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Interim Results Announcement

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Carpetright plc
Interim Results Announcement for the 26 weeks ended 29 October 2016

"Challenging first half - accelerating our plans to transform the business - encouraged by recent positive like-for-like trading."

Financial highlights

Group

- Revenue decreased 3.8% to £222.3m (H1 FY16: £231.2m). (note 1)
- Underlying profit before tax of £5.0m (H1 FY16: £9.0m). (note 2)
- Net cash position of £0.4m at period end (H1 FY16: £4.1m). (note 4)
- Comfortable with the range of market expectations for the Group's full year profit. (note 5)
- Profit before tax of £4.1m (H1 FY16: £7.1m)

UK

- Like-for-like sales declined by 2.9% (H1 FY16: +3.7%), reflecting uneven consumer demand in an increasingly competitive market. (notes 6, 7)
- Underlying operating profit of £4.8m (H1 FY16: £9.4m).

Rest of Europe

- Like-for-like sales decline of 1.5% in local currency (H1 FY16: +5.5%).
- Improvement in underlying operating profit to £1.1m (H1 FY16: £0.6m).

Strategic Progress

- At the end of the first half, we had 49 UK stores trading under the new brand identity, delivering sales growth above comparable stores in the rest of the estate. Our plan is to accelerate the programme to 150 stores by the end of the year, 50% more than the original target and over a third of the UK estate.
- Sales benefiting from strategic focus on hard flooring, a category achieving double digit growth.
- Focus on improving customer service - stronger satisfaction metrics being achieved.
- Continued progress made in reducing the number of underperforming stores - net six closures to reduce the UK estate to 429 stores.
- In the Rest of Europe, whilst the number of stores remained unchanged at 137, the trading space reduced by 3.2%.

Current Trading

- We have had a promising start to the second half, with like-for-like sales in the UK up 2.6% in the six weeks to 10 December 2016. Rest of Europe has also made an encouraging start with like-for-like sales up 5.9%, on a local currency basis over the same period. This provides confidence that our strategy remains on track and will deliver.

Commenting on the results, Wilf Walsh, Chief Executive, said:

"We have had a challenging first half - the full impact of the UK decision to leave the EU remains unclear; consumer demand remains uneven; the market is extremely competitive and the impact of currency movements have combined to give us substantial trading headwinds. To address these challenges and revitalise the business, we have a programme of activities underway, but these will take time to deliver their full effect.

"The positive impact at the initial 49 refurbished stores has given us the confidence to accelerate this part of the programme. We are now scheduling investment to 150 stores by the year end - 50% more than the original target and representing over one third of our UK estate.

"We have made an encouraging start to the second half with a return to like-for-like sales growth in both businesses. As we enter the important January trading period, we remain comfortable with the range of market expectations. Looking longer term, we are confident that our plan to build on Carpetright's strong foundations, to modernise the business and to ensure we capitalise as market leader to the full is still on track."

Group Financial Summary

	H1 FY17 £m	H1 FY16 £m	change
Group revenue (note 1)	**222.3**	231.2	(3.8%)
• *UK*	*186.5*	*199.2*	(6.4%)
• *Rest of Europe*	*35.8*	*32.0*	11.9%
Underlying operating profit (note 2)	**5.9**	10.0	(41.0%)
• *UK*	*4.8*	*9.4*	(48.9%)
• *Rest of Europe*	*1.1*	*0.6*	83.3%
Underlying profit before tax	**5.0**	9.0	(44.4%)
Underlying earnings per share	**5.6p**	9.5p	(41.1%)
Exceptional items (note 3)	**(0.9)**	(1.9)	52.6%
Profit before tax	**4.1**	7.1	(42.3%)
Basic earnings per share	**5.8p**	7.3p	(20.5%)
Net cash (note 4)	**0.4**	4.1	Down £3.7m

Notes
1. Revenue represents amounts payable by customers for goods and services after deducting VAT and other charges.
2. 'Underlying' excludes exceptional items, related tax and exceptional tax items.
3. Exceptional items comprise net losses on disposal of properties of £0.9m (H1 FY16 £1.9m charge).
4. Net cash/(debt) is calculated as the total of cash-in-hand, or at bank, offset by borrowings, finance leases and unamortised fees.
5. Consensus for the year ending 29 April 2017 is for Group underlying profit before tax to be £16.1m, with a range from £13.9m to £18.5m.
6. Sales represents amounts payable by customers for goods and services before deducting VAT and other charges.
7. Like-for-like sales calculated as this year's sales compared to last year's sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years.
8. Comparative period for the year is the 26 week period ended 31 October 2015.

Results presentation

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

Analysts unable to attend in person may listen to the presentation live at 09:00 by using the details below:

Telephone number: 0808 109 0700

Password: Carpetright

Webcast link: http://edge.media-server.com/m/p/p6isdhup

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

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Forthcoming news flow:
Carpetright will release a trading update for the third quarter on 31 January 2017.

