Embargoed until 7am, 11 December 2012

Carpetright plc

11 December 2012

Carpetright plc
Interim Results for the 26 weeks ended 27 October 2012

Carpetright plc, Europe's leading specialist carpet and floor coverings retailer, today announces its interim results for the 26 week trading period ended 27 October 2012.

Group Financial Summary

	Half Year 2012 £m	Half Year 2011 £m	Change
Group revenue (note 1)	**227.2**	**238.4**	**-4.7%**
• *UK*	*189.1*	*192.1*	*-1.6%*
• *Rest of Europe*	*38.1*	*46.3*	*-17.7%*
Underlying operating profit (note 2)	**5.4**	**3.7**	**+45.9%**
• *UK*	*5.2*	*0.8*	*+550.0%*
• *Rest of Europe*	*0.2*	*2.9*	*-93.1%*
Underlying profit before tax (note 2)	**4.5**	**1.4**	**+221.4%**
Underlying earnings per share (note 2)	**3.8p**	**1.2p**	**+216.7%**
Exceptional charges (note 6)	**(12.4)**	**(2.2)**	
Statutory loss before tax	**(7.9)**	**(0.8)**	
Basic loss per share	**(9.5p)**	**(0.9p)**	
Net debt	**16.3**	**55.0**	**Down 70.4%**
Interim dividend per share	**Nil**	**Nil**	

First half highlights

UK

- Like-for-like revenues increased by 0.7%. Excluding the expected contraction in sales from wholesale business, the core retail business like-for-like grew by 3.0%. (notes 3, 4)
- Gross profit percentage increased by 370 basis points to 61.7% (2011: 58.0%). (note 5)
- 58 stores refurbished in the period taking the total to 92 stores, with sales uplifts of over 10% above the core retail business.
- Store base reduced by a net 10 during the first half to 480 stores.
- Exceptional charges of £12.4m related to a combination of onerous lease provisions, net losses on disposal of properties and non-cash impairment of property assets. (note 6)

Rest of Europe

- Revenue in local currency, declined by 9.7% with like-for-like sales down by 10.1%. (note 3)
- Difficult trading conditions in the Netherlands, where the floor coverings market remains weak.
- Net reduction of one store during the first half to 141 stores.

Commenting on the results, Darren Shapland, Chief Executive, said:

"The Group grew underlying profits and generated cash in line with our expectations during the first half, with an encouraging increase in UK retail store like-for-like sales and a significant improvement in gross profit percentage year on year, although trading conditions in the Netherlands remained very difficult.

"Having been with the business for seven months and seen it trade through the important September to November peak has confirmed my initial view that the Group is well managed and that no fundamental shift in strategy is required. That said, we believe there are opportunities to accelerate the pace of a number of current self-help initiatives, notably the ongoing modernisation of the store estate, building customer awareness of our bed offer and further improving customer service, to enable us to grow our market share.

"While we expect trading conditions to remain challenging, we are confident that the combination of these self-help initiatives will underpin the positive momentum of the Group and our expectations for the year as a whole remain unchanged."

Notes
1. All sales figures are quoted after deducting VAT.
2. 'Underlying' excludes exceptional items and related tax.
3. Like-for-like sales calculated as this year's net sales compared to last year's net sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years. No account is taken of changes to store size or introduction of third party concessions. Sales from insurance and house building contracts are supplied through the stores and included in their figures.
4. Retail stores like-for-like sales are like-for-like sales excluding sales from insurance and house building contracts. The latter being grouped together and classified as 'wholesale' sales.
5. H1 2011/12 58.0%, 4.3%pts down on H1 2010/11 62.3%, H2 2011/12 60.0%, 2.1%pts down on H2 2010/11 62.1%. FY 2011/12 58.9%, 3.3%pts down on FY 2010/11 62.2%.
6. Exceptional items comprises onerous lease provisions of £6.5m, net losses on disposal of properties of £1.2m, non-cash impairment of freehold property assets of £4.3m and impairment of other assets of £0.4m.
7. The comparative period for the first half is the 26 week period ended 29 October 2011.

Results Presentation

Carpetright will hold a presentation to analysts and investors at Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB at 9.00 am today.

A listen only conference call facility is available on +44(0) 1452 560297, conference ID: CARPETRIGHT RESULTS.

A copy of this interim statement can be found on our website www.carpetright.plc.uk.

Enquiries:

Carpetright plc

Darren Shapland, Chief Executive
Neil Page, Group Finance Director
Telephone 020 7638 9571 (until 2pm), 01708 802000 (thereafter)

Citigate Dewe Rogerson

Kevin Smith / Lindsay Noton
Telephone 020 7638 9571

Forthcoming News flow:

Carpetright will release its Interim Management Statement for the third quarter on 29 January 2013.

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

Interim Results

A summary of the reported financial results for the 26 weeks ended 27 October 2012 is set out below:

	2012 £m	2011 £m	Change
Revenue	227.2	238.4	(4.7%)
Underlying operating profit	5.4	3.7	45.9%
Underlying net finance charges	(0.9)	(2.3)	60.9%
Underlying profit before tax	4.5	1.4	221.4%
Exceptional items	(12.4)	(2.2)	
Statutory loss before tax	(7.9)	(0.8)	
Earnings/(losses) per share (pence)			
- underlying	3.8	1.2	
- basic	(9.5)	(0.9)	
Interim Dividend per share (pence)	-	-	
Net debt	(16.3)	(55.0)	£38.7m

Note - Where this review makes reference to "Underlying" these relate to profit / earnings before exceptional items and any related taxation.

Total Group revenue decreased by 4.7% to £227.2m, with an improvement in the underlying UK like-for-like business being offset by a decline in Europe. During the period, the Group opened seven stores and closed 18, a net decrease of 11 stores and a total store base of 621 as at 27 October 2012. Total store space declined by 1.4% to 5.8 million square feet.

The challenging consumer environment in the UK is continuing to impact the disposable incomes of our customers and a lower level of activity within our sector reflects subdued mortgage approvals. Whilst the earlier part of the period benefited from unseasonal wet weather, overall sales patterns remained volatile across the first half. Against this backdrop, self-help actions such as the development of our bed proposition, extension of our laminate range to more stores and the impact of our store refurbishment programme, continued to deliver positive results. Like-for-like sales increased by 0.7%, with retail stores like-for-like growth of 3.0%, being partially offset by a decline in the wholesale business, although the impact of this reduced in the second quarter. Good progress was made on increasing the gross profit percentage, which grew by 370 basis points to 61.7% through a combination of improved sourcing and promotional planning. Our previous guidance of a full year gross profit percentage improvement in the range of 200-250 basis points above the prior year remains unchanged.

