDA	**3.3**	3.7	(10.8%)	(11.9%)
Underlying EBITDA %	**3.9%**	4.4%	(0.5ppts)	

Financial review continued

In local currency terms, the three businesses in the Rest of Europe combined to produce an encouraging increase in revenue on the prior year. The first half of the period saw a total revenue decline of 1.2% and like-for-like sales increase by 0.5%, partly impacted by supply challenges arising from the UK's CVA. The second half saw a restoration of supply, together with a new leadership team in the Benelux, leading to a significant improvement in total revenue of 5.7% and like-for-like sales growth of 6.4%. These combined to deliver a full year increase in total sales of 1.9% (2018: 3.6%) and like-for-like sales improvement of 3.4% (2018: 1.2%).

The Netherlands posted the most significant improvement in the year, with revenues of €69.5m (2018: €66.9m), representing an absolute increase of 3.9% and 4.9% on a like-for-like basis. This was driven by an increase in hard flooring sales, underpinned by our "new store concept" store presentation. This approach illustrates our product range in combination, in a variety of presentation themes, that inspire customers to visualise how the floorcovering might look in their home, helping them to select those that best match their tastes.

The Belgian business posted revenues of €18.7m, representing an absolute decline of 1.6%, albeit an increase of 0.3% on a like-for-like basis. The business has historically been underinvested, reflecting demand for capital elsewhere in the Group. The capital constraints we experienced across the Group during the year impacted on this business in particular. We remain confident in its long term prospects with relatively modest investment. Our Irish business posted revenues of €8.6m, representing a decline of 5.5%, or some 1.3% on a like-for-like basis. This business has an oversized store footprint which we are looking to reduce as opportunities arise. We believe at the core of the Irish business, we have a strong operation focused on the major cities that is capable of delivering value to the Group once we have an economic operating footprint.

Total revenues of €96.8m were 1.9% ahead of the prior year (2018: €95.0m). This translated into revenues of £85.4m, a rise of 1.9% on the prior year (2018: £83.8m), reflecting the unchanged average exchange rate.

The number of stores decreased by three during the year, there were no openings during the period. The associated trading space reduced by 3.3%. The average store size was broadly unchanged at 10,129 sq ft (2018: 10,244 sq ft), with an average lease length of 3.5 years in the Benelux (2018: 2.6 years) and 3.3 years in Ireland (2018: 4.2 years).

The Rest of Europe portfolio is now as follows:

	Store numbers				Sq ft ('000)	
	28 April 2018	Openings	Closures	**27 April 2019**	28 April 2018	**27 April 2019**
Netherlands	92	–	(1)	**91**	950	**932**
Belgium	23	–	(1)	**22**	228	**213**
Republic of Ireland	20	–	(1)	**19**	153	**143**
Total	135	–	(3)	**132**	1,331	**1,288**

Gross profit percentage decreased by 2.6ppts to 49.5%, primarily as a result of the higher proportion of hard flooring sales in Benelux. Whilst this is a pleasing strategic development, it has highlighted the need to review our supply chain profile and opportunities to leverage our improved purchasing power. Margins were also impacted by an exceptionally high level of rebates in 2018, with a sum of £0.7m (0.8% of sales) not recurring in 2019. Gross profit fell by 3.2% to £42.3m (2018: £43.7m).

Operating costs in local currency (excluding depreciation and amortisation) decreased by 2.5%, predominantly relating to Irish rental costs. Utilisation of previously made onerous lease provisions, relating to the Irish operations, rose to £1.7m (2018: £1.2m); this will in future be impacted by the new IFRS 16 lease accounting standard, further details of which are set out in note 33. In reported currency, costs decreased by 2.5% to £39.0m (2018: £40.0m).

The combination of the above factors resulted in underlying EBITDA decreasing by 11.9% in local currency, which translated to a decrease of 10.8% in reported currency to £3.3m (2018: £3.7m).

Net finance charges

The Group has two principal sources of debt funding (see page 20):

– A £45m revolving credit facility and committed overdraft facilities of £7.5m and €2.4m, all of which run to 31 December 2019

– A £17.25m (gross) shareholder loan with an 18% coupon, repayable with interest on 31 July 2020 and expected to amount to £25.7m

Net finance charges for the period increased by £5.6m to £8.4m (2018: £2.8m), comprising:

– £3.3m charge relating to the shareholder loan

– £0.2m relating to a higher rate of interest payable on bank debt

– Offset by £0.1m lower finance lease charges

The remaining £2.2m increase relates to fees associated with:

- £1.0m in loan fee amortisation relating to the shareholder loan repaid on 13 June 2018 (fees of £1.5m charged in the period)
- £1.0m in loan fee amortisation relating to the £17.25m shareholder loan put in place on 11 May 2018
- £0.2m relating to the extension in May 2018 of the Group's revolving credit and overdraft facilities to 31 December 2019

Taxation

The weighted average effective tax rate for the year was a credit of 10.9% (2018: credit of 9.0%), a variance of 8.1% compared to the UK corporation tax rate of 19.0%. This variance is due predominantly to a decrease in non-deductible items and the derecognition of a £4.0m deferred tax asset, offset in part by a prior year adjustment arising from a review of deferred tax on historic rollover relief claims (resulting in a deferred tax credit of £3.5m).

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 charge of £7.9m (2018: £61.8m).

	2019 £m	2018 £m
Underlying loss	**(16.9)**	(8.0)
Non-cash items		
Impairment of goodwill	**–**	(34.7)
Freehold property (impairment)/reversal	**(0.8)**	(5.1)
Store asset impairment	**(1.0)**	(5.7)
Net onerous lease charge	**(0.9)**	(2.3)
Release of fixed-rent accruals and lease incentives	**–**	2.8
Inventory adjustments	**(3.0)**	–
Restructuring costs		
Redundancy provisions	**0.5**	(3.8)
CVA rent guarantee liability	**(0.6)**	–
Store closure costs associated with CVA	**–**	(2.0)
Professional fees	**–**	(6.4)
Profit/(loss) on disposal of properties	**1.3**	(1.7)
Strategy		
Store refurbishment – asset write-offs	**–**	(0.6)
ERP dual running costs	**(2.0)**	(1.5)
Other		
Share based payments	**(0.5)**	(0.5)
Pension administration costs	**(0.9)**	(0.3)
Total separately reported items	**(7.9)**	(61.8)
Statutory loss before tax	**(24.8)**	(69.8)

Financial review continued

Non-cash items

The Group performed an impairment review of its goodwill, freehold properties and store fixed assets in accordance with IAS 36, following recent potential indicator events.

The Group reviewed its goodwill balances and determined that no impairment was required (2018: charge of £34.7m).

The Group sold three UK properties shortly after year end, in Salford, Devizes and Newtownards, as the Board determined the sale would be value accretive for shareholders when assessing the implied yield against the Group's cost of capital. This raised £2.6m in cash proceeds, which was transferred to a reserved account as required by the Group's lenders. The associated loss on disposal was £0.8m and accordingly, an impairment was made in the period (2018: £5.1m). The Group continues to review its property portfolio and will consider further disposals where the Board believes there is an opportunity to realise value for shareholders.

Store and other fixed assets of £1.0m (2018: £5.7m) were impaired as a result of a review of potential closures and transfers arising from the CVA process, together with a small sum relating to legacy systems we will be replacing as part of the implementation of D365 during FY20. Following the collapse of our former tenant in March 2019, an assigned lease reverted back to the Group and an onerous lease provision of £0.9m made accordingly (2018: £2.3m).

Ahead of the introduction of D365, we performed a data migration exercise, which included cleansing historic records. As part of this exercise, differences were identified between stock records, predominantly relating to the Purfleet warehouse. To correct this and ensure a cleaner migration to D365, a sum of £2.3m was provided against these stock balances. In addition, following a review of inventory levels, additional provisions totalling £0.7m were established, principally against hard flooring in Purfleet.

Restructuring costs

Restructuring provisions totalling £3.8m 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 was released, reflecting the reassessed total cost of implementing the restructuring.

As part of the CVA, the Group is obliged to provide a fund of £0.6m against which creditors may claim for losses associated with the process. We felt it prudent to reserve for this sum, in light of the determination of successful claims being in the hands of the CVA administrator and therefore outside the control of the Group.

Profit on disposal of properties

A net gain of £1.3m was made on the disposal of properties during the year (2018: £1.7m loss), principally from the landlord exercising an option at the Lewisham store.

Strategy

The Group has continued to incur dual running costs as it replaces legacy IT systems and transitions to D365. Historically, these types of cost would have been capital spend, but with the switch to cloud-based software services, these are classified as operating expenditure. Due to the quantum and one-off nature of the project, these costs have been reported as separately reported items and amounted to £2.0m in the period (2018: £1.5m).

Other

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 financial statements. A charge of £0.5m was incurred during the period (2018: £0.5m).

A sum of £0.9m (2018: £0.3m) was incurred in payments made to the Group's legacy defined benefit pension schemes, including a sum of £0.4m relating to Guaranteed Minimum Pension equalisation ahead of formal government direction on the subject.

The tax impact of the separately reported items is a credit of £0.2m (2018: credit of £2.2m).

The total cash impact of separately reported items is an outflow of £1.0m (2018: outflow of £12.8m).

Earnings per share

Underlying loss per share was 5.1p (2018: 5.8p loss per share) and basic loss per share 7.9p (2018: 93.6p earnings per share).

Dividend

The Board continues to prioritise the use of cash in its turnaround strategy for the Group, principally by investing further in the existing store estate and growth strategies, such as online development. Based on the Group's current outlook and restrictions on the payment of dividends under current lending facilities, the Directors do not expect this position to change prior to the maturity of the Shareholder Loan on 31 July 2020. However, the intention is to return to paying a dividend when the Company has sufficient distributable reserves and the Directors believe it is financially prudent to do so.

Balance sheet

The Group had net assets of £49.7m at the end of the period (2018: £9.6m), a year-on-year increase of £40.1m.

	27 April 2019	28 April 2018
Freehold & long leasehold property	**52.3**	54.6
Tangible assets	**46.9**	54.6
Intangible assets	**29.6**	27.0
Other non-current assets	**1.4**	3.0
Non-current assets	**130.2**	139.2
Inventories	**43.7**	45.7
Trade debtors	**1.5**	3.2
Prepayments and accrued income	**10.2**	12.2
Other debtors	**1.2**	1.3
Current assets	**56.6**	62.4
Trade payables	**(24.8)**	(30.2)
Rent and rates accruals	**(3.4)**	(2.9)
Taxation and social security	**(8.7)**	(11.0)
Other creditors and accruals	**(32.9)**	(38.5)
Provisions	**(5.0)**	(10.6)
Corporate tax payable	**(1.2)**	(0.8)
Creditors < 1 year	**(76.0)**	(94.0)
Deferred tax provision	**(2.7)**	(7.1)
Pension deficit	**(0.6)**	(0.8)
Provisions	**(6.1)**	(9.1)
Other long-term creditors	**(24.3)**	(28.0)
Creditor > 1 year	**(33.7)**	(45.0)
Cash and overdraft	**12.9**	4.8
Loans	**(38.9)**	(56.0)
Finance leases	**(1.4)**	(1.8)
Net debt	**(27.4)**	(53.0)
Net assets	**49.7**	9.6

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 £2.3m to £52.3m as at the balance sheet date (2018: £54.6m), predominantly reflecting depreciation costs of £0.9m (2018: £1.1m). As noted above, the Group performed an impairment review in light of the sale of three properties for £2.6m shortly after year end, amounting to £0.8m; no further impairments were deemed necessary. The balance of the change related to the sale of one freehold in the period, together with depreciation. Carrying values of properties are supported by a combination of value-in-use and independent valuations.

The value of tangible assets fell by £7.7m to £46.9m (2018: £54.6m), reflecting the £0.8m impairment discussed above, together with depreciation of £9.8m, offset by additions of £4.1m and exchange differences.

Intangible assets consists primarily of goodwill and software assets. The increase of £2.6m to £29.6m (2018: £27.0m) reflects £3.1m for the continued expenditure on D365 – which is expected to become operational in the latter part of the current financial year – and £0.6m for website re-platforming, offset by amortisation and impairment. Other non-current assets decreased by £1.6m to £1.4m (2018: £3.0m), primarily from the decrease in deferred tax assets as a result of derecognition of prior year losses.

Current assets

Inventories fell by £2.0m to £43.7m (2018: £45.7m), comprising an underlying increase of £1.0m in stock levels relating predominantly to Brexit planning, offset by the £3.0m impairment as discussed above. Trade debtors decreased by £1.7m to £1.5m (2018: £3.2m), of which £1.4m relates to the reclassification of monies due from our Interest Free Credit ("IFC") provider, Hitachi, to be recognised as cash-in-transit under IAS 7. Prepayments and accrued income decreased by £2.0m to £10.2m (2018: £12.2m), predominantly reflecting lower rent and rates prepayments due to store closures.

Financial review continued

Creditors less than one year

Trade payables reduced by £5.4m to £24.8m (2018: £30.2m) reflecting an adverse movement in credit terms with suppliers, in light of a withdrawal of credit insurance by the majority of providers. Rent and rates accruals increased by £0.5m to £3.4m (2018: £2.9m) largely from UK store rent settlements. Tax and social security decreased by £2.3m to £8.7m (2018: £11.0m) primarily from the timing of VAT payments between 2018 and 2019. Other creditors and accruals fell by £5.6m to £32.9m (2018: £38.5m), principally due to the payment of £3.2m advisor fees associated with the CVA which were accrued at the 2018 year end. Average trade creditor days at the year end date were 63 days (2018: 108 days).

Creditors greater than a year

The deferred tax provision reduced by £4.4m, to £2.7m (2018: £7.1m). The movement was primarily as result of an adjustment arising from a review of the UK deferred tax liability on historic rollover relief claims with a value of £5.3m.

At 27 April 2019, the IAS 19 net retirement benefit deficit was £0.6m (2018: £0.8m). Under the technical provision basis, the Group's schemes would have a £1.2m 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 the £1.5m surplus from the Storey's scheme. An additional £0.3m funding commitment for the scheme was also provided. The discount rate was 2.5% (2018: 2.5%), reflecting prevailing corporate bond rates. The scheme was closed to future accrual with effect from 1 May 2010. Following the triennial valuation as of 6 April 2017, the Company agreed a recovery plan with the Trustees on 27 June 2018. The Company made deficit contributions of £0.9m in the period and it is expected it will continue at this level in the current financial year.

Provisions

Total provisions (less than one year, together with longer term) decreased by £8.6m to £11.1m (2018: £19.7m), reflecting a £3.3m utilisation of the restructuring provision in relation to the CVA and a £6.3m utilisation of onerous lease provisions reflecting the revised, shorter lease periods up to break clauses under the terms of the CVA and the smaller property estate. This was offset in part by the £0.9m onerous lease provision discussed above.

Net debt

Cash and overdrafts of £12.9m (2018: £4.8m) comprised cash of £0.8m (net of overdrafts of £2.5m) and cash equivalents of £12.1m, principally monies due from our credit card and Interest Free Credit providers receivable within 30 days and classified as "cash equivalents" under IAS7.

Loans of £38.9m (2018: £56.0m) comprised drawings under the RCF of £23.0m and £15.9m related to the shareholder loan (the difference to the £17.25m gross sum being fees incurred upon drawing the loan). Further sums relating to accrued interest on loans are included in Creditors greater than one year of £3.3m (2018: £nil) and Creditors less than one year of £0.5m (2018: £0.2m).

Further details are set out in Notes 17 and 19.

Operating leases and impact of IFRS 16

As a consequence of the continued focus on managing the estate to reduce square footage, eliminate store catchment overlap and implementing the CVA, operating lease liabilities for land and buildings reduced to £320.1m (2018: £408.0m).

We will be adopting the new lease accounting standard IFRS 16 – Leases on 28 April 2019 for the year ending 25 April 2020. Using lease data from 27 April 2019, the expected impact on the Group will be as follows:

– Recognise a right-of-use asset as at 28 April 2019 of between £245m and £255m, net of impairment relating to onerous lease provisions and advance rental accruals;
– Recognise a lease liability of between £277m and £287m, with a consequent increase in net debt;
– Increase underlying EBITDA, by approximately £60m;
– Increase underlying operating profit by between £18m and £20m;
– Increase finance costs by between £25m and £27m; and
– Decrease Profit Before Tax by approximately £7m.

We will also cease to utilise onerous lease provisions (2019: £6.3m) and advance rental accrual releases (2019: £5.7m), with a further £10m to £12m impact on presented profitability. As discussed above, the provisions will instead be used to impair the "right of use" asset, with a resultant reduction in deprecation over the depreciation period, resulting in a timing difference that as with interest, impact early and benefit later years. The depreciation impact was factored into the assessment outlined above.

The total pre-tax impact on the Group on a like-for-like basis would therefore be of the order of £17m to £19m. IFRS 16 has no economic impact on the Group, nor how the business is run or its cash flows. It is expected that banking covenants will be normalised to reflect a position consistent with historical accounting standards. The Group does not currently intend to alter its approach going forward as to whether assets should be leased or purchased. Further details are provided in note 33.

Cash flow

The Group's net debt at 27 April 2019 was £27.4m, an improvement of £25.6m on the prior year (2018: £53.0m debt). Average net debt was £25.3m over the financial year (2018: £30.7m).

	2019 £m	2018 £m
Underlying operating (loss)/profit	**(8.5)**	(5.2)
Depreciation & amortisation	**11.4**	12.3
(Increase)/decrease in inventories	**(1.1)**	6.4
Increase in working capital	**(14.1)**	(24.1)
Net income/(expenditure) on exit of operating leases	**0.9**	(1.9)
Restructuring costs	**(2.4)**	(2.6)
Contributions to pension schemes	**(1.2)**	(0.9)
Provisions paid	**(9.6)**	(5.5)
Operating cash flows	**(24.6)**	(21.5)
Net interest paid	**(2.4)**	(1.8)
Corporation tax received/(paid)	**0.3**	(1.4)
Net capital expenditure	**(8.1)**	(19.9)
Free cash flows	**(34.8)**	(44.6)
Net capital proceeds	**62.7**	–
Other	**(2.3)**	1.4
Movement in net debt	**25.6**	(43.2)
Opening net debt	**(53.0)**	(9.8)
Closing net debt	**(27.4)**	(53.0)

The working capital outflow of £14.1m was attributable to a decrease in trade payables as credit terms were reduced as a result of the CVA, together with an adverse movement in VAT payable and accruals, arising from the settlement of fees in relation to the CVA. Provisions fell by £9.6m, due to utilisation of lease incentives and restructuring provisions.

Gross capital expenditure was £8.7m (2018: £20.2m), representing a decrease of £11.5m. This reflected the Board's drive to manage cash in light of trading performance, together with the imposition of capital expenditure restrictions by our lenders in August 2018 under the terms of our banking documentation. After allowing for proceeds from asset disposals, net capital expenditure was £8.1m (2018: £19.9m).

The major element of capital expenditure was the investment in store refurbishments, with 209 now completed in the UK and a further 32 stores in the Netherlands and Belgium. The expenditure within IT reflected a combination of the replacement of legacy systems with our new ERP platform and replacement of hardware and network infrastructure within stores in the Netherlands and Belgium.

	2019 £m	2018 £m
Refurbishment	**(2.6)**	(10.7)
New stores & relocations	**(0.1)**	(1.4)
IT	**(4.2)**	(4.6)
Property costs	**(0.3)**	(0.8)
Capital maintenance	**(1.5)**	(2.7)
Gross capital expenditure	**(8.7)**	(20.2)
Proceeds from freehold property disposals	**0.6**	0.3
Net capital expenditure	**(8.1)**	(19.9)

Our expectation is for capital expenditure to be approximately £8m to £13m in 2020, focused on the continued refurbishment of stores and investment in our IT systems infrastructure.

Current liquidity

To address the liquidity issues in the previous year, the Group took a series of actions to recapitalise the business to provide a strong platform to continue the turnaround of the business:

- Secured a loan note of £17.25m (gross) from a shareholder (£15.9m net of fees), which matures in July 2020.
- Raised £65.1m of gross equity in the form of cash via a Placing and Open Offer.
- Repaid the first shareholder loan of £12.5m at a cost of £1.5m.
- Agreed new facilities with its principal lending banks whereby the £45m RCF remained in place, approximately £10m of overdrafts became committed and, subject to terms, all facilities continued to be available until December 2019. The three main financial covenants within the banking arrangements assess underlying EBITDA, debt levels and fixed-charge cover and were all met in the year.

Gross bank borrowings at the balance sheet date were £25.5m (2018: £46.8m), being a combination drawn down from overdraft and revolving credit facilities. The Group had further undrawn facilities of £29.1m at the balance sheet date. In addition, the Group held gross cash and cash equivalent balances of £15.4m. The combination of these resulted in net bank borrowings of £10.1m, which is £44.5m lower than the total facilities. This difference would have been £36m if a tighter definition of "cash" had been applied under the facilities agreements which we are discussing with the lenders.

As a result of the above, the Group has access to total committed debt facilities of approximately £72m through to December 2019.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities and a shareholder loan. 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 shareholder loan of £17.25m gross (£15.9m net of fees) is committed to 31 July 2020. The three main financial covenants within the banking facility assess underlying EBITDA, debt levels and fixed-charge cover. Given the trading performance since the CVA in June 2018 when covenants were set, headroom against the EBITDA covenant is expected to be the most sensitive both at present and over the remaining term of the facility.

As part of the Board's assessment of going concern, trading and working capital requirements, together with the shareholder loan due for repayment in July 2020, forecasts have been prepared covering a 15 month period from June 2019. These forecasts have been subjected to a sensitivity testing to reflect market and trading uncertainties, offset by the opportunity to take mitigating action through this forecast period.

The forecasts have been updated for actual trading to week seven of the current year and the latest view of trading to the end of June 2019. As discussed in the Chief Executive's report, trading for this period has been encouraging, with positive like-for-like revenues in all of our businesses. Consumer confidence however remains uncertain, with the British Retail Consortium reporting the biggest decline in retail sales on record in May 2019. The financial forecasts have been sensitised to take account of future volatility in demand outside the Group's control, which in certain downside cases would require us to renegotiate our covenants with lenders. This presents an uncertainty to the Going Concern assessment, albeit we are confident in a number of mitigating opportunities to help manage this risk.

The most critical assumption when assessing the Group's Going Concern position is whether it has adequate resources to continue in operational existence for the foreseeable future, determined to be at least 12 months from the date of approval of these financial statements. The Group's principal banking facility falls due within this period, with the shareholder loan falling due within 15 months. The Group is in active discussions regarding refinancing its borrowings and the Directors are confident of obtaining a suitable long term arrangement. In the absence of these discussions coming to fruition, the Directors are confident of there being a market for strategic asset sales that would enable the Group to raise sufficient funds to meet the future cash requirements of the Group and its liquidity needs. However, without either of these developments, and assuming no additional financing or the successful renegotiation of existing covenants under the existing banking facility, the Group and Parent Company may be unable to meet their liabilities as they fall due. These conditions indicate the existence of material uncertainties 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 restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a minimum of 15 months following the signing of these 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 19.

Jeremy Simpson
Chief Financial Officer

25 June 2019

Managing risk

The Group faces a number of risks and uncertainties in both the development and day-to-day operations of its business.

We are confident that the current risk management process is robust, and this has been of vital importance during the past couple of years. Having identified the structural challenges facing the Group, the CVA was announced on 12 April 2018, together with a £65.1m Placing and Open Offer, announced on 18 May 2018 and concluded successfully on 8 June 2018. With a shareholder loan of £17.25m (gross) agreed in May 2018, this placed the Group on a far sounder financial footing.

General approach to risk management

Carpetright recognises that effective business management requires regular review of business risks. The Group has established a flexible and practical framework, sponsored by senior executives, which aims to identify and manage the principal risks that may prevent the Group from achieving its strategic objectives.

The Board and Audit Committee

The Board has overall responsibility for the Group's risk appetite, more details of which can be found on page 29. It also has overall responsibility for the system of internal control and for reviewing its effectiveness. In order to fulfil this responsibility, the Directors have established an organisational framework with clear operational procedures, lines of responsibility and delegated authority which has operated throughout the year under review and up to the date of approval of the Annual Report and Accounts.

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

The Audit Committee assists the Board through its work covering the Group's system of internal controls, the assessment of risks and related compliance activities. This includes the Committee's oversight of the Group's Internal Audit department, which:

- undertakes its work, both on central functions and in the field, based on a risk assessment model; and
- monitors adherence to the Group's key policies and principles.

The Audit Committee reports to the Board on its activities and makes recommendations and escalates significant risks or issues to the Board as appropriate. Its role is described in more detail on pages 32 to 35.

The Board has reviewed the Group's systems of internal control including financial, operational and compliance controls as well as risk management, and is satisfied that these accord with the guidance on internal controls set out in the Guidance on Risk Management, Internal Control and Related Financial and Business Control, issued by the Financial Reporting Council in September 2014.

Identification of business risks

An Executive Risk Committee ('ERC') comprising the Executive Directors and senior managers exists to review key risk and control issues, and the Group's principal risks are individually sponsored by a member of the ERC. The ERC met four times during the period.

The ERC identifies and assesses risks to the Group's medium-term strategy and directs the risk management processes within both the UK and the Rest of Europe to address each of the identified risks, formulate a mitigation strategy and assess the likely impact of such risk occurring. The Chief Financial Officer provides regular reports to the Audit Committee in relation to its work.

The ERC also considers new and emerging risks as a standing agenda item, including those identified by the Board of Directors. The Committee has also reviewed the ranking of the business's key strategic risks during the year to ensure that this remains an appropriate reflection of their relative standing. The principal risks and uncertainties affecting the business are set out on pages 23 to 25.

Oversight and assurance

The Group Finance department is responsible for the financial policies and standards adopted within the Group. It also manages the financial reporting processes to ensure the timely and accurate provision of information which enables the Board to discharge its responsibilities.

The Company Secretary and Legal Director is responsible for maintaining and developing the Group's framework of governance, including our anti-bribery policy and whistleblowing process, alongside ensuring that any changes to the Group's legal obligations are brought to the attention of the relevant teams who are responsible for the implementation of any changes.

The Internal Audit department provides independent assessment on the robustness and effectiveness of the systems and processes of risk management and control across the Group. It achieves this through undertaking reviews which are reported to and approved by the Audit Committee. The Group also uses the services of independent third-party advisers and consultants to review controls and processes where the nature of the review requires expertise not available in-house.

Principal risks and uncertainties

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, regulatory compliance obligations and the impact of natural disasters.

The Group uses its risk management process as described on page 21 to identify, monitor, evaluate and escalate such issues as they emerge, enabling management to take appropriate action wherever possible in order to control them and also enabling the Board to keep risk management under review.

The risk factors addressed on pages 23 to 25 are those which are believed to be the most material to its business model, which could adversely affect the operations,

Managing risk continued

revenue, profit, cash flow or assets of the Group and which may prevent us from achieving the Group's strategic objectives. Additional risks and uncertainties currently unknown, or which are currently believed immaterial, may also have an adverse effect on the Group.

In reviewing risk in the current year, we removed "legal, regulatory and compliance" in light of this being important, but a general risk. We included a new risk of change management, in light of the turnaround programme being followed by the Group following on from the CVA.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Board has assessed the prospects of the Company over a longer period than the 12 months from the date of approval of the financial statements.

The Board conducted the review for a three-year period to April 2022 corresponding with the period over which the Group's various growth initiatives are anticipated to have a key impact and aligned to the Group's planning cycle. These plans are updated annually taking into account the current and prospective macro-economic conditions and the competitive tension that exists in the markets that we trade in. The plans consider profits, cash flows, funding requirements and other key financial ratios over the period, as well as the headroom on liquidity and the financial covenants as may be contained in our funding arrangements.

Important assumptions underlying the plans include:

– funding in the form of debt, sourced from the capital markets, banks or other sustainable sources will be available in all plausible market conditions; and
– following the UK's vote to leave the European Union, the terms of exit are such that Carpetright will be able to continue to operate and source product competitively in the same European markets as it presently does.

The Group's CVA, together with the renewal discussions surrounding its funding facilities provided valuable insight to the Board into the significance and impact of risks faced by the Group. This learning has been incorporated into the testing of future plans. This assessment included sensitivity and stress testing analysis on the impact of reduced revenues; a decrease in gross margin; further working capital challenges, offset by identified mitigating actions. As a result, the Board concluded that the business would remain viable over the three-year period of the plan.

Based on the outcome of this assessment and notwithstanding the uncertainties set out in the following paragraphs, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Going concern

The Group meets its day to day working capital requirements through its bank facilities and a shareholder loan. 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 shareholder loan of £17.25m gross (£15.9m net of fees) is committed to 31 July 2020. The three main financial covenants within the banking facility assess underlying EBITDA, debt levels and fixed-charge cover. Given the trading performance since the CVA in June 2018 when covenants were set, headroom against the EBITDA covenant is expected to be the most sensitive both at present and over the remaining term of the facility.

As part of the Board's assessment of going concern, trading and working capital requirements, together with the shareholder loan due for repayment in July 2020, forecasts have been prepared covering a 15 month period from June 2019. These forecasts have been subjected to a sensitivity testing to reflect market and trading uncertainties, offset by the opportunity to take mitigating action through this forecast period.

The forecasts have been updated for actual trading to week seven of the current year and the latest view of trading to the end of June 2019. As discussed in the Chief Executive's report, trading for this period has been encouraging, with positive like-for-like revenues in all of our businesses. Consumer confidence however remains uncertain, with the British Retail Consortium reporting the biggest decline in retail sales on record in May 2019. The financial forecasts have been sensitised to take account of future volatility in demand outside the Group's control, which in certain downside cases would require us to renegotiate our covenants with lenders. This presents an uncertainty to the Going Concern assessment, albeit we are confident in a number of mitigating opportunities to help manage this risk.

The most critical assumption when assessing the Group's Going Concern position is whether it has adequate resources to continue in operational existence for the foreseeable future, determined to be at least 12 months from the date of approval of these financial statements. The Group's principal banking facility falls due within this period, with the shareholder loan falling due within 15 months. The Group is in active discussions regarding refinancing its borrowings and the Directors are confident of obtaining a suitable long term arrangement. In the absence of these discussions coming to fruition, the Directors are confident of there being a market for strategic asset sales that would enable the Group to raise sufficient funds to meet the future cash requirements of the Group and its liquidity needs. However, without either of these developments, and assuming no additional financing or the successful renegotiation of existing covenants under the existing banking facility, the Group and Parent Company may be unable to meet their liabilities as they fall due. These conditions indicate the existence of material uncertainties 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 restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a minimum of 15 months following the signing of these 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 19.