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.*

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

Interim Results

A summary of the reported financial results for the 26 weeks ended 29 October 2016 is set out below:

	H1 FY17 £m	H1 FY16 £m	Change
Revenue	**222.3**	231.2	(3.8%)
Underlying operating profit	**5.9**	10.0	(41.0%)
Net finance charges	**(0.9)**	(1.0)	
Underlying profit before tax	**5.0**	9.0	(44.4%)
Exceptional items	**(0.9)**	(1.9)	
Profit before tax	**4.1**	7.1	(42.3%)
Earnings per share (pence)			
- underlying	**5.6p**	9.5p	(41.1%)
- basic	**5.8p**	7.3p	(20.5%)
Net cash	**0.4**	4.1	Down £3.7m

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

Overview
Group revenue for the first half decreased by 3.8% to £222.3m, consisting of a decline in the UK business of 6.4% offset to a degree by an increase in reported currency performance of 11.9% in the Rest of Europe. Our continued focus on rationalising and repositioning the store portfolio saw the Group open five stores and close eleven during the half year which gave a net decrease of six stores, leaving a total store base of 566. Total store space declined by 2.1% to 5.0 million square feet during the period.

Group underlying operating profit decreased by 41.0% to £5.9m, driven by both sales and margin rate shortfalls in the UK, offset by the benefit from closing underperforming stores, and a strengthening performance in our Rest of Europe business. Underlying net finance charges were £0.1m lower at £0.9m. These factors combined to generate an underlying profit before tax of £5.0m, a 44.4% decrease on the prior year.

Exceptional items totalled £0.9m (H1 FY16: £1.9m), reflecting costs associated with rationalising the store portfolio.

The Group generated £4.1m profit before tax (H1 FY16: £7.1m) and basic earnings per share of 5.8p (H1 FY16: 7.3p).

Cash flow generated from underlying profitability and lower stock levels was offset in part by an adverse movement in working capital, the cash costs of rationalising the store portfolio and net capital expenditure, as we invest in modernising the estate. As a consequence, our net cash at the half year was £0.4m compared to a net debt position of £1.1m at year end 2016.

Chief Executive Review

Overview
After ten consecutive quarters of positive like-for-like sales growth, it is naturally disappointing to report a negative result for the first half of this financial year.

Despite the reported headwinds, we remain confident that our strategy, based on extensive customer research and proven through store trials, is on track to deliver significant benefits in the medium and longer term.

We are broadening the appeal of the brand by placing greater emphasis on the unrivalled breadth and quality of our product range, the expertise of our colleagues and the role floor coverings play in transforming our customers' homes. We are retaining our well established value heritage - something that will become more important as inflation increases and consumer spending potentially tightens up. We also have to "make it easy" for our customers who place a high value on convenience and speed. This all combines to make buying floor coverings a hassle-free end-to-end experience from researching online to the moment the fitter presents the finished product, and at every point in between.

Key areas of focus are:

1. **Who we are** - our people, the brand and our stores
2. **What we sell** - an unrivalled choice of floor coverings
3. **How we sell it** - making it easy with unbeatable value
4. **Where we sell it** - multi channel convenience and improving the store portfolio

1. Who we are

We launched our new brand identity in May 2016 and it now forms the main theme of all our advertising and promotions, on and off line, as well as internal communications. Encouraging new customers to consider Carpetright when they shop for floor coverings requires a significant repositioning and updating of the brand.

We have made progress in the following:

- At the end of the first half, we had 49 stores trading under the new brand identity, with investment in the first half weighted to the latter part of the period. The initial performance of these stores in encouraging. While there is some inevitable disruption to trade while work is carried out, thereafter they are outperforming comparable stores in the estate, giving us confidence that where we invest we are able to drive a material improvement in performance. Some stores are up against new competition and we seek to mitigate that impact. We initially challenged ourselves to refurbish 100 stores this financial year. The success of the first round of this activity has encouraged us to accelerate this plan and we will now, in part or fully, refurbish 150 stores by the end of April 2017. There will be an incremental £1.5m capital cost on the previously announced figure, meaning the total cost of the store refurbishment programme in this financial year will be £11.5m.

- We are in the process of rebranding our 'Storey Carpets' fascia stores into 'Carpetright' or 'Carpetright Clearance' stores. Those completed are achieving significant double digit LFL sales growth and can now benefit significantly from Carpetright brand advertising both off and on line
- We have a similar programme to address the un-invested estate in the Netherlands and Belgium, where we have refurbished five stores to date. They have achieved significant sales growth, giving encouragement that the Netherlands, in particular, is becoming a significant opportunity to increase share and profitability.