The key driver in the performance of the Rest of Europe continues to be the deterioration of consumer confidence in the Netherlands, where the floor coverings market remains weak. Sales in local currency were down 9.7%, with like-for-like sales down 10.1%. Taking into account the appreciation of Sterling relative to the Euro, this translates to a total sales decline of 17.7%. In this environment the focus has been on protecting profitability through managing margin and reducing costs.

Overall, Group underlying operating profit increased by 45.9% to £5.4m. Underlying net finance charges were £1.4m lower at £0.9m, the result of lower average net debt achieved, for the most part, through the sale and leaseback of freehold properties in the latter part of the previous financial year. These factors combined to generate an underlying profit before tax of £4.5m, a significant increase on the prior year.

Exceptional charges totalled £12.4m (2011: £2.2m) primarily from onerous lease provisions, net losses on the disposal of property and non-cash impairment charges. The onerous lease provisions are the result of decisions taken following a review of the property portfolio, which is discussed in more detail below.

As a result, the statutory loss before tax was £7.9m (2011: loss of £0.8m).

The combination of cashflow from continued underlying profitability and the level of net capital expenditure, enabled net debt to be reduced by £2.8m since 28 April 2012, to close the half year at £16.3m, a decrease of £38.7m from a year ago (2011: £55.0m). The cashflow strength of the Group is highlighted by the fact that in the past four years net debt has been reduced by 83.2% from £97.1m as at April 2009.

The Group has remained cash generative, despite the sustained period of recessionary trading. However, short term economic conditions continue to remain uncertain and consequently the Board continues to believe that it is appropriate to further reduce the Group's reliance on debt rather than pay an interim dividend for this financial year.

Chief Executive's Review

Following my appointment as Chief Executive in May, I completed a review of the Group's strategy, operations and processes during the period. This review endorsed my initial view of the current focus of the Group and confirmed that future developments will be of an evolutionary nature, with no fundamental change in strategic direction.

The review did however identify specific opportunities to accelerate the pace of a number of the current self-help initiatives. Each of these is discussed in more detail below.

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

1. Adjusting the store portfolio

We have conducted a comprehensive review of the property portfolio. At the end of October we had 480 stores trading in the UK. During the last six months we have opened five stores and closed 15 stores. This net reduction is primarily the result of completing detailed catchment analysis which identified a small number of overlaps, where having more than one store in a town was not beneficial to profit or cashflow. As a result, we have rationalised the stores trading under the 'Storey Carpets' brand from 32 to 21 stores, concentrated in the North East of England. Based on evidence from previous closures, we expect to see the majority of sales from the eleven stores we have closed, or are planning to close, to transfer to our remaining store in each location producing incremental profit of around £1m per annum, most of which will be realised in the next financial year.

We continue to take a robust view at lease renewal, which provides an opportunity to secure lower rental cost for future years. In the period, we agreed 13 new leases with an average rent reduction of over 10% on the current rent payable and exited three poor performing stores. We have 85 lease renewals scheduled in the next five years, providing further opportunity to reduce the fixed store operating cost.

In the Rest of Europe, we had 141 stores trading as at the end of October 2012. During the last six months we opened two stores and closed three. We now have nine stores operating a 'sample only format' which has the benefit of lower operating costs without negatively affecting customer choice. This format allows us to reduce fixed occupancy costs by either sub-letting or handing back space to the landlord, hence increasing profit.

2. Modernising the estate

As previously stated, the UK business has operated with a well-proven and consistent retail format since its inception. Whilst it remains functional, the format has significant room for improvement and we have commenced a programme of refurbishing the UK store estate, introducing an updated store design with a new, more contemporary feel that is easier for the customer to shop. This has involved improving natural light, updating signage, introducing laminates, replacing floor coverings, new layouts and upgrading in-store lighting. As at the end of October 2012, 92 stores have been updated to the latest format, an increase of 58 stores during the period. The typical spend per store is around £50k; post-refurbishment sales show an increase of around 10% compared to the un-invested estate and this results in a payback of under one year. We expect to complete a further 40 store refurbishments in the second half. Alongside this programme we are undertaking 50 smaller-scale refreshes for those stores which do not need a full refurbishment but require some updating to align them to the latest look. These typically cost around £15k-£20k per store. As a result, by the end of the current financial year around 180 stores will be trading under our latest format, representing around 40% of the current UK store estate.

In line with the UK plan, we have also started a refurbishment programme for the European stores to adapt to changing customer preferences. In the latter part of the first half we have completed four stores and the early signs are encouraging.

3. Enhancing our range of floor coverings

Carpetright's success over many years has been founded on market leading product choice, great value and good customer service. As well as our experience, this view is supported by externally conducted market research in the UK which indicates both strong brand recognition and a reputation for being the 'first choice' for fitted carpet.

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

In the UK, in line with our objective of broadening our appeal to more affluent customers, we have introduced a selection of branded carpets, such as Brintons, Axminster and Westex, alongside the introduction of sisal and sea grass ranges to all stores.

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

A further area of opportunity is to develop our smooth flooring selection in the UK, building on our extensive knowledge and success in this market in continental Europe, where it has traditionally made up a much greater proportion of the sales mix. The roll out of our new stocked laminate offering has continued and at the end of October 2012 this was in over 310 stores, alongside a laminate sample range available in all stores. In October 2012, we commenced the introduction of a competitive Luxury Vinyl Tile (LVT) offer into 100 stores and this will be extended to 200 stores by April 2013. Alongside this, we are looking at introducing a new range of engineered wood in early 2013. We continue to believe this category will provide an area of growth, supported by the strength of our value and service proposition.

In the Rest of Europe, we have adapted displays to broaden the colour choice on successful roll stock ranges and introduced LVT to all stores.