Principal risks and uncertainties

Description	Possible impacts	Mitigation actions
Customer proposition and changing customer preferences		1 2 3 4
Failure to anticipate and plan for changes in consumer tastes could have a material effect on future operations and financial performance	– Failure to deliver our business objectives – Loss of revenue – Diminished reputation – Reduction in market share – Reduction in customer service levels	– Establish and communicate a clear strategy – Prioritise investment in both our existing estate and online platforms – Strengthen customer feedback processes to help improve our offering – Complete regular customer research – Frequently introduce new and exclusive product ranges
Economic uncertainty		2 3
Consumers need to feel confident to invest money in their homes. In the event of a significant reduction in house prices, housing transactions or consumer confidence, the Group would expect this to adversely impact on its performance One of the key assumptions underlying the Group's three-year plan is that, following the UK's vote to leave the European Union, the terms of exit are such that Carpetright will be able to continue to operate and source product competitively in the same European markets as it presently does, without significant additional costs or disruption	– Failure to deliver our business objectives – Loss of revenue – Supply disruption – Reduced long-term growth and profit	– Provide a broad range of products and price points in our categories to make it easy for our customers to trade up or down – Detailed sales information by product and by store is reviewed weekly, enabling changes to prices, incentive structures and marketing activity to optimise sales – The Group's interest free credit offer allows customers to spread cost into affordable monthly payments – Review the potential to source more product from the UK or outside the EU
Financial risk and liquidity		1
The Group risks exposure to exchange rate, interest rate, liquidity and credit risks having an adverse or unexpected impact on results, funding requirements or purchasing ability	– Failure to deliver our business objectives – Reduced long-term growth and profit – Suppliers' failure to obtain credit risk insurance leading to adverse impact on Group's cash position	– Supplier agreements in place to mitigate the impact of a movement in exchange rates – Active management of our financial position to ensure that funding requirements are being met – Bank covenant tests are regularly monitored – Committed bank facilities have been agreed to December 2019 – Absorbed impact of withdrawal of credit insurance during the period through utilising existing banking facilities and negotiating supplier terms

Principal risks and uncertainties continued

Description	Possible impacts	Mitigation actions
Property portfolio		4
Property costs form a significant part of our fixed cost base and as such all decisions in this area have an impact on the long-term value of the business	– Reduced long-term growth, profit and cash flow – Unsustainable fixed cost base challenges the Group's ability to trade as a going concern – Restrictions in our banking facilities prevent investment in the store estate	– The Group continuously reviews the location and format of its stores and their contribution to the overall results – Implementation of the CVA allowed the Group to reduce its UK property portfolio by 80 stores, significantly reducing the number of locations on unsustainable rental agreements – The CVA provided greater flexibility to exit "B1, B2 and C" leases, relating to stores with a lower profit contribution – Continue to invest in the modernisation and refurbishment of stores through co-operation with our lenders – Continue to utilise a detailed location planning model which aids our understanding of store catchments and customer demographics – Consult external advisers, where appropriate, to provide expert advice and inform decision making on which stores to retain / exit
Brand, reputation and product		1 2 3
The Carpetright name is a key asset of the business and, as the largest operator in its markets, expectations of the Group are high	– Failure to deliver our business objectives – Diminished reputation – Loss of revenue – Loss of consumer trust and confidence – Inability to recruit the best people	– The Group works closely with its suppliers to ensure the products it sells are of the highest quality and meet the organisation's required ethical and safety standards – Invest in marketing designed to communicate our credentials on range, choice and value, driving brand awareness and customer visits to store or online – "Which? Trusted Trader" status in the UK for the recommended fitting services – Regularly engage with our customers and act upon their feedback
Competition		1 2 3 4
The Group competes with a wide variety of retailers across multiple channels and across a broad spectrum of price points	– Failure to deliver our business objectives – Loss of revenue – Reduced long-term growth and profit	– Invest in marketing designed to communicate our credentials on range, choice and value – Continuous monitoring of customer service, product and advertising performance and competitor activity
People		1 3
The Group relies upon attracting and retaining talented and appropriately qualified people in order to deliver its long-term objectives	– Reduced long-term growth and profit – Reduced customer service levels – Inadequate succession planning	– Recruit, train and develop a suitably skilled and qualified team – Senior management provide regular business updates – Monitor remuneration packages within our markets to ensure they are fair and competitive – Continue to invest in training for our store colleagues to ensure they both feel valued and can support achieving the Group's objectives

Description	Possible impacts	Mitigation actions
IT performance and cyber-security		1 3 4
Carpetright is dependent on the reliability, availability, capability and security of key information systems and technology	– Diminished reputation – Loss of revenue – Loss of consumer trust and confidence – Reduced customer service levels	– Active management of our systems – Reviewed and tested continuity plans – Developed separate disaster recovery facilities – Regular systems testing by third parties to provide assurance as to their security – Commenced a transition from legacy systems to new Microsoft Dynamics 365 platform
Business continuity planning		1 3
A major incident, such as a key system or supplier failure, could impact the ability of the Group to continue trading	– Failure to deliver our business objectives – Loss of revenue – Diminished reputation	– Developed separate disaster recovery facilities – Reviewed and tested continuity plans – The Group has long-established and good working relationships with its key suppliers – Actively monitor the supply base to identify exposures and identify appropriate contingency solutions
Change management		1 3 4
The Group is implementing a number of actions as part of a turnaround plan – including commercial initiatives, a new ERP operating platform, colleague training and cost management actions. This requires a significant level of cultural change management, which if implemented incorrectly could result in significant levels of business disruption	– Reduced long-term growth and profit – Unsustainable fixed cost base challenges the Group's ability to trade as a going concern – Reduction in customer service levels	– Regular monitoring of performance to ensure promises are being delivered – Steering groups for all significant projects, involving senior managers and subject matter experts – Third party support to ensure programmes being delivered to plan

Link to Strategy

1 Who we are 2 What we sell 3 How we sell 4 Where we sell

Corporate responsibility

Corporate responsibility is about doing business the *right* way.

Our Corporate responsibility (CR) policy is designed to support our objectives and strategy. There are three areas of focus and further details of our progress in each area can be found below:

- Our communities – how we treat our customers, and give back to the communities in which we operate;
- Our workplace – the Group's policies and actions towards our colleagues and supply chain; and
- Our environment – the impact we have on the environment and how we are seeking to reduce this.

Wilf Walsh is the director responsible for CR.

Our communities

Corporate responsibility starts with our relationship with customers and the interaction we have with the communities in which we operate.

Our customers

We take customer service seriously. In the UK in early 2019, we built on the foundations of the Customer Journey through a new training programme called the "In-store experience", giving a framework to each customer interaction. This will enable our teams to deliver a more consistent level of service across our store estate. Our customers are invited to rate and provide feedback on all three stages of their experience – in-store ordering, estimating and fitting. The feedback is invited either through our own programme "Do We Measure Up?" or through Trustpilot, where we achieved a 5-star rating from Trustpilot in the year. The Do We Measure Up? feedback is immediately available to our store and support office colleagues, where it is used to continually monitor and improve our levels of service.

Giving back

Since March 2016, following a colleague vote, in the UK we have been supporting the British Heart Foundation. The partnership, which is largely centred on colleague fundraising, has raised more than £200,000 since the partnership started. Our colleagues in the Republic of Ireland have also raised more than €8,000 for the Irish Heart Foundation.

Our workplace

The Group employs over 2,500 people and has some impact on many more via our supply chain. We recognise that matters such as how we treat our colleagues and suppliers, approach diversity and source our products are important to our customers.

Equal opportunities

The Board believes in creating, throughout the Group, a culture that is free from discrimination and harassment, and will not tolerate discrimination in any form. We are an equal opportunities employer and our people and applicants are treated fairly and equally regardless of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, or sexual orientation. Applications from people with disabilities are always fully considered. Should an individual become disabled while working for the Company, efforts are made to continue their employment and retraining is provided, if necessary.

We believe the attributes of individuals and their different perspectives and experiences add value to our business. We recognise that a diverse workforce will provide us with an insight into different markets and help us to anticipate and provide what our customers want from us.

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as of 27 April 2019 is set out below.

	Male	Female
Directors	4	2
Senior managers	7	1
Other employees	2,394	773
Total	**2,405**	**776**

Our Gender Pay Gap

We take equality seriously, and we recognise the importance of Gender pay Gap reporting. Our mean gender pay gap in the UK, as of the snapshot date of 4 April 2018, is +5.1% (2017: +8.1%) and our median gap is +3.6% (2017: +6.5%).

Whilst we are pleased to report that both figures are lower than last year and significantly lower than the national average and the average for the retail industry, we remain keen to address this gap and ensure equality across all levels at Carpetright.

It is our ambition to attract more females into our business and we continually review our HR policies and recruitment practices to ensure we are increasingly inclusive.

We continue to focus on modernising our business, addressing every aspect including who we are, what we sell, where we sell and how we sell. This has clearly helped to drive some change – five years ago our business was 82% male and today we're down to 75%.

The full report can be found on our website www.carpetright.plc.uk.

Training and development

Over the last twelve months we have invested in training and developing our people, providing the opportunity for all colleagues to increase their skills and, where relevant, develop their careers. We have continued to provide both mandatory and colleague-led training via our social learning platform, Fuse. This has included training in relation to health and safety, Interest Free Credit, product knowledge, customer service, management skills and personal development.

Engagement

There are a number of communication channels in place to help people develop their knowledge of and enhance their involvement with the Group. These include surveys, management briefings, briefings to stores and offices, annual events, store visits and video updates. We continue to benefit from increased engagement due to the use of Fuse, our social learning and communications tool, which allows for real-time interaction of colleagues at all levels and functions. Additionally, all annual results and interim management statements are made available in real-time on this platform.

Share ownership

All UK based colleagues have an opportunity to invest in the Company's shares through a Savings Related Share

Option Scheme. Over 750 colleagues participate in this scheme.

Bribery and whistleblowing

As a responsible employer we maintain a firm stance against any type of corruption within the business. There is a Group-wide Anti-Bribery and Corruption Policy in place which requires compulsory Anti-Bribery compliance and a copy of the Policy is circulated to all new starters when they join the business.

The Group operates whistleblowing hotlines through third party providers enabling matters of concern to be raised with the Company on a named or anonymous basis. Further details can be found in the Audit Committee report on page 34.

Health and safety

We operate an established process for risk assessment and employees are expected and encouraged to be proactive on health and safety issues. Health and Safety Committees meet to review any issues to identify, prevent and militate against potential risks. We investigate all accidents and recommend changes to working practices, additional colleague training and disciplinary action as and when appropriate. There have not been any fatalities this year (2018: nil).

We have received notification of 135 accidents across the Group during the year, compared to 138 in the prior year. Of these, 118 were in the UK with the remaining 17 occurring in Europe and Republic of Ireland.

Human rights and modern slavery

We do not have a specific human rights policy at present, but we do have policies that adhere to international human rights principles. We will review from time to time whether a specific human rights policy is needed in the future, over and above our existing policies. Our statement on modern slavery is available on our website www.carpetright.plc.uk.

Products and suppliers

We have an Ethical and Environmental Code of Conduct (the Code) to ensure that we have an ethical supply chain and require our suppliers to sign up to the Code. The Code prohibits, for example, animal testing, the use of timber from non-sustainable sources and the use of certain chemicals which may be harmful to customers.

Our environment

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

Energy usage and greenhouse gas emissions

We recognise that the Company benefits through reduced cost and the environment benefits by reducing our consumption of energy and water. The release of greenhouse gases (ghg), notably carbon dioxide generated by burning fossil fuels, has an impact on climate change, which presents a risk to both our business and the wider environment.

We accept our responsibility to continually improve our environmental performance. We continue to benefit from the introduction of Automatic Meter Readers for electricity and gas, which enable us to identify high-use locations and take corrective action where necessary, together with proactive management preventing us from heating stores overnight.

During 2018/19 we were able to reduce our electricity consumption further by introducing LED lighting into seven newly refurbished stores and installing motion-sensor technology into a further twelve stores, to ensure lights are only being used when necessary. Additionally, we have introduced LED maintenance practices into a further 28 stores.

Non-financial reporting directive guidance

We are committed to operating a sustainable business model and continually evaluate and update our initiatives in line with best practice. While we have discussed progress in each of the key areas above, we do not necessarily have specific, relevant policies in line with the Non-financial Reporting Directive.

Emission type	**CO_2e (carbon dioxide equivalent) 2019**	CO_2e (carbon dioxide equivalent) 2018	Change
Scope 1: Operation of facilities	**7,424**	7,712	(4%)
Scope 1: Company owned vehicles	**3,823**	3,775	1%
Scope 1: Emissions	**11,247**	**11,487**	**(2%)**
Scope 2: Purchased energy	**9.445**	14,257	(34%)
Scope 2: Emissions	**9,445**	**14,257**	**(34%)**
Total Scope 1 & 2 Emissions (tCO_2e)	**20,692**	**25,744**	**(20%)**

Greenhouse gas emissions intensity ratio:

	2019	2018	Change
Total footprint (Scope 1 and Scope 2)	**20,692**	25,744	(20%)
Turnover (£m)	**386.4**	443.8	(13%)
Intensity ratio (tCO_2/turnover £000)	**0.054**	0.058	(7%)

Notes:
1. Our methodology has been based on the principles of the Greenhouse Gas Protocol.
2. Consumption is based on utility bills.
3. We have reported on all the measured emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations. The period used is 1 May 2018 to 30 April 2019.
4. Conversion factors for electricity, gas and other emissions are those published by the Department for Environment, Food and Rural Affairs in 2017 – GHG Conversion Factors for Company Reporting.
5. Refrigerant fugitive emissions have been excluded as the impact was immaterial.

Corporate governance

Bob Ivell
Non-Executive Chairman

"The Group is committed to operating within an effective corporate governance framework."

Introduction

One of the Board's key responsibilities is to ensure that the Company is run in the long-term interests of its shareholders and broader stakeholder base. The Group recognises the importance of high standards of corporate governance and is committed to operating within an effective corporate governance framework.

Application of the UK Corporate Governance Code

The version of the Corporate Governance Code applicable to the current reporting period is the April 2016 UK Corporate Governance Code (the Code). The Code is issued by the Financial Reporting Council and is available for review on its website.

During the financial year ended 27 April 2019, the Company complied with the provisions set out in the UK Corporate Governance Code.

Governance structure

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

The Board

There have been a number of changes to the Board this year. Neil Page stepped down from the Board as Chief Financial Officer on 25 February 2019 after more than ten years in post and over 30 years in retailing, but continued to work in the business until the end of the financial year. He was succeeded by Jeremy Simpson, who became Chief Financial Officer on 25 February 2019.

Andrew Page stepped down from the Board on 31 December 2018 and was succeeded as the Senior Independent Director by David Clifford.

Having completed nine years as a Non-Executive Director, Sandra Turner will be stepping down from the Board at the conclusion of the Annual General Meeting in September.

We were pleased to announce the appointment of Jemima Bird, who joined the Board as a Non-Executive Director on 2 January 2019 and Pauline Best who will join the Board on 1 August and will replace Sandra as the chair of the Remuneration Committee at the conclusion of the Annual General Meeting in September.

There were a significant number of meetings in the financial year, with the Board being closely involved and informed in relation to the Group's restructuring. Details of the number of meetings and Board attendance are set out below:

Number of meetings: 15

Executive Directors	Attendance	Meetings eligible to attend
Wilf Walsh	15	15
Neil Page	14	14
Jeremy Simpson	1	1

Non-Executive Directors	Attendance	Meetings eligible to attend
Bob Ivell (Chairman)	15	15
David Clifford	15	15
Sandra Turner	15	15
Jemima Bird	3	3
Andrew Page	9	12

Andrew Page was unable to attend three meetings as a result of Board meetings which were arranged at short notice which clashed with other pre-arranged commitments overseas.

The Board considers that it is appropriately balanced and currently consists of the Chairman, two Executive and three Non-Executive Directors, brief biographies of whom can be found on page 31. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and this is described in the section concerning the Nomination Committee on page 30.

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

All Directors, other than Sandra Turner, will offer themselves for election or re-election, as appropriate, at the Annual General Meeting.

A Disclosure Committee comprising the Chief Executive and Chief Financial Officer and attended by the Company Secretary and Legal Director and members of the advisory team met once during the year in connection with the restructuring with full attendance to ensure that the Company was monitoring and ensuring compliance with its disclosure obligations to the market.

Highlights

During the year the Board:

- approved a placing and open offer as part of the Company's broader restructuring
- approved the refinancing arrangements with both Meditor and the lending banks
- reviewed and approved all trading announcements and the interim and final results
- monitored and received updates in relation to the achievement of £19m cash savings set out in the business plan supporting the restructuring
- monitored the store closure programme as part of the company voluntary arrangement
- appointed a new Chief Financial Officer and a Non-Executive Director
- reviewed the terms of reference of its Committees
- approved option grants
- approved the Statement on Modern Slavery
- reviewed the new Corporate Governance Code and accompanying guidance on Board Effectiveness and determined the appropriate steps it will take to ensure compliance

Non-Executive Directors

The Non-Executive Directors of the Company play a key governance role and bring an extra dimension to the Board's deliberations. The Board considered the independence of each Non-Executive Director against the criteria specified in the Code and has determined that each remains fully independent. The Board identified as part of its succession plans that marketing and digital insight would be a welcome addition to the Board's skills, and is therefore pleased that Jemima has joined the Board.

It is also pleased that Pauline will add a wealth of HR and broader commercial experience to the Board from August.

Board evaluation

An annual process of evaluation of the Board and its Audit, Nomination and Remuneration Committees has been undertaken. This was led by Bob Ivell with the assistance of the Company Secretary. The Board and each of its Committees considered the effectiveness of the Chair and the Secretariat. The results were considered by the Board and confirmed the strength of leadership within the business and a sound governance framework. An external facilitator was not used this year.

The Non-Executive Directors meet, with no Executive Directors present, at least once each year. David Clifford, the Senior Independent Director, led the review of the Chairman's performance by meeting with the Non-Executive Directors and providing feedback to the Chairman.

Culture and engagement

The Board has put a programme in place for the financial year ending 2020 to allow it to understand and monitor culture and ensure that it is aligned with and supports the Group's values. The programme includes feedback from the employee survey, store visits, focus groups, meetings with suppliers and reports on other sources of cultural insight. The Board believes that the engagement with the workforce will allow their interests to be considered and will be effective.

Leadership and risk appetite

The Board is responsible for setting the Group's objectives and policies, providing effective leadership and for approving the Group strategy, budgets, business plans and major capital expenditure. It has responsibility for the management, direction and performance of the Group and is accountable to the Company's shareholders for the proper conduct of its business. The Board has a formal schedule which sets out those matters requiring Board approval and specifically reserved to it for decision. The Board is responsible for determining its risk appetite and did so in the year. It has regularly reviewed the current assessment of the principal and emerging risks compared to the desired level of risk. Further details of the principal risks affecting the Group can be found on pages 23 to 25.

Board Committees

The Board has three Committees, each of which has written terms of reference which are available on the Company's corporate website (www.carpetright.plc.uk). The Board periodically reviews the membership of its Committees. All Non-Executive Directors (other than the Chairman) are members of each of the Committees. The Company provides the Committees with sufficient resources to undertake their duties. The Company Secretary, or his nominee, acts as Secretary to each Committee.

Board of Directors

Audit Committee	The role of the Audit Committee, its members and details of how it carried out its duties are set out in the Audit Committee report on pages 32 to 35.
Remuneration Committee	The role of the Remuneration Committee, its members and details of how it carried out its duties are set out in the Directors' remuneration report on pages 36 to 59.
Nomination Committee	The role of the Nomination Committee, its members and details of how it carried out its duties are set out on page 30.

Information and independent advice

Directors receive weekly sales updates, monthly trading results, commentary, briefing notes and reports for their consideration in advance of each Board meeting, including reports on the Group's operations, to ensure that they remain briefed on the latest developments and are able to make fully informed decisions. All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby Directors may take independent professional advice at the Company's expense. This was not utilised during the year (2018: once). In addition, such advice may include training in order to enable them to discharge their roles and responsibilities as a Director. All new Directors receive an induction tailored to their particular requirements.

Details of the Company's employment practices and current gender diversity can be found in the Corporate responsibility report on pages 26 and 27.

Contribution to strategy

The Group's strategy is set by the Board. The Board's mix of skills and experience, understanding of the culture of the business through the mechanisms explained above, regular trading updates and an independent view by the Non-Executive Directors allows the Board to effectively contribute to who we are, what we sell, where we sell and how we sell.

Continuing professional development

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

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

Shareholder votes

There was no significant vote against any of the resolutions passed at the AGM last year. In the event that a significant vote of 20% or more is cast against a resolution the Board will engage with the relevant shareholders and seek to address their concerns to avoid significant percentages of votes against similar resolutions in the future.

Share capital

Details of the Company's share capital and significant shareholders can be found on pages 60 and 61.

Nomination Committee

The Nomination Committee is chaired by Bob Ivell. Details of its membership and attendance are set out below:

Number of meetings: 1

Members	Attendance	Meetings eligible to attend
Bob Ivell (Committee Chairman)	1	1
Andrew Page	–	1
Sandra Turner	1	1
David Clifford	1	1

The responsibilities of the Nomination Committee include:

- identifying and nominating candidates for appointment to the Board for the approval of the Board;
- reviewing development needs of the Executives; and
- making recommendations to the Board on Board composition balance.

During the year members of the Committee, led by the Chairman, drew up specifications for the appointment of a new Chief Financial Officer and Non-Executive Directors and led the recruitment. A consensus was reached, and recommendation made to the Board as to the appointment of Jeremy, Jemima and Pauline.

An external search consultancy is ordinarily used in relation to the appointment of both Executive and Non-Executive Directors. This occurred in relation to the new appointments. Two search consultancies were used, Spencer Stuart in respect of the search for the Non-Executive Directors and Norman Broadbent in respect of the search for the Chief Financial Officer. Neither consultancy has any other connection with the Company.

The Board evaluation and outcome was conducted as explained on page 29. The Board composition is reviewed annually, and any matters identified will influence the future composition of the Board.

The Committee considers the diversity of the Board (including gender and race) and the skills and competencies of the existing Directors. The Committee is aware of the Parker review and its recommendations. Since the year end the HR director has attended a Nomination Committee meeting to provide insight, so far as it is available, in relation to the gender and ethnicity mix within the broader employee base. The current gender diversity of the organisation is set out on page 26.

The Committee is also undertaking a process to understand how talent is managed throughout the organisation and the succession plans for the orderly replacement of senior executives on a contingency, medium-term and long-term basis. The Committee ensures that the development needs of Executive Directors and other senior managers are addressed appropriately.

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

Board of Directors

Bob Ivell

Non-Executive Chairman

Bob joined the Board as Chairman on 1 November 2014. He is currently Non-Executive Chairman of Mitchells & Butlers plc and Non-Executive Director at Charles Wells Ltd. He was previously Chairman of David Lloyd Leisure Limited, Park Resorts Group Limited, Next Generation Clubs Pacific, the Senior Independent Director of Britvic plc and AGA Rangemaster Group plc and a Non-Executive Director of The Restaurant Group plc. He has over 30 years' experience in the food and beverage industry, holding executive roles with Regent Inns plc, Scottish & Newcastle plc and Whitbread plc, each of which involved the management of large consumer-facing estates. Bob holds a qualification in management and business studies. He chairs the Nomination Committee.

Wilf Walsh

Chief Executive Officer

Appointed to the Board as Chief Executive on 21 July 2014, Wilf has held senior positions in various roles, most recently as Chairman of Fortuna Entertainment Group NV, and was also the Managing Director of Coral and a Non-Executive Director of Gala Coral Group between 2000 and 2016. Prior to that he spent six years with HMV Media Group as the Managing Director of HMV Germany and as Operations Director for the UK and Ireland. Wilf graduated in Law from the University of Leeds and is a Chartered Fellow of the Institute of Personnel and Development. Wilf is the Senior Independent Director at the Racing Authority.

Jeremy Simpson

Chief Financial Officer

Jeremy joined Carpetright in February 2019 with day-to-day responsibility for overseeing the Group's finance and property functions. Prior to joining Carpetright, Jeremy was Chief Financial Officer with Sureserve Group plc, from April 2014 to October 2018, which included listing the business in March 2015. Prior to Sureserve, Jeremy held positions with other leading companies, including Group Corporate Development Director at Shanks Group plc, VP Finance EMEA, Retail Information Services at Avery Dennison and senior finance roles with Smiths Group plc. Prior to Smiths, Jeremy was an Associate Director at KPMG Corporate Finance, having previously qualified as a chartered accountant with Ernst & Young LLP. Jeremy has a BA in Psychology from Reading University and is currently Deputy Chair of Jubilee Hall Trust, a charity for building healthier communities.

Sandra Turner

Non-Executive Director

Sandra joined the Board in October 2010 and will step down from the Board at the conclusion of the forthcoming AGM. She spent 21 years at Tesco and was part of its senior management team, holding senior commercial and operational roles in the UK and Ireland. From 2003 to 2009 she was the Commercial Director of Tesco Ireland. She is the Senior Independent Director of Greggs plc and a Non-Executive Director of McBride plc, Greene King plc and Huhtamäki Oyj and was previously a Non-Executive Director of Northern Foods plc and Countrywide plc. Sandra holds a BA (Hons) in marketing. She chairs the Remuneration Committee.

David Clifford

Non-Executive Director

David, a Chartered Accountant, joined the Board in December 2011. He was previously a Senior Partner with KPMG. Throughout his career he held a variety of roles and led the Consumer Markets Unit of KPMG for a period, advising a number of retailers. He is a Trustee of the Varkey Foundation, an educational charity, and a Non-Executive Director and chair of the Audit and Risk Committee of Optivo, a housing association. He chairs the Audit Committee and is the Senior Independent Director.

Jemima Bird

Non-Executive Director

Jemima joined the Board in January 2019. She formed Hello Finch, a brand and marketing consultancy, in 2013 and has more than 20 years' experience working with many of the UK's leading high street brands, most recently leading the rebrand for the Co-op Food business. Between 2008 and 2015, Jemima held executive board positions at Moss Bros Plc, Tragus and Musgrave Retail Partners. She is the Senior Independent Director of Revolution Bars Group plc where she chairs the Remuneration Committee, and a Board Trustee for the Football Foundation, the UK's largest sports charity.

Pauline Best

Non-Executive Director

Pauline will join the Board on 1 August 2019. Pauline is an experienced Human Resources professional who was the Global People and Organisation Director of Specsavers for ten years. Prior to that she spent 20 years in the mobile communications industry, including 12 years with Vodafone where she most recently held the position of Global Leadership, Talent and People Capability Director.

She is also a Non-Executive Director of Vertu Motors plc where she also chairs its Remuneration Committee.

Pauline will chair the Remuneration Committee when Sandra steps down from the Board.

Audit Committee report

David Clifford
Chairman of the Audit Committee

Dear Shareholder,

I am pleased to introduce the report of the Audit Committee for 2019.

The Committee plays an important part in the governance of the Group, with its principal activities focused on the integrity of financial reporting, quality and effectiveness of internal and external audit, risk management and the system of internal control.

During the year the Audit Committee has undertaken the following tasks:

- considered our financial results announcements and financial statements and monitored compliance with relevant statutory and listing requirements;
- reviewed the working capital statement, the financial statements and the profit estimate, and reports from external accountants in relation to each contained in the Prospectus relative to the Placing and Open Offer and made recommendations to the Board accordingly;
- reported to the Board on the appropriateness of our accounting policies and practices;
- overseen the relationship with the external auditors including reviewing their independence, objectivity and effectiveness;
- reviewed the external auditors' plan for the audit of the Group's accounts, approved the terms of engagement for the audit and reviewed their findings;
- reviewed the process for ensuring that senior management confirm that they have supplied the auditors with relevant audit information;
- approved the audit fees paid to the external auditors and reviewed the application of the policy on non-audit work performed by them together with the non-audit fees payable to them;
- reviewed the scope, resources, results and effectiveness of the activity of the Group internal audit department;
- reviewed the work of the Executive Risk Committee, which oversees the identification and management of the risks to the business, together with reports on the Group's systems of internal control;
- performed in-depth reviews of specific areas of financial reporting, risk and internal controls and discussed these with the executives responsible for the relevant area;
- considered all matters reported via the whistleblowing line and reports relating to fraud;
- reviewed the viability and going concern statements; and
- reviewed its terms of reference and effectiveness.

We meet formally at key times within our reporting calendar, and the agendas are designed to cover significant areas of risk over the course of the year and to provide oversight and challenge to the key financial judgments, controls and processes that operate within the Company.

The Committee will continue to keep its activities under review in the light of regulatory developments and the emergence of best practice.

Overall, I am satisfied that the activities of the Committee during the year enable it to gain a good understanding of the key risks impacting the Group along with the oversight of its key controls.

I will be available to answer any questions at the AGM in September.

David Clifford
Chairman of the Audit Committee
25 June 2019

Composition

Ordinarily the Committee meets four times each year. Meetings are attended by the members who are independent Non-Executive Directors and, by invitation, the Chairman, the Chief Executive, the Chief Financial Officer, and the Director of Group Internal Audit. The external auditors, PricewaterhouseCoopers LLP (PwC), were invited to five meetings this year.

Other relevant individuals from the business are also invited to attend certain meetings in order to provide a deeper level of insight into certain key issues and developments. There are also private meetings with the external and internal auditors without management present.

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

The Audit Committee is chaired by David Clifford. The Board has determined that David Clifford has recent and relevant financial experience. Andrew Page stepped down from the Committee at the end of December and Jemima Bird joined the Committee in early January. The biographies of the members of the Committee can be found on page 31. Details of membership and attendance are set out below:

Number of meetings: 6

Members	Attendance	Meetings eligible to attend
David Clifford (Committee Chairman)	6	6
Andrew Page	3	5
Sandra Turner	5	6
Jemima Bird	1	1

Andrew Page was unable to attend two meetings as a result of meetings being arranged at short notice relating to the restructuring which clashed with other pre-arranged commitments overseas.

Main activities of the Committee during the year

The Committee assisted the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls and has an agenda linked to events in the Group's financial calendar. It also reviewed the effectiveness of the Group's internal audit function and managed the Group's relationship with the external auditors. The Committee Chairman reported to the Board, as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of its work.

The Committee reviewed the working capital statement, the financial statements and the profit estimate, and reports from the external auditors or the reporting accountants (as appropriate) in relation to each contained in the Prospectus and made recommendations to the Board appropriately.

The Committee reviewed the viability statement, which is designed to be a longer-term view of the sustainability of the Company's strategy and business model and related resourcing, in the light of projected wider economic and market developments. The Committee reviewed the processes designed to enable the Board to make the statement this year. The statement appears on page 22 together with details of the processes, assumptions, and testing which underpin it.

Financial reporting

The Committee reviewed, with management and the external auditors, the half-year and annual financial statements, and the financial statements contained in the Prospectus concentrating on, amongst other matters:

- the appropriateness and application of accounting policies and compliance with the relevant financial reporting requirements;
- material areas in which significant judgments have been applied or there has been discussion with the external auditors; and
- whether the Annual report and accounts contains the necessary disclosures to fairly reflect the Group's financial condition and results of its operations.

To aid its review, the Committee considered reports from the Chief Financial Officer and also reports from the external auditors on the outcomes of their half-year review, reviews in respect of the Prospectus and annual audit.

The primary areas of judgment considered by the Committee are set out below. In all cases the Committee discussed with PwC its work in respect of these areas.

Goodwill impairment testing

The judgments in relation to goodwill impairment historically largely relate to the assumptions underlying the calculation of the value-in-use of the business being tested for impairment. Following the write-off of the entire goodwill in the UK and £4.9m of goodwill in the Netherlands in the prior year, a detailed review performed in the period determined no further impairment was required.

Impairment of assets

The Committee has carried out a further review of the freehold and long-leasehold property valuations, supported by a comprehensive external valuation, and also reviewed the store asset impairment assessment. The Committee agreed with management that further impairments of £0.8m of the freehold and long-leasehold properties and £1.0m of store assets is appropriate.

Onerous lease provision

The practice is to treat a lease as being onerous if the store relative to the lease is closed or if the expected benefits of using the leased property are less than the unavoidable property costs. Management makes an assessment as to the cost of exiting the lease based on available information and knowledge of the property market. The Committee considered the potential for onerous leases in light of the CVA and more flexible terms secured for underperforming stores. The Committee agreed with management that a provision of £0.9m was required in respect of a formerly assigned lease that reverted back to the Group on the insolvency of the assignee.

Going concern and viability

As disclosed under the heading "Main activities of the Committee" on page 33 the Committee reviewed draft going concern and viability statements. In reviewing the drafts, the Committee considered, amongst other things, the financial forecasts, the status of discussions with banks and current trading performance of the Group.

The Board's assessments, and the final versions, of the going concern and viability statements can be found on page 22.