4. Developing our bed proposition

Beds provide an important complementary revenue stream, in our UK business, to our core floor coverings offer and we believe this business has significant further growth potential. By utilising surplus floor space, freed up by the evolution of the in-store layout and the reduced need for warehouse space resulting from an improved supply chain, beds can enhance the Group's sales and profit from existing store space. We expanded the bed business across the period, and at the end of October 2012 the offer 'Sleepright by Carpetright' was trading from 276 locations (2011: 261 stores). The business delivered an increase in sales of 5.1% in the first half and now represents 6.6% of total UK sales revenue (2011: 6.1%) and 9.4% of the sales mix in those stores where it is available. We believe we have made excellent progress in establishing a compelling offer with a typical range of between 25-35 beds available at market leading prices, backed up by a good home delivery service. We have achieved this whilst also growing our gross profit percentage in this category by over 500 basis points. Our biggest opportunity to grow sales is now through building customer awareness of our presence in this category. We are focusing marketing activity on this area, and as an example, we recently sponsored the weekday TV weather programme in the London area.

By building on the lessons learnt in the UK, we have looked to replicate the bed proposition in the Netherlands, albeit adjusted to reflect the needs of the local consumer. We have opened bed departments in two stores as a trial and will look to develop this in the second half of the financial year.

5. Optimising digital as part of a multi channel offering

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

We continued to develop and improve our online presence during the first half. On a weekly basis we are now achieving an average of over 74,000 unique visitors to our website, a 10% increase on the same period last year and this has produced a corresponding increase in appointment leads.

This, alongside widening the range of available samples, has also helped to increase the volume of sample requests by 90%. We have invested in a larger team, recruiting individuals with the necessary skills and experience to ensure we maximise the opportunity. We have also continued to focus activity in improving our conversion to sales ratio, through a call centre manned by knowledgeable Carpetright people and by improved follow up at store level.

During the period, we further improved the website by making it easier for customers to use with the introduction of an enhanced online advisory centre, adapted the display of products to make the customer selection process easier and improved compatibility for those customers viewing it on mobile devices, the latter now representing 40% of the traffic to the site.

We are taking the learnings from the UK and applying them to our European business. The priority is to develop a process for appointment leads and samples, alongside improving the compatibility of the sites on mobile devices.

6. **Delivering a step change in service**

The Group has made significant progress in raising UK customer service standards in recent years but in an environment where customers' service expectations continue to rise, we believe there is an opportunity to drive standards higher and make this a real competitive advantage. This view is supported by externally conducted market research.

To monitor performance against our key customer objectives we introduced a 'Putting the Customer First' programme during the last financial year. In supporting this activity, mystery shopper visits provide a robust measure, enabling recognition of the best stores and identifying those where corrective action is needed when we have fallen short of our expectations. Starting in late Summer 2012, we increased the frequency of these visits with every store now getting a visit every month. Simultaneously, all store colleagues received training on selling and service standards and we have increased the bonus and incentives for those who achieve the required standard. This has been reflected in an improvement of scores of 11% on a month-on-month basis. The intention is to continue this training on a quarterly basis.

In the majority of instances, the last contact point the customer has with Carpetright is with the flooring fitter. We recognise this experience can leave a lasting impression of the brand and as a consequence it is important for us to ensure it is one which delights the customer. We use nearly 2,000 Carpetright approved fitters who have been independently assessed and validated. To monitor the performance of the fitter, every customer is contacted after the fitting to seek comments on their experience. This allows our store managers to track individual performance and identify areas for improvement.

Following the success of these actions we are now looking to replicate them in our businesses in the Rest of Europe.

Summary and Outlook

The Group grew underlying profits and generated cash in line with our expectations during the first half, with an encouraging increase in UK retail store like-for-like sales and a significant improvement in gross profit percentage year on year, although trading conditions in the Netherlands remained difficult.

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

Having been with the business for seven months and seen it trade through the important September to November peak has confirmed my initial view that the Group is well managed and that no fundamental shift in strategy is required. That said, we believe there are opportunities to accelerate the pace of a number of current self-help initiatives, notably the ongoing modernisation of the store estate, building customer awareness of our bed offer and further improving customer service, to enable us to grow our market share.

While we expect trading conditions to remain challenging, we are confident that the combination of these self-help initiatives will underpin the positive momentum of the Group and our expectations for the year as a whole remain unchanged.

Darren Shapland
Chief Executive
10 December 2012

Financial Review

UK

UK - Key financial results

	First Half 2012 £m	First Half 2011 £m	Change
Revenue	**189.1**	192.1	(1.6%)
Like-for-like sales	**0.7%**	(2.4%)	
Gross profit	**116.6**	111.4	4.7%
Gross profit %	**61.7%**	58.0%	3.7pp
Costs	**(111.4)**	(110.6)	(0.7%)
Underlying operating profit	**5.2**	0.8	550.0%
Underlying operating margin %	**2.7%**	0.4%	

Total revenue decreased by 1.6% to £189.1m. We opened five stores and closed 15 stores in the period, which translated into net space decline of 72,000 sq ft, a decrease of 1.7% since the start of the year.

At the period end, the store portfolio comprised:

UK store base	Store numbers 28 April 2012	Openings	Closures	27 Oct 2012	Gross Sq ft ('000) 28 April 2012	27 Oct 2012
Standalone	474	5	(15)	**464**	4,241	**4,165**
Concessions	16	-	-	**16**	29	**33**
	490	5	(15)	**480**	4,270	**4,198**
As at 29 Oct 2011				503		4,321

Included in standalone stores :

Bed departments	272	9	(5)	**276**
As at 29 Oct 2011				261

Like-for-like sales increased by 0.7% in the period. Within this the core retail business increased sales by 3.0%, a performance which can be attributed to the following key factors:

- The stores which have now been fully refurbished are increasing sales around 10% above the underlying store base.
- The focus on developing our bed offer and introducing it into more stores. This category now makes up 6.6% of the UK sales (2011: 6.1%).
- The introduction of stocked laminate to 313 stores.

The wholesale business declined by 56.8% and now represents 2.1% of sales (2011: 4.1%). This reduction is primarily due to the previously announced structural change in the insurance replacement market. Whilst there remains a market, the level of profitability available to Carpetright has been significantly reduced by these changes and as a consequence it is likely to remain a relatively small proportion of the total sales for the foreseeable future.

Gross profit increased by 4.7% to £116.6m, representing 61.7% of sales, an increase of 370 basis points. This was the result of:

- An improvement in underlying floor covering margin through improved sourcing and promotional planning.
- A decline in wholesale sales, which have a lower gross margin, resulted in a favourable mix impact.
- The positive impact of higher productivity at the Purfleet warehouse.
- The dilutive impact of the growth of bed sales, as this part of the business operates on a lower gross margin than floor coverings.

The total UK cost base increased by 0.7% year on year to £111.4m. Store payroll continued to be managed closely to the volume of retail sales with inflationary increases primarily within utilities and business rates. A total of 21 rent reviews were settled in the period with an average increase of 1.7%, with the majority being a nil increase. A reduction in the number of stores partially offset these increases, with an associated decline in rent and rates costs. Marketing expenditure was in line with the previous year.

All of the above elements combined to produce an underlying operating profit that increased by £4.4m to £5.2m.

Rest of Europe

Rest of Europe - Key financial results

	First Half 2012 £m	First Half 2011 £m	Change (Reported)	Change (Local Currency)
Revenue	**38.1**	46.3	(17.7%)	(9.7%)
Like-for-like sales (local currency)	**(10.1%)**	(0.3%)		
Gross profit	**21.7**	26.6	(18.4%)	(10.0%)
Gross profit %	**57.0%**	57.5%	(0.5pp)	
Costs	**(21.5)**	(23.7)	9.3%	Level
Underlying operating profit	**0.2**	2.9	(93.1%)	(90.9%)
Underlying operating margin %	**0.5%**	6.3%		

In local currency terms, total sales declined by 9.7% with like for like sales down 10.1%, with the key driver being the deterioration of consumer confidence in the Netherlands, where the floor coverings market remains weak. After allowing for the movement in exchange rates, total sales translate to a 17.7% decrease in reported revenue.

At the period end, the store portfolio comprised:

Rest of Europe store base	Store Numbers				Sq ft ('000)	
	28 April 2012	Openings	Closures	**27 Oct 2012**	28 April 2012	**27 Oct 2012**
The Netherlands	94	1	-	**95**	1,095	**1,105**
Belgium	28	1	(3)	**26**	329	**307**
Republic of Ireland	20	-	-	**20**	147	**147**
	142	2	(3)	**141**	1,571	**1,559**
As at 29 Oct 2011				**140**		**1,554**

The gross profit percentage declined 50 basis points, reflecting a higher level of promotional activity, particularly in the Netherlands, in an attempt to drive volumes in the early part of the period.

Total costs were level in local currency terms. As previously announced, this included a £0.3m increase in rent associated with the sale and leaseback of four properties in Belgium, along with inflationary pressures from salary and rent indexation. Against the background of lower sales, cost management activities have been put in place as part of a profit protection plan.

In local currency terms the underlying operating profit decreased by €3.1m, which translated into a £2.7m decline in reported profit to £0.2m with an operating margin of 0.6%.

Group Financial Review

Exceptional items

The Group recorded a net charge of £12.4m (2011: £2.2m) in the half year:

	(Charge) / Gain	
	First Half 2012 £m	First Half 2011 £m
Profit/(loss) on disposal of properties	**(1.2)**	0.5
Store Impairment charge – freehold properties	**(4.3)**	-
– store assets	**(0.4)**	(0.1)
Onerous lease charge	**(6.5)**	-
Restructuring costs	**-**	(2.1)
Write off of unamortised refinancing fees	**-**	(0.5)
Net Charge	**(12.4)**	(2.2)

We continued to trade our property portfolio, although the deterioration in the UK out-of-town retail property market made this more challenging. A net loss of £1.2m was made on property disposals during the period (2011: profit of £0.5m).

Historically, the Group has made net gains on disposal of freehold properties and has a track record of overachievement against valuations. Nevertheless, the weakening of the UK property market with more properties being returned to landlords, has lead us to a review of the carrying value of the Group's freehold properties. This has resulted in a non-cash impairment charge of £4.3m. In addition, we have reviewed the carrying value of the store assets on our balance sheet. The models used to value these assets include a number of assumptions relating to market growth and inflationary expectations. The tests have led to a net impairment charge of £0.4m (2011: £0.1m).

During the period, a property portfolio review was completed. This resulted in the closure, or planned closure, of 11 stores previously trading under the 'Storey Carpets' brand. In all of these locations there is a 'Carpetright' store in close proximity. Based on detailed catchment analysis, it is expected the majority of sales from the closed stores will transfer to the remaining trading unit, producing a profit benefit for the Group of around £1m per annum, with the majority of this materialising in the next financial year. As a result, the Group is making an onerous lease provision for the estimated future outgoings at these eleven closed stores of £4.4m. In April 2011 we made onerous lease provisions for 20 UK stores. We have disposed of eight of these, leaving 12, where in the light of the deterioration of the out-of-town property market, the provision has been reviewed and increased by £2.1m.

Taxation

The taxation charge is based on an estimated full year effective tax rate of 18.3% (2011: 18.7%). The difference to the standard charge rate of 24% is primarily due to the impact of the change in corporation tax rate on the deferred taxes offset by non-qualifying depreciation.

Dividend

The Board has decided not to pay an interim dividend (2011: nil).

Balance Sheet

The Group has net assets of £63.1m a decrease of £7.6m since 28 April 2012 (29 Oct 2011: £66.3m).

Summary Balance Sheet

	27 Oct 2012 £m	28 Apr 2012 £m
Freehold and long leasehold property	**73.8**	83.3
Other non current assets	**118.3**	121.9
Stock	**40.1**	38.3
Other working capital	**(85.1)**	(86.1)
Creditors > 1 year	**(63.0)**	(63.3)
Net Debt	**(16.3)**	(19.1)
Pension Deficit	**(4.7)**	(4.3)
Net Assets	**63.1**	70.7

During the period, two freehold property disposals have been completed. The Group continues to own a significant property portfolio, most of which is used for trading purposes. The portfolio is estimated to have a market value of £82.6m compared to a net book value of £73.8m.

Net debt and cash flow

The Group's net debt at 27 October 2012 was £16.3m, a reduction of £2.8m from the prior year end position of £19.1m (29 October 2011: £55.0m). This decrease was driven by the operational profit performance, partially offset by the focus on reducing the delivery time to customers, which caused stock to increase by £2.0m and a £5.3m increase in working capital. The latter was a consequence of movement on prepayments and the cash outflow related to provisions.

The average net debt figure in the first half was £27.0m (2011: £79.6m). The decline in this level of debt was the driver for a reduction in net finance charges to £0.9m (2011: £2.3m).