Impact of New Accounting Standards

Introduction of IFRS 15

The Group adopted IFRS 15 – 'Revenue from Contracts with Customers' in the period. Under the new standard, revenue will be deferred and recognised at a later date than previously recorded under IAS 18. The Committee agreed with management that an adjustment to brought forward reserves of £9.7m be made and the movement in accrued sums resulted in a £3.5m increase in revenues and £1.9m increase in profit before tax in the period. Further details are set out in note 33 to the financial statements on page 105.

Introduction of IFRS 16

The new lease accounting standard, IFRS 16 – 'Leases' will be introduced on 28 April 2019 and is expected to have a material impact on the Group's financial statements. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases, in line with the treatment of finance leases under its predecessor standard, IAS 17. A preliminary review was conducted by management and an assessment of the potential impacts is outlined in note 33 to the financial statements on page 105.

Risk management and internal control

Internal audit

The Committee considered and approved the Annual Internal Audit plan and at each meeting reviewed reports from the Director of Group Internal Audit, including those showing performance against the plan, and approved changes as appropriate. The reports include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. The internal audit team utilises the services of third party firms to assist in the discharge of its functions. Private discussions are held with the Director of Group Internal Audit as necessary throughout the year.

Internal control

The Committee reviewed the process by which the Group evaluated its control environment. Its work here is driven primarily by the work undertaken by the Group's Internal Audit department, which includes any reported fraud. The Director of Group Internal Audit monitored the timely implementation of any recommendations and reported to the Committee accordingly. The Committee also reviewed the documentation prepared to support the Board's annual statement on internal controls before its consideration by the full Board.

Whistleblowing

The Company operates a whistleblowing telephone line in the UK and an email whistleblowing facility in Europe. Both are operated by independent companies and reports are received by the Director of Group Internal Audit, the Company Secretary or the HR Director. Matters reported related to individual treatment by line managers or colleagues, dishonesty, right to work in the UK and breach of Company policy. In each case the issues were investigated, a judgment was made and action taken where appropriate. The outcome of all matters was reported to the Audit Committee.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The Committee received and considered reports from the Chief Financial Officer on the Group's risk evaluation process and reviewed changes to significant risks identified. It also discussed emerging and potential risks.

The Committee reviewed, in detail, the assessment and controls for the principal risks and uncertainties as set out on pages 23 to 25. The work included a review of the controls in place to mitigate the risk, the assessment by the Director of Group Internal Audit and a discussion with the risk owner, being a senior executive. The Committee considered in-depth reviews into the risks relating to reputation, fitters, economic uncertainty, and finance and treasury.

The Committee considers these reviews to be an important part of its role, as they allow it to meet executive management responsible for these areas and undertake independent challenge of their activities.

External audit

Assessing the effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee received a detailed audit plan from PwC, identifying their assessment of these key risks. For the 2019 financial year the primary risks identified and how the scope of the audit addressed the area of focus are set out in the auditors' report on pages 109 to 115.

The Committee discusses the work carried out by the auditors to test management's assumptions and estimates around these areas. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting it receives from, and discussions with, PwC at both the half-year and year-end. In addition, the Committee also seeks feedback from management on the effectiveness of the audit process.

For the 2019 financial year, management was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Audit Committee concurred with the view of management.

The Committee holds private meetings with the external auditors twice a year to provide additional opportunity for open dialogue and feedback from the auditors without management being present. Matters discussed include the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management. The Audit Committee chairman also meets with the audit partner from time to time outside the formal committee process.

Appointment and independence

The Committee and Board place great emphasis on the independence and objectivity of the Group's auditors, PwC, when performing their role in the Group's reporting to shareholders and considering their re-appointment each year.

The Committee reviews the independence, objectivity and performance of the auditors annually, including the annual report on the auditors produced by the Audit Quality Review Team of the Financial Reporting Council and the auditors' own annual report on its independence.

PwC have been auditors to the Company since 2005 when they were appointed following a competitive tender. They were, again, re-appointed following a competitive tender which concluded in May 2016 and was reported in the 2016 Annual Report.

The auditors' tenure runs from one AGM to the next and there are no contractual obligations that restrict the Committee's choice of external auditors.

The external auditors are required to rotate the audit partner responsible for the Group audit every five years. The audit of this Report and Accounts of the Group is the last to be carried out by the current audit partner.

Non-audit services

To further safeguard the objectivity and independence of the external auditors from becoming compromised, the Committee has a formal policy governing the engagement of the external auditors to provide non-audit services. This precludes the auditors from providing certain services such as valuation work, the provision of accounting services, certain tax services and HR services and also sets a presumption that the auditors should only be engaged for non-audit services where the appointment of an alternative supplier would be either impractical or inefficient, bearing in mind the particular circumstances.

The auditors may only provide such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. For those permitted services that exceed the specified fee limits, the Audit Committee Chairman's or the Committee's approval, depending upon the financial expenditure, is required before PwC can provide non-audit services. The Audit Committee Chairman's approval is required for any engagement of PwC where the fee would exceed 10% of the audit fee, but is less than 25% of the audit fee, with the Committee's approval being required for expenditure more than 25% of the audit fee.

The Committee monitors the volume of work provided by the auditors and the fees incurred in order to consider whether to use other firms. The Company continues to use other firms for general tax advice and to support the internal audit function.

During the year the significant non-audit services work undertaken by PwC related to the provision of assurance services in relation to the replacement of older finance and retail systems with Microsoft Dynamics 365.

Additionally, and as reported last year, significant non-audit services work was undertaken by PwC related to the Prospectus relating to the Placing and Open Offer in the early part of the financial year incurring fees of £200k.

Audit and non-audit fees

Details of the auditors' remuneration for audit work and non-audit fees for the period ended 27 April 2019 are disclosed in note 3 to the financial statements on page 75 and disclosed above. The Committee approved the fees for both audit and non-audit services for 2019.

Committee evaluation

The Committee's activities formed part of the review of Board effectiveness undertaken. Details of this process can be found on page 29. No matters were identified which needed to be addressed.

Directors' remuneration report

Sandra Turner
Chair of the Remuneration Committee

"The Committee continues to remain mindful of the interest in executive remuneration. The Committee has therefore carefully reviewed and taken into consideration the developments in corporate governance and best practice during the year."

Dear Shareholder,

I am pleased to present the Directors' remuneration report on behalf of the Board.

Our remuneration policy was approved by shareholders at our AGM on 7 September 2017 and became effective for three years. However, as explained below, we have decided to seek shareholder approval for a revised policy at the forthcoming AGM.

The report comprises three key sections:

- this annual letter;
- our proposed remuneration policy report to be approved by shareholders at the AGM, which sets out a summary of the new Directors' remuneration policy for all Directors of Carpetright; and
- our annual remuneration report, which sets out how our current remuneration policy has been implemented.

The new policy is subject to a binding shareholder vote and the annual remuneration report is subject to an advisory shareholder vote at the 2019 AGM.

Remuneration policy overview of approach

Our current remuneration policy was approved by shareholders at our AGM in 2017 and became effective for three years (the 'Current Policy'). I am pleased to summarise the Current Policy and the way it has been implemented during the financial year ended April 2019.

Looking ahead, I also explain in this report the Committee's thinking with regard to the design and structure of the revised remuneration policy (the 'New Policy') which is being placed before shareholders for approval on a binding basis at the Annual General Meeting to be held in September 2019. If approved, the New Policy is expected to operate from the conclusion of the 2019 AGM until our AGM in 2022.

The Committee continues to remain mindful of the interest in executive remuneration. The Committee has therefore carefully reviewed and taken into consideration the developments in corporate governance and best practice during the year. In line with this the Committee has again sought to ensure that the remuneration policies and practices, and the New Policy being proposed at this year's AGM, are clearly explained and justified such that they will drive behaviour that is both appropriate and in the long-term interests of the Company and shareholders.

Remuneration policy review

The Committee has engaged and consulted with its key shareholders and shareholder representative bodies with regard to director remuneration focusing, in particular, on obtaining feedback on the proposals for the New Policy. The Committee has considered and taken into account all of the feedback which it has received and is grateful for the engagement that has taken place.

Shareholders approved the Current Policy at the 2017 AGM, with proxy votes submitted in advance of the meeting representing a vote in favour of 98.5%. The 2018 remuneration report detailing the application year-on-year of the Current Policy was approved by shareholders with proxy votes submitted in advance of the meeting in favour of 99.9%.

The Committee remains firmly committed to ensuring that the remuneration of the Executive Directors supports and drives the Carpetright strategy based on a framework which both challenges and motivates management to deliver the strategy and value for our shareholders.

A summary of the changes proposed between the Current Policy and the New Policy is set out in the policy table on pages 41to 45 and, as can be seen, the principal change relates to the introduction of the award of Restricted Share Units under the Long-term incentive plan. Other changes proposed relate to the introduction of deferred bonus arrangements and aligning pensions for newly appointed directors with the majority of the UK workforce.

Long-term incentive plan – policy changes

When we last changed our policy we highlighted that the Company was planning to introduce a second performance measure for LTIP awards (in addition to the cumulative underlying profit before tax target that applied to the 2014 and 2015 LTIP awards). Our focus at that time was to see whether it would be advisable to include a relative total shareholder return ("TSR") target; however, following detailed analysis of our TSR performance and that of a number of different potential comparator groups it became clear that there was little, if any, correlation between our TSR and that of any comparator group that we might select. The implication of this, based of course on historical evidence, was that it would not be advisable to introduce a relative TSR target unless and until there was a reasonably high level of correlation so as to avoid this measure becoming a complete lottery.

This resulted in us continuing with just using cumulative underlying profit before tax for the 2016 and 2017 awards. However, following the CVA and Placing and Open Offer last year the Committee spent a considerable amount of time in considering whether it would be appropriate to grant the 2018 LTIP awards subject to cumulative underlying profit before tax targets. Indeed, last year I explained that the conditions or timing of awards had yet to be determined. The concern centred around our ability to set meaningful and stretching targets over a three-year period when the future performance of the Company was so uncertain and, in many respects, outside the control of management. The combined impact of our legacy property estate, increased competition and a downturn in consumer spending and then the fact that we were just starting on a turnaround strategy with a revised business plan meant that we did not feel confident in setting targets. As a result, we made the decision last year not to make awards to the two Executive Directors as the policy did not allow for the introduction of Restricted Share Units (RSUs). Awards were, however, made to executives below Board, which I refer to later in this letter. It is, therefore, proposed that the ability to grant RSUs to Executive Directors be introduced with the main characteristics set out below:

Vesting period

Our current LTIP has a three-year vesting period followed by, for directors, a two-year holding period. For the RSU plan it is proposed that:

– 50% of the awards will vest after three years followed by a two-year holding period.
– 25% of the awards will vest after four years followed by a one-year holding period.
– 25% of the awards will vest after five years at which time there would be no additional holding period.

We believe that this approach is in line with practice adopted by other companies that have introduced RSU plans in recent years and provides an appropriate balance between rewarding executives for performance delivered (particularly given the lack of any LTIP awards for Executive Directors last year) and aligning them with shareholders more generally.

Underpin

Historically RSU plans did not contain any form of underpin. However, the Committee is aware of the guidance that has been issued by various bodies around the need for some form of underpin if RSU plans are to be introduced for Executive Directors. Having considered this issue, the Committee believes that the new RSU plan should contain appropriate underpin which would allow the Committee to reduce the number of shares that ultimately vest (potentially down to 0%) if any one or more of the underpins was not, in the opinion of the Committee, satisfied.

The proposed underpins to be used for grants to be made in the period following the Annual General Meeting can be summarised as follows:

1. Share price – share price at date of vesting (measured on a one-month average) is at least the higher of the share price used for the grant and 28 pence (being the recent Placing price).
2. Customer satisfaction – there is an appropriate improvement in customer satisfaction between grant and vesting.
3. Sound financial footing as determined by the Committee.

The Committee believes that this balance will ensure that participants will only receive shares if overall performance warrants it.

Customer satisfaction will be measured through direct customer feedback using the "Do We Measure Up?" programme in place.

In assessing whether the Company is on a sound financial footing the Committee will be considering all the financial measures including quality of earnings, the debt position and covenant compliance and headroom.

Award size and cap

As I set out last year, it had been intended that due to the poor financial performance and resultant decline in the share price, the Committee had decided that the level of awards would be significantly lower than the level of awards made in previous years (reduced from 150% to 100% of salary for the CEO and from 125% to 85% of salary for the CFO).

It is proposed that the size of the award be reduced by a further 50% to reflect the change from performance-based awards to time-based awards. This is consistent with the approach adopted for executives below the Board last year.

Hence, a participant who would normally have received a performance-based award over 100% of salary received a time-based award over 33% of salary. Had a similar approach been applied to the CEO his normal award of 150% of salary would have been reduced to a time-based award of 50% of salary.

In the context of the proposed RSU plan, the Committee intends to take a similar approach as a result of which:

– The CEO would receive an award in 2019 of 50% of salary (150% x 66.67% x 50%).
– The CFO would receive an award in 2019 of 41.67% of salary (125% x 66.67% x 50%) although in practice we will round this up to 42%.

subject to an overriding limit of 1% of the issued share capital over which awards can be granted to all participants (i.e. both executive directors and also below Board participants of which there are currently expected to be approximately 35) which would be applied to reduce all awards on a pro rata basis.

Directors' remuneration report continued

In addition, the Committee is conscious that with very strong performance there could be a substantial improvement in share price over the vesting period and has therefore decided that awards should also be subject to a cap on the value of shares that can vest by reference to the historic normal level of LTIP award, with the cap being set at twice this which is equivalent to the gain a participant would have received had the LTIP award vested in full and the share price had doubled. For the two executive directors this is equivalent to a cap of 300% and 250% respectively of salary at date of grant.

The Committee believes that by setting a cap at this level the RSU plan will provide a strong incentive to participants to grow the share price but will ensure that the rewards they ultimately receive are not overly generous.

Life of RSU plan
The Committee will review each year whether it remains appropriate to continue with the new RSU plan or whether it is appropriate to switch back to the current LTIP and therefore the New Policy will provide us flexibility to do this. Our current expectation is that there could well be two or three years' worth of awards under the RSU plan before we feel confident to switch back to the current plan.

Pensions – policy changes

The Committee has considered the inclusion in the new UK Corporate Governance Code of the provision which states that "the pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce" and has decided to include in the New Policy a statement that any new executive directors will receive pension contributions (or cash in lieu) at a rate in line with the majority of the UK workforce which is currently at 3% and will increase to 5% with effect from April 2020.

Post-employment shareholding requirements – policy changes

Our Current Policy covers this issue in two ways as follows:

1. Awards under the LTIP – awards made to Executive Director participants (and such others (if any) as the Committee requires) are subject to a two-year post vesting holding period. They will ordinarily be required to retain any vested shares (on an after-tax basis) acquired under the Plan until at least the second anniversary of the vesting of the relevant award.
2. Share retention guidelines – in addition to executive directors being expected to build up and retain a shareholding in the Company having a value equal to the same multiple of base salary as the awards are made in respect of normal grant levels of performance shares under the LTIP through the retention of shares with a minimum value equal to 50% of the net of tax gain arising from any vesting or exercise under the LTIP, executive directors are required to continue to hold the lower of 50% of their guideline level and 50% of the value of shares they own at cessation of employment (excluding shares purchased in the market) for a period of one year following cessation of employment.

In addition, under the proposed changes to the policy:

1. Shares vesting under the RSU plan will also be subject to a Holding Period ending five years after grant and will be covered by the requirement to retain at least 50% of the net of tax gain arising from any vesting or exercise until the shareholding guideline is met.
2. Vesting of awards made under the new deferred share bonus plan (see below) will not normally be accelerated on cessation and will be covered by the requirement to retain at least 50% of the net of tax gain arising from any vesting or exercise until the shareholding guideline is met.

Taken together, the Committee believes that the above approach is an appropriate policy for the Company to adopt in respect of post-employment shareholding requirements.

Annual bonus plan – policy changes

There is one change to the policy proposed in respect of the annual bonus plan.

The Committee plans to introduce a deferred share bonus plan ("DSBP") which has been designed to improve alignment of interests with shareholders. Under the DSBP 100% of any bonus payable in excess of target will be deferred into shares for a two-year period. Any awards made under the DSBP will lapse if the participant is dismissed for cause but otherwise will vest at the normal time even if the director leaves, except in the case of death, injury or ill-health in which case the award will vest on cessation.

Conclusion – Proposed New Policy

The Committee is confident that the New Policy will ensure that the level of remuneration in place and its linkage to the achievement of increasing shareholder value continues to remain appropriate. In particular, the New Policy is designed to: ensure that executive remuneration will continue to be directly related to the achievement of the Company's strategic aims; link a significant proportion of pay to performance, with appropriate and robust performance criteria and targets; directly relate increases in pay and pension to the workforce in general; have no retrospective adjustment or re-testing of performance or related metrics; be compatible with the Company's risk policies and systems; and remain sufficiently flexible to address changing circumstances as they arise but within carefully agreed parameters. The Committee therefore commends the New Policy to shareholders at the 2019 AGM as set out in the Notice of Meeting.

Salaries

During the year Jeremy Simpson was appointed as the Chief Financial Officer with a remuneration package commensurate with that role, details of which are set out in the annual remuneration report on page 52.

For the 2019 pay review, the Chief Executive indicated to the Committee that, in light of the performance of the business, his base salary should remain unchanged. The Committee therefore decided not to conduct a review of his pay and, as a result, his base salary remains unchanged.

Annual bonus scheme

As described in the financial review section of this Annual report the Group has delivered earnings before interest, tax, depreciation and amortisation of £2.9m. This result is below the level at which an annual bonus would be earned. Consequently, no bonus will be paid in respect of the financial year ended April 2019. Further details can be found in the annual report on remuneration on page 52.

As we explained in the Directors' remuneration report last year, performance targets for the Executive Directors for the financial year ending 27 April 2019 were expected to be based on underlying EBITDA. This measure was selected in order to align it with the Group's banking covenants and measures used by similar companies. In the circumstances of the Group's financial position it was not thought appropriate to include other measures for that year.

For the financial year commencing on 28 April 2019 the Committee has decided that, in addition to an underlying EBITDA measure, there would be a reintroduction of a customer service metric, as this provides a basis for longer-term value accretion. The customer service metric would account for 20% of the maximum bonus opportunity.

The only other material change that the Committee intends to make is that the amount payable at threshold performance is to be reduced from 20% of maximum opportunity to 10%.

Long-term incentives

The performance condition set in relation to the grant of LTIP awards in 2016 related to cumulative underlying earnings per share. Due to the business performance, none of the LTIP awards made in 2016 will vest.

The Committee has reviewed the current performance of the LTIP awards made in 2017, which were also based upon cumulative underlying earnings per share measures, and has concluded that they are currently unlikely to vest. Further details can be found on pages 53 and 54.

Last year I explained that the performance condition relating to the awards to be made in the financial year ending April 2019 had yet to be determined. The Committee spent a considerable amount of time considering whether it would be appropriate to make an award in 2018 subject to cumulative underlying profit before tax targets. A number of performance conditions were considered, but none was thought to be appropriate as the performance of the Company was subject to a significant number of variables of which the outcome was uncertain. The Committee did not feel confident in setting management meaningful targets that would stand the test of time, without being too easy or too difficult to achieve. Therefore the Committee concluded that awards of RSUs should be made to senior executives below Board level with no performance condition, but that no awards would be made to the Executive Directors in 2018 as the remuneration policy prevented a similar approach being taken.

The awards made to the senior executives were made on the basis of firstly reducing the level of award to 2/3rds of historic norms and then making a further reduction of 50% to take account of the awards being time-based, rather than performance-based, awards.

Pension arrangements

The Committee is very aware of the views expressed by investment bodies in relation to the alignment of pensions benefits with the workforce. The pension contributions applicable to Jeremy Simpson aligned his pension provision with that of the majority of other senior executives, and is half that which was paid to Neil Page as the previous CFO. As outlined above, the pension provision for any new Executive Director would be in line with the majority of the UK workforce.

Gender pay gap reporting

In addition to the consideration of executive remuneration, the Committee has taken a keen interest in the gender pay gap and, whilst there is a gap, the gap is below the national average, details of which can be found on page 26.

Closing comments

I will be available to answer any questions at the AGM in September and recommend that you support the Directors' remuneration report and annual report on remuneration at our forthcoming meeting.

This is my final letter to shareholders as Chair of the Remuneration Committee and I would like to thank my colleagues on the Committee for their support, as I hand over the reins to Pauline Best at the conclusion of the forthcoming AGM. I am sure can be confident of receiving the same support as I have received.

Sandra Turner
Chair of the Remuneration Committee

Part 2 – Directors' remuneration policy report

Introduction

This report has been prepared to comply with the provisions of the Companies Act 2006 and other applicable legislation, including the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) ('Regulations'), and has also been prepared in line with the Listing Rules of the UK Listing Authority and having regard to the recommendations of the UK Corporate Governance Code (the 'Code').

Adoption of New Policy

The Company's existing remuneration policy was subject to a binding vote at the 2017 Annual General Meeting of the Company.

The Company is proposing the New Policy to shareholders at the forthcoming AGM. An explanation of the changes to the Current Policy is set out on pages 36 to 38, and details of the New Policy are set out on pages 41 to 45. The New Policy is again designed to ensure that the remuneration framework will support and drive the strategy forward by both challenging and motivating the Executive Directors and senior management to deliver it and drive value for our shareholders.

The remuneration policy report as approved by shareholders at the Company's 2017 AGM is set out in the Company's 2017 and 2018 Annual Reports which can be found on the Company's website at www.carpetright.plc.uk.

Policy overview

A key part of the Committee's role is to ensure that the remuneration of Executive Directors and senior management is aligned to the Company's strategic objectives. It is key that the Company is able to attract and retain leaders who are focused and also appropriately incentivised to deliver the Company's strategic objectives within a framework which is aligned with the interests of the Company's shareholders. This alignment has historically been achieved through a combination of setting appropriate performance targets and a retention period for vested LTIP awards and share ownership guidelines which requires executives to build up holdings of Carpetright shares. These guidelines, which are reviewed at least annually, require Executive Directors to build up and maintain a target holding having a value equal to the same multiple of base salary as awards are made under the LTIP on the basis that awards have been made in respect of performance shares (150% for Wilf Walsh, 125% for Jeremy Simpson). Until such a holding is achieved, each Executive Director is obliged to retain shares with a minimum value equal to 50% of the post-tax vested shares under the LTIP.

The Committee ensures that a significant proportion of the overall remuneration package of Executive Directors remains at risk. With all packages for Executive Directors substantially geared towards meeting targets set under the annual bonus and long-term incentive schemes, the Committee believes that the pay and benefits of its Executive Directors and senior management adequately take account of reward versus risk. As explained on pages 36 to 38 the Company is proposing introducing the ability to make awards of Restricted Share Units, subject to judgment by the Committee as to the level of achievement (if any) of criteria underpinning the award, whilst capping the benefit which can arise under the awards resulting from share price increases, thereby ensuring that there is an incentive to grow the share price, whilst ensuring that the ultimate value of awards is not over-generous. Further alignment is proposed by amending the policy to introduce deferred bonus arrangements for any payment in excess of target and, for new directors, ensuring pension provision is aligned to that of the majority of the UK workforce.

The Committee considers that no element of the remuneration arrangements, which are all very carefully considered, will encourage inappropriate risk taking or behaviour by any executive.

The policy for the remuneration of the Executive and Non-Executive Directors is set out in the tables below.

Policy Table – Elements of Directors' remuneration package

Executive Directors

Purpose and link to strategy	Operation	Maximum	Performance measurement
Base salary			
Helps to recruit and retain Executive Directors. Reflects responsibilities, performance, experience and role.	Generally reviewed annually (with any change effective in May) but exceptionally at other times of the year. Set with reference to individual performance, experience and responsibilities, reflecting the market rate for the individual and their role. When reviewing the salaries of the Executive Directors, the Committee also has regard to the impact on the cost of pension provision and pay and conditions elsewhere in the Group. In particular, the Committee takes account of the level of salary increases awarded to other employees of the Group when deciding on increases for Executive Directors.	Annual increases generally in line with the level of standard increase awarded to other employees. More significant increases may be awarded at the discretion of the Committee in connection with: – an increase in the scope and responsibility of the individual's role; or – the individual's development and performance in the role following appointment.	Not applicable
No substantive change to policy from the 2017 vote.			
Benefits			
Provides a competitive package of benefits to assist with recruitment and retention of Executive Directors.	Executive Directors are entitled to a competitive package of benefits, including: – car benefits; – life assurance; and – private medical cover.	The value of a car allowance is of a level appropriate to the individual's role and is subject to review from time to time. The cost to the Company of other benefits is not predetermined and may vary from year-to-year.	Not applicable
No substantive change to policy from the 2017 vote.			
Pension			
The Company aims to provide competitive retirement benefits. This helps recruit and retain Executive Directors.	The Company operates a defined contribution Group Personal Pension Plan ('GPPP'). Executive Directors are offered a specific percentage of their base salary to fund their own pension provision. The Executive Directors are able to choose whether the allowance is paid to the GPPP or to receive the allowance by way of a salary supplement.	Up to 20% of base salary for those individuals who are Directors as at 1 September 2019. Up to the level of pension contributions in line with the majority of the UK workforce for any individuals appointed to the Board on or after 1 September 2019.	Not applicable
Proposed substantive policy change for 2019: The introduction of a cap on pensions contributions for individuals appointed to the Board on or after 1 September 2019 such that the maximum payable is in line with the majority of the UK workforce.			

Purpose and link to strategy	Operation	Maximum	Performance measurement
Annual bonus			
To incentivise achievement of annual targets and objectives consistent with the short to medium-term strategic needs of the business, so as to encourage sustainable growth in the Company's operating profits.	Bonuses are awarded by reference to performance against specific targets measured over a single financial year. 100% of any bonus payable in excess of target will be deferred into Carpetright shares for two years under the Deferred Share Bonus Plan ("DSBP"). Executive Directors are required to retain at least 50% of the post-tax shares received upon vesting of the DSBP until shareholding guidelines are met. Any amounts payable in cash to an Executive Director under this arrangement are paid out in full shortly after the assessment of the performance targets has been completed. Bonuses do not form part of the Executive Directors' pensionable earnings. Bonuses and DSBP awards are subject to clawback and malus at the discretion of the Committee in the event of a material misstatement of the financial results, an error in assessing the size of the bonus or where the individual had committed an act of gross misconduct during the relevant financial year.	Capped at 100% of base salary. The percentage payable for on-target performance is determined by the Committee each year in light of the degree of stretch in the targets and affordability of the resulting bonus pay-outs relative to budgeted levels of profit. Dividend equivalents may be payable on DSBP awards, to the extent that awards vest.	The measures and targets are set annually by the Committee in order to ensure that they are relevant to participants and take account of the most up-to-date business plan and strategy. All or a significant majority of the bonus opportunity will normally be determined by reference to performance against a demanding Group underlying profit target. Additional targets applied may relate to the achievement of specific strategic or personal objectives. These measures will be disclosed in the annual report on remuneration, where not deemed commercially sensitive. A maximum of 20% of the maximum bonus payable by reference to the financial targets will be payable for threshold performance and a maximum of 25% of the bonus payable by reference to personal and/or strategic targets will be payable for threshold performance.

Proposed substantive policy change for 2019:

Any bonus payable in excess of target will be deferred into shares for a two-year period with 50% of the post-tax shares that vest being required to be retained until the shareholding guideline is met.

Performance measures clarify the maximum proportion of a bonus payable in respect of targets which have been set.

Purpose and link to strategy	Operation	Maximum	Performance measurement
Long-Term Incentive Plan ('LTIP')			
Incentivises Executive Directors to deliver superior levels of long-term performance for the benefit of shareholders, thereby aligning their interests with those of the Company's investors.	The current LTIP was approved at the 2013 AGM (Carpetright Long-Term Incentive Plan 2013). Awards may be made on the principles of either (A) the award of Performance Share Units or (B) the award of Restricted Share Units, but not a mixture of the two:		
	A. Performance share awards Awards consist of annual awards of shares that vest three years after grant to the extent that performance conditions have been met over a three-year performance period. A two-year post-vesting holding period applies to shares (less any required to be sold to cover tax and social security) that vest. Awards are subject to clawback and malus at the discretion of the Committee in the event of a material misstatement of the financial results, an error in the calculation of performance conditions or if the participant ceases to be employed as a result of misconduct.	– Normal maximum of 150% of salary; and – Exceptional circumstances maximum 250% of salary. Dividend equivalents may be payable on LTIP awards, in cash or shares, to the extent that awards vest.	The measures and targets are set annually by the Committee ensuring alignment with the Company's medium to long-term strategy. 25% will vest at threshold with full vesting taking place for equalling or exceeding the maximum target, with a sliding scale between the two points. The Committee has discretion to set different and multiple metrics and targets for future awards.
	B. Restricted share awards Awards consist of annual awards of restricted share units. The awards will be subject to one or more underpins and the Committee will determine whether and the extent to which the underpins have been achieved and may reduce the vesting accordingly. Subject to the achievement of the underpins and continued employment: 50% of the award will vest after three years 25% of the award will vest after four and five years	– Normal maximum of 50% of salary; and – Exceptional circumstances maximum 83% of salary. Not more than 1% of the share capital in respect of awards in any financial year, else the limits will be subject to a pro-rata reduction. Maximum vesting at twice the normal (unreduced) level of performance share units under the LTIP (currently 300% for CEO and 250% of base salary for CFO). Dividend equivalents may be payable on LTIP awards, in cash or shares, to the extent that awards vest.	The underpins are set annually by the Committee, ensuring alignment with the Company's medium to long-term strategy. The underpins for awards to be made following the AGM in 2019 are: 1. Share price – share price at date of vesting (measured on a one-month average) is at least the higher of the share price used for the grant and 28 pence (being the recent Placing price). 2. Customer satisfaction – there is an appropriate improvement in customer satisfaction between grant and vesting. 3. Sound financial footing as determined by the Committee.

Proposed substantive change for 2019:

The introduction of the ability to make awards of Restricted Share Units as an alternative to the awards of Performance Share Units.

Directors' remuneration report continued

Purpose and link to strategy	Operation	Maximum	Performance measurement
All-employee share schemes, including a Sharesave Plan and Share Incentive Plan ('SIP')			
Encourages a broad range of employees to become long-term shareholders.	The Company operates HM Revenue and Customs approved Sharesave and SIP plans with standard terms.	Sharesave and SIP participation limits are as set by the UK tax authorities from time to time.	Not applicable.
No substantive change to policy from the 2017 vote.			
Share retention guidelines			
To further align the interests of Executive Directors to those of shareholders.	Executive Directors are expected to build up and retain a shareholding of the same percentage of salary as the normal level of performance share awards made under the LTIP (currently 150% for the CEO and 125% for the CFO) by the retention of shares with a minimum value equal to 50% of the net of tax gain arising from any vesting or exercise under the Company's Long-Term Incentive Plan (whether Performance Share Units or Restricted Share Units). The Executive Directors are required to continue to hold the lower of 50% of their guideline level and 50% of the value of shares they own at cessation of employment (excluding shares purchased in the market) for a period of one year following cessation of employment.	Not applicable.	Not applicable.
Proposed substantive change for 2019: Clarity that the level of shareholding is set by reference to the normal level of performance share awards. Clarity that the retention of shares appies to awards of both performance share units and restricted share units.			

Purpose and link to strategy	Operation	Maximum	Performance measurement
Non-Executive Directors			
Helps recruit and retain high quality, experienced individuals. Reflects time commitment and role.	The Chairman is paid a fee, and no additional fee will be paid for chairing any of the Board's Committees. Non-Executive Directors are paid an annual basic fee. Additional fees are payable to the Senior Independent Director (SID) and the Chair of each of its Committees. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. They are entitled to reimbursement of reasonable business expenses and tax thereon. Limited benefits relating to travel, accommodation and hospitality may be provided in relation to the performance of any Directors' duties. Non-Executive Directors' fees are set by the Executive Directors with reference to external data on fee levels in similar businesses, having taken account of the responsibilities of individual Directors and their expected annual time commitment.	The aggregate amount of Directors' fees is limited by the Company's Articles of Association.	Not applicable.
No substantive change to policy from the 2017 vote.			