Summary cashflow

	First Half 2012 £m	First Half 2011 £m
Underlying Operating Profit	**5.4**	**3.7**
Depreciation and non-cash items	**7.1**	7.5
Exceptional items	**-**	(0.6)
Increase in stock	**(2.0)**	(0.3)
(Increase)/Decrease in working capital	**(5.3)**	4.6
Cash generated by operations	**5.2**	**14.9**
Net interest paid	**(0.9)**	(3.4)
Corporation Tax paid	**(0.9)**	(1.7)
Net capital (expenditure)/receipts	**(1.0)**	0.5
Free cashflow	**2.4**	**10.3**
Other	**0.4**	0.4
Movement in net debt	**2.8**	**10.7**
Opening net debt	**(19.1)**	(65.7)
Closing net debt	**(16.3)**	**(55.0)**

Gross capital expenditure was £5.0m (2011: £5.9m), with the majority of this relating to the store refurbishment programme. After allowing for proceeds from property disposals, net capital expenditure was £1.0m (2011: net proceeds of £0.5m).

	First Half 2012 £m	First Half 2011 £m
Capital expenditure	**(5.0)**	(2.2)
Purchase of freehold properties	**-**	(3.7)
Gross capital expenditure	**(5.0)**	(5.9)
Proceeds from property disposals	**4.0**	6.4
Net capital (expenditure)/receipts	**(1.0)**	0.5

Gross bank borrowings at the balance sheet date were £21.4m (2011: £56.0m) of which £1.6m is term based with the balance of £19.8m being drawn down from overdraft facilities. The Group had further undrawn facilities of £41.1m at the balance sheet date. The term of the majority of these facilities is to July 2015 and they are subject to a number of covenants, against which the Group monitors compliance. The Group has sufficient headroom to enable it to comply with covenants on its existing borrowings.

Pensions

At 27 October 2012 the IAS 19 net retirement benefit deficit was £4.7m (30 April 2012: £4.3m). The half year discount rate was 4.0% (30 April 2012: 4.6%), reflecting prevailing corporate bond rates alongside higher market value of plan assets, which led to an increase of £0.8m in the calculation of the net pension liability for accounting purposes at 27 October 2012. As previously announced, the Company scheme was closed to future accrual with effect from 1 May 2010.

The Company agreed a recovery plan with the Trustees in 2012 and this will be reviewed following the completion of the next triennial valuation, which will be performed as at 5 April 2014.

Neil Page
Group Finance Director
10 December 2012

Condensed consolidated income statement
for 26 weeks ended 27 October 2012

	Notes	26 weeks to 27 October 2012 (unaudited) Before Exceptional items £m	Exceptional Items (note 5) £m	Total £m	26 weeks to 29 October 2011 (unaudited) Before Exceptional items £m	Exceptional Items (note 5) £m	Total £m	52 weeks to 28 April 2012 (audited) Before Exceptional items £m	Exceptional Items (note 5) £m	Total £m
Revenue	4	**227.2**	-	**227.2**	238.4	-	238.4	471.5	-	471.5
Cost of sales		**(88.9)**	-	**(88.9)**	(100.4)	-	(100.4)	(195.5)	-	(195.5)
Gross profit		**138.3**		**138.3**	138.0	-	138.0	276.0	-	276.0
Administration expenses		**(134.1)**	**(11.2)**	**(145.3)**	(135.5)	(2.2)	(137.7)	(270.2)	(3.4)	(273.6)
Other operating income		**1.2**	**(1.2)**	**-**	1.2	0.5	1.7	2.2	13.4	15.6
Operating profit/(loss)	4	**5.4**	**(12.4)**	**(7.0)**	3.7	(1.7)	2.0	8.0	10.0	18.0
Finance costs		**(1.4)**	-	**(1.4)**	(2.8)	(0.5)	(3.3)	(5.1)	(0.5)	(5.6)
Finance income		**0.5**	-	**0.5**	0.5	-	0.5	1.1	-	1.1
Profit/(loss) before tax		**4.5**	**(12.4)**	**(7.9)**	1.4	(2.2)	(0.8)	4.0	9.5	13.5
Tax	6	**(1.9)**	**3.4**	**1.5**	(0.6)	0.8	0.2	(1.0)	(1.5)	(2.5)
Profit/(loss) for the financial period attributable to equity shareholders of the Company		**2.6**	**(9.0)**	**(6.4)**	0.8	(1.4)	(0.6)	3.0	8.0	11.0
Basic earnings per share (pence)	7	**3.8**	**(13.3)**	**(9.5)**	1.2	(2.1)	(0.9)	4.5	11.9	16.4
Diluted earnings per share (pence)	7			**(9.5)**			(0.9)			16.4

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

Condensed consolidated statement of comprehensive income
for 26 weeks ended 27 October 2012

	Notes	**26 weeks to 27 October 2012 (unaudited) £m**	26 weeks to 29 October 2011 (unaudited) £m	52 weeks to 28 April 2012 (audited) £m
Profit/(loss) for the financial period		**(6.4)**	(0.6)	11.0
Actuarial gain/(loss) on defined benefit pension scheme	11	**(0.8)**	0.8	(0.9)
Exchange loss in respect of hedged equity investments		**(1.0)**	(1.0)	(7.5)
Tax on components of other comprehensive income		**0.2**	-	-
Other comprehensive loss for the period		**(1.6)**	(0.2)	(8.4)
Total comprehensive income/(loss) for the period attributable to equity shareholders of the Company		**(8.0)**	(0.8)	2.6

The notes on pages 20 to 25 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of changes in equity
for 26 weeks ended 27 October 2012

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 28 April 2012 (audited)	**0.7**	**16.3**	**(0.3)**	**0.1**	**5.1**	**-**	**48.8**	**70.7**
Total comprehensive loss for the financial period	.-	-	-	-	(1.0)	-	(7.0)	(8.0)
Issue of new shares	-	0.3	-	-	-	-	-	0.3
Share-based payments and related tax	-	-	-	-	-	-	0.1	0.1
At 27 October 2012 (unaudited)	**0.7**	**16.6**	**(0.3)**	**0.1**	**4.1**	**-**	**41.9**	**63.1**

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 30 April 2011 (audited)	0.7	15.4	(0.3)	0.1	12.6	(0.1)	38.6	67.0
Total comprehensive income/(loss) for the financial period	-	-	-	-	(1.0)	0.1	0.1	(0.8)
Share-based payments and related tax	-	-	-	-	-	-	0.1	0.1
At 29 October 2011 (unaudited)	0.7	15.4	(0.3)	0.1	11.6	-	38.8	66.3

The notes on pages 20 to 25 form an integral part of this consolidated interim financial information.