Differences in remuneration policy across the Group

The remuneration policy for the Executive Directors and other senior executives is designed with regard to the policy for employees across the Group as a whole. However, the differences set out above arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and senior executives, a greater emphasis is typically placed on performance-related pay and in share-based form, which provides a good link to long-term Company performance.

The following differences exist between the above policy for the remuneration of Directors and its approach to the payment of employees generally:

- a lower level of maximum annual bonus opportunity applies to employees other than the Executive Directors and certain senior managers;
- store-based colleagues receive commission based upon sales achieved, and field-based colleagues receive bonuses based upon the performance of their sphere of responsibility;
- participation in the LTIP is limited to the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Company's all-employee share schemes;
- under the Company's defined contribution pension scheme, the Company contribution for less senior employees is lower than that provided to Executive Directors; and
- benefits offered to other employees generally comprise colleague discount and, depending upon the colleague's seniority, healthcare.

Incentive plan determinations and discretions

The Committee fully recognises that the exercise of discretion must be undertaken in a very careful and considered way and that it is an area that will quite rightly come under scrutiny from shareholders and other stakeholders. It is, however, important for the Committee to retain some discretion to make payments outside its remuneration policy in exceptional circumstances. The Committee confirms that any exercise of discretion in such circumstances would be within the available discretions set out in this report, the rules of the relevant schemes, the Listing Rules and HMRC rules where relevant and that the maximum levels available under any relevant plans would not be exceeded.

The Committee may grant awards under the LTIP as conditional share awards or nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so, other than in respect of the tax element of any vesting of awards made under the LTIP. The Committee may decide that participants will receive a dividend equivalent payment (in cash and/or shares).

The choice of the performance metrics applicable to the annual bonus reflect the Committee's aim that annual incentives should promote growth in underlying earnings, while also promoting the achievement of key non-financial objectives. The Committee will ensure that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the Committee will ensure that the overall remuneration policy does not encourage inappropriate operational risk-taking.

With regard to the annual bonus scheme and the LTIP, the Committee, consistent with market practice, is required to make certain determinations under and retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (with the maximum level of restricted awards as set out in the policy table on pages 42 and 43):

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment (within the limits set out in the policy table above);
- whether performance share awards or restricted share awards should be granted in any year;
- the choice of (and adjustment of) performance measures, underpins and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- whether, and the extent to which, any underpins have been achieved where awards of Restricted Share Units have been made;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of good leaver status for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- making adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends), provided that the revised conditions or targets are not materially less difficult to satisfy; and
- discretion to allow participants to sell, transfer, assign or dispose of some or all of their shares in exceptional circumstances before the end of the holding period, subject to such additional terms and conditions as the Committee may specify.

Any exercise of discretions would, where relevant, be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

In approving the Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors that are consistent with the approved remuneration policy in force at the time the commitment was made (or, if made before the Current Policy was approved, as have been disclosed previously to shareholders), or were made at a time when the relevant individual was not a Director of the Company.

Consideration of employee views

Although the Committee does not formally consult employees on executive remuneration, the Committee considers the general basic salary increase as well as pay and conditions for the broader employee population when determining the annual salary increases for the Executive Directors.

Service agreements and policy on termination

It is the Company's policy to employ UK Executive Directors under contracts with an indefinite term subject to termination by notice given by either party, normally of 12 months or less. Non-UK Executive Directors would be employed under contracts with similar terms to those of UK Executive Directors, subject to market practice and laws of any other jurisdiction where an employee is based.

The Company seeks to avoid any payment for failure. The circumstances of the termination (taking into account the individual's performance) and an individual's duty and opportunity to mitigate losses are taken into account in every case.

If the Company terminates employment without giving full notice to the Executive Director, under the service contracts the Company has the option to either:

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

The Company also retains flexibility to pay reasonable legal fees and other costs incurred by the individual that are associated with the termination (including the settlement of claims brought against the Company) and to provide outplacement services.

In circumstances in which a departing director may be entitled to pursue a legal claim, the Company may negotiate settlement terms and, with the approval of the Committee on the remuneration elements therein, enter into a settlement agreement accordingly.

In addition, the Company would honour any legal entitlements, such as statutory redundancy payments or awards made by any tribunal or court, which executives may have on, or in respect of, termination.

No bonuses are payable to individuals who are no longer employed or are under notice at the end of the financial year.

Long-term incentive awards lapse on cessation of employment other than in certain 'good leaver' circumstances (including death, retirement with the agreement of the Committee, ill health, or because the individual's employing company or part of the business in which employment is transferred out of the Group or as otherwise determined by the Committee). Where an individual is a 'good leaver', awards would not lapse but would normally continue to vest at the end of the original performance period but only if, and to the extent that, the applicable performance conditions are satisfied. Awards would also normally be subject to a pro-rata reduction to take account of the proportion of the vesting period that has elapsed, although the Committee has discretion to disapply pro-rating in certain circumstances. On a change of control awards would vest early, subject to performance conditions being achieved, and would normally be subject to a pro-rata reduction, although the Committee has discretion to disapply pro-rating.

Wilf Walsh and Jeremy Simpson have contracts of an indefinite term, subject to a 12 month notice period. Non-Executive Directors are entitled to one month's notice.

Recruitment remuneration

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below market salary (for example, to allow them to gain experience in the role), their salary may be increased to a market level over a number of years by way of a series of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. The Committee has discretion to set different targets and/or vary the weightings of the targets used in the annual bonus and LTIP for the first year following appointment. In addition, the Committee may offer additional cash and/or share-based elements if it considers these to be in the best interests of the Company (and therefore shareholders). Any such additional cash and/or share-based payments would be: (i) based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attaching to that remuneration; and (ii) delivered under the Group's existing incentive arrangements to the extent possible, although awards may also be granted outside these schemes, if necessary, and as permitted under the Listing Rules.

In the case of an internal appointment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

The Committee may also agree that the Company will compensate executives, both internal and external, for certain relocation expenses as appropriate. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company.

Fees for new Non-Executive Directors would be set in line with the policy set out above.

Outside appointments of the Executive Directors

The Non-Executive Directors may serve on a number of other company boards provided they continue to demonstrate the requisite commitment to discharge their duties to the Company effectively and such external appointments are seen as being beneficial to the overall decision-making process of the Board as a whole. The Company also encourages the Executive Directors to take up non-executive positions, with the prior consent of the Company, in the belief that such appointments broaden their skills and enhance the contribution which they can make to the Company's performance. Generally, no more than one such appointment may be undertaken by the Executive Directors. Wilf Walsh was appointed as the Senior Independent Director at the Racing Authority Limited during the year ended 27 April 2019.

Policy for Non-Executive Directors

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

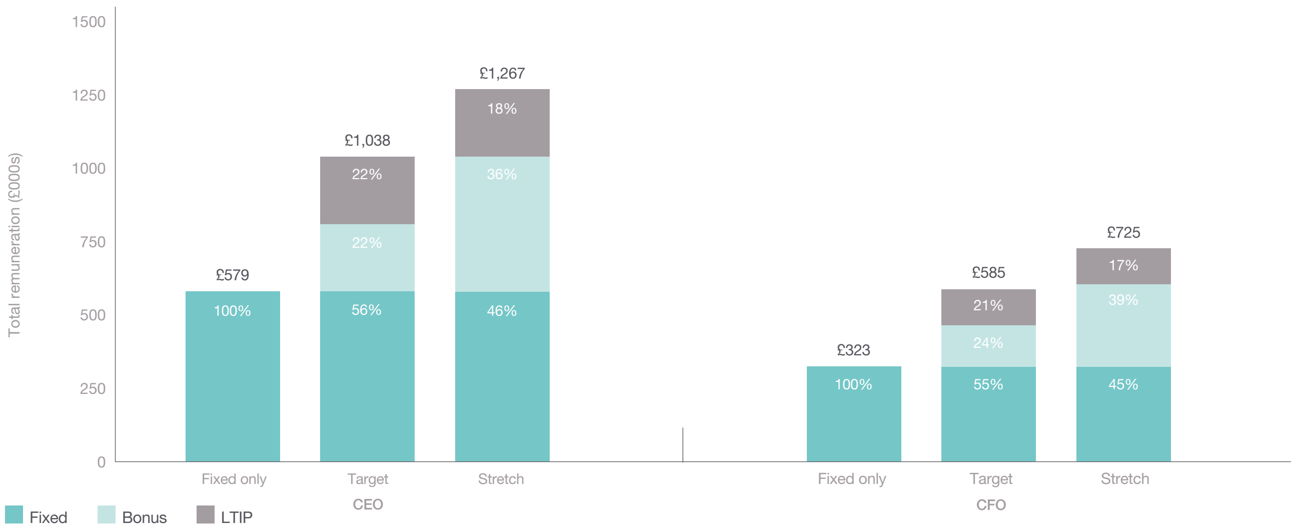
Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received on the Directors' remuneration report each year and guidance from shareholder representative bodies more generally. Shareholders' views are key inputs when shaping remuneration policy.

Details of votes cast for and against the resolution to approve last year's annual report on remuneration, and any matters discussed with shareholders during the year, are set out in the annual report on remuneration.

Expected value of the proposed annual remuneration packages for Executive Directors

The following charts indicate the level of remuneration payable to Executive Directors in respect of the financial year ending 26 April 2020 based on the New Policy being approved at 'minimum' remuneration; remuneration in line with 'on-target' performance and the maximum remuneration available for stretch performance.



Assumptions:

- Fixed only – fixed pay only, including base salary (at current rates), pension allowance (based on current base salary) – 20% CEO/10% CFO and benefits as disclosed in the single figure table on page 51.
- On-target – fixed pay, plus 50% of salary annual bonus, plus 50% of salary restricted shares (CEO) / 43.5% of salary restricted shares (CFO) (i.e. assuming grants of restricted share awards are not reduced on a pro rata basis as would be required if more than 1% of share capital would otherwise be required and that underpins do not result in any reduction of vesting).
- Maximum – fixed pay, plus 100% of salary annual bonus, plus 50% of salary restricted shares (CEO) / 43.5% of salary restricted shares (CFO) (i.e. assuming grants of restricted share awards are not reduced on a pro rata basis as would be required if more than 1% of share capital would otherwise be required and that underpins do not result in any reduction of vesting).

Part 3 – Annual report on remuneration

Introduction

This annual report on remuneration provides details of the way in which the Committee implemented its policy during the financial year to 27 April 2019. It also summarises how the policy contained within the Directors' remuneration policy report on pages 40 to 48 will be applied in the financial year ending 26 April 2020.

It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the 'Regulations'). In accordance with the Regulations, this part of the report will be subject to an advisory vote at the forthcoming AGM on 5 September 2019.

The Company's auditors are required to report to Carpetright's shareholders on the "auditable parts" of this annual report on remuneration (which have been highlighted as such below) and to state whether, in their opinion, those parts have been properly prepared in accordance with the Regulations and the Companies Act 2006.

Structure and Responsibilities of the Remuneration Committee

The Remuneration Committee is chaired by Sandra Turner. Details of its membership during the period, the date they joined the Committee and attendance are set out below:

Number of meetings:			6
Members	Date joined Committee	Attendance	Meetings eligible to attend
Sandra Turner (Committee Chairman)	October 2010	6	6
David Clifford	September 2014	6	6
Jemima Bird	January 2019	1	1
Andrew Page	July 2013	5	6

The Non-Executive Directors who served on the Committee had no personal financial interest (other than as shareholders) in the matters decided, no potential conflicts of interest from cross-directorships and no day-to-day involvement in running the business. Biographical information on the current Committee members is shown on page 31. The Company Secretary (Jeremy Sampson) acts as secretary to the Committee.

At the invitation of the Committee, the Chairman (Bob Ivell), the Chief Executive (Wilf Walsh), the Chief Financial Officer (Neil Page until February 2019, Jeremy Simpson subsequently), and the Director of Human Resources (Rachel Wheeler) attend Committee meetings. The Committee considers their views when reviewing the remuneration of the Executive Directors and senior executives. They are not involved in decisions concerning their own remuneration.

The responsibilities of the Committee include:

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

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

Directors' remuneration report continued

Summary of Committee activity during the year ended 2019

During the year ended 2019 the Committee has:

- discussed and reviewed the salaries of Directors and other senior executives;
- considered the arrangements and remuneration for Neil Page during his notice period;
- agreed the remuneration arrangements for Jeremy Simpson's appointment as Chief Financial Officer;
- discussed and reviewed the level of awards under the LTIP and to whom awards should be made;
- considered the appropriate metrics and targets for the annual bonus;
- considered and made awards to senior executives below Board level of restricted share units under the LTIP
- determined that it would be inappropriate to set any performance targets for awards under the LTIP and, therefore, that no awards would be made to the Executive Directors in 2018;
- considered performance against the targets for the 2018 annual bonus (and following the year end, the 2019 annual bonus);
- considered, since the year end, the performance against targets for the 2016 LTIP;
- developed and, following the year-end, consulted with shareholders in relation to the policy changes proposed in Part 2 of this Directors' remuneration report;
- considered and approved the content of the Directors' remuneration report;
- approved the launch of an annual invitation under the SAYE scheme; and
- reviewed its own performance.

Remuneration advice

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was advised by the Executive Compensation practice of Aon plc. Aon (then known as New Bridge Street) was appointed as advisers in 2010 following a competitive tender. The Committee's advisers attended four Committee meetings. Aon, which is a signatory to the Remuneration Consultants' Group Code of Conduct for Executive Remuneration Consultants, did not provide other services to the Company. Fees paid (excluding VAT) by the Company to the Executive Compensation practice of Aon plc during the year amounted to £18k (2018: £18k). Although other members of the Aon plc group of companies provided insurance broking, pensions and advisory services to the Company, the Committee is satisfied that the provision of such services did not create any conflict of interest. The Committee reviews the effectiveness and independence of its advisers at a Committee meeting on an annual basis.

Statement of shareholder voting at the 2018 AGM

The table below shows the proxy votes received for the 6 September 2018 AGM in respect of the approval of the 2018 Directors' remuneration report.

	For (including discretionary votes)	Against	Total votes cast (for and against excluding votes withheld)	Votes withheld[1]	Total votes cast (including withheld votes)
To approve the remuneration report	133,133,734	52,647	133,186,381	4,087,984	137,274,365
% votes cast	99.9%	0.1%			

Note:

1. A vote withheld is not a vote in law.

How our remuneration policy was implemented in the financial year ended 27 April 2019

Single total figure table for the financial year ended 27 April 2019 (audited)

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

	Notes to this table	Salary and fees £000	Benefits[1] £000	Pension[2] £000	Subtotal fixed remuneration £000	Bonus[3] £000	Long-term Incentives £000	All employee schemes[4] £000	Subtotal variable remuneration £000	Single figure for total remuneration £000
Executive Directors										
Wilf Walsh		459	28	92	579	–	–	3	3	582
Jeremy Simpson	5	62	3	6	71	–	–	–	–	71
Neil Page	5	246	23	49	318	–	–	–	–	318
Total		**767**	**54**	**147**	**968**	**–**	**–**	**3**	**3**	**971**
Non-Executive Directors										
Bob Ivell		150	–	–	150	–	–	–	–	150
Sandra Turner		44	–	–	44	–	–	–	–	44
David Clifford		46	–	–	46	–	–	–	–	46
Jemima Bird	6	13			13					13
Andrew Page	6	29	–	–	29	–	–	–	–	29
Total		**282**	**–**	**–**	**282**	**–**	**–**	**–**	**–**	**282**

The remuneration of the Directors for the financial year ended 28 April 2018 was as follows:

	Salary and fees £000	Benefits[1] £000	Pension[2] £000	Subtotal fixed remuneration £000	Bonus[3] £000	Long-term incentives £000	All-employee schemes £000	Subtotal variable remuneration £000	Single figure for total remuneration £000
Executive Directors									
Wilf Walsh	459	28	92	579	–	–	–	–	579
Neil Page	300	28	60	388	–	–	–	–	388
Total	**759**	**56**	**152**	**967**	**–**	**–**	**–**	**–**	**967**
Non-Executive Directors									
Bob Ivell	150	–	–	150	–	–	–	–	150
Sandra Turner	44	–	–	44	–	–	–	–	44
David Clifford	44	–	–	44	–	–	–	–	44
Andrew Page	44	–	–	44	–	–	–	–	44
Total	**282**	**–**	**–**	**282**	**–**	**–**	**–**	**–**	**282**

Notes to the table:

1. The main benefits available to the Executive Directors during the year ended 27 April 2019 were a car allowance, life assurance and private medical cover.
2. The pension provision is by way of a salary supplement to the Executive's base salary.
3. This column shows the amount of bonus paid or payable in respect of the year in question.
4. These figures represent the value of the 20% discount on the Sharesave option price granted in the relevant year.
5. Neil Page stepped down from the Board on 25 February 2019 and Jeremy Simpson was appointed to the Board on that date.
6. Andrew Page stepped down from the Board on 31 December 2018 and Jemima Bird joined the Board on 2 January 2019.

Payments to past directors (audited)

Neil Page gave the Company notice of termination of his employment, such that his employment will terminate on 30 April 2020 (the "Termination Date"). In the meantime, he will continue to be paid his salary, car allowance and pension contributions from 25 February 2019 (being the date he stepped down from the Board) to the Termination Date. However, if the Termination Date is brought forward and he commences employment elsewhere mitigation will apply for the remainder of his notice. Neil was paid basic pay of £54k, pension contributions of £11k and benefits of £5k in respect of the period between 25 February 2019 and 27 April 2019. Neil will not be entitled to receive any payments under the annual bonus scheme. All granted but unvested share awards under the Company's long-term incentive plan have lapsed.

Recruitment (not audited)

Jeremy Simpson was appointed to the Board with effect from 25 February 2019 as the Chief Financial Officer. He will receive a base salary at a rate of £280,000 p.a, a pension allowance of 10% of base salary, which is in line with the majority of other members of the Operating Committee, a car allowance of £14,000 p.a., maximum bonus of 100% of base salary and awards under the long-term incentive plan in line with the remuneration policy.

Pensions (audited)

Executive Directors are offered an allowance of a proportion of their base salary to fund their own pension provision (Wilf Walsh: 20%, Jeremy Simpson: 10%). Wilf Walsh and Jeremy Simpson both received their allowance as a salary supplement.

Annual incentives – 2019 structure and outcome (audited)

In respect of the financial year ended 27 April 2019, Executive Directors were eligible to receive an annual performance bonus based on the achievement of performance targets relating to Group underlying EBITDA. This metric was selected to align the measure to one of the Group's principal banking covenants, to eliminate the virtual fixed element of the finance charges of the Company's borrowings and to be consistent with that of other retailers.

The maximum bonus opportunity for Executive Directors for the financial year ended 27 April 2019 was 100% (2018: 100%) of basic salary earned in the financial year; 50% (2018: 50%) of the financial element was payable for on-target performance.

The Committee considered the extent to which the Executive Directors had achieved the financial objective.

Metric	Threshold	Target	Maximum	Actual performance	Maximum percentage of bonus	Actual percentage of bonus
Financial	20% payout	50% payout	100% payout			
Underlying EBITDA (£m)	£8.4	£21.1	£30.0	£2.9	100%	0%
Bonus payout					100%	0%

Long-term incentives (audited)

LTIP awards granted in July 2015 and included in the single figure for the year ended 28 April 2018

The LTIP awards granted in July 2015, which would vest in July 2018, were based on performance over the three financial years ended 28 April 2018. There was a single underlying cumulative profit performance condition relating to these awards, with pro-rata straight-line vesting between the points:

Cumulative underlying earnings per share over the performance period	Vesting level
Less than 65.6p	0%
65.6p	25%
80.2p	100%

The actual cumulative underlying earnings per share over the three financial years ended 28 April 2018 was 30.4p. As a result the awards did not vest and, consequently, there is no figure included in the single figure table.

LTIP granted September 2016

The LTIP awards granted in September 2016, which would vest in September 2019, and were based on performance over the three financial years beginning 30 April 2016, are shown in the table below:

	Type of award	Basis of grant	Average share price in 5 working days preceding date of grant	Number of shares over which award was granted	Face value of award	Threshold vesting	Maximum vesting	Performance measure
Wilf Walsh	Nil cost option	150% of salary	241p	285,684	£688,498	25%	100%	Cumulative underlying earnings per share to the financial year ending 2019
Neil Page	Nil cost option	125% of salary	241p	155,601	£374,998	25%	100%	

Awards would vest according to performance against the cumulative underlying earnings per share, as set out below:

Cumulative underlying earnings per share over the performance period	Vesting level	% of award that vests (on a straight-line basis between points)	Equivalent to compound profit growth from 2016
Less than 68.6p	Nil	0%	<5.9%
68.6p	Threshold	25%	5.9%
83.8p	Maximum	100%	13.2%

The actual performance was such that the awards will not vest and, consequently, there is no figure included in the single figure table:

LTIP award	Performance target	Weighting	Actual performance[1]	Actual vesting level	Date at end of performance period	Date of vesting	Share price at vesting[1]
Sept 2016	Cumulative underlying earnings per share	100%	4.5p	0%	27 April 2019	13 Sep 2019	N/A

1. The cumulative EPS is shown using IFRS 15 for 2019 and IAS 18 for 2017 and 2018. Whichever accounting basis was selected, the actual performance will be below the threshold.

LTIP granted July 2017

The LTIP awards granted in July 2017, which will vest in July 2020, were based on performance over the three financial years beginning 29 April 2017, are shown in the table below:

	Type of award	Basis of grant	Average share price in 5 working days preceding date of grant	Number of shares over which award was granted	Face value of award	Threshold vesting	Maximum vesting	Performance measure
Wilf Walsh	Nil cost option	150% of salary	189p	364,285	£688,498	25%	100%	Cumulative underlying
Neil Page	Nil cost option	125% of salary	189p	198,412	£374,998	25%	100%	earnings per share to the financial year ending 25 April 2020

Awards will vest according to performance against the cumulative underlying earnings per share, as set out below:

Cumulative underlying earnings per share over the performance period	Vesting level	% of award that vests (on a straight-line basis between points)	Equivalent to compound profit growth from financial year ended 2017
Less than 64.8p	Nil	0%	<14.8%
64.8p	Threshold	25%	14.8%
79.2p	Maximum	100%	22.8%

Based on current performance these awards are unlikely to vest. Neil Page’s awards have lapsed, in any event. See page 52.

All-employee share plans (audited)

Sharesave

Details of options awarded to the Executive Directors under the Sharesave plan during the course of the year are set out in the table below. Wilf Walsh cancelled his participation in previous schemes in order to participate in the 2019 scheme.

	Granted during the year	Exercise price	First exercise date	Last exercise date
Wilf Walsh	112,500	16p	April 2022	October 2022

Share Incentive Plan

Carpetright operated a SIP until January 2015, when it was closed as there were fewer than 50 participants. Neil Page participated in the plan, but since closure shares are being transferred out of the trust to Neil as and when they are able to be transferred to him on a tax-free basis. This will continue to January 2020 when all shares will have been transferred to him.

Summary of all share awards to Directors under the long-term incentive and sharesave plans

Set out below is a summary of all share awards as at 27 April 2019.

	Date granted	Balance at 28 April 2018	Granted during year	Vested/ exercised during year	Lapsed during year	Balance at 27 April 2019	Share price at grant/ invitation (p)	Exercise price (p)	Market price at date of vesting (pence)	Market price at date of exercise (pence)	Amount realised on vesting £000	Date from which exercisable	Expiry date	Scheme
Wilf Walsh	Jul 15	119,324	–	–	119,324	–	577	nil	–	–	–	Jul 18	Jul 28	LTIP
	Sept 16	285,684	–	–	–	285,684	241	nil	–	–	–	Sept 19	Sept 29	LTIP
	Feb 17	13,846	–	–	13,846	–	162	130	–	–	–	Apr 21	Oct 21	SAYE
	Jul 17	364,285	–	–	–	364,285	189	nil	–	–	–	Jul 20	Jul 30	LTIP
	Feb 19	–	112,500	–	–	112,500	19	16	–	–	–	Apr 22	Oct 22	SAYE
		783,139	**112,500**	**–**	**133,170**	**762,469**								
Neil Page	Jul 15	64,991	–	–	64,991	–	577	nil	–	–	–	Jul 18	Jul 28	LTIP
	Sept 16	155,601	–	–	155,601	–	241	nil	–	–	–	Sept 19	Sept 29	LTIP
	Feb 17	13,846	–	–	13,846	–	162	130	–	–	–	Apr 21	Oct 21	SAYE
	Jul 17	198,412	–	–	198,412	–	189	nil	–	–	–	Jul 20	Jul 30	LTIP
		432,850	**–**	**–**	**432,850**	**–**								

Notes:

Following Neil Page resigning as a director and employee, all options will lapse.

No grants have yet been made to Jeremy Simpson.

Share ownership and shareholding guidelines for Directors (audited)

The Company has a share ownership policy that requires the Executive Directors to build up and maintain a target holding having a value equal to the same multiple of base salary as performance share awards are normally made under the LTIP. Until such a holding is achieved, an Executive Director is obliged to retain shares with a minimum value equal to 50% of the post-tax vested shares under the LTIP (whether by way of Performance Share Units or Restricted Share Units). The Executive Directors are required to hold the lower of 50% of their guideline level and 50% of the value of shares they own at cessation of employment (excluding any shares purchased in the market) for a period of one year following cessation of employment. All Directors have complied with the guidelines, although the holdings of Wilf Walsh and Neil Page were below the target holding of base salary.

The beneficial interests of those individuals who were Directors as at 27 April 2019 and their immediate families in the ordinary shares of the Company are set out in the table below. There have not been any changes since that date. Additionally, the Executive Directors have an indirect interest in 175,078 shares held in trust to satisfy awards made under the LTIP.

	Financial year ended	Ordinary shares	Ordinary shares held in the SIP[1]	Total holding of ordinary shares	Value of holding as a % of salary on the last day of the relevant financial year[2]	Ordinary shares under option under the Sharesave Plan[3]	Ordinary shares subject to outstanding unvested awards under the LTIP[4]	Total interest in ordinary shares
Executive								
Wilf Walsh	**2019**	**734,428**	**–**	**734,428**	**49%**	**112,500**	**649,969**	**1,496,897**
	2018	85,028	–	85,028	8%	13,846	769,293	868,167
Jeremy Simpson	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-Executive								
Bob Ivell		–	–	–	–	–	–	–
Sandra Turner		–	–	–	–	–	–	–
David Clifford		21,296	–	21,296	–	–	–	21,296
Andrew Page		–	–	–	–	–	–	–

To the best of the Directors' knowledge, the beneficial interests as at 27 April 2019 of those individuals who ceased to be Directors during the year are set out below:

	Ordinary shares	Ordinary shares held in the SIP[1]	Total holding of ordinary shares	Ordinary shares under option under the Sharesave Plan[3]	Ordinary shares subject to outstanding unvested awards under the LTIP[4]	Total interest in ordinary shares
Executive						
Neil Page	**233,950**	**268**	**234,218**	**–**	**–**	**234,218**
Non-Executive						
Andrew Page	–	–	–	–	–	–

Notes:

1. Under the rules of the SIP, certain shares awarded to participants must be retained in the plan for a specified "holding period" of up to five years. The receipt of these shares is not subject to the satisfaction of performance conditions. The shares held in the SIP will reduce over time as the SIP has closed. Please see page 55.
2. Share price used is the price as at 27 April 2019: 30.6p.
3. None of these options are subject to a performance condition. Details of the Sharesave interests can be found on page 55.
4. This column shows all unvested and outstanding awards under the LTIP that were held by the Executive Director concerned as at 27 April 2019 (i.e. including those granted during the year). Details of these entitlements, the vesting of which is subject to the satisfaction of performance conditions, are set out on page 55.

Application of the remuneration policy for the financial year ending 26 April 2020

Basic salary

For the 2019 pay review, the Chief Executive indicated to the Committee that, in light of the performance of the business, his base salary should remain unchanged. Jeremy Simpson had recently commenced as the Chief Financial Officer and no review of his salary would be appropriate. The Committee therefore decided not to conduct a review of their pay and, as a result, their base salaries remain unchanged. The current salaries of the Executive Directors are as follows:

	Base salary as at 29 April 2017	**Current base salary**	Percentage change
Wilf Walsh	£459,000	**£459,000**	0%
Jeremy Simpson	–	**£280,000**	–

Benefits and pension

Benefits and pension will operate in the financial year ending 26 April 2020 as per their respective policies set out in the Policy Report on pages 40 to 48.

Annual bonus plan performance targets

The annual bonus plan for the financial year ending 26 April 2020 will operate consistently with the policy detailed in the Policy Report on page 42. If the New Policy is approved, any payments in excess of on-target performance will be deferred into shares.

Performance targets for the Executive Directors for the financial year ending 26 April 2020 are expected to be based on underlying EBITDA (80%) and customer service (20%). The EBITDA measure has been selected in order to align it with the Group's banking covenants and measures used by similar companies and the customer service metric is designed to incentivise the Directors to provide great customer service and build the brand and reputation of the business for the future. The customer service metric will be subject to an EBITDA underpin.

Consistent with our policy and the Group's practice over a number of years, the Committee has set the percentage of bonus payable for on-target performance in light of the degree of stretch in the targets and the affordability of the pay-outs to the Group. It has, however, reduced the quantum of payment for threshold performance to 10% as it thought that to be appropriate in the circumstances. The range will be to pay 0% unless a threshold level of performance has been achieved, 10% of maximum at threshold and 50% of maximum for achieving target and maximum for achieving a stretch level of performance, with straight-line vesting between each point. Further details of the targets are currently commercially sensitive and the Company will not be disclosing them at the start of the year. However, they will, unless they remain commercially sensitive, be disclosed retrospectively in the 2020 Annual report and accounts.

Long-term incentive awards

The Committee plans to make awards to Executive Directors of Restricted Share Units following the Annual General Meeting in September, subject to the New Policy being adopted. Assuming awards are made, the characteristics and quantum of award will be as set out in my Annual Letter to shareholders in Part 1 of this Remuneration Report.

Non-Executive Directors' fees

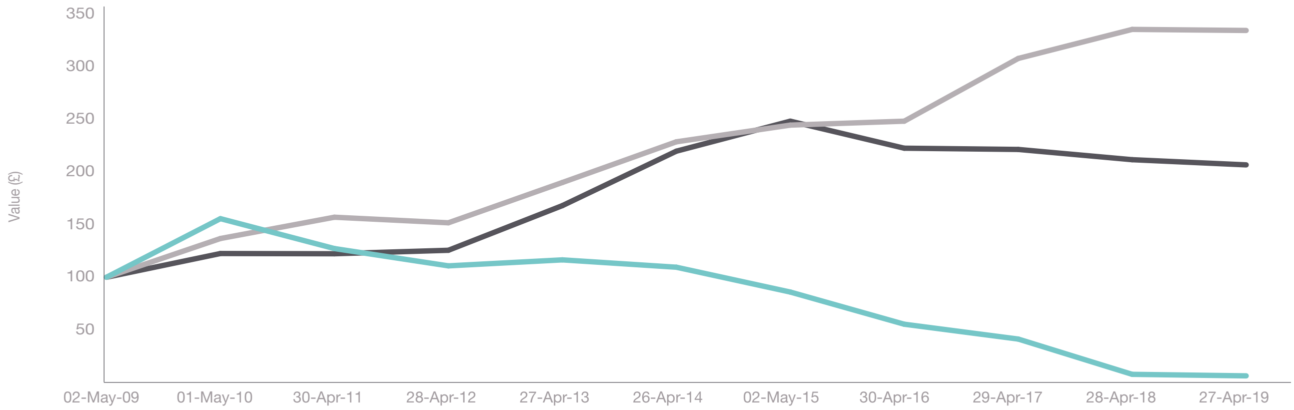
Non-Executive Directors' fees have been reviewed and no changes were made. The current fees are as follows:

	Base fee	Base fee for SID	Chairman fee (including base fee and chairing the Nomination Committee)	Additional fee for Committee Chairman
Current fees	£39,000	£44,000	£150,000	£5,000

Other information

Performance graph

The graph below shows the value, by 27 April 2019, of £100 invested in Carpetright plc on 2 May 2009 compared with that of £100 invested in the FTSE Small Cap Index and the FTSE All Share General Retailers Index, which the Directors believe to be the most suitable broad comparators. The other points plotted are the values at intervening financial year-ends.