Condensed consolidated balance sheet
as at 27 October 2012

	Notes	27 October 2012 (unaudited) £m	29 October 2011 (unaudited) £m	28 April 2012 (audited) £m
Assets				
Non-current assets				
Intangible assets	9	**60.4**	64.2	61.4
Property, plant and equipment	9	**108.5**	139.8	119.6
Investment property		**19.9**	25.6	20.7
Deferred tax assets		**2.5**	2.9	2.6
Trade and other receivables		**0.8**	1.0	0.9
		192.1	233.5	205.2
Current assets				
Inventories		**40.1**	38.9	38.3
Trade and other receivables		**27.5**	32.7	24.1
Cash and cash equivalents	10	**7.7**	3.7	9.6
		75.3	75.3	72.0
Total assets		**267.4**	308.8	277.2
Liabilities				
Current liabilities				
Trade and other payables		**(111.6)**	(112.8)	(109.2)
Obligations under finance leases	10	**(0.1)**	(0.1)	(0.1)
Borrowings and overdrafts	10	**(20.3)**	(16.6)	(9.5)
Current tax liabilities		**(1.0)**	(0.3)	(1.0)
		(133.0)	(129.8)	(119.8)
Non-current liabilities				
Trade and other payables		**(31.3)**	(34.2)	(33.8)
Obligations under finance leases	10	**(2.5)**	(2.6)	(2.6)
Borrowings	10	**(1.1)**	(39.4)	(16.5)
Provisions for liabilities and charges		**(11.2)**	(7.7)	(6.4)
Deferred tax liabilities		**(20.5)**	(25.9)	(23.1)
Retirement benefit obligations	11	**(4.7)**	(2.9)	(4.3)
		(71.3)	(112.7)	(86.7)
Total liabilities		**(204.3)**	(242.5)	(206.5)
Net assets		**63.1**	66.3	70.7
Equity				
Share capital		**0.7**	0.7	0.7
Share premium		**16.6**	15.4	16.3
Treasury shares		**(0.3)**	(0.3)	(0.3)
Other reserves		**46.1**	50.5	54.0
Total equity attributable to equity shareholders of the Company		**63.1**	66.3	70.7

The notes on pages 20 to 25 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of cash flows
for 26 weeks ended 27 October 2012

	Note	**26 weeks to 27 October 2012 (unaudited) £m**	26 weeks to 29 October 2011 (unaudited) £m	52 weeks to 28 April 2012 (audited) £m
Operating activities				
Profit/(loss) before tax		**(7.9)**	(0.8)	13.5
Adjusted for:				
Depreciation and amortisation		**7.0**	7.4	14.6
Profits on property disposals		**1.2**	(0.5)	(4.6)
Profits on property subsidiary disposal		**-**	-	(8.8)
Exceptional non-cash items		**11.2**	2.1	2.3
Other non-cash items		**0.1**	0.1	0.2
Net finance costs		**0.9**	2.3	4.0
Operating cash flows before movements in working capital		**12.5**	10.6	21.2
Increase in inventories		**(2.0)**	(0.3)	(0.4)
(Increase)/decrease in trade and other receivables		**(3.9)**	(0.3)	7.9
Increase/(decrease) in trade and other payables		**(1.4)**	4.9	0.4
Cash generated by operations		**5.2**	14.9	29.1
Interest paid		**(0.9)**	(3.4)	(4.9)
Corporation taxes paid		**(0.9)**	(1.7)	(3.0)
Net cash flows from operating activities		**3.4**	9.8	21.2
Investing activities				
Purchases of intangible assets		**(0.4)**	-	(0.1)
Purchases of property, plant and equipment and investment property		**(4.6)**	(5.9)	(12.0)
Proceeds on disposal of property, plant and equipment and investment property		**4.0**	6.4	22.1
Proceeds on property subsidiary disposal		**-**	-	12.8
Net cash flows from investing activities		**(1.0)**	0.5	22.8
Financing activities				
Issue of new shares		**0.3**	-	0.9
Repayment of borrowings	10	**(8.6)**	(14.8)	(42.9)
Net cash flows from financing activities		**(8.3)**	(14.8)	(42.0)
Net increase/(decrease) in cash and cash equivalents in the period	10	**(5.9)**	(4.5)	2.0
Cash and cash equivalents at the beginning of the period		**1.5**	(0.7)	(0.7)
Exchange differences		**(0.2)**	(0.2)	0.2
Cash and cash equivalents at the end of the period	10	**(4.6)**	(5.4)	1.5

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

The notes on pages 20 to 25 form an integral part of this consolidated interim financial information.

Notes to the accounts

1. General information

This condensed consolidated half-yearly information was approved for issue on 10 December 2012.

This interim report does not comprise statutory accounts within the meaning of Section 434(3) of the Companies Act 2006. It has been reviewed but not audited by the Group's auditors. The statutory accounts for the year ended 28 April 2012 were approved by the Board of Directors on 25 June 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

The interim financial report for the 26 weeks ended 27 October 2012 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. It should be read in conjunction with the annual financial statements for the 52 weeks ended 28 April 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Directors are satisfied that it is appropriate for these financial statements to be prepared on a going concern basis.

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

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Euro			
Average	**1.25**	1.14	1.16
Closing	**1.25**	1.14	1.23
Zloty			
Average	**5.26**	4.73	4.90
Closing	**5.12**	4.91	5.12

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 52 weeks ended 28 April 2012, as described in those annual financial statements.

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

There are no new standards, amendments to existing standards or interpretations that are effective for the first time in the financial year beginning on 29 April 2012 that would be expected to have a material impact on the Group's result.

New standards and amendments to standards which are mandatory after 27 April 2013 are currently expected to be not relevant or not material for the Group.

Notes to the accounts

4. Segmental analysis

The operating segments have been determined based on reports reviewed by the Board that are used to make strategic decisions.