Source: Thomson-Reuters

Statement of change in total remuneration of the Chief Executive

Total remuneration of individuals undertaking the role of Chief Executive in each of the past nine years is as follows:

Financial year ended April	Chief Executive[1]	Total remuneration of Chief Executive[2] £'000	Annual variable element award rates for Chief Executive (as % of max. opportunity)	Long-term incentive vesting rates for Chief Executive (as % of max. opportunity)
2019	**Wilf Walsh**	**582**	**0%**	**0%**
2018	**Wilf Walsh**	**579**	**0%**	**0%**
2017	**Wilf Walsh**	**727**	**0%**	**75%**
2016	**Wilf Walsh**	**819**	**52%**	**0%**
2015	**Combined remuneration**	**842**		
2015	Wilf Walsh (21 July 2014 to 30 April 2015)	749	86%	0%
2015	Lord Harris (1 May 2014 to 20 July 2014)	93	0%	0%
2014	**Combined remuneration**	**490**		
2014	Lord Harris (3 October 2013 to 30 April 2014)	249	0%	0%
2014	Darren Shapland (1 May 2013 to 3 October 2013)	241	0%	0%
2013	**Combined remuneration**	**1,025**		
2013	Darren Shapland (14 May 2012 to 30 April 2013)	1,007	29%	0%
2013	Lord Harris (1 May 2012 to 14 May 2012)	18	0%	0%
2012	**Lord Harris**	**522**	**0%**	**0%**
2011	**Lord Harris**	**522**	**0%**	**0%**
2010	**Lord Harris**	**721**	**37%**	**26%**

Notes:

1. Lord Harris stood down as Chief Executive in May 2012, at which point Darren Shapland was appointed Chief Executive. Darren Shapland stood down on 3 October 2013, at which point Lord Harris was appointed as full-time Executive Chairman. Wilf Walsh joined as Chief Executive on 21 June 2014, at which point Lord Harris ceased to fulfil that role.
2. The amounts shown in this column have been calculated using the same methodology prescribed by the Regulations for the purposes of preparing the single total figure table shown on page 51.

Statement of change in pay of individuals undertaking the role of Chief Executive compared to other employees

The table below shows the movement in the remuneration for the role of Chief Executive between the current and previous financial year compared to the average (per full-time equivalent) for all employees.

	Salary % change	Benefits % change	Bonus/payments as a result of performance % change
Chief Executive Officer	0%	0%	0%
Average per employee	1%	0.4%	(0.8)%

Bonus figures include commission payments.

Relative importance of spend on pay

The table below illustrates the change in expenditure on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ended 28 April 2018 to the financial year ended 27 April 2019.

	2019 £m	2018 £m	Percentage change
Overall expenditure on pay	**80.9**	91.8	(12)%
Dividend plus share buyback	**–**	–	–

These matters were selected to be shown as they represent key distributions by the Group to its stakeholders. Further details on overall expenditure on pay can be found in note 4 to the financial statements on pages 75 to 76.

By order of the Board

Sandra Turner
Chairman of the Remuneration Committee
25 June 2019

Other information

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors' Report. Certain other matters required to be reported on appear elsewhere in the Annual report and accounts as detailed below, and each forms part of this Directors' Report:

- the Strategic Report, including an indication of likely future developments in the business, appears from the inside front cover to page 27;
- the Directors' remuneration report appears on pages 36 to 59;
- the going concern statement appears on page 22;
- the viability statement appears on page 22;
- a list of the subsidiary and associated undertakings, including branches outside the UK, appears on page 86;
- changes in asset values are set out in the consolidated balance sheet on page 65 and in the notes to the financial statements on pages 67 to 105;
- the Group's profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement on page 63;
- a detailed statement of the Group's treasury management and funding is set out in note 23 to the financial statements on pages 96 to 98;
- matters concerning the employment etc. of disabled persons appear on page 26;
- details of employee involvement appear on pages 26 and 27;
- disclosures concerning greenhouse gas emissions appear on page 27;
- a statement that this Annual report and accounts meets the requirements of Provision C.1.1 of the UK Corporate Governance Code ('the Code') is set out on page 28; and
- in accordance with Listing Rule 9.8.4, details of dividend waivers appear on page 61.

Directors' interests

Directors' share interests are disclosed in the Directors' report on remuneration on page 56. Except as disclosed in this report, no Director had a material interest in any contract or arrangement with the Company during the year, other than through their respective service contracts. Some Directors made purchases of the Company's products in the period, on normal commercial terms available to all employees.

Directors' indemnity arrangements

The Company has provided qualifying third-party indemnities for the benefit of each Director who held office during the financial year ended 2019, all of which remain in place as at the date of this report. The Company has also purchased and maintained Directors' and Officers' liability insurance throughout the financial year ended 2019.

Significant agreements – change of control

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

- a facilities agreement dated 19 March 2008, as amended and restated most recently on 10 May 2018. This provides that on a change of control all lenders' commitments are cancelled and all outstanding loans, together with accrued interest, will become immediately due and payable and committed overdraft facilities of £7.5m and €2.4m which will similarly become due and payable upon a change of control. Details of balances at the financial year end can be found in note 23 to the consolidated financial statements;
- a loan note instrument creating £17,250,000 guaranteed 18% unsecured loan notes 2020 which provides that on a change of control the loan notes must be mandatorily repaid in full; and
- under the Company's all-employee and discretionary share schemes, a change of control of the Company would normally be a vesting event, facilitating the exercise or transfer of awards, subject to any relevant performance conditions being satisfied.

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

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

Share capital

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

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

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

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

Shares acquired through Carpetright's employee share schemes rank equally with all other ordinary shares in issue and have no special rights. The Trustee of the Company's Employee Benefit Trust ('EBT') has waived its rights to dividends on shares held by the EBT and does not exercise its right to vote in respect of such shares. Shares held in trust on behalf of participants in the All Employee Share Ownership Plan are voted by the Trustee as directed by the participants. Details of share-based payments, including information regarding the shares held by the EBT, can be found in notes 24 and 25 to the financial statements on pages 98 to 100.

Substantial shareholdings

As at 25 June 2019, the Company has been notified of the following substantial shareholdings in accordance with the Disclosure and Transparency Rules, other than those of the Directors, in the issued share capital of the Company:

	Shares held as a percentage of the issued share capital
Meditor Capital Management Limited and Meditor Group Limited	29.99%
Aberforth Partners LLP	12.32%
Competrol Establishment	12.08%
Wellcome Trust	7.24%
Majedie Asset Management Limited	5.06%

Donations

No political donations were made during the year (2018: £nil).

Shareholders' views

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

All shareholders will have at least 20 working days' notice of the Annual General Meeting. As required by the Code, the Board will, at the 2019 Annual General Meeting, announce the proxy votes in favour of and against each resolution following a vote by a show of hands, and the votes cast will be posted on the corporate website.

Authority to purchase own shares

At the 2018 Annual General Meeting, shareholders gave the Company renewed authority to purchase a maximum of 30,378,716 shares of one penny each. This resolution remains valid until the date of this year's Annual General Meeting. As at 27 April 2019, the Directors had not used this authority. The Company's present intention is to cancel any shares acquired under such authority, unless purchased to satisfy outstanding awards under employee share incentive plans. A resolution seeking renewal of the authority will be proposed at this year's Annual General Meeting.

Statement of directors' responsibilities

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

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

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

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

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

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

Other information continued

Each of the Directors (other than Pauline Best, whose details are set out and who joins the Board on 1 August 2019) whose names and details are set out on page 31 of this report confirms that to the best of their knowledge:

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

Statement of the directors in respect of the annual report and financial statements

As required by the Code, the Directors confirm that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes, including the following:

- the Annual Report is drafted by appropriate senior management with overall co-ordination by the Chief Financial Officer to ensure consistency across sections;
- an extensive verification exercise is undertaken to ensure factual accuracy;
- comprehensive reviews of drafts of the Report are undertaken by the Executive Directors and other senior management; and
- a draft is considered by the Audit Committee prior to consideration by the Board.

Disclosure of information to auditors

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

Annual General Meeting

The 2019 Annual General Meeting of the Company will be held on 5 September 2019 at Carpetright plc, Purfleet Bypass, Purfleet, Essex RM19 1TT at 12:00 p.m. A full description of the business to be conducted at the meeting is set out in the separate Notice of Annual General Meeting.

The Directors' Report was approved and signed by order of the Board

Jeremy Sampson
Company Secretary and Legal Director
25 June 2019

Financial statements

Consolidated income statement

for the 52 weeks ended 27 April 2019

	Notes	Group 52 weeks to 27 April 2019 Underlying performance £m	Separately reported items £m	Total £m	Group 52 weeks to 28 April 2018 restated* Underlying performance £m	Separately reported items £m	Total £m
Revenue	2	**386.4**	**–**	**386.4**	446.3	–	446.3
Cost of sales		**(176.0)**	**–**	**(176.0)**	(196.0)	–	(196.0)
Gross profit	2	**210.4**	**–**	**210.4**	250.3	–	250.3
Administration expenses		**(209.5)**	**(9.2)**	**(218.7)**	(245.6)	(59.5)	(305.1)
Other operating income/(loss)		**2.0**	**1.3**	**3.3**	2.4	(2.3)	0.1
Operating profit/(loss) before depreciation and amortisation		**2.9**	**(7.9)**	**(5.0)**	7.1	(61.8)	(54.7)
Depreciation	3	**(10.7)**	**–**	**(10.7)**	(11.0)	–	(11.0)
Amortisation	3	**(0.7)**	**–**	**(0.7)**	(1.3)	–	(1.3)
Operating loss	2,3	**(8.5)**	**(7.9)**	**(16.4)**	(5.2)	(61.8)	(67.0)
Finance costs	6	**(8.4)**	**–**	**(8.4)**	(2.8)	–	(2.8)
Loss before tax		**(16.9)**	**(7.9)**	**(24.8)**	(8.0)	(61.8)	(69.8)
Tax	7	**2.6**	**0.2**	**2.8**	4.0	2.2	6.2
Loss for the financial period attributable to equity shareholders of the Company		**(14.3)**	**(7.7)**	**(22.0)**	(4.0)	(59.6)	(63.6)
Basic loss per share (pence)	9	**(5.1)**		**(7.9)**	(5.8)		(93.6)
Diluted loss per share (pence)	9			**(7.9)**			(93.6)

Note:

* The prior year was restated as a result of the adoption of IFRS 15 – see note 33.

Consolidated statement of comprehensive income

for the 52 weeks ended 27 April 2019

	Notes	Group 52 weeks to 27 April 2019 £m	Group 52 weeks to 28 April 2018 Restated £m
Loss for the financial period		**(22.0)**	(63.6)
Items that may not be reclassified to the income statement:			
Re-measurement of defined benefit plans	22	**(0.5)**	1.6
Tax on items that may not be reclassified to the income statement	7	**0.1**	(0.4)
Total items that may not be reclassified to the income statement		**(0.4)**	1.2
Items that may be reclassified to the income statement:			
Exchange gains		**(0.7)**	2.4
Total items that may be reclassified to the income statement		**(0.7)**	2.4
Other comprehensive (expense)/income for the period		**(1.1)**	3.6
Total comprehensive expense for the period attributable to equity shareholders of the Company		**(23.1)**	(60.0)

Statements of changes in equity

for the 52 weeks ended 27 April 2019

Group	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
IFRS 15 adjustments – see note 33	–	–	–	–	–	–	(10.2)	(10.2)
At 29 April 2017 – restated	0.7	17.8	(1.6)	0.1	7.6	–	43.2	67.8
Loss for the period – restated	–	–	–	–	–	–	(63.6)	(63.6)
Other comprehensive income for the financial period	–	–	–	–	2.4	–	1.2	3.6
Total comprehensive income/(expense) for the financial period	–	–	–	–	2.4	–	(62.4)	(60.0)
Issue of new shares	–	1.3	–	–	–	–	–	1.3
Transfer of treasury shares to participants	–	–	0.2	–	–	–	(0.2)	–
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 28 April 2018 – restated	**0.7**	**19.1**	**(1.4)**	**0.1**	**10.0**	**–**	**(18.9)**	**9.6**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(22.0)**	**(22.0)**
Other comprehensive expense for the financial period	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**(0.4)**	**(1.1)**
Total comprehensive expense for the financial period	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**(22.4)**	**(23.1)**
Issue of new shares	**2.3**	**–**	**–**	**–**	**–**	**60.4**	**–**	**62.7**
Transfer from merger reserve	**–**	**–**	**–**	**–**	**–**	**(60.4)**	**60.4**	**–**
Share based payments and related tax	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
At 27 April 2019	**3.0**	**19.1**	**(1.4)**	**0.1**	**9.3**	**–**	**19.6**	**49.7**

Company	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	(0.3)	–	31.2	47.9
IFRS 15 adjustments see note 33	–	–	–	–	–	–	(7.2)	(7.2)
At 29 April 2017 – restated	0.7	17.8	(1.6)	0.1	(0.3)	–	24.0	40.7
Loss for the period – restated	–	–	–	–	–	–	(52.2)	(52.2)
Other comprehensive income for the financial period	–	–	–	–	0.2	–	1.2	1.4
Total comprehensive income/(expense) for the financial period	–	–	–	–	0.2	–	(51.0)	(50.8)
Issue of new shares	–	1.3	–	–	–	–	–	1.3
Transfer of treasury shares to participants	–	–	0.2	–	–	–	(0.2)	–
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 28 April 2018 – restated	**0.7**	**19.1**	**(1.4)**	**0.1**	**(0.1)**	**–**	**(26.7)**	**(8.3)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(20.1)**	**(20.1)**
Other comprehensive income/(expense) for the financial period	**–**	**–**	**–**	**–**	**0.1**	**–**	**(0.4)**	**(0.3)**
Total comprehensive income/(expense) for the financial period	**–**	**–**	**–**	**–**	**0.1**	**–**	**(20.5)**	**(20.4)**
Issue of new shares	**2.3**	**–**	**–**	**–**	**–**	**60.4**	**–**	**62.7**
Transfer from merger reserve	**–**	**–**	**–**	**–**	**–**	**(60.4)**	**60.4**	**–**
Share based payments and related tax	**–**	**–**	**–**	**–**	**–**	**–**	**0.5**	**0.5**
At 27 April 2019	**3.0**	**19.1**	**(1.4)**	**0.1**	**–**	**–**	**13.7**	**34.5**

Balance sheets

as at 27 April 2019

	Notes	Group 2019 £m	Group 2018 restated £m	Company 2019 £m	Company 2018 restated £m	Group 2017 restated £m	Company 2017 restated £m
Assets							
Non-current assets							
Intangible assets	10	**29.6**	27.0	**8.0**	5.2	57.2	27.8
Property, plant and equipment	11	**88.9**	98.7	**55.0**	62.7	102.0	67.6
Investment property	12	**10.3**	10.5	**1.4**	1.4	15.3	2.3
Investment in subsidiary undertakings	13	**–**	–	**15.7**	15.7	–	15.7
Deferred tax assets	21	**0.9**	2.3	**0.9**	–	2.3	–
Trade and other receivables	15	**0.5**	0.7	**0.4**	0.7	0.4	0.4
Total non-current assets		**130.2**	139.2	**81.4**	85.7	177.2	113.8
Current assets							
Inventories		**43.7**	45.7	**33.9**	37.2	51.8	43.6
Trade and other receivables	15	**12.9**	16.7	**50.0**	55.5	17.4	56.8
Cash and cash equivalents	16	**15.4**	6.6	**13.7**	4.3	12.5	9.3
Total current assets		**72.0**	69.0	**97.6**	97.0	81.7	109.7
Total assets		**202.2**	208.2	**179.0**	182.7	258.9	223.5
Liabilities							
Current liabilities							
Trade and other payables	17	**(69.8)**	(82.6)	**(65.9)**	(79.3)	(98.8)	(96.9)
Obligations under finance leases	18	**(0.1)**	(0.1)	**(0.1)**	(0.1)	(0.1)	(0.1)
Borrowings and overdrafts	19	**(25.5)**	(57.8)	**(25.5)**	(57.8)	(20.1)	(20.1)
Provisions for liabilities and charges	20	**(5.0)**	(10.6)	**(5.0)**	(10.6)	–	–
Current tax liabilities		**(1.2)**	(0.8)	**(0.8)**	(0.8)	(1.7)	(1.7)
Total current liabilities		**(101.6)**	(151.9)	**(97.3)**	(148.6)	(120.7)	(118.8)
Non-current liabilities							
Trade and other payables	17	**(24.3)**	(28.0)	**(24.3)**	(28.0)	(34.5)	(34.5)
Obligations under finance leases	18	**(1.3)**	(1.7)	**(0.3)**	(0.7)	(2.1)	(1.0)
Borrowings and overdrafts	19	**(15.9)**	–	**(15.9)**	–	–	–
Provisions for liabilities and charges	20	**(6.1)**	(9.1)	**(6.1)**	(9.1)	(17.5)	(17.5)
Deferred tax liabilities	21	**(2.7)**	(7.1)	**–**	(3.8)	(13.1)	(7.8)
Retirement benefit obligations	22	**(0.6)**	(0.8)	**(0.6)**	(0.8)	(3.2)	(3.2)
Total non-current liabilities		**(50.9)**	(46.7)	**(47.2)**	(42.4)	(70.4)	(64.0)
Total liabilities		**(152.5)**	(198.6)	**(144.5)**	(191.0)	(191.1)	(182.8)
Net assets/(liabilities)		**49.7**	9.6	**34.5**	(8.3)	67.8	40.7
Equity							
Share capital	24	**3.0**	0.7	**3.0**	0.7	0.7	0.7
Share premium	24	**19.1**	19.1	**19.1**	19.1	17.8	17.8
Treasury shares	24	**(1.4)**	(1.4)	**(1.4)**	(1.4)	(1.6)	(1.6)
Other reserves		**29.0**	(8.8)	**13.8**	(26.7)	50.9	23.8
Total equity attributable to equity shareholders of the Company		**49.7**	9.6	**34.5**	(8.3)	67.8	40.7

The loss for the Company for the period was £20.1m (2018: loss of £52.2m restated).

As required under IAS 8, the material impact of IFRS15 requires the Group to disclose the restated 2017 balance sheet.

Company Registration Number: 2294875.

These financial statements from pages 63 to 107 were approved by the Board of Directors on 25 June 2019 and were signed on its behalf by:

Wilf Walsh **Jeremy Simpson**
Directors

Statements of cash flow

for the 52 weeks ended 27 April 2019

	Notes	**Group 52 weeks to 27 April 2019 £m**	Group 52 weeks to 28 April 2018 restated £m	**Company 52 weeks to 27 April 2019 £m**	Company 52 weeks to 28 April 2018 restated £m
Cash flows from operating activities					
Loss before tax		**(24.8)**	(69.8)	**(25.2)**	(56.4)
Adjusted for:					
Depreciation and amortisation	2,3	**11.4**	12.3	**8.5**	9.6
(Profit)/ loss on property disposals	5	**(1.3)**	2.3	**(1.3)**	2.1
Separately reported non-cash items	5	**6.3**	47.8	**5.7**	32.7
Separately reported cash items	5	**2.4**	11.2	**2.0**	10.9
Share based payments	5,25	**0.5**	0.5	**0.5**	0.5
Net finance costs	6	**8.4**	2.8	**8.2**	2.6
Operating cash flows before movements in working capital		**2.9**	7.1	**(1.6)**	2.0
(Decrease)/increase in inventories		**(1.1)**	6.4	**0.3**	6.5
Increase/(decrease) in trade and other receivables		**3.8**	0.4	**3.9**	(1.9)
Decrease in trade and other payables		**(17.9)**	(24.5)	**(17.3)**	(23.5)
Net income/(expenditure) on exit of operating leases		**0.9**	(1.9)	**0.9**	(1.8)
Restructuring costs		**(2.4)**	(2.6)	**(2.0)**	(2.4)
Provisions paid		**(9.6)**	(5.5)	**(9.6)**	(5.5)
Contributions to pension schemes		**(1.2)**	(0.9)	**(1.2)**	(0.9)
Cash used in operations		**(24.6)**	(21.5)	**(26.6)**	(27.5)
Interest paid		**(2.4)**	(1.8)	**(2.4)**	(1.9)
Corporation taxes received/(paid)		**0.3**	(1.4)	**0.6**	(1.5)
Net cash used in operating activities		**(26.7)**	(24.7)	**(28.4)**	(30.9)
Cash flows from investing activities					
Purchase of intangible assets		**(3.9)**	(4.5)	**(3.7)**	(3.0)
Purchase of property, plant and equipment and investment property		**(4.8)**	(15.7)	**(3.1)**	(10.4)
Proceeds on disposal of property, plant and equipment and investment property		**0.6**	0.3	**0.6**	0.3
Interest received		**–**	–	**0.2**	0.2
Net cash used in investing activities		**(8.1)**	(19.9)	**(6.0)**	(12.9)
Cash flows from financing activities					
Issue of new shares		**62.7**	–	**62.7**	–
Repayment of finance lease obligations		**(0.2)**	(0.3)	**(0.1)**	(0.2)
Movement in borrowings	29,30	**(34.5)**	32.0	**(34.5)**	32.0
New loans advanced	29,30	**14.9**	12.0	**14.9**	12.0
Net cash generated from financing activities		**42.9**	43.7	**43.0**	43.8
Net increase/(decrease) in cash and cash equivalents in the period	29	**8.1**	(0.9)	**8.6**	–
Cash and cash equivalents at the beginning of the period		**4.8**	5.4	**2.5**	2.2
Exchange differences	29	**–**	0.3	**0.1**	0.3
Cash and cash equivalents at the end of the period	16,29	**12.9**	4.8	**11.2**	2.5

For the purposes of the statements of cash flow, 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 sheets and are included in borrowings and overdrafts under current liabilities.

Notes to the financial statements

1. Principal accounting policies

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

General information

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

The nature of the Group's operations and its principal activities are set out on pages 2 to 5 of the Annual report and accounts.

Basis of preparation

The consolidated financial statements of the Group and the Company are drawn up to within seven days of the accounting record date, being 30 April of each year. The financial period for 2019 represents the 52 weeks ended 27 April 2019. The comparative financial period for 2018 was 52 weeks ended 28 April 2018.

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

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its income statement and statement of comprehensive income. The loss for the Company for the period was £20.1m (2018: loss of £52.2m restated).

Going concern

The Group meets its day to day working capital requirements through its bank facilities and a shareholder loan. 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 shareholder loan of £17.25m gross (£15.9m net of fees) is committed to 31 July 2020. The three main financial covenants within the banking facility assess underlying EBITDA, debt levels and fixed-charge cover. Given the trading performance since the CVA in June 2018 when covenants were set, headroom against the EBITDA covenant is expected to be the most sensitive both at present and over the remaining term of the facility.

As part of the Board's assessment of going concern, trading and working capital requirements, together with the shareholder loan due for repayment in July 2020, forecasts have been prepared covering a 15 month period from June 2019. These forecasts have been subjected to a sensitivity testing to reflect market and trading uncertainties, offset by the opportunity to take mitigating action through this forecast period.

The forecasts have been updated for actual trading to week seven of the current year and the latest view of trading to the end of June 2019. As discussed in the Chief Executive's report, trading for this period has been encouraging, with positive like-for-like revenues in all of our businesses. Consumer confidence however remains uncertain, with the British Retail Consortium reporting the biggest decline in retail sales on record in May 2019. The financial forecasts have been sensitised to take account of future volatility in demand outside the Group's control, which in certain downside cases would require us to renegotiate our covenants with lenders. This presents an uncertainty to the Going Concern assessment, albeit we are confident in a number of mitigating opportunities to help manage this risk.

The most critical assumption when assessing the Group's Going Concern position is whether it has adequate resources to continue in operational existence for the foreseeable future, determined to be at least 12 months from the date of approval of these financial statements. The Group's principal banking facility falls due within this period, with the shareholder loan falling due within 15 months. The Group is in active discussions regarding refinancing its borrowings and the Directors are confident of obtaining a suitable long term arrangement. In the absence of these discussions coming to fruition, the Directors are confident of there being a market for strategic asset sales that would enable the Group to raise sufficient funds to meet the future cash requirements of the Group and its liquidity needs. However, without either of these developments, and assuming no additional financing or the successful renegotiation of existing covenants under the existing banking facility, the Group and Parent Company may be unable to meet their liabilities as they fall due. These conditions indicate the existence of material uncertainties 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 restructuring, the Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a minimum of 15 months following the signing of these 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 19.

1. Principal accounting policies continued

Alternative Performance Measures

The Group 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 meanings prescribed by IFRS and therefore may not be directly comparable to similar measures presented by other companies.

Sales

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

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 Consolidated income statement.

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 businesses.

Separately reported items

Defined below.

Underlying EBITDA

Underlying EBITDA is defined as operating profit before tax, interest, 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. Underlying EBITDA 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.

Net debt

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

Operating cash flow

This measure is determined by taking underlying operating profit and adding back non-cash items and any movements in working capital.

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 and impairments and the taxation impact of the aforementioned separately reported items.

1. Principal accounting policies continued

New and amended accounting standards adopted by the Group

The following new amendments, which are mandatory for the first time for the 52 weeks ended 27 April 2019, have been applied and aside from IFRS 15 'Revenue from Contracts with Customers', have not had a material impact on the Group's and the Company's financial results for the 52 weeks ended 27 April 2019:

- IFRS 15 'Revenue from Contracts with Customers' – this is discussed in detail in note 33.
- IFRS 9 'Financial Instruments' (effective for the Group's 2018/19 financial year).
- 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.

There are no other new or amended standards effective during the period that have had a material impact on the Group's financial statements.

New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to existing standards were issued but not yet effective and have not been applied in preparing these consolidated financial statements. These include:

- IFRS 16 'Leases' (effective for the Group's 2019/20 financial year).

Given the potential significance of the introduction of this standard, the Group has established a working group to identify the impact and potential risks associated with its implementation. This is discussed in detail in note 33.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1. Principal accounting policies continued

Exchange differences

The consolidated financial statements are presented in pounds Sterling, which is the Company's functional and presentation currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the opening rate for the month in which the transaction occurs which is used as a reasonable approximation to the rate at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period, except where they are part of a net foreign investment hedge, when they are recognised in equity. The Group had no foreign exchange hedge contracts in place at period end.

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

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

Segment reporting

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

Revenue

Revenue: We evaluate our Revenue with customers based on the five-step model under IFRS 15: 'Revenue from Contracts with Customers': (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied.

Revenue from the sale of goods and services is recognised when the group has satisfied its performance obligations by transferring control of the goods or service to the customer. Control is considered to be transferred at the point of delivery. When the Group has received payment and has a commitment to provide goods and services, the value of the goods or service is recognised as "contract liabilities". Contract Liabilities are realised and fulfilled within 12 months.

Revenue is shown net of discounts, sales returns, charges for the provision of interest free credit and VAT or other sales related taxes. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Share based payments

The Group issues equity-settled share based payments to certain employees, the terms of these payments do not contain any market conditions. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The value of the charge is adjusted to reflect expected and actual levels of options vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and performance conditions that are included in the assumptions about the number of options which are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity is made.

Treasury shares

Own equity instruments that are reacquired (Treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium reserve.

Other operating income

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

1. Principal accounting policies continued

Tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and it is the intention to settle these on a net basis.

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

Dividends

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity. For the purposes of impairment, goodwill is allocated to each cash-generating unit (or groups of cash-generating units) that is expected to benefit from the business combination. Goodwill is not amortised, but is reviewed for impairment at least annually or when there is an indication of impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Impairment

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

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of impairment at each reporting date.

Other intangible assets

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

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

Brands	20 years
Computer software	5 to 10 years

Property, plant and equipment

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

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

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

Freehold and long leasehold buildings	50 years
Short leasehold buildings	The shorter of the period of the lease and the estimated useful life
Fixtures and fittings	3 to 15 years, except for fixed racking which is depreciated over 25 years
Other plant and machinery	5 to 10 years

1. Principal accounting policies continued

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

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

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

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

Rentals payable under operating leases are charged to income on a straight line basis over the period of the lease. Premiums payable, rent free periods and contributions receivable on entering an operating lease are charged or credited to the income statement on a straight line basis over the lease term. In the event of an amendment to the lease term, the period of recognition for any balance outstanding will be adjusted accordingly.

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

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

Rebates receivable from suppliers
Rebates earned by the Group take the form of volume based rebates, for attaining specific purchase targets, with individual suppliers. These agreements normally cover the financial period. Agreements that cover more than one financial period are recognised in the period in which the rebate is earned and are credited to the carrying value of inventory to which they relate.

The Group also receives discounts/rebates from certain suppliers for one-off, targeted marketing and promotional events. These rebates are recognised in the period in which the promotional activity is held.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, cash at bank, deposits repayable on demand, highly liquid investments and sums in transit receivable within 30 days from our credit card and Interest Free Credit providers. For the purposes of the statements of cash flow, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings and overdrafts in current liabilities on the balance sheet.

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

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

A provision for vacant properties and onerous leases is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment losses on the assets associated with that contract.

1. Principal accounting policies continued

Retirement benefit obligation

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

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

The Group does not recognise any scheme surpluses, unless it has an unconditional right to a refund or reductions to future contributions.

Actuarial gains and losses are recognised in full, directly in equity in the period in which they occur and are presented in other comprehensive income. Other income and expenses associated with the defined benefit scheme are recognised in the income statement. The pension cost of defined contribution schemes is charged in the income statement as incurred.

Restatement

The financial statements have been restated following the adoption of IFRS 15 – see note 33 for further details. No restatement were required for the adoption of IFRS 9.

Critical estimates and judgments

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

Judgments

Impairment of assets

Property, plant and equipment, investment property and other intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or cash-generating unit is determined based on the higher of fair value less costs to sell, and value in use calculations prepared on the basis of management's assumptions and estimates. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

Onerous leases

The Group carries an onerous lease provision which recognises the liabilities associated with lease contracts of closed stores and those that are projected to close. The provision is based on a review of the lease contracts and management's estimate of the timings to exit the lease. The Group has also reviewed any trading loss-making stores and provided for the onerous elements of these leases. These estimates are based upon available information and knowledge of the property market. The ultimate costs to be incurred in this regard may vary from the estimates. Recognition of onerous lease provisions is made over the remaining term of a lease and revised accordingly where those lease terms change

Going concern

Management considers going concern to be a matter of critical judgment. Please refer to pages 22 and 34.

Estimates

Retirement benefits

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

2. Segmental analysis

The Group's operating segments are determined on the basis of information provided to the Chief Operating Decision Maker – the Board of Directors – to review performance and make decisions. The reporting segments are:

- UK; and
- Rest of Europe (comprising Belgium, the Netherlands and Republic of Ireland).

The reportable operating segments derive their revenue primarily from the retailing of floorcoverings and beds. Central costs of the Group 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. Segment information provided to the Board of Directors for the reportable segments for the 52 weeks ended 27 April 2019 are shown below.