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

The segment information provided to the Board for the reportable segments for the 26 weeks ended 27 October 2012 is as follows:

	26 weeks to 27 October 2012			26 weeks to 29 October 2011		
	UK £m	**Europe £m**	**Group £m**	UK £m	Europe £m	Group £m
Gross revenue	**191.4**	**38.1**	**229.5**	194.8	46.3	241.1
Inter-segment revenue	**(2.3)**	**-**	**(2.3)**	(2.7)	-	(2.7)
Revenues from external customers	**189.1**	**38.1**	**227.2**	192.1	46.3	238.4
Gross profit	**116.6**	**21.7**	**138.3**	111.4	26.6	138.0
Underlying operating profit	**5.2**	**0.2**	**5.4**	0.8	2.9	3.7
Exceptional items[1]	**(12.3)**	**(0.1)**	**(12.4)**	(0.6)	(1.1)	(1.7)
Operating profit/(loss)	**(7.1)**	**0.1**	**(7.0)**	0.2	1.8	2.0
Finance income	**0.5**	**-**	**0.5**	0.5	-	0.5
Intercompany interest	**(0.1)**	**0.1**	**-**	(0.3)	0.3	-
Finance costs[1]	**(1.4)**	**-**	**(1.4)**	(3.2)	(0.1)	(3.3)
Profit/(loss) before tax	**(8.1)**	**0.2**	**(7.9)**	(2.8)	2.0	(0.8)
Tax	**1.6**	**(0.1)**	**1.5**	0.8	(0.6)	0.2
Profit/(loss) for the financial period	**(6.5)**	**0.1**	**(6.4)**	(2.0)	1.4	(0.6)
Segment assets:						
Segment assets	**213.8**	**96.7**	**310.5**	235.0	112.7	347.7
Inter-segment balances	**(22.5)**	**(20.6)**	**(43.1)**	(24.0)	(14.9)	(38.9)
Balance sheet total assets	**191.3**	**76.1**	**267.4**	211.0	97.8	308.8
Segment liabilities:						
Segment liabilities	**(200.9)**	**(46.5)**	**(247.4)**	(216.1)	(65.3)	(281.4)
Inter-segment balances	**20.6**	**22.5**	**43.1**	14.9	24.0	38.9
Balance sheet total liabilities	**(180.3)**	**(24.0)**	**(204.3)**	(201.2)	(41.3)	(242.5)
Other segmental items:						
Depreciation and amortisation	**5.9**	**1.1**	**7.0**	5.9	1.5	7.4
Additions to non-current assets	**3.5**	**0.7**	**4.2**	2.1	0.4	2.5

1 Finance costs includes £0.5m of exceptional finance costs in 2011.

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £189.1m (2011: £192.1m) and the total revenue from external customers from other countries is £38.1m (2011: £46.3m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £153.7m (2011: £178.7m) and the total of those located in other countries is £79.0m (2011: £90.8m).

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

Notes to the accounts

5. Exceptional items

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Profits/(loss) on property disposals			
UK and Europe	**(1.2)**	0.5	4.6
Sale of Belgian subsidiary	**-**	-	8.8
Impairment of property, plant and equipment	**(4.7)**	(0.1)	(1.0)
Onerous lease provision	**(6.5)**	-	(0.3)
Restructuring costs	**-**	(2.1)	(2.1)
Finance charges	**-**	(0.5)	(0.5)
Exceptional items before tax	**(12.4)**	(2.2)	9.5

The onerous lease provision relates to 11 properties in the UK that are not trading and are either empty or leased at below the passing rent. The provision covers the period until full cost recovery is expected.

In accordance with IAS 36 assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. An impairment provision of £4.3m has been recognised on certain freehold properties belonging to the group, and £0.4m for other store related assets.

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Included within administration expenses			
Impairment of property, plant and equipment	**(4.7)**	(0.1)	(1.0)
Onerous lease provision	**(6.5)**	-	(0.3)
Restructuring costs	**-**	(2.1)	(2.1)
	(11.2)	(2.2)	(3.4)
Included within other operating income			
Profit/(loss) on property disposals			
UK and Europe	**(1.2)**	0.5	4.6
Sale of Belgian subsidiary	**-**	-	8.8
	(1.2)	0.5	13.4
Included within finance costs			
Exceptional finance costs arising from debt refinancing	**-**	(0.5)	(0.5)
	-	(0.5)	(0.5)
Exceptional items before tax	**(12.4)**	(2.2)	9.5
Tax on exceptional items	**2.6**	0.8	(3.1)
Exceptional tax benefit from tax rate change	**0.8**	-	(1.6)
Exceptional items after tax	**(9.0)**	(1.4)	4.8

Notes to the accounts

6. Tax

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Current tax	**0.7**	(0.1)	2.0
Deferred tax	**(2.2)**	(0.1)	0.5
Total tax charge/(credit)	**(1.5)**	(0.2)	2.5

The estimated tax rates on the profits of the Group are as follows:

	52 weeks to 27 April 2013 £m	52 weeks to 28 April 2012 £m
Weighted average annual underlying tax rate	**29.8%**	26.5%
Weighted average annual effective tax rate	**18.3%**	18.7%

The effective tax rate is defined as the tax charged or credited as a percentage of the accounting profit before tax. The underlying tax rate is defined as the effective tax rate after adjusting for, when relevant, profit/(loss) on property disposals and other exceptional items and tax adjustments in respect of such items.

The Finance Act 2012 reduced the main corporation tax rate by 1 % to 23% effective from 1 April 2013. This was substantively enacted in July 2012. These reductions have been reflected in the financial statements.

Further reductions to the main rate have been proposed but have not been substantively enacted at the balance sheet date and, therefore, have not been included in these financial statements.

7. Earnings per share

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

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

	26 weeks ended 27 October 2012			26 weeks ended 29 October 2011			52 weeks ended 28 April 2012		
	Earnings/ (loss) £m	**Weighted average number of shares Millions**	**Earnings/ (loss) per share Pence**	Earnings/ (loss) £m	Weighted average number of shares Millions	Earnings/ (loss) per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	**(6.4)**	**67.5**	**(9.5)**	(0.6)	67.2	(0.9)	11.0	67.2	16.4
Effect of dilutive share options	**-**	**0.3**	**-**	-	0.5	-	-	0.3	-
Diluted earnings per share	**(6.4)**	**67.8**	**(9.5)**	(0.6)	67.7	(0.9)	11.0	67.5	16.4

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

	26 weeks ended 27 October 2012			26 weeks ended 29 October 2011			52 weeks ended 28 April 2012		
	Earnings/ (loss) £m	**Weighted average number of shares Millions**	**Earnings/ (loss) per share Pence**	Earnings/ (loss) £m	Weighted average number of shares Millions	Earnings/ (loss) per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	**(6.4)**	**67.5**	**(9.5)**	(0.6)	67.2	(0.9)	11.0	67.2	16.4
Adjusted for the effect of exceptional items:									
Exceptional items	**12.4**		**18.4**	2.2		3.3	(9.5)		(14.1)
Tax thereon	**(2.6)**		**(3.9)**	(0.8)		(1.2)	3.1		4.6
Exceptional tax benefit from tax rate change	**(0.8)**		**(1.2)**	-		-	(1.6)		(2.4)
Underlying earnings per share	**2.6**	**67.5**	**3.8**	0.8	67.2	1.2	3.0	67.2	4.5

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

Notes to the accounts

8. Dividends

No dividends were paid or proposed in the 26 weeks to 27 October 2012 or to the 26 weeks to 29 October 2011.