The Group has not presented disaggregation of revenue, as the Group has a main predominant product group – flooring – which is best disclosed through geographical markets.

	52 weeks to 27 April 2019			52 weeks to 28 April 2018 restated		
	UK £m	**Europe £m**	**Group £m**	UK £m	Europe £m	Group £m
Gross revenue	**369.1**	**102.3**	**471.4**	445.8	100.5	546.3
Inter-segment revenue	**(1.5)**	**–**	**(1.5)**	(2.0)	–	(2.0)
Gross revenue	**367.6**	**102.3**	**469.9**	443.8	100.5	544.3
Less cost of interest free credit	**(5.7)**	**–**	**(5.7)**	(7.3)	–	(7.3)
Less VAT and other sales tax	**(60.9)**	**(16.9)**	**(77.8)**	(74.0)	(16.7)	(90.7)
Revenue from external customers	**301.0**	**85.4**	**386.4**	362.5	83.8	446.3
Gross profit	**168.1**	**42.3**	**210.4**	206.6	43.7	250.3
Underlying operating (loss)/profit	**(9.1)**	**0.6**	**(8.5)**	(6.3)	1.1	(5.2)
Separately reported items	**(7.5)**	**(0.4)**	**(7.9)**	(49.7)	(12.1)	(61.8)
Operating (loss)/profit	**(16.6)**	**0.2**	**(16.4)**	(56.0)	(11.0)	(67.0)
Finance costs	**(8.3)**	**(0.1)**	**(8.4)**	(2.8)	–	(2.8)
(Loss)/profit before tax	**(24.9)**	**0.1**	**(24.8)**	(58.8)	(11.0)	(69.8)
Tax	**5.2**	**(2.4)**	**2.8**	3.4	2.8	6.2
Loss for the financial period	**(19.7)**	**(2.3)**	**(22.0)**	(55.4)	(8.2)	(63.6)
Segment assets:						
Segment assets	**163.8**	**85.7**	**249.5**	165.1	90.6	255.7
Inter-segment balances	**(31.0)**	**(16.3)**	**(47.3)**	(29.5)	(18.0)	(47.5)
Balance sheet total assets	**132.8**	**69.4**	**202.2**	135.6	72.6	208.2
Segment liabilities:						
Segment liabilities	**(149.7)**	**(50.1)**	**(199.8)**	(194.3)	(51.8)	(246.1)
Inter-segment balances	**16.3**	**31.0**	**47.3**	18.0	29.5	47.5
Balance sheet total liabilities	**(133.4)**	**(19.1)**	**(152.5)**	(176.3)	(22.3)	(198.6)
Other segmental items:						
Depreciation and amortisation	**8.7**	**2.7**	**11.4**	9.7	2.6	12.3
Additions to non-current assets	**6.3**	**1.7**	**8.0**	12.7	5.8	18.5

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £301.0m (2018: £362.5m) and the total revenue from external customers from other countries is £85.4m (2018: £83.8m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £106.2m (2018: £110.5m) and the total of those located in other countries is £70.4m (2018: £73.8m).

Carpetright's trade has historically shown no distinct pattern of seasonality, with trade cycles more closely following macro-economic indicators.

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

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

	Notes	Group 2019 £m	Group 2018 £m
Rental income earned on investment property		**(1.6)**	(2.1)
Cost of inventories recognised as an expense in cost of sales		**138.7**	153.9
Operating lease rentals:			
Lease payments in respect of land and buildings		**63.0**	80.2
Lease payments in respect of plant and machinery		**2.3**	2.5
Other lease items (lease incentives and rent-free credits)		**(6.5)**	(4.0)
Sublease rental income		**(1.1)**	(1.1)
Auditors' remuneration:			
Audit of the Parent Company's consolidated financial statements		**0.3**	0.2
Audit of the subsidiary companies' financial statements		**0.1**	0.1
Non audit fees		**0.3**	0.6
Staff costs	4	**90.0**	102.0
Impairment of assets	5	**1.8**	10.8
Impairment of goodwill	5,10	**–**	34.7
Amortisation of intangible assets	10	**0.7**	1.3
Depreciation of property, plant and equipment:			
Owned assets	11	**10.4**	10.5
Under finance leases	11	**0.2**	0.2
Depreciation of investment property	12	**0.1**	0.3

Non audit fees in the period were £250k (2018: £551k). These fees are explained on page 35 of the Audit Committee report.

4. Staff costs

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

	Group 2019 Number	Group 2018 Number	Company 2019 Number	Company 2018 Number
Stores	**2,195**	2,539	**1,786**	2,120
Store support office and distribution centre	**367**	405	**307**	344
	2,562	2,944	**2,093**	2,464

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

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Wages and salaries (including short-term employee benefits)		**78.3**	89.4	**62.2**	73.3
Social security costs		**8.5**	9.7	**5.5**	6.8
Post-employment benefits – defined contribution		**2.7**	2.4	**1.4**	1.2
Share based payments	5, 25	**0.5**	0.5	**0.5**	0.5
		90.0	102.0	**69.6**	81.8

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

4. Staff costs continued

The Group considers key management to be the Executive Directors only. The employment costs of key management were as follows:

	Group 2019 £m	Group 2018 £m
Wages and salaries (including short-term employee benefits)	**1.0**	0.8
Social security costs	**0.2**	0.2
Post-employment benefits – defined contribution	**0.2**	0.2
Share based payments	**–**	0.1
	1.4	1.3

Details of these plans, share options and other Directors' remuneration are disclosed in the Directors' remuneration report on pages 36 to 59.

5. Separately reported items

In order to provide shareholders with additional insight into the underlying performance of the business, items recognised in reported profit or loss before tax which, by virtue of their size and/or nature, do not reflect the Group's underlying performance, have been excluded from the Group's underlying results.

	Notes	**Group 2019 £m**	Group 2018 £m
Underlying loss before tax		**(16.9)**	(8.0)
Property disposal costs			
Profit/(loss) on disposal of properties		**1.3**	(1.7)
Store refurbishment – asset write-offs		**–**	(0.6)
		1.3	(2.3)
Other non-cash items			
Goodwill impairment	10	**–**	(34.7)
Freehold and investment property impairment		**(0.8)**	(5.1)
Store asset impairment		**(1.0)**	(5.7)
Net onerous lease charge	20	**(0.9)**	(2.3)
		(2.7)	(47.8)
Share based payments	25	**(0.5)**	(0.5)
Restructuring costs			
Redundancy provisions	20	**0.5**	(3.8)
Store closure costs associated with the CVA	20	**–**	(2.0)
Professional fees		**–**	(6.4)
CVA rent guarantee liability		**(0.6)**	–
Release of fixed rent accruals and lease incentives		**–**	2.8
		(0.1)	(9.4)
ERP dual running costs		**(2.0)**	(1.5)
Pension administration costs		**(0.9)**	(0.3)
Stock provisions		**(3.0)**	–
		(5.9)	(1.8)
Total separately reported items		**(7.9)**	(61.8)
Statutory loss before tax		**(24.8)**	(69.8)

5. Separately reported items continued

Non-cash items

The Group performed an impairment review over its goodwill, freehold properties and store fixed assets in accordance with IAS 36, following recent trigger events.

The Group reviewed its goodwill balances and determined that no impairment was required (2018: charge of £34.7m).

The Group sold three properties shortly after year end, in Salford, Devizes and Newtonards, as Board determined the sale would be value accretive for shareholders when assessing the implied yield against the Group's cost of capital. This raised £2.6m in cash proceeds, which was transferred to a reserved account as required by the Group's lenders. The associated loss on sale was £0.8m and accordingly, an impairment made in the period (2018: £5.1m). The Group continues to review its property portfolio and will consider further disposals where the Board believes there is the opportunity to realise value for shareholders.

Store and other fixed assets of £1.0m (2018: £5.7m) were impaired as a result of a review of potential closures and transfers arising from the CVA process, together with a small sum relating to legacy systems we will be replacing as part of the implementation of D365 during FY20. Following the collapse of our former tenant in March 2019, an assigned lease reverted back to the Group and an onerous lease reserve of £0.9m made accordingly. Further details of contingent liabilities associated with such risks are discussed in note 28.

Ahead of the introduction of D365, we performed a data migration exercise, which included cleansing historic records. As part of this exercise, differences were identified between stock records, predominantly relates to the Purfleet warehouse. To correct this and ensure a cleaner migration to D365, a sum of £2.3m was provided against these stock balances. In addition following a review of the inventory levels, additional provisions totalling £0.7m were established, principally against hard flooring.

Restructuring costs

Restructuring 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 was released, reflecting the reassessed total cost of implementing the restructuring.

As part of the CVA, the Group is obliged to provide a fund of £0.6m against which creditors may claim for losses associated with the process. We felt it prudent to reserve for this sum, in light of the determination of successful claims being in the hands of the CVA administrator and therefore outside the control of the Group.

Profit on disposal of properties

A net gain of £1.3m was made on the disposal of properties during the year (2018: £1.7m loss), principally from the landlord exercising an option at the Lewisham store.

Strategy

The Group has continued to incur dual running costs as it replaces legacy IT systems and transitions to D365, which is expected to be completed in FY20. Historically, these types of cost would have been capital spend, but with the switch to cloud-based software services, these are classified as operating expenditure. Due to the quantum and one-off nature of the project, these costs have been reported as separately reported items and amounted to £2.0m in the period (2018: £1.5m).

Other

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 financial statements. A charge of £0.5m was incurred during the period (2018: £0.5m).

A sum of £0.9m (2018: £0.3m) was incurred in payments made to the Group's legacy defined benefit pension schemes, including a sum of £0.4m relating to Guaranteed Minimum Pension, ahead of formal government direction on the subject. Further details are provided in note 22.

The tax impact of the separately reported items is a credit of £0.2m (2018: credit of £2.2m).

The total cash impact of separately reported items is an outflow of £1.0m (2018: outflow of £12.8m).

6. Finance costs

	Notes	Group 2019 £m	Group 2018 £m
Interest on borrowings and overdrafts		**(1.6)**	(1.5)
Fees amortisation		**(3.2)**	(1.0)
Interest on obligations under finance leases		**(0.1)**	(0.2)
Other interest		**(3.5)**	–
Net interest on pension scheme obligations	22	**–**	(0.1)
Finance costs		**(8.4)**	(2.8)

Net finance charges for the period increased by £5.6m to £8.4m (2018: £2.8m), comprising:

- £3.3m relating to the shareholder loan.
- £0.2m to a higher rate of interest payable on bank debt.
- Offset by £0.1m lower finance lease charges.

The remaining £2.2m increase relates to fees associated with:

- £1.0m loan fee amortisation relating to the shareholder loan repaid on 13 June 2018 (fees of £1.5m charged in the period).
- £1.0m in loan fee amortisation relating to the £17.25m shareholder loan put in place on 11 May 2018.
- £0.2m relating to the extension in May 2018 of the Group's revolving credit and overdraft facilities to 31 December 2019.

7. Tax

(i) Analysis of the (credit)/charge in the period	Notes	Group 2019 £m	Group 2018 restated £m
UK current tax		**(0.5)**	0.2
Overseas current tax		**0.7**	0.2
Total current tax		**0.2**	0.4
UK deferred tax		**(4.7)**	(4.4)
Overseas deferred tax		**1.7**	(2.2)
Total deferred tax	21	**(3.0)**	(6.6)
Total tax credit in the income statement		**(2.8)**	(6.2)

(ii) Reconciliation of loss before tax to total tax	Group 2019 £m	Group 2018 £m
Loss before tax	**(24.8)**	(69.8)
Tax credit at UK corporation tax rate of 19% (2018: 19%)	**(4.7)**	(13.3)
Adjusted for the effects of:		
Overseas tax rates	**–**	(0.6)
Deferred tax impact of a fall in tax rates	**–**	0.2
Non-qualifying depreciation	**0.4**	0.4
Items not taxed	**(0.7)**	5.7
Losses not recognised/de-recognised	**6.5**	–
Other permanent differences	**(0.4)**	1.6
Prior year adjustments	**(3.9)**	(0.2)
Total tax credit in the income statement	**(2.8)**	(6.2)

The tax credit for the year includes a credit of £0.2m in respect of separately reported items, (2018: credit of £2.2m).

The weighted average annual effective tax rate for the period is 10.9% credit (2018: 9.0% credit).

(iii) Tax on items taken directly to or transferred from equity	Group 2019 £m	Group 2018 £m
Deferred tax on actuarial losses recognised in other comprehensive income	**(0.1)**	0.4
Total tax recognised in equity	**(0.1)**	0.4

8. Dividends

The Directors decided that no final dividend will be paid (2018: No final dividend paid). This results in no dividend in the period to 27 April 2019 (2018: No dividend paid).

9. (Loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by Equity Trust (Jersey) Limited (see note 25) which are treated as cancelled.

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

	52 weeks to 27 April 2019			52 weeks to 28 April 2018 – restated		
	Loss £m	**Weighted average number of shares Millions**	**Loss per share Pence**	Loss £m	Weighted average number of shares Millions	Loss per share Pence
Basic loss per share	**(22.0)**	**277.4**	**(7.9)**	(63.6)	67.9	(93.6)
Effect of dilutive share options	**–**	**–**	**–**	–	–	–
Diluted loss per share	**(22.0)**	**277.4**	**(7.9)**	(63.6)	67.9	(93.6)

The Group has share options and awards that are potentially dilutive. However, as the Group has made a loss in the period and as required by IAS 33 the Group's diluted EPS is the same as the basic EPS.

The Directors have presented an additional measure of (loss)/earnings per share based on underlying earnings. This is in accordance with the practice adopted by many major retailers. Underlying earnings is defined as profit/(loss) excluding separately reported items and related tax.

Reconciliation of (loss)/earnings per share excluding post tax (loss)/profit on separately reported items

	52 weeks to 27 April 2019			52 weeks to 28 April 2018 – restated		
	(Loss)/ earnings £m	**Weighted average number of shares Millions**	**(Loss)/ earnings per share Pence**	(Loss)/ earnings £m	Weighted average number of shares Millions	(loss)/ earnings per share Pence
Basic loss per share	**(22.0)**	**277.4**	**(7.9)**	(63.6)	67.9	(93.6)
Adjusted for the effect of separately reported items:						
Separately reported items	**7.9**	**–**	**2.9**	61.8	–	91.0
Tax thereon	**(0.2)**	**–**	**(0.1)**	(2.2)	–	(3.2)
Underlying loss per share	**(14.3)**	**277.4**	**(5.1)**	(4.0)	67.9	(5.8)

10. Intangible assets

Group	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost:				
At 29 April 2017	54.1	22.2	0.1	76.4
Exchange differences	0.9	–	–	0.9
Additions	–	4.5	–	4.5
Transfer from property, plant and equipment	–	0.5	–	0.5
Disposals	–	(2.0)	–	(2.0)
At 28 April 2018	**55.0**	**25.2**	**0.1**	**80.3**
Exchange differences	**(0.3)**	**(0.2)**	**–**	**(0.5)**
Additions	**–**	**3.9**	**–**	**3.9**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 27 April 2019	**54.7**	**28.3**	**0.1**	**83.1**
Accumulated amortisation and impairment:				
At 29 April 2017	0.5	18.5	0.1	19.1
Exchange differences	–	0.1	–	0.1
Impairment	34.7	0.1	–	34.8
Amortisation	–	1.3	–	1.3
Disposals	–	(2.0)	–	(2.0)
At 28 April 2018	**35.2**	**18.0**	**0.1**	**53.3**
Exchange differences	**(0.1)**	**–**	**–**	**(0.1)**
Impairment	**–**	**0.2**	**–**	**0.2**
Amortisation	**–**	**0.7**	**–**	**0.7**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 27 April 2019	**35.1**	**18.3**	**0.1**	**53.5**
Net book value:				
At 27 April 2019	**19.6**	**10.0**	**–**	**29.6**
At 28 April 2018	19.8	7.2	–	27.0

Goodwill is not amortised. Instead it is subject to an impairment review at each reporting date or more frequently if there is an indication that it may be impaired. Other intangible assets are amortised and tested for impairment when there is an indication that the asset may be impaired. Impairments and amortisation charges are recognised in full in administration expenses in the income statement during the period in which they are identified.

Goodwill is impaired if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. In the absence of a recent market transaction, the recoverable amount of the goodwill held by the Group is determined from value in use calculations.

Management has identified two cash-generating units (CGUs) supporting goodwill which are the UK and Rest of Europe, being the Netherlands, Belgium and Ireland. In the prior year as a result of a significant fall in market capitalisation and a downturn in trading, goodwill was tested for impairment. This resulted in £34.7m of Goodwill being impaired to Nil. This comprised £29.8m in the UK and £4.9m in the Netherlands. The remaining Goodwill of £19.6m relates to the Goodwill on the acquisition of the Dutch operations. This was tested for impairment in the period and none deemed required, using value in use calculations based on three-year profit projection models and plans approved by the Board, adjusted for non-cash items and capital expenditure.

The key assumptions used in the cash flow model when assessing European Goodwill balances are:

– Pre-tax -discount rate 9.9%

– Long term Growth rate 2.0%

The recoverable amount using value in use calculations exceeded the carrying value of Goodwill. The following amendments to the key assumptions would result in removal of any available headroom.

– An increase of 0.4% in the discount rate

– A decrease in the long term growth rate to a 1.7% decline

10. Intangible assets continued

Company	Goodwill £m	Computer software £m	Brands £m	Total £m
Cost:				
At 29 April 2017	24.1	22.1	0.1	46.3
Additions	–	3.0	–	3.0
Disposals	–	(2.0)	–	(2.0)
At 28 April 2018	**24.1**	**23.1**	**0.1**	**47.3**
Exchange differences	**–**	**0.1**	**–**	**0.1**
Additions	**–**	**3.7**	**–**	**3.7**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 27 April 2019	**24.1**	**26.3**	**0.1**	**50.5**
Accumulated amortisation and impairment:				
At 29 April 2017	–	18.4	0.1	18.5
Exchange differences	–	0.1	–	0.1
Impairment	24.1	0.1	–	24.2
Amortisation	–	1.3	–	1.3
Disposals	–	(2.0)	–	(2.0)
At 28 April 2018	**24.1**	**17.9**	**0.1**	**42.1**
Exchange differences	**–**	**0.1**	**–**	**0.1**
Impairment	**–**	**0.2**	**–**	**0.2**
Amortisation	**–**	**0.7**	**–**	**0.7**
Disposals	**–**	**(0.6)**	**–**	**(0.6)**
At 27 April 2019	**24.1**	**18.3**	**0.1**	**42.5**
Net book value:				
At 27 April 2019	**–**	**8.0**	**–**	**8.0**
At 28 April 2018	–	5.2	–	5.2

11. Property, plant and equipment

Group	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 29 April 2017	42.0	16.4	17.1	97.1	36.3	208.9
Exchange differences	0.6	–	0.1	0.6	1.1	2.4
Additions	–	–	0.8	12.7	0.5	14.0
Transfer	0.9	–	–	–	–	0.9
Transfer to intangible assets	–	–	–	–	(0.5)	(0.5)
Transfer from investment property	–	–	0.1	–	–	0.1
Disposals	(0.4)	(0.2)	(0.4)	(9.5)	(0.9)	(11.4)
At 28 April 2018	**43.1**	**16.2**	**17.7**	**100.9**	**36.5**	**214.4**
Exchange differences	**(0.4)**	**–**	**–**	**(0.3)**	**(0.4)**	**(1.1)**
Additions	**–**	**–**	**0.1**	**3.8**	**0.2**	**4.1**
Disposals	**(0.7)**	**(0.6)**	**(2.9)**	**(18.9)**	**(1.8)**	**(24.9)**
At 27 April 2019	**42.0**	**15.6**	**14.9**	**85.5**	**34.5**	**192.5**
Accumulated depreciation and impairment:						
At 29 April 2017	7.8	5.6	11.5	55.0	27.0	106.9
Exchange differences	0.2	–	0.1	0.4	0.8	1.5
Impairment	–	0.2	0.9	4.1	0.4	5.6
Depreciation	0.6	0.2	0.8	8.1	1.0	10.7
Transfer	0.8	–	–	0.1	–	0.9
Transfer from investment property	–	–	0.1	–	–	0.1
Disposals	(0.1)	(0.1)	(0.3)	(8.4)	(1.1)	(10.0)
At 28 April 2018	**9.3**	**5.9**	**13.1**	**59.3**	**28.1**	**115.7**
Exchange differences	**(0.1)**	**(0.2)**	**(0.1)**	**(0.1)**	**(0.3)**	**(0.8)**
Impairment	**0.8**	**–**	**0.1**	**0.6**	**0.1**	**1.6**
Depreciation	**0.6**	**0.2**	**0.9**	**7.8**	**1.1**	**10.6**
Disposals	**(0.3)**	**(0.6)**	**(2.7)**	**(18.1)**	**(1.8)**	**(23.5)**
At 27 April 2019	**10.3**	**5.3**	**11.3**	**49.5**	**27.2**	**103.6**
Net book value:						
At 27 April 2019	**31.7**	**10.3**	**3.6**	**36.0**	**7.3**	**88.9**
At 28 April 2018	33.8	10.3	4.6	41.6	8.4	98.7

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

Property, plant and equipment is subject to an impairment review at each reporting date or more frequently if there is an indication of impairment. During the period, £0.8m of fixtures and fittings and £0.8m in relation to freehold properties have been subject of an impairment charge.

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

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Cost	**8.1**	8.7	**1.3**	1.9
Accumulated depreciation and impairment	**(3.0)**	(3.4)	**(1.1)**	(1.5)
Net book value	**5.1**	5.3	**0.2**	0.4

The assets held under finance leases comprise buildings.

11. Property, plant and equipment continued

Company	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 29 April 2017	17.8	9.6	16.3	81.6	8.7	134.0
Exchange differences	–	–	0.1	–	–	0.1
Additions	–	–	0.7	8.9	0.1	9.7
Disposals	(0.4)	(0.2)	(0.4)	(8.7)	(0.8)	(10.5)
At 28 April 2018	**17.4**	**9.4**	**16.7**	**81.8**	**8.0**	**133.3**
Additions	**–**	**–**	**0.1**	**2.4**	**0.1**	**2.6**
Disposals	**(0.7)**	**(0.6)**	**(2.8)**	**(14.3)**	**(0.3)**	**(18.7)**
At 27 April 2019	**16.7**	**8.8**	**14.0**	**69.9**	**7.8**	**117.2**
Accumulated depreciation and impairment:						
At 29 April 2017	3.1	3.7	11.0	43.6	5.0	66.4
Impairment	(0.3)	0.2	0.9	4.0	0.4	5.2
Depreciation	0.2	0.1	0.7	6.5	0.7	8.2
Disposals	(0.1)	(0.1)	(0.3)	(7.9)	(0.8)	(9.2)
At 28 April 2018	**2.9**	**3.9**	**12.3**	**46.2**	**5.3**	**70.6**
Exchange differences	**–**	**(0.1)**	**(0.1)**	**0.1**	**0.1**	**–**
Impairment	**0.3**	**–**	**0.1**	**0.6**	**0.1**	**1.1**
Depreciation	**0.2**	**0.1**	**0.9**	**5.9**	**0.7**	**7.8**
Disposals	**(0.3)**	**(0.6)**	**(2.7)**	**(13.4)**	**(0.3)**	**(17.3)**
At 27 April 2019	**3.1**	**3.3**	**10.5**	**39.4**	**5.9**	**62.2**
Net book value:						
At 27 April 2019	**13.6**	**5.5**	**3.5**	**30.5**	**1.9**	**55.0**
At 28 April 2018	14.5	5.5	4.4	35.6	2.7	62.7

12. Investment property

Investment property is carried at depreciated historical cost and is reviewed for impairment at each balance sheet date or when there is an indication of impairment. The recoverable amount is the higher of fair value less costs to sell and their value in use. The value in use calculations are based on five-year income forecasts and a terminal value. These cashflows discounted at a pre-tax rate of 9.9% for properties based in the UK and 8.0% for the properties located in The Netherlands.

Operating expenses attributable to investment properties are incurred directly by tenants under tenant-repairing leases.

	Group £m	Company £m
Cost:		
At 29 April 2017	20.2	2.9
Exchange differences	0.7	–
Transfer from property, plant and equipment	(0.1)	–
At 28 April 2018	**20.8**	**2.9**
Exchange differences	**(0.3)**	**–**
Transfer from property, plant and equipment	**–**	**–**
At 27 April 2019	**20.5**	**2.9**
Accumulated depreciation and impairment:		
At 29 April 2017	4.9	0.6
Exchange differences	0.1	–
Impairment	5.1	0.9
Depreciation	0.3	–
Transfer from property, plant and equipment	(0.1)	–
At 28 April 2018	**10.3**	**1.5**
Exchange differences	**(0.2)**	**–**
Depreciation	**0.1**	**–**
At 27 April 2019	**10.2**	**1.5**
Net book value:		
At 27 April 2019	**10.3**	**1.4**
At 28 April 2018	10.5	1.4

13. Investment in subsidiary undertakings

All of the Group's subsidiary undertakings are included in the consolidated accounts. The Group has the following subsidiaries as at 27 April 2019.

	Registered office and country of incorporation	Principal activity	Percentage of ordinary shares held directly by Company	Percentage of ordinary shares held indirectly by Company
Carpetright of London Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Holding	100%	–
Melford Commercial Properties Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	100%	–
Carpetright (Torquay) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	100%	–
Pluto Sp. Z.o.o.	Ul. Spacerowa 188, 270 Marki, Poland	Property	100%	–
Carpetland NV	Nieuwe Stallesstraat 215, 1620 Drogenbos, Belgium	Retail	–	100%
Carpetland BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Retail	–	100%
Fontainebleau Vastgoed BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Property	–	100%
Carpetworld Manchester Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	–	100%
Carpet Express Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpet Depot Ltd	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Purfleet Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Purfleet Holdings Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetworld Ltd	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright at Home Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Card Services Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Beds Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpet Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets at Home Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets Direct Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets Direct.com Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Furnishing Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
In-House Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Holdings Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
New Carpet Express Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Premier Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Rugright (EU) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Storey Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Sleepright (UK) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Sleepright (EU) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Woodright Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–

The Group operates in the Republic of Ireland where it trades as a branch of Carpetright plc.

Company	**2019 £m**	2018 £m
At the beginning of the period	**15.7**	15.7
At the end of the period	**15.7**	15.7

The cost of investments before impairments is £16.7m. As at 27 April 2019, accumulated impairments of £1.0m (2018: £1.0m) have been recognised against the investment in Pluto Sp Z.o.o.

14. Inventories

Group and Company inventories are held in the form of finished goods for resale. In the period, a provision of £3.0m was made (2018: £0.2m), resulting in a stock provision of £3.4m (2018: £0.4m) – refer to note 5 for further details.

15. Trade and other receivables

	Group 2019 £m	Group 2018 restated £m	Company 2019 £m	Company 2018 restated £m
Non-current:				
Prepayments	**0.5**	0.7	**0.4**	0.7
	0.5	0.7	**0.4**	0.7
Current:				
Trade receivables	**1.7**	4.4	**0.6**	3.9
Less: provision for impairment	**(0.2)**	(1.2)	**(0.1)**	(1.2)
	1.5	3.2	**0.5**	2.7
Other receivables	**1.2**	1.3	**0.7**	0.8
Prepayments and accrued income	**10.2**	12.2	**9.0**	10.7
Receivables from subsidiaries	**–**	–	**39.8**	41.3
	12.9	16.7	**50.0**	55.5
Total trade and other receivables	**13.4**	17.4	**50.4**	56.2

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

Intercompany loans with UK subsidiaries are interest free and repayable on demand. Intercompany loans with overseas subsidiaries are liable to interest at 3.25% + Euribor and are repayable on demand.

Provision for impairment

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
At the beginning of the period	**(1.2)**	(0.7)	**(1.2)**	(0.7)
Provision for impairment utilised/(charged) during the period	**1.0**	(0.5)	**1.1**	(0.5)
At the end of the period	**(0.2)**	(1.2)	**(0.1)**	(1.2)

Provisions on customer balances are not material and no further information has been presented. A review of other receivables, given their nature, do not give rise to a credit risk that is material.

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

	Group 2019 £m	Group 2018 restated £m	Company 2019 £m	Company 2018 restated £m
Major insurance companies	**1.1**	1.2	**0.6**	0.7
Property rent receivables	**0.1**	0.1	**0.1**	0.1
Receivables from retail credit finance	**–**	1.4	**–**	1.4
Retail customers	**1.5**	1.8	**0.5**	1.3
Trade and other receivables	**2.7**	4.5	**1.2**	3.5

Balances from retail customers principally relate to products awaiting collection and are considered to have little credit risk as they are primarily settled by cash or major credit card. The £1.4m movement in sums receivable from retail credit finance relates to the reclassification of monies due from our IFC provider, Hitachi, to be recognised as cash-in-transit under IAS7.

16. Cash and cash equivalents

	Notes	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Cash at bank and in hand		**15.4**	6.6	**13.7**	4.3
Bank overdrafts	19	**(2.5)**	(1.8)	**(2.5)**	(1.8)
Cash and cash equivalents in the cash flow statements		**12.9**	4.8	**11.2**	2.5

Cash at bank and in hand of £15.4m comprised cash of £3.3m and cash equivalents of £12.1m, principally monies due from our credit card and IFC providers.

17. Trade and other payables

	Group 2019 £m	Group 2018 restated £m	Company 2019 £m	Company 2018 restated £m
Current:				
Trade payables	**24.8**	30.2	**22.0**	26.8
Other taxes and social security	**8.7**	11.0	**6.7**	7.7
Accruals and deferred income	**18.4**	19.1	**16.4**	18.5
Contract liabilities	**17.9**	22.3	**15.4**	19.3
Payable to subsidiaries	**–**	–	**5.4**	7.0
	69.8	82.6	**65.9**	79.3
Non-current:				
Accruals and deferred income	**21.0**	28.0	**21.0**	28.0
Accrued Interest	**3.3**	–	**3.3**	–
	24.3	28.0	**24.3**	28.0
Total trade and other payables	**94.1**	110.6	**90.2**	107.3

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amounts of trade and other payables approximate to their fair values. Trade payables reduced by £5.4m to £24.8m (2018: £30.2m) reflecting an adverse movement in credit terms with suppliers, in light of a withdrawal of credit insurance by the majority of providers. Accruals and deferred income fell by £1.4m to £18.4m (2018: £19.8m), due to the payment of CVA fees of £3.2m, offset in part by a £1.5m reclassification from non-current accruals and deferred income. Tax and social security decreased by £2.3m to £8.7m (2018: £11.0m) primarily from the timing of VAT payments between 2018 and 2019.

Within non-current items, accruals and deferred income fell by £7m to £21.0m (2018: £28.0m) predominantly as a result of the utilisation of advanced rent accruals in the year (£4.6m) and the aforementioned reclassification of £1.5m to current liabilities. Accrued interest of £3.3m relates to sums due on repayment of the shareholder loan in July 2020.

Contract liabilities represent the companies obligations to provide goods and services for customer orders and will be realised in the next 12 months. The movement on contract liabilities year on year is due to normal trading. There are no material movements as a result of acquisitions, disposals, foreign exchange, changes in variable consideration or other one-off events.

Intercompany loans with UK subsidiaries are interest free and repayable on demand. Intercompany loans with overseas subsidiaries are liable to interest at 3.25% + Euribor and are repayable on demand.

18. Obligations under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Amounts payable within one year	**0.2**	0.2	**0.1**	0.2	**0.1**	0.1	**0.1**	0.1
Amounts payable between one and five years	**0.6**	0.9	**0.3**	0.6	**0.2**	0.5	**0.2**	0.4
Amounts payable after five years	**3.1**	3.4	**0.1**	0.3	**1.1**	1.2	**0.1**	0.3
	3.9	4.5	**0.5**	1.1				
Less: future finance charges	**(2.5)**	(2.7)	**(0.1)**	(0.3)				
Present value of obligations under finance leases	**1.4**	1.8	**0.4**	0.8	**1.4**	1.8	**0.4**	0.8
Current	**0.1**	0.1	**0.1**	0.1				
Non-current	**1.3**	1.7	**0.3**	0.7				

The Group leases certain properties under finance leases. The average lease term remaining is 17 years (2018: 14 years). The minimum lease payments are discounted at the rate inherent in the leases. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19. Borrowings

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Current:				
Bank overdraft	**2.5**	1.8	**2.5**	1.8
Non-bank loans	**–**	11.0	**–**	11.0
Revolving credit facility	**23.0**	45.0	**23.0**	45.0
	25.5	57.8	**25.5**	57.8
Non-current:				
Non-bank loans	**15.9**	–	**15.9**	–
	15.9	–	**15.9**	–

Borrowings and overdrafts are denominated in Sterling and euro of which £25.5m (2018: £46.8m) are secured on certain Group freehold properties. The Group had further undrawn facilities of £29.1m at the balance sheet date.

Non-bank loans are presented at amortised cost. In June 2018, the Group repaid a £12.5m shareholder loan. In May 2018, as part of the Group's CVA and refinancing, the Group took a further shareholder loan that delivered £15.9m net of fees (£17.25m gross), repayable on 31 July 2020 and is subject PIK interest at 18% per annum. Further details are in note 17.

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

	Group 2019 %	Group 2018 %	Company 2019 %	Company 2018 %
Overdrafts	**3.25**	3.25	**3.25**	3.25
Non-bank loans	**18.00**	3.00	**18.00**	3.00

The RCF facility was subject to fixed interest rate of 3.75% + libor (2018: 3.75 + libor) in addition to a variable PIK interest charge of between 3% to 5% dependent on the level of utilisation.

The maturity profiles of borrowings are as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Amounts payable within one year	**25.5**	57.8	**25.5**	57.8
Amounts payable within two to five years	**15.9**	–	**15.9**	–
Amounts payable after five years	**–**	–	**–**	–
	41.4	57.8	**41.4**	57.8

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

Further sums relating to accrued interest on loans are included in Creditors greater than one year of £3.3m (2018: £nil) and Creditors less than one year of £0.5m (2018: £0.2m). Further details are provided in note 23 and 30.

20. Provisions for liabilities and charges

Group and Company	Group 2019 £m Onerous lease provisions £m	Group 2019 £m Reorganisation provisions £m	Group 2019 £m Total provisions £m	Company 2019 £m Onerous lease provisions £m	Company 2019 £m Reorganisation provisions £m	Company 2019 £m Total provisions £m
At the beginning of the period	**13.9**	**5.8**	**19.7**	**13.9**	**5.8**	**19.7**
Added during the period	**3.1**	**0.6**	**3.7**	**3.1**	**0.6**	**3.7**
Released during the period	**(2.0)**	**(0.5)**	**(2.5)**	**(2.0)**	**(0.5)**	**(2.5)**
Utilised during the period	**(6.3)**	**(3.3)**	**(9.6)**	**(6.3)**	**(3.3)**	**(9.6)**
Utilised on disposal	**(0.2)**	**–**	**(0.2)**	**(0.2)**	**–**	**(0.2)**
At the end of the period	**8.5**	**2.6**	**11.1**	**8.5**	**2.6**	**11.1**

The onerous lease provisions relate to estimated future unavoidable lease costs in respect of closed and loss-making stores. The utilisation of onerous provisions is dependent on the future profitability of each store, which is subject to uncertainty from both internal and external factors. It is expected that the provisions will be utilised over a three year period.

Following the adoption of IFRS 16 in 2020, onerous lease provisions and advance rental accruals will cease to be recognised and instead the right of use asset will be impaired – please refer to note 33.

Refer to note 5 for details of the reorganisation provisions, which include redundancy and other store closure costs in relation to stores impacted by the CVA. Due to the nature of the provision, uncertainty exists as to the timing and final costs that will be incurred from implementing the reorganisation programme. It is expected that this will be utilised within the next 12 months.

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Non-current	**6.1**	10.6	**6.1**	10.6
Current	**5.0**	9.1	**5.0**	9.1
Provision for liabilities and charges	**11.1**	19.7	**11.1**	19.7

21. Deferred tax assets and liabilities

	Group 2019 £m	Group 2018 restated £m	**Company 2019 £m**	Company 2018 restated £m
Deferred tax assets	**(0.9)**	(2.3)	**(0.9)**	–
Deferred tax liabilities	**2.7**	7.1	**–**	3.8
Net deferred tax (assets)/liabilities	**1.8**	4.8	**(0.9)**	3.8

The Group deferred tax liability has reduced from £4.8m to £1.8m. This is primarily as result of a prior year adjustment arising from a review of the UK deferred tax liability on historic rollover relief claims, a current year crystallisation of rollover and holdover gains (together totalling £5.3m) offset by derecognition of previously recognised losses £4.0m.

Deferred tax assets and liabilities are offset against each other where there is a legally enforceable right to offset. Deferred tax liabilities of £2.7m (2018: £7.1m) comprise deferred tax assets of £1.0m (2018: £7.8m) offset against deferred tax liabilities of £3.7m (2018: £14.9m).

Deferred tax assets on tax losses are recognised to the extent that future taxable profits are probable. The Group has unrecognised tax losses of £5.1m (2018: nil). Tax losses of £4.0m which were recognised in the prior year have been derecognised in the current year following a review of the value of the deferred tax asset carried in the balance sheet.

21. Deferred tax assets and liabilities continued

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

Group	Accelerated tax depreciation £m	Fair value adjustments £m	Deferred capital gains £m	Short-term timing differences £m	Tax losses £m	Share based payments £m	Retirement benefit obligations £m	Total £m
At 29 April 2017 (assets)/liabilities	5.0	1.3	9.7	(0.3)	(1.8)	(0.3)	(0.3)	13.3
Restatement for IFRS 15	–	–	–	(2.4)	–	–	–	(2.4)
At 29 April 2017 (assets)/liabilities – restated	5.0	1.3	9.7	(2.7)	(1.8)	(0.3)	(0.3)	10.9
Exchange differences	0.1	–	(0.1)	0.4	(0.1)	–	(0.2)	0.1
Credit to the income statement	(0.9)	–	(0.1)	(1.6)	(3.7)	(0.1)	–	(6.4)
Charge to other comprehensive income	–	–	–	–	–	–	0.4	0.4
Transfer to current tax	–	–	(0.2)	–	–	–	–	(0.2)
At 28 April 2018 (assets)/liability – restated	**4.2**	**1.3**	**9.3**	**(3.9)**	**(5.6)**	**(0.4)**	**(0.1)**	**4.8**
Exchange differences	**(0.1)**	**–**	**0.1**	**–**	**–**	**–**	**–**	**–**
Credit to the income statement	**(3.8)**	**–**	**(5.3)**	**2.2**	**4.0**	**(0.1)**	**–**	**(3.0)**
At 27 April 2019 (assets)/liability	**0.3**	**1.3**	**4.1**	**(1.7)**	**(1.6)**	**(0.5)**	**(0.1)**	**1.8**

Company	Accelerated tax depreciation £m	Fair value adjustments £m	Deferred capital gains £m	Short-term timing differences £m	Tax losses £m	Share based payments £m	Retirement benefit obligations £m	Total £m
At 29 April 2017 (assets)/liabilities	1.7	–	8.8	(0.9)	–	(0.3)	(0.3)	9.0
Restatement for IFRS 15	–	–	–	(1.1)	–	–	–	(1.1)
At 29 April 2017 (assets)/liabilities – restated	1.7	–	–	(2.0)	–	(0.3)	(0.3)	7.9
Exchange differences	–	–	0.1	–	–	–	(0.2)	(0.1)
Credit to the income statement	(0.1)	–	–	(0.8)	(3.2)	(0.1)	–	(4.2)
Charge to other comprehensive income	–	–	–	–	–	–	0.4	0.4
Transfer to current tax	–	–	(0.2)	–	–	–	–	(0.2)
At 28 April 2018 (assets)/liability	**1.6**	**–**	**8.7**	**(2.8)**	**(3.2)**	**(0.4)**	**(0.1)**	**3.8**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Credit to the income statement	**(2.8)**	**–**	**(5.3)**	**1.9**	**1.6**	**(0.1)**	**–**	**(4.7)**
At 27 April 2019 (assets)/liability	**(1.2)**	**–**	**3.4**	**(0.9)**	**(1.6)**	**(0.5)**	**(0.1)**	**(0.9)**

22. Retirement benefit obligations

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

(i) Defined benefit schemes

(a) UK defined benefit schemes

The Company operated a funded defined benefit pension scheme providing benefits based on final pensionable pay for its employees and has assumed the liability for the scheme previously operated by Storey Carpets Ltd (Storeys). The Company scheme was closed to defined benefit service accrual on 30 April 2010 and has been closed to new members since 31 March 2006. The scheme previously operated by Storeys is also closed to new members and has no active members. The assets of the schemes are held separately from those of the Company.

The assets of the Company scheme are invested in a Managed Fund operated by a fund management company. Contributions are determined by a qualified actuary using the projected unit credit method. The most recent actuarial review was at 6 April 2017 when the actuarial value of the assets represented 95% of the benefits accrued to members after allowing for expected future increases in earnings. A deficit reduction plan has been agreed with the Trustees under which £0.6m was paid in the period (2018: £0.6m).

The assets of the Storeys scheme are held in independently managed funds. The most recent actuarial review of the Storeys scheme was at 1 March 2017 when the actuarial value of the assets represented 103% of the benefits accrued to members. A contribution plan has been agreed with the Trustees under which £0.3m was paid in the period (2018: £0.3m).

Risks

The Group schemes are exposed to a number of risks which fall within actuarial risks and investment risks. The risks are monitored by the Trustees to mitigate them and are detailed below:

Investment return risks: If the assets underperform the returns assumed in setting the funding target then additional contributions may be required at subsequent valuations.

Investment matching risks: The schemes invest significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If the equity type assets have fallen in value relative to the matching assets of bonds additional contributions may be required.

Longevity risk: If future improvements in mortality exceed the assumptions made then additional contribution may be required.

Legislative risk: The Government may introduce over riding legislation which leads to an increase in the value of the plan benefits.

Solvency risks: As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the plan may not be sufficient to provide all members with the full value of their benefits on a plan wind-up.

Some of these risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example investment matching risk. Other risks cannot so easily be removed, for example longevity risk. The Trustees of the plan regularly review such risks and mitigating controls and a risk register is approved annually to mitigate such risks.

The Trustees have adopted an investment matching strategy that seeks to match the investment with the cashflow obligations of the scheme. Thus investing in lower risk assets, such as annuities and bonds, which provide a more secure cashflow, as the pension obligation approaches maturity.

Employer contributions of £0.9m are expected to be paid into these pension schemes during the financial period 2020.

The weighted average duration of the defined benefit obligation is 20 years for the Carpetright scheme and 16 years for the Storeys scheme.

The assets and liabilities of the schemes were valued on an IAS 19 basis at 27 April 2019 by a qualified actuary. The numbers set out below are the aggregate of the two schemes.

1) The table below outlines amounts included in the financial statements arising from the Group's and Company's obligations in respect of the defined benefit scheme:

	2019 £m	2018 £m
Present value of pension schemes' obligations	**(30.1)**	(29.4)
Fair value of pension schemes' assets	**31.3**	30.2
Asset ceiling	**(1.8)**	(1.6)
Total recognised in the balance sheet	**(0.6)**	(0.8)

22. Retirement benefit obligations continued

	Notes	2019 £m	2018 £m
Net interest cost on pension schemes	6	**–**	(0.1)
Past service costs – Guaranteed Minimum pension equalisation		**(0.4)**	–
Administration costs		**(0.2)**	–
Total recognised in the income statement		**(0.6)**	(0.1)

	2019 £m	2018 £m
Actuarial (losses)/gains on plan assets	**1.0**	(0.2)
Change in assumptions underlying present value of liabilities	**(1.3)**	3.4
Asset ceiling movement in period	**(0.2)**	(1.6)
Total recognised in the other comprehensive income statement	**(0.5)**	1.6

A scheme surplus of £1.8m on one of the defined benefit scheme has been derecognised as the Group does not have an unconditional right to refunds or reductions in future contributions. An additional £0.3m obligation has been recognised reflecting the Group's minimum committed contributions to the plan.

2) Reconciliation of movement in net pension deficit:

	Defined benefit obligations		Fair value of assets		Asset ceiling		Net defined benefit obligations	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
As at the beginning of the period	**(29.4)**	(32.7)	**30.2**	29.5	**(1.6)**	–	**(0.8)**	(3.2)
Interest (expense)/income	**(0.8)**	(0.8)	**0.8**	0.7	**–**	–	**–**	(0.1)
Past service costs	**(0.4)**	–	**–**	–	**–**	–	**(0.4)**	–
Administration costs of scheme	**–**	–	**(0.1)**	–	**–**	–	**(0.1)**	–
Re-measurements:								
Actuarial gains and losses from:								
Financial assumptions	**(1.3)**	1.6	**–**	–	**–**	–	**(1.3)**	1.6
Demographics	**–**	0.9	**–**	–	**–**	–	**–**	0.9
Experience adjustments	**–**	0.9	**–**	–	**–**	–	**–**	0.9
Return on plan assets excluding interest	**–**	–	**1.0**	(0.2)	**–**	–	**1.0**	(0.2)
Asset ceiling restriction	**–**	–	**–**	–	**(0.2)**	(1.6)	**(0.2)**	(1.6)
Contributions:								
Employers	**–**	–	**1.2**	0.9	**–**	–	**1.2**	0.9
Payments from plan:								
Benefits paid	**1.8**	0.7	**(1.8)**	(0.7)	**–**	–	**–**	–
As at the end of the period	**(30.1)**	(29.4)	**31.3**	30.2	**(1.8)**	(1.6)	**(0.6)**	(0.8)

As at the balance sheet date the defined benefit obligations of £15.5m is due to deferred members and £14.6m to current pensioners.

22. Retirement benefit obligations continued

3) The fair value of scheme assets split between those which have a quoted market price in an active market and those which are unquoted are as follows:

	2019 Quoted £m	2019 Unquoted £m	2019 Total £m	2018 Quoted £m	2018 Unquoted £m	2018 Total £m
Equities	**8.1**	**–**	**8.1**	8.5	–	8.5
Bonds	**13.8**	**–**	**13.8**	13.4	–	13.4
Insurance policy – unquoted	**–**	**8.2**	**8.2**	–	7.8	7.8
Cash and cash equivalents	**1.2**	**–**	**1.2**	0.5	–	0.5
Total	**23.1**	**8.2**	**31.3**	22.4	7.8	30.2

The unquoted insurance policy has been valued at an amount equal to the present value of the pensions secured, determined using the same actuarial assumptions and methodology as have been used to determine the present value of the obligations under the scheme.

4) Key assumptions used:

	2019 %	2018 %
RPI inflation	**3.3**	3.3
Discount rate	**2.5**	2.5
CPI inflation	**2.7**	2.7

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The assumptions used for future life expectancy of members of the scheme are derived from industry dates and standard tables. Specifically, the S2NXA and S2 table on a year of birth usage with CMI_2016 future improvements factors and a long-term rate of improvement of 1.25% (2018: S2NXA and S2 table on a year of birth usage with CMI_2016 future improvements factors and a long-term rate of improvement of 1.25% pa). This results in the following life expectancies:

- male aged 65 now has life expectancy of 22 years
- female aged 65 now has life expectancy of 24 years

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years and 16 years for the Carpetright and Storey's schemes respectively (2018: 20 years and 16 years respectively).

The most significant assumptions are the discount rate, retail and consumer price index and mortality rates, of which the most sensitive assumption is the life expectancy. The table below shows the impact on the present value placed on the plan's liabilities of the stated changes to the actuarial assumptions and has been derived by applying sensitivities determined at the most recent actuarial valuation to the projected liability value. The sensitivity analysis is based on a change in one assumption while holding all others constant. Therefore interdependencies between the assumptions have not been taken into account within the analysis.

		2019 £m	2018 £m
Increase/(decrease) by 0.1%	Discount rate	**0.6**	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

(b) Multi-employer scheme

The Group's Dutch subsidiary participates in a multi-employer run industry pension scheme which has arrangements similar to those of a defined benefit scheme. It is not possible to identify the Group's share of the underlying assets and liabilities of the scheme, and therefore, in accordance with IAS 19, the Group has taken the exemption for multi-employer pension schemes not to disclose pension scheme assets and liabilities. Accordingly, although this scheme is a defined benefit scheme it is treated as a defined contribution scheme, recognising the contributions payable in each period in the income statement. Under the terms of the scheme the scheme deficit is recovered through increased contributions from participating members. At the period end, the Group was unable to obtain a valuation of the industry scheme's full surplus or deficit. The Group was also unable to obtain details concerning the future funding requirements, and its participation level relative to the other participants. Contributions charged to the income statement amounted to £1.2m (2018: £1.1m) and expected contribution to this scheme for the financial period 2020 is £1.1m.

(ii) Defined contribution schemes

The Company launched a Group Personal Pension Plan in April 2006. Contributions made by employees are matched by the Company to an upper limit. The assets of the scheme are held separately from those of the Company and are invested by an Aegon Insurance Group company. Contributions for the period amounted to £1.4m (2018: £1.2m).

22. Retirement benefit obligations continued

In addition, the Group operates defined contribution pension schemes for subsidiary companies in Belgium and the Netherlands. The Group makes contributions into the schemes, the assets of which are held separately from those of the Group and are invested by local insurance companies. The contributions by the Group into individual company schemes for the period were a net charge of £0.1m (2018: £0.1m) and there were no contributions to industry collective schemes (2018: nil).

23. Financial instruments

(i) Financial risk management objectives and policies

Risk management

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

Exposure to credit, liquidity, foreign currency exchange and interest rate risks arise in the normal course of the Group's business operations and each of these risks is managed in accordance with the Group's treasury risk management strategy, which is also discussed in the Financial Review in the section Current liquidity.

(a) Credit risk

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

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

The credit risk on liquid funds is limited because the counterparties are reputable banks. The maximum amount of credit risk is represented by the carrying amounts of financial assets.

(b) Liquidity risk

The Group finances its operations from a mix of retained profits, bank borrowings achieved through revolving credit agreements and overdraft facilities, and a non-bank loan. Daily cash balances are forecast and surplus cash is placed on treasury deposit with the Group's bankers.

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

Group	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 27 April 2019					
Interest bearing loans and borrowings	**25.9**	**19.2**	**–**	**–**	**45.1**
Finance leases	**0.2**	**0.2**	**0.4**	**3.1**	**3.9**
Trade and other payables	**53.0**	**–**	**–**	**–**	**53.0**
	79.1	**19.4**	**0.4**	**3.1**	**102.0**
At 28 April 2018					
Interest bearing loans and borrowings	58.1	–	–	–	58.1
Finance leases	0.2	0.2	0.7	3.4	4.5
Trade and other payables – restated	62.5	–	–	–	62.5
	120.8	0.2	0.7	3.4	125.1
Company					
At 27 April 2019					
Interest bearing loans and borrowings	**27.2**	**19.2**	**–**	**–**	**46.4**
Finance leases	**0.1**	**0.1**	**0.2**	**0.1**	**0.5**
Trade and other payables	**50.4**	**–**	**–**	**–**	**50.4**
	77.7	**19.3**	**0.2**	**0.1**	**97.3**
At 28 April 2018					
Interest bearing loans and borrowings	60.6	–	–	–	60.6
Finance leases	0.2	0.2	0.4	0.3	1.1
Trade and other payables – restated	60.3	–	–	–	60.3
	121.1	0.2	0.4	0.3	122.0

23. Financial instruments continued

The Group has committed facilities to the end of December 2019 comprising a £45.0m revolving credit facility, a Sterling overdraft of £7.5m and a euro overdraft of €2.4m. At the balance sheet date the Group had a shareholder loan of £17.25m gross (£15.9m net of fees) committed until 31 July 2020. The undrawn amounts on the committed facilities were £29.1m (2018: £7.8m).

The bank facilities are subject to a number of financial covenants, being fixed charge cover, EBITDA and net debt. The Group is expected to remain in compliance with these covenants; further details on this can be found on page 22 of the Strategic Report.

(c) Foreign exchange risk

Outside the UK, the Group operates in the Netherlands, Belgium and the Republic of Ireland and had cash balances in Poland. Revenues and expenses of these operations are denominated in euros or Zlotys. The Group mitigates currency risk in respect of the net investment in European operations by designating euro denominated borrowings as hedging instruments of euro denominated investments in foreign operations.

If the closing Sterling euro rate had been one euro cent lower in the period, the exchange difference reported in the statement of comprehensive income would have been £0.3m lower (2018: £0.4m lower). At 27 April 2019, if Sterling had weakened/strengthened by 10% against the euro, the translation of the profit/loss of the European businesses would have increased/decreased by £0.2m (2018: £0.7m).

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

	euro 2019	euro 2018	**Zloty 2019**	Zloty 2018
Average rate	**1.13**	1.13	**4.87**	5.21
Closing rate	**1.16**	1.14	**4.96**	5.01

(d) Interest rate risk

The Group has various borrowings bearing interest at a margin over LIBOR or EURIBOR rates.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt and a constant ratio of fixed to floating interest rates as at 27 April 2019 and 28 April 2018 respectively. Consequently, analysis relates to the situation at those dates and is not representative of the periods then ended.

Based on the Group's net debt position at the period end, a 1% change in interest rates would affect the Group's profit before tax by approximately £0.3m (2018: £0.5m).

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

	2019					2018				
	Weighted average effective interest rate %	**Floating rate £m**	**Fixed rate £m**	**Interest free £m**	**Total £m**	Weighted average effective interest rate %	Floating rate £m	Fixed rate £m	Interest free £m	Total £m
Sterling	**0.0%**	**13.5**	**–**	**1.0**	**14.5**	0.1%	4.3	–	3.3	7.6
Euro	**–**	**1.6**	**–**	**1.7**	**3.3**	–	2.0	–	1.2	3.2
Zloty	**–**	**0.3**	**–**	**–**	**0.3**	–	0.3	–	–	0.3
Total financial assets	**–**	**15.4**	**–**	**2.7**	**18.1**	–	6.6	–	4.5	11.1
Sterling	**2.3%**	**(24.6)**	**(20.4)**	**(44.3)**	**(89.3)**	2.8%	(56.6)	(1.7)	(54.4)	(112.7)
Euro	**–**	**(1.4)**	**(0.1)**	**(8.7)**	**(10.2)**	–	(1.5)	(0.1)	(8.1)	(9.7)
Total financial liabilities	**–**	**(26.0)**	**(20.5)**	**(53.0)**	**(99.5)**	–	(58.1)	(1.8)	(62.5)	(122.4)

Capital management

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

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

23. Financial instruments continued

(ii) Fair value of financial assets and liabilities
Financial assets and liabilities are classified in accordance with IFRS 9. Financial instruments have not been reclassified or derecognised in the period. There are no financial assets which have been pledged or held as collateral. The Group does not have any financial assets or liabilities measured at fair value through the income statement.

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

	Group		Company	
	2019 Amortised costs £m	2018 restated Amortised costs £m	**2019 Amortised costs £m**	2018 restated Amortised costs £m
Cash and cash equivalents	**15.4**	6.6	**13.7**	4.3
Trade and other receivables	**2.7**	4.5	**41.0**	44.8
Total financial assets	**18.1**	11.1	**54.7**	49.1
Borrowings and overdrafts	**(44.7)**	(57.8)	**(44.7)**	(57.8)
Finance lease obligations	**(1.4)**	(1.8)	**(0.4)**	(0.8)
Trade and other payables	**(53.4)**	(62.8)	**(51.8)**	(63.1)
Total financial liabilities	**(99.5)**	(122.4)	**(96.9)**	(121.7)
Net financial liabilities	**(81.4)**	(111.3)	**(42.2)**	(72.6)

24. Share capital

Group and Company	Number of allotted, called up and fully paid ordinary shares Millions	Nominal value per share £	Share capital £m	Share premium £m	Treasury shares £m	Total £m
At 29 April 2017	67.9	0.01	0.7	17.8	(1.6)	16.9
Issue of new shares	3.4	–	–	1.3	–	1.3
Transfer of treasury shares to participants	–	–	–	–	0.2	0.2
At 28 April 2018	**71.3**	**0.01**	**0.7**	**19.1**	**(1.4)**	**18.4**
Issue of new shares	**232.5**	**0.01**	**2.3**	**–**	**–**	**2.3**
At 27 April 2019	**303.8**	**0.01**	**3.0**	**19.1**	**(1.4)**	**20.7**

The Group's LTIP was established to grant contingent rights to shares. Such grants are made on recommendation by the Group's Remuneration Committee. Shares are purchased by a Trust and held until they are used to satisfy the LTIP awards. As required by IAS 32, grants of such shares are classified as Treasury shares and accordingly are deducted from total equity attributable to equity holders of the parent. During the period, the Trust did not purchase any ordinary shares (2018: 26,554 shares purchased). At the period end, the Trust held 175,078 (2018: 322,819) ordinary shares of 1p each with a market value of £0.1m (2018: £0.1m).

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

In June 2018, the Group launched a Placing and Open Offer, raising £62.7m (net of fees of £2.4m). 232,463,221 new ordinary shares were issued with a nominal value of £0.01. The placing and open offer was structured through a "cash box" mechanism that resulted in an increase of £2.3m in share capital and a creation of a Merger Reserve of £60.4m. As at 27 April 2019 the amounts held in the Merger Reserve are considered distributable and have been reclassified to retained earnings.

25. Share based payments

Included within separately reported items is a charge of £0.5m (2018: charge of £0.5m) in respect of equity-settled share based payments.

The Group's employee share schemes are described below and additional detail is disclosed in the Directors' remuneration report on pages 36 to 59. Scheme participants are either Directors of the Company or employees of the Group. The costs associated with the schemes are accounted for in the Company's accounts.

(i) LTIP

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

During the period, contingent entitlements to 2,888,526 shares were granted (2018: 1,151,689). The amount recognised in the income statement in respect of all LTIP awards is a charge of £0.1m (2018: charge of £0.1m). The fair values of the awards, where there is no market condition, are valued using a Black-Scholes option pricing model. The Group's LTIP Trust is administered by Equity Trust (Jersey) Limited and waives its right to dividends on the shares held.

Reconciliation of movements in the 52 week period ended 27 April 2019

	LTIP Oct 2018		LTIP Sept 2017		LTIP Sept 2016		LTIP July 2015		LTIP July 2014	
	Share awards '000s	Fair value £m	Share awards '000s	Fair value £m	Share awards '000s	Fair value £m	Share awards '000s	Fair value £m	Share awards '000s	Share awards '000s
Outstanding at 29 April 2017			–	–	1,133.4	2.6	436.4	2.4	365.6	2.0
Granted	–	–	1,511.7	2.7	–	–	–	–	–	–
Forfeited	–	–	(8.2)	–	(48.8)	(0.1)	(19.5)	(0.1)	–	–
Lapsed	–	–	–	–	–	–	–	–	(18.3)	(0.1)
Exercised/vested	–	–	–	–	–	–	–	–	(68.9)	(0.4)
Expired/lapsed	–	–	–	–	–	–	–	–	–	–
Outstanding at 28 April 2018	**–**	**–**	**1,503.5**	**2.7**	**1,084.6**	**2.5**	**416.9**	**2.3**	**278.4**	**1.5**
Granted	**2,888.5**	**0.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeited	**(230.4)**	**–**	**(384.1)**	**(0.7)**	**(245.5)**	**(0.6)**	**–**	**–**	**–**	**–**
Lapsed	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercised/vested	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Expired/lapsed	**–**	**–**	**–**	**–**	**–**	**–**	**(416.9)**	**(2.3)**	**–**	**–**
Outstanding at 27 April 2019	**2,658.1**	**0.5**	**1,119.4**	**2.0**	**839.1**	**1.9**	**–**	**–**	**278.4**	**1.5**
Exercisable at 27 April 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**278.4**	**1.5**
Exercisable at 28 April 2018	–	–	–	–	–	–	–	–	278.4	1.5

The LTIP 2016 award is expected to lapse as the conditions for vesting have not been met. The valuation assumptions used in the application of the Black-Scholes model applied to the relevant schemes above are as follows:

Valuation assumptions	LTIP Oct 2018 award	LTIP July 2017 award	LTIP Sept 2016 award	LTIP July 2015 award	LTIP July 2014 award
Fair value per share (pence)	19	179	231	560	524
Share price at grant (pence)	20	189	241	577	525.5
Exercise price (pence)	0.0	0.0	0.0	0.0	0.0
Expected volatility (%)[1]	55.3	44.0	38.5	32.4	33.4
Vesting period (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Risk free interest rate (%)	1.0	0.4	1.6	1.0	1.5

Note:

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

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

The Group operates three and five-year SAYE schemes. Employees and Executive Directors are invited to subscribe for options over shares in the Company at a 20% discount to market price. The options are ordinarily exercisable within six months from the third or fifth anniversary of the grant date. The entitlement to share options is equity-settled. Funds for the purchase of Company shares are built up through the contribution of a maximum of £500 (2018: £500) per month from salary. Share options were valued using a Black-Scholes option-pricing model. The cost charged to the income statement in respect of this scheme is £0.4m (2018: £0.4m).

25. Share based payments continued

Reconciliation of movements in the period ended 27 April 2019

	SAYE 2019		SAYE 2018		SAYE 2017		SAYE 2016		SAYE 2015		SAYE 2014	SAYE 2013
	3 yr	**5 yr**	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	5 yr	5 yr
	Number of options '000s	**Number of options '000s**	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s
Outstanding at 29 April 2017	–	–	–	–	3,264.3	463.4	50.6	10.1	81.2	43.2	7.0	2.8
Granted	–	–	274.5	45.9	–	–	–	–	–	–	–	–
Forfeited	–	–	(56.7)	–	(1,416.2)	(213.0)	(26.0)	(4.2)	(37.8)	(12.1)	(2.0)	(1.3)
Vested	–	–	–	–	(3.3)	–	–	–	–	–	–	–
Outstanding at 28 April 2018	**–**	**–**	**217.8**	**45.9**	**1,844.8**	**250.4**	**24.6**	**5.9**	**43.4**	**31.1**	**5.0**	**1.5**
Granted	**25,338.8**	**2,103.8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Forfeited	**–**	**–**	**(164.7)**	**(33.6)**	**(1648.9)**	**(225.0)**	**(10.1)**	**(5.5)**	**–**	**(23.8)**	**(3.7)**	**–**
Expired	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(43.4)**	**–**	**–**	**(1.5)**
Outstanding at 27 April 2019	**25,338.8**	**2,103.8**	**53.1**	**12.3**	**195.9**	**25.4**	**14.5**	**0.4**	**–**	**7.3**	**1.3**	**–**
Exercisable at 27 April 2019	**–**	**–**	**–**	**–**	**–**	**–**	**14.5**	**–**	**–**	**–**	**1.3**	**–**
Exercisable at 28 April 2018	–	–	–	–	–	–	–	–	43.4	–	–	1.5

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

	SAYE 2019		SAYE 2018		SAYE 2017		SAYE 2016		SAYE 2015		SAYE 2014	SAYE 2013
Valuation assumptions	**3yr**	**5yr**	3yr	5yr	3yr	5 yr	3 yr	5 yr	3 yr	5 yr	5 yr	5 yr
Fair value per share (pence)	**9**	**12**	71	80	62	67	148	178	148	184	201	248
Share price at grant (pence)	**20**	**20**	168	168	162	162	446	446	446	446	505	679
Exercise price (pence)	**16**	**16**	134	134	130	130	356	356	347	347	404	544
Expected volatility (%)[1]	**56.7**	**70.8**	50.5	45.3	43.2	37.3	34.3	34.7	31.5	34.8	34.8	34.7
Vesting period (years)	**3.0**	**5.0**	3.0	5.0	3.0	5.0	3.1	5.1	3.1	5.1	5.1	3.1
Dividend yield (%)	**–**	**–**	–	–	–	–	–	–	–	–	–	–
Risk free interest rate (%)	**0.7**	**0.7**	0.9	1.1	0.3	0.6	0.5	0.8	0.7	1.0	0.8	2.9
Possibility of ceasing employment before vesting (%)	**42**	**50**	40	50	40	50	40	50	40	50	50	40

Note:

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

(iii) All Employee Share Ownership Plan ("AESOP")
Carpetright operated an Employee Share Ownership Plan under which employees could contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. The scheme was closed on 12 January 2015 as there were fewer than 50 active participants. The Group does not incur a share based payment charge in respect of this scheme since the Company shares have been acquired at market value and are not subject to an accumulation period.