9. Capital expenditure

During the period, additions were £0.3m (2011: £Nil) on intangible assets and £3.9m (2011: £5.9m) on the acquisition and fit out of stores. Net proceeds from vacating properties during the period were £4.0m (2011: £6.4m).

Capital commitments contracted but not provided for at the end of the period are £1.5m (2011: £2.2m).

10. Movement in cash and net debt

	28 April 2012				**27 October 2012**
	Total £m	**Cash flow £m**	**Exchange differences £m**	**Revaluation £m**	**Total £m**
Cash and cash equivalents in the balance sheet	9.6				**7.7**
Bank overdrafts	(8.1)				**(12.3)**
Cash and cash equivalents in the cash flow statement	1.5	**(5.9)**	**(0.2)**		**(4.6)**
Borrowings					
Current borrowings	(1.4)				**(8.0)**
Non-current borrowings	(16.5)				**(1.1)**
	(17.9)	**8.6**	**0.2**		**(9.1)**
Obligations under finance leases					
Current obligations under finance leases	(0.1)				**(0.1)**
Non-current obligations under finance leases	(2.6)				**(2.5)**
	(2.7)			**0.1**	**(2.6)**
Net debt	(19.1)	**2.7**	**-**	**0.1**	**(16.3)**

	30 April 2011				29 October 2011
	Total £m	Cash flow £m	Exchange differences £m	Revaluation £m	Total £m
Cash and cash equivalents in the balance sheet	8.3				3.7
Bank overdrafts	(9.0)				(9.1)
Cash and cash equivalents in the cash flow statement	(0.7)	(4.5)	(0.2)		(5.4)
Borrowings					
Current borrowings	(12.3)				(7.5)
Non-current borrowings	(49.6)				(39.4)
	(61.9)	14.8	0.2		(46.9)
Obligations under finance leases					
Current obligations under finance leases	(0.1)				(0.1)
Non-current obligations under finance leases	(2.9)				(2.6)
	(3.0)			0.3	(2.7)
Derivative financial instruments	(0.1)			0.1	-
Net debt	(65.7)	10.3	–	0.4	(55.0)

Notes to the accounts

11. Retirement benefit obligation

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Deficit in scheme at beginning of period	**(4.3)**	(4.0)	(4.0)
Interest on defined benefit obligation	**(0.5)**	(0.5)	(1.1)
Expected return on pension scheme assets	**0.5**	0.5	1.1
Employer contributions	**0.4**	0.3	0.6
Actuarial gains/(losses)	**(0.8)**	0.8	(0.9)
Deficit in scheme at end of period	**(4.7)**	(2.9)	(4.3)
Fair value of pension scheme assets	**19.6**	17.2	18.3
Present value of pension scheme obligations	**(24.3)**	(20.1)	(22.6)
Retirement benefit obligations	**(4.7)**	(2.9)	(4.3)

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

	26 weeks to 27 October 2012 £m	26 weeks to 29 October 2011 £m	52 weeks to 28 April 2012 £m
Inflation linked pension escalation (Carpetright scheme)	**3.3**	3.4	3.4
Inflation linked pension escalation (Storey scheme)	**1.8**	2.3	2.2
Discount rate	**4.0**	5.1	4.6
Expected return on scheme assets	**4.7**	5.5	5.2

The amount of the deficit varies if the main financial assumptions change, particularly the discount rate. If the discount rate increased/decreased by 0.1% the IAS 19 deficit would decrease/increase by approximately £0.4m.

12. Related party transactions

Details of transactions during the period with Companies of which Lord Harris and/or M J Harris is a director and/or in which Lord Harris holds a material interest are set out below:

	Lease and concession agreement payments made		**Supply of goods/services payments made**		**Supply of goods/services payments received**	
	26 weeks to 27 October 2012 £'000	26 weeks to 29 October 2011 £'000	**26 weeks to 27 October 2012 £'000**	26 weeks to 29 October 2011 **£'000**	**26 weeks to 27 October 2012 £'000**	26 weeks to 29 October 2011 **£'000**
Edinburgh Retail LLP	**137**	133	-	-	-	-
Greenock Retail LLP	**135**	113	-	-	-	-
Harris Ventures Ltd	**31**	31	-	22	-	2
Hull Unit Trust	**193**	194	-	-	-	-

As at 27 October 2012 the Group owed related parties £nil (2011: £nil).

Principal risks and uncertainties

The Board has considered the principal risks and uncertainties for the remaining six months of the financial year and determined that the risks presented in the 2012 Annual Report, described below, remain for the rest of the financial year:

- Economic and market conditions
- Business strategy development and implementation
- Employee risk – management and customer service
- Entering new markets
- Cost inflation
- Supply chain and business continuity
- IT systems
- Management of liquidity risk and financing
- Legislative and regulatory risk

These are detailed on pages 15 and 16 of the 2012 Annual Report, a copy of which is available on the Group's website www.carpetright.plc.uk.

Forward looking statements

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

Statement of Directors' responsibilities

The condensed financial information has been prepared in accordance with IAS 34, as adopted by the European Union, and the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

An indication of important events that have occurred during the period and their impact on the interim financial statements, and a description of the principal risks and uncertainties for the remainder of the financial year.

Material related party transactions in the period and any material changes in the related party transactions described in the last Annual Report.

The Directors of Carpetright plc are listed on page 15 of the Group's 2012 Annual Report.

By order of the Board

Neil Page

Group Finance Director

10 December 2012

Independent review report to Carpetright plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 27 October 2012, which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, Condensed consolidated statement of changes in equity, Condensed consolidated balance sheet, Condensed consolidated statements of cash flow and the related noted. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for 26 week period ended 27 October 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants

10 December 2012
1 Embankment Place, London, WC2N 6RH

Notes:

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

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