26. Capital and other financial commitments

Capital commitments at 27 April 2019 contracted for but not yet incurred are:

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Intangible assets – software costs	**0.5**	0.7	**0.5**	0.7
Total capital and financial commitments	**0.5**	0.7	**0.5**	0.7

27. Operating lease commitments

At 27 April 2019, the future minimum lease payments in respect of land and buildings and other assets under operating leases are:

Group	2019 Land and buildings £m	2019 Other £m	2018 Land and buildings £m	2018 Other £m
Operating leases payable:				
Amounts payable within one year	**51.9**	**1.7**	64.2	2.1
Amounts payable between one and five years	**151.3**	**1.5**	201.3	3.1
Amounts payable after five years	**116.9**	**–**	142.5	–
	320.1	**3.2**	408.0	5.2

Company	2019 Land and buildings £m	2019 Other £m	2018 Land and buildings £m	2018 Other £m
Operating leases payable:				
Amounts payable within one year	**51.6**	**1.6**	56.5	1.8
Amounts payable between one and five years	**139.1**	**1.2**	184.0	2.7
Amounts payable after five years	**101.6**	**–**	130.1	–
	292.3	**2.8**	370.6	4.5

The future minimum lease payments in the table above include the revised committed payments under the terms of the CVA impacting the UK business. The Group's operating leases (property and non property combined) have an average remaining length of 3.1 years (2018: 3.8 years).

The remaining lease term for UK property leases has decreased from 4.8 years to 4.0 years, reflecting the impact of the CVA and in particular, the closure of 80 stores. IFRS 16 will be adopted for the financial year FY2020, and as required by IFRS 16, all operating leases will be recognised as a right of use asset along with a lease liability. This change in accounting policy is discussed in note 33.

The Group enters into sublease agreements in respect of some of its operating leases for stores. At the reporting date, the Group had contracted with tenants for future minimum operating sublease receipts as shown below:

Group	2019 Land and buildings £m	2019 Other £m	2018 Land and buildings £m	2018 Other £m
Operating leases receivable:				
Amounts receivable within one year	**1.5**	**–**	1.6	–
Amounts receivable between one and five years	**3.0**	**–**	4.3	–
Amounts receivable after five years	**1.1**	**–**	2.0	–
	5.6	**–**	7.9	–

Company	2019 Land and buildings £m	2019 Other £m	2018 Land and buildings £m	2018 Other £m
Operating leases receivable:				
Amounts receivable within one year	**0.5**	**–**	1.5	–
Amounts receivable between one and five years	**0.8**	**–**	3.8	–
Amounts receivable after five years	**0.5**	**–**	1.9	–
	1.8	**–**	7.2	–

28. Contingent liabilities

We continually review our portfolio for potential contingent liabilities. In light of the current challenges surrounding the retail market, the Board has assessed a possible risk in relation to the reversion of nine assigned leases, with a total rental value of £6.8m (2018: £nil).

The Company's also has contingent liabilities that derive from guarantees for subsidiaries, which are disclosed in note 31.

29. Net (debt)/cash

Group £m	Total 2018	Cash flow	Exchange differences	Other non-cash	Total 2019
Current assets:					
Cash and cash equivalents in the balance sheet	6.6				15.4
Bank overdraft	(1.8)				(2.5)
Cash and cash equivalents in the cash flow statement	4.8	8.1	–	–	12.9
Current liabilities:					
Current borrowing	(56.0)	34.5	–	(1.5)	(23.0)
Non-current borrowing	–	(14.9)	–	(1.0)	(15.9)
	(56.0)	19.6	–	(2.5)	(38.9)
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)	0.2	–	0.2	(1.4)
Total net (debt)/cash	(53.0)	27.9	–	(2.3)	(27.4)

Group £m	Total 2017	Cash flow	Exchange differences	Other non-cash	Total 2018
Current assets:					
Cash and cash equivalents in the balance sheet	12.5				6.6
Bank overdraft	(7.1)				(1.8)
Cash and cash equivalents in the cash flow statement	5.4	(0.9)	0.3	–	4.8
Current liabilities:					
Current borrowing	(13.0)	(44.0)	–	1.0	(56.0)
Non-current borrowing	–	–	–	–	–
	(13.0)	(44.0)	–	1.0	(56.0)
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	(1.7)
	(2.2)	0.3	–	0.1	(1.8)
Total net (debt)/cash	(9.8)	(44.6)	0.3	1.1	(53.0)

30. Reconciliation of liabilities arising from financing activities

Group £m	Total 2018	Net cash flow	Non cash movement: Exchange differences	Non cash movement: Other non-cash	Total 2019
Revolving credit facility	**(45.0)**	**22.0**	**–**	**–**	**(23.0)**
Non-bank loans	**(11.0)**	**(2.4)**	**–**	**(2.5)**	**(15.9)**
Finance leases	**(1.8)**	**0.2**	**–**	**0.2**	**(1.4)**
Liabilities	**(57.8)**	**19.8**	**–**	**(2.3)**	**(40.3)**

Group £m	Total 2017	Net cash flow	Non cash movement: Exchange differences	Non cash movement: Other non-cash	Total 2018
Revolving credit facility	(13.0)	(32.0)	–	–	(45.0)
Non-bank loans	–	(12.0)	–	1.0	(11.0)
Finance leases	(2.2)	0.3	–	0.1	(1.8)
Liabilities	(15.2)	(43.7)	–	1.1	(57.8)

Non-cash movements of £2.3m (2018: £1.1m) primarily relates to amortisation of non-bank loan fees.

Company £m	Total 2018	Net cash flow	Non cash movement: Exchange differences	Non cash movement: Other non-cash	Total 2019
Revolving credit facility	**(45.0)**	**22.0**	**–**	**–**	**(23.0)**
Non-bank loans	**(11.0)**	**(2.4)**	**–**	**(2.5)**	**(15.9)**
Finance leases	**(0.8)**	**0.2**	**–**	**0.2**	**(0.4)**
Liabilities	**(56.8)**	**19.8**	**–**	**(2.3)**	**(39.3)**

Company £m	Total 2017	Net cash flow	Non cash movement: Exchange differences	Non cash movement: Other non-cash	Total 2018
Revolving credit facility	(13.0)	(32.0)	–	–	(45.0)
Non-bank loans	–	(12.0)	–	1.0	(11.0)
Finance leases	(1.1)	0.2	–	0.1	(0.8)
Liabilities	(14.1)	(43.8)	–	1.1	(56.8)

31. Related parties

Group

The Group considers key management to be the Executive Directors only, details of directors' emoluments and share based payments are disclosed on pages 49 to 54 of the Directors' report.

The Group drew on a shareholder loan from Meditor for £17.25m gross (£15.9m net of fees) and repaid a shareholder loan from Meditor of £12.5m. Please refer to note 19 for further details.

Costs incurred by the Group to administer pension schemes amounted to £0.4m in 2019 (2018: £0.3m). The Group also incurred a one-off charge of £0.4m for the recognition of the Guaranteed Minimum Pension (GMP) equalisation.

Company

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

	Sales of goods £m	Provision of services £m	Total £m	Amounts due from related parties £m	Amounts due to related parties £m
Subsidiary undertakings					
2019	**–**	**0.4**	**0.4**	**39.8**	**5.4**
2018	0.5	0.5	1.0	41.3	7.0

A full list of subsidiaries is detailed in note 13.

The Company guarantees bank and other borrowings of subsidiary undertakings. At the period-end there were nil drawn borrowings (2018: nil).

32. Events after the reporting period

Following the period end, the Group sold three properties in Salford, Devizes and Newtownards for a sum of £2.6m.

33. Changes in accounting standards

i) 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. The Group had previously recognised revenue when the goods had been prepared on behalf of the customer. However under IFRS 15 revenue is recognised when the goods and services are delivered to the customer, as this is the point where control passes from the Group to the customer.

This deferral of revenue also impacts the previous period, with details for 2017 and 2018 shown in the tables below:

Group £m	2017 as reported	Adjustment	2017 as restated	2018 as reported	Adjustment	2018 as restated
Assets:						
Deferred tax assets	1.9	0.3	**2.2**	2.0	0.3	**2.3**
Inventories	41.1	10.7	**51.8**	35.7	10.0	**45.7**
Trade receivables	12.7	(8.4)	**4.3**	11.9	(8.7)	**3.2**
Total assets	55.7	2.6	**58.3**	49.6	1.6	**51.2**
Liabilities:						
Contract liabilities	(9.3)	(14.9)	**(24.2)**	(8.9)	(13.4)	**(22.3)**
Deferred tax liabilities	(15.2)	2.1	**(13.1)**	(9.0)	2.1	**(6.9)**
Total liabilities	(24.5)	(12.8)	**(37.3)**	(17.9)	(11.3)	**(29.2)**
Equity						
Other reserves	61.1	(10.2)	**50.9**	0.9	(9.7)	**(8.8)**
Total equity	61.1	(10.2)	**50.9**	0.9	(9.7)	**(8.8)**

Group £m	2017 as reported	Adjustment	2017 as restated	2018 as reported	Adjustment	2018 as restated
Revenue	457.6	(23.8)	**433.8**	443.8	2.5	**446.3**
Cost of sales	(188.2)	10.5	**(177.7)**	(194.2)	(1.8)	**(196.0)**
Gross profit	269.4	(13.3)	**256.1**	249.6	0.7	**250.3**
Administration costs	(266.5)	0.7	**(265.8)**	(317.3)	–	**(317.3)**
Finance costs	(2.0)	–	**(2.0)**	(2.8)	–	**(2.8)**
Profit/(loss) before tax	0.9	(12.6)	**(11.7)**	(70.5)	0.7	**(69.8)**
Tax	(0.2)	2.4	**2.2**	6.3	(0.1)	**6.2**
Profit/(loss) after tax	0.7	(10.2)	**(9.5)**	(64.2)	0.6	**(63.6)**
Basic EPS pence	1.0p	(15.0p)	**(14.0p)**	(94.6p)	1.0p	**(93.6p)**
Diluted EPS pence	1.0p	(15.0p)	**(14.1p)**	(94.6p)	1.0p	**(93.6p)**

The transition from IAS 18 to IFRS 15 on the current year results is shown below:

Group £m	2019 YoY movement IAS 18	Adjustment	2019 YoY movement IFRS 15
Revenue	**(0.8)**	**4.3**	**3.5**
Cost of sales	**0.3**	**(1.9)**	**(1.6)**
Gross profit	**(0.5)**	**2.4**	**1.9**
Administration costs	**–**	**–**	**–**
Profit impact	**(0.5)**	**2.4**	**1.9**

33. Changes in accounting standards continued

Company £m	2017 as reported	Adjustment	**2017 as restated**	2018 as reported	Adjustment	**2018 as restated**
Assets:						
Inventories	35.3	8.3	**43.6**	29.5	7.7	**37.2**
Trade receivables	5.7	(1.9)	**3.8**	5.1	(2.3)	**2.8**
Total assets	41.0	6.4	**47.4**	34.6	5.4	**40.0**
Liabilities:						
Contract liabilities	(6.4)	(14.9)	**(21.3)**	(6.9)	(13.4)	**(20.3)**
Deferred tax liabilities	(9.1)	1.3	**(7.8)**	(4.9)	1.1	**(3.8)**
Total liabilities	(15.5)	(13.6)	**(29.1)**	(11.8)	(12.3)	**(24.1)**
Equity						
Other reserves	31.0	(7.2)	**23.8**	(19.9)	(6.9)	**(26.8)**
Total equity	31.0	(7.2)	**23.8**	(19.9)	(6.9)	**(26.8)**

Company £m	2017 as reported	Adjustment	**2017 as restated**	2018 as reported	Adjustment	**2018 as restated**
Revenue	388.5	(17.3)	**371.2**	368.4	2.1	**370.5**
Cost of sales	(158.2)	8.0	**(150.2)**	(157.1)	(1.4)	**(158.5)**
Gross profit	230.3	(9.3)	**221.0**	211.3	0.7	**212.0**
Administration costs	(236.4)	0.8	**(235.6)**	(265.5)	(0.4)	**(265.9)**
Finance costs	(1.8)	–	**(1.8)**	(2.6)	–	**(2.6)**
Loss before tax	(7.9)	(8.5)	**(16.4)**	(56.8)	0.3	**(56.5)**
Tax	1.5	1.3	**2.8**	4.3	–	**4.3**
Loss after tax	(6.4)	(7.2)	**(13.6)**	(52.5)	0.3	**(52.2)**
Basic EPS pence	(1.0p)	(1.1p)	**(2.1p)**	(7.7p)	–	**(7.7p)**
Diluted EPS pence	(1.0p)	(1.1p)	**(2.1p)**	(7.7p)	–	**(7.7p)**

ii) IFRS 16 – Leases

Introduction

The new lease accounting standard, IFRS 16 – Leases, is expected to have a material impact on the Group's financial statements in the period of initial application. IFRS 16 specifies how an organisation will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases on balance sheet, in line with the treatment of finance leases under its predecessor standards, IAS17 and IFRIC 4. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Excepted from this treatment are lease terms of 12 months or less or where the underlying asset is of low value, in which case, they may continue to be treated as operating leases on an elective basis.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019, which in the case of the Group accounts means the financial year ending 25 April 2020.

No significant impact is expected for the Group's finance leases.

Overview of impact on the Group's reporting

The Group will recognise new assets and liabilities predominantly for its operating leases of properties and warehouse vehicles. The nature of the expenses recognised in the income statement in respect of these leases will change because the Group will recognise a depreciation charge for right-of-use assets and an interest expense on lease liabilities. Previously the Group recognised an operating lease expense, 'rent', on a straight-line basis over the term of the lease.

IFRS16 will have a material effect on the Group's balance sheet given the current value of operating leases that will be recognised as both asset and liability, calculated as the discounted value of remaining lease payments at the date of initial recognition (see below). This will result in a significantly lower rental charge, to be replaced with a higher figure of depreciation and interest. Whilst depreciation will be recognised on a straight line basis, IFRS 16 requires interest to be calculated on the effective interest rate method.

33. Changes in accounting standards continued

This results in a higher level of interest being charged during the early period of the lease, falling as the lease progresses and associated liability falls (similar to a repayment mortgage). When compared to rental costs, this will result in a reduction in the Group's profit during the early stage of a lease and an increase during its latter stages.

The Group has prepared an estimate of the impact in the Group's accounts, but this may change for the following reasons:

– in light of the Company Voluntary Arrangement (CVA), all of the Group's B1, B2 and C category leases are capable of being terminated at short notice. Management will assess whether they are reasonably certain these leases will extend beyond the CVA period and revert to their original lease terms.
– the Group's lease portfolio is frequently changing the new accounting policies are subject to change until the Group presents its financial statements for the year ending 25 April 2020.

Leases in which the Group is a lessor

Lessor accounting remains similar to the current standard: lessors continue to classify leases as finance or operating leases. As such, no significant impact is expected for leases in which the Group is a lessor.

Impact of the new standard

Given the complexity of the Standard and the number of leases held by the Group, the implementation project remains work in progress and the figures quoted below therefore illustrative at this stage. The Group plans to apply IFRS 16 initially on 28 April 2019 using the "modified retrospective" approach electing to value the right-of-use asset at an amount equal to the lease liability on transition. There will be no restatement of comparative information. All leases entered into on or after 28 April 2019 will be recognised from the date of inception.

Using this approach, together with management's selected practical expedients that accompany it, the Group will:

– apply IFRS 16 to leases previously identified in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.
– calculate a lease liability as at 28 April 2019 based on the remaining lease payments payable after that date.
– calculate the lease term according to management's appetite for exercising any available extension/break/purchase options.
– discount the remaining gross lease payments using the applicable interest rate, which will generally be the incremental borrowing rate, as at 28 April 2019 applicable to each relevant business unit, asset type, currency of the arrangement and weighted average length of the lease term starting on the commencement date.
– recognise right-of-use assets as at 28 April 2019 at an amount equal to the lease liability.
– exclude any initial direct costs from the measurement of the right-of-use assets that are recognised on adoption of IFRS 16 as at 28 April 2019.

Using lease data as at 28 April 2019, the expected impact of adopting IFRS 16 as at that date, applying the same modified retrospective approach as described above, would be approximately to:

– recognise a right-of-use asset as at 28 April 2019 of between £244.9m and £254.0m, net of impairment relating to onerous lease provisions and advance rental accruals;
– recognise a lease liability of between £277.3m and £286.4m, with a consequent increase in net debt;
– increase underlying EBITDA, by approximately £60.8m;
– increase underlying operating profit by between £18.5m and £19.7m;
– increase finance costs by between £24.8m and £26.5m; and
– decrease Profit Before Tax by between £6.3m and £6.8m.

We would also cease to utilise onerous lease provisions (2019: £6.3m) and advance rental accrual releases (2019: £5.7m), with a further £10m to £12m impact on presented profitability. As discussed above, the provisions will instead be used to impair the "right of use" asset, with a resultant reduction in deprecation over the depreciation period, resulting in a timing difference that as with interest, impact early and benefit later years. The depreciation impact was factored into the assessment outlined above. The tax effects of the adoption of IFRS 16 are still being assessed pending the finalisation of the tax treatment in certain jurisdictions.

Group five-year financial summary

	2019 £m	2018 restated £m	2017 restated £m	2016 £m	2015 £m
Summarised income statements:					
Revenue	**386.4**	446.3	433.8	456.8	469.8
Gross profit	**210.4**	250.3	256.1	274.2	287.2
Underlying EBITDA	**2.9**	7.1	16.0	32.8	29.4
Operating (loss)/profit	**(16.4)**	(67.0)	(9.7)	14.8	8.2
Underlying operating (loss)/profit	**(8.5)**	(5.2)	3.8	20.3	15.8
Net finance costs	**(8.4)**	(2.8)	(2.0)	(2.0)	(1.6)
Underlying (loss)/profit before tax	**(16.9)**	(8.0)	1.8	18.3	14.2
Separately reported items	**(7.9)**	(61.8)	(13.5)	(5.5)	(7.6)
(Loss)/profit before tax	**(24.8)**	(69.8)	(11.7)	12.8	6.6
Tax	**2.8**	6.2	2.2	(2.7)	(2.1)
(Loss)/profit for the financial period	**(22.0)**	(63.6)	(9.5)	10.1	4.5
Extracts from balance sheets:					
Non-current assets	**130.2**	139.2	177.2	169.0	171.4
Net assets	**49.7**	9.6	67.8	74.0	59.5
Net (debt)/cash	**27.4**	(53.0)	(9.8)	(1.1)	0.5
Ratios and statistics:					
Number of stores at period end	**466**	545	546	572	597
Total space (sq ft – gross) '000	**4,222**	4,908	5,051	5,150	5,444
Gross margin (%)	**54.5%**	58.1%	59.0%	60.0%	61.1%
Underlying EBITDA (%)	**0.8%**	1.6%	0.6%	7.2%	6.3%
Underlying (loss)/earnings per share (pence)	**(5.1p)**	(5.8p)	(1.3p)	20.8p	15.5p
Basic (loss)/earnings per share (pence)	**(7.9p)**	(93.6p)	(14.0p)	14.9p	6.7p

Independent auditors' report

Report on audit of the financial statements

Opinion

In our opinion, Carpetright plc's Group financial statements and Company financial statements (the "financial statements"):

– give a true and fair view of the state of the Group's and of the Company's affairs as at 27 April 2019 and of the Group's loss and the Group's and the Company's cash flows for the 52 week period (the "period") then ended;

– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and

– have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Group and Company balance sheets as at 27 April 2019; the consolidated income statement and consolidated statement of comprehensive income, the Group and Company statements of cash flow, and the Group and Company statements of changes in equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 29 April 2018 to 27 April 2019.

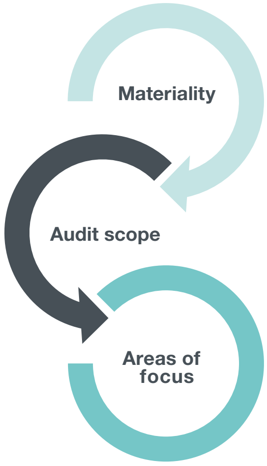
Material uncertainty relating to going concern – Group and Parent Company

In forming our opinion on the Group and Company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern. The Group and Company meet their day-to-day working capital requirements through their debt facilities and available cash resources. The Group's current bank facilities include 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 shareholder loan of £17.3m plus accrued interest, is repayable in July 2020. The principal bank 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 the end of July and October 2019 and the rolling EBITDA covenant is the covenant with the least headroom over the remaining term.

Management's forecast inherently involves a level of uncertainty due to trading conditions and/or external market conditions, including any potential impacts relating to the UK's exit from the European Union, and shows a potential breach of the EBITDA covenant when management's downside sensitivities are applied. Should a breach occur and no mitigating action taken, the facilities may be cancelled and amounts accrued or outstanding would be immediately due and payable. In addition, the existing facilities may not provide sufficient liquidity if the trading performance is below management's downside forecast. The forecast for the Group for the 15 months from the approval of these financial statements includes assumptions that the Group will be able to replace the existing facilities with appropriate new facilities, pay back or renegotiate the payment terms of the shareholder loan and accrued interest, currently repayable in July 2020, and/or deliver strategic asset sales to reduce indebtedness. Whilst discussions are ongoing with existing lenders, this is dependent on reaching an agreement of the overall size and term of the facilities and the covenant restrictions to be applied. Management have already identified certain strategic assets and are evaluating their disposal, the proceeds of which would reduce the level of refinancing required. Each of these items are subject to a level of uncertainty, which may also include the need to obtain shareholder approval for new or revised facilities to be put in place and/or for asset disposals to occur. Additionally, without mitigating action, the trading uncertainties noted above could impact on compliance with any new covenant restrictions to be put in place and the adequacy of available liquidity as part of any new facilities. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The Group and Company financial statements do not include the adjustments that would result if the Group and/or Company were unable to continue as a going concern.

Our audit approach

Overview



- Overall Group materiality: £1.9 million (2018: £2.2 million), based on 0.5% of Group revenue.
- Overall Company materiality: £1.5 million (2018: £1.8 million), based on 0.5% of Company revenue.

- Full scope audits performed over UK segment and Republic of Ireland and Netherlands reporting units.
- Full scope audits covered 96% of Group revenue and 97% of Group profit before tax.

- Impairment of freehold and long leasehold properties (Group and Company).
- Impairment of store assets and onerous leases (Group and Company).
- Classification of separately reported items ('SRI') (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation (including VAT, payroll taxes and income tax) and health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgements. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation;
- Assessment of matters reported on the Group’s whistleblowing helpline and the results of management’s investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment of assets, onerous lease provisions and classification of separately reported items (see related key audit matter below); and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of freehold and long leasehold properties Refer to Note 1 (Accounting policies and Critical accounting estimates and judgments), Note 5 (Separately reported items), Note 11 (Property, plant and equipment) and to the Audit Committee Report on pages 32-35. The Group owns freehold and long leasehold stores in the UK and in Europe. We focused on the risk that the carrying value of the properties, including the fixed assets attributable to these stores, may be overstated and that an impairment charge may be required. Having identified that impairment indicators existed at the period end, the directors compared the carrying value of the assets against the higher of value in use and fair value less costs to sell. In doing so the directors treated each store as a separate cash-generating unit ("CGU") and valued it at the higher of the value in use calculations or the market value of the properties and their assets. The value-in-use calculations are based on a three year perpetuity model using the growth assumptions within the three year plan as applied to each store, with the resulting cash flows discounted at the asset-specific pre-tax discount rate of 9.9%. The fair values are taken from third party valuations carried out by an independent valuer between November 2017 and January 2018; these valuations are based on market value assuming a ten year sale and leaseback arrangement. The directors' impairment review resulted in an impairment charge of £0.8m in the current period. We focused on this area because of the magnitude of the carrying value of the underlying assets and because of the significant judgement required in determining the fair value and the value in use of each store, particularly regarding the sales and operating margins, growth rates, and discount rates. Group and Company	We assessed the third party valuations based on our understanding of the UK and European retail property market and an independent benchmarking analysis performed by our internal property valuation experts to consider whether the assumptions used in the estimation of the market value were reasonable. Our analysis found that there had been no material change in the commercial property market from the date the third party valuations had been carried out (between November 2017 and January 2018) to the April 2019 period end. We found the methodology to be appropriate for calculating the fair value. We tested the value-in-use models, including comparing the forecasts used in them to the latest three year plan approved by the Board, and tested the accuracy of underlying calculations. We sensitised the model by applying a higher discount rate in the UK, and a lower discount rate in the Netherlands to reflect the country specific risk conditions. No material differences were noted. We tested the directors' key assumptions, in particular: – sales growth and margin improvement plans by comparing these assumptions to recent trading results for the Group – the long term growth rate by comparing the assumptions to the retail sector as a whole and forecasts of the wider economy in UK and Netherlands; and – the discount rate by assessing the cost of capital for the Group. Whilst the pre-tax discount rate used in the directors' impairment model for freehold and long leasehold properties in the UK is outside of the range that we independently estimated, based on market data and analysis of comparable companies, and the discount rate applied for the Netherlands' properties is within our range, the resulting difference is not material.
Impairment of store assets and onerous leases Refer to Note 1 (Accounting policies and Critical accounting estimates and judgments), Note 5 (Separately reported items), Note 11 (Property, plant and equipment), Note 20 (Provisions for liabilities and charges) and to the Audit Committee Report on pages 32 to 35. The Group operates a number of short leasehold stores. The assets relating to these stores mainly comprise leasehold improvements and fixtures and fittings. These are considered for impairment annually by the directors reviewing loss making stores. For all stores that have made a loss in the year, the store assets are written down to the higher of value in use and fair value less costs to sell. An impairment charge of £0.8m was recognised in relation to store assets as a result of underlying store performances. Furthermore, consideration was given to leases where the stores have been closed or are loss-making to the extent that they cannot cover their unavoidable property costs and are therefore classified as onerous leases. An £8.5m provision for onerous leases remained on the balance sheet at the April 2019 period end. This has reduced from April 2018 (£13.9m) due to the completion of the CVA process resulting in releases of £2.0m and utilisation of £6.3m as part of normal trading. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. The provision is based on a review of the lease contracts and the directors' estimate of the timings to exit the leases. These estimates are based upon available information and knowledge of the property market Group and parent	We tested the directors' assessment of impairment triggers for the store assets, making sure store assets at all loss-making stores had been written down to the higher of value in use and fair value less costs to sell where considered appropriate. With respect to the provision for onerous leases, we checked that stores assessed for onerous contracts are those that were identified, and whose assets were impaired, following the store impairment review. We tested the value in use models, including comparing the forecasts included to the latest three year plan approved by the Board, which takes into account the current challenging trading environment, and testing the accuracy of underlying calculations. No material exceptions were noted from our testing.

Classification of separately reported items ('SRI')

Refer to Note 1 (Accounting policies and Critical accounting estimates and judgments), Note 5 (Separately reported items) and to the Audit Committee Report on pages 32-35.

The Annual Report includes Alternative Performance Measures ('APMs'); primarily 'Underlying performance' and 'Separately reported items'.

Underlying performance is presented before the impact of SRI.

The net total SRI charge is £7.9mat the year end, including the £2.7m asset impairments and net onerous lease charges as detailed above.

Other items included in SRI are £1.3m gain on disposal and exit of properties, £2.0m ERP dual running costs, £3.0m one-off increase in inventory provisions, £0.5m share-based payment charge, and £0.9m legacy pension scheme administration cost.

We focused on the presentation and disclosure of SRI because of the quantum of the balance and of its importance to the users' understanding of the underlying performance of the business and the risk of manipulation of underlying results.

We evaluated the assessment of management covering the nature of the item, cause of occurrence and the scale of the impact of that item on reported performance.

We considered and challenged the consistency of these of exceptional items, both within the single set of financial statements and compared to previous periods.

We considered whether the SRI recorded were recognised and presented in accordance with the Group's disclosed accounting policy.

We agreed that due to either the material quantum of the amounts or their non-underlying nature it was appropriate to classify these as SRI.

In relation to the specific types of cost incurred:

- We assessed the different types of costs incurred and the point an obligation was established to determine whether these were recognised in the correct accounting period.
- For each material category of costs we tested a sample of items by tracing to supporting documentation and understanding the rationale for the classification as SRI.
- We have tested completeness of the SRI by reviewing the post-balance sheet events.

We found no material issues from our testing.

In our testing of disclosures in the Annual Report we focused on disclosures of SRI in Note 5 and Alternative Performance Measures and that these were explained and presented alongside statutory measures.

We also considered the outcome of the Audit Committee's own review which concluded the Annual Report is fair, balanced, and understandable.

Group

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group is structured across two segments, being the UK and Rest of Europe, with the majority of trading occurring in the UK segment. The Rest of Europe segment comprises three reporting units, being the Republic of Ireland, the Netherlands and Belgium.

In establishing the overall approach to the Group audit, we identified that the UK segment and the Republic of Ireland and Netherlands reporting units required a full scope audit of their complete financial information as they were considered financially significant to the Group. The audit of the UK segment and the Republic of Ireland reporting unit was performed by the Group audit team. The audit of the Netherlands reporting unit was performed by PwC Belgium as component auditor operating under our instruction. Audit work was performed over the consolidation process, asset impairment, onerous leases, separately reported items, tax and going concern at a consolidated Group level.

Where the work was performed by the component auditor, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. As part of our year end procedures, we held detailed discussions with the Netherlands reporting unit component audit team including evaluation of and review of the work performed, update calls on the progress of their fieldwork and attending the clearance meeting with management (by phone).

The reporting units where we performed full scope audit work accounted for 96% of Group revenue and 97% of Group profit before tax.

Our scoping of the Company was based on the materiality of the Company and covered all material financial statement line items and related disclosure notes. All work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group Financial Statements	*Company Financial Statements*
Overall materiality	£1.9m (2018: £2.2m).	£1.5m (2018: £1.8m).
How we determined it	0.5% of Group revenues.	0.5% of Company revenues.
Rationale for benchmark applied	Consistent with the prior period, we have used revenues as a benchmark given the high level of fixed costs in the business and because a small fluctuation in revenue can result in a significant fluctuation of profit before tax.	Consistent with the prior period, we have used revenues as a benchmark given the high level of fixed costs in the business and because a small fluctuation in revenue can result in a significant fluctuation of profit before tax.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £700,000 and £1,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £95,000 (Group audit) (2018: £110,000) and £75,000 (Company audit) (2018: £107,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to other than the material uncertainty we have described in the material uncertainty related to going concern section above. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 27 April 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 21 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 22 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 62, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 34 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 61 and 62, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 22 September 2004 to audit the financial statements for the year ended 30 April 2005 and subsequent financial periods. Following a competitive tender which concluded in May 2016 and was reported in the 2016 Annual Report, we were re-appointed. The period of total uninterrupted engagement is 15 years, covering the years ended 30 April 2005 to 27 April 2019.

Julian Jenkins
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 June 2019

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