Market research tells us Carpetright's reputation and trust has not ranked highly with consumers for an extended period time. This is being addressed by:

- The recruitment in summer 2016 of Lucy Alexander from the cult BBC TV show "Homes Under The Hammer" to become our Carpetright Brand Ambassador. Lucy is a very recognisable personality for all things home improvement and she is the face of our recent television sponsorship deal with UKTV as well as featuring in our advertisements on line and on in-store point of sale. Customer research shows that this activity is beginning to yield positive results on brand metrics such as awareness, consideration and value.
- Carpetright also achieved 'Which? Trusted Trader Status' for our recommended fitting service. This will give customers peace of mind that their product will be fitted by reputable traders at the all-important finishing point in the customer service journey.

Internally, we have launched a new online training, development and communication tool - 'Fuse', which in a short time is having a tremendous impact on the business, specifically allowing us to reach all our employees individually for the first time:

- Giving colleagues online access to managing their own training and development plans on technical issues such as product knowledge, as well as softer skills such as customer service and sales techniques.
- Instant communication by Regional and Divisional managers to their communities - updates on sales, in-store performance and allowing for compelling video messaging rather than traditional e-mail.
- Celebrating success, whether that's sales numbers or long service as we continue our journey to modernise the culture of the organisation.

2. What we sell

In the UK, Carpetright is the market leader in floor coverings and we have long offered the broadest range of carpets in the marketplace, including premium and specialist lines. However, we believe our capability to offer a full range of floor covering options is still not universally recognised by our potential customer base.

As consumer tastes evolve we are building market share in hard flooring such as laminate, luxury vinyl tiles and engineered wood. While we still over index on our main carpet offer, we look to differentiate our range versus competitors and broaden our appeal generally across customer segments.

Initiatives completed and being developed include:

- A full roll out of the successful and exclusive 'House Beautiful' range across the whole estate. Keeping this range fresh, interesting and exclusive to Carpetright, will give us a clear edge as seasons change and customers look for home inspiration.
- Double digit sales growth in hard flooring, a category where we have a low share relative to the rest of the floor coverings market. We are rolling out 100 hard flooring sections across the highest volume stores in the estate and will have 200 new luxury vinyl tile stands in place by the end of November and across the whole estate by the end of April 2017. Our new, improved, take away vinyl offer will be rolled out across all stores by end March 2017, while 200 stores will carry the 'Kahrs' engineered wood range.
- The launch of an entirely new rug range, which is both contemporary in style and at a lower entry price point has strengthened our competitive position in this market significantly.
- Artificial grass proved incredibly popular last Summer and we are developing a new range exclusive to Carpetright for Spring 2017.

3. How we sell it

The strategic plan to put the customer's needs "at the heart of everything we do" has not changed and we continue to be driven by research and live feedback. We are absolutely committed to making customer service a genuine point of sustained competitive advantage.

Key initiatives delivered include:

- Following the launch of 'Do We Measure Up?', our web-based customer service programme, across the entire UK store network in January 2015, we are now receiving an average of 307 reviews per week, which enables each store to receive direct customer feedback on their

shopping experience. This important initiative is driving service standards higher and helping to improve our online customer ratings. Research indicates that customers are more than twice as likely to recommend Carpetright when they are 'Highly Satisfied' and customers in this zone of satisfaction will spend on average 12% more. We have improved our 'Highly Satisfied Rating' to 75% (H1 FY16: 71%).
- We have introduced a tablet based solution for the production of cutting plans by our Home Flooring Surveyors, making the service far more efficient for our customers as well as for the third party fitters.
- Introducing hassle free 'Uplift and Disposal' where for a small extra charge, our recommended fitters will take away the customers old carpet. From this service we now generate on average 1,300 tonnes of waste per month, of which we are currently able to recycle approximately 50% into renewable energy, and arrange for the responsible disposal of the balance.

Carpetright has a long-established and well-deserved reputation for value among its core customer base. We have built on this heritage and it will remain a key part of our proposition, supported by the three core elements of strong promotional offers; a promise of never being beaten on price; and interest free credit. Research indicates that our move to modernise the store estate and to make it more contemporary in appeal is not affecting consumers' perceptions of our ability to offer outstanding value.

We have made progress in the following:

- Our enhanced Interest Free Credit offer of up to four years for purchases over£500 has now reached 18% penetration of all transactions and still has some way to go versus other big ticket retailers. The average transaction value of an IFC order is just under £1,300, four times the value of a normal transaction.
- Refreshing our take away offer as the 'essential value' range to enhance our reputation for budget product.
- Introducing 'Deal of the Week' - a rotating offer every seven days across product categories, headlining the very best deals available in store.
- 'Price Checker' on Beds - naming our competitors and how our products in store offer significantly better value for money.
- We are never beaten on price with our 'Price Promise' so if a customer has a written quote for an identical product from a rival retailer - we'll match it.
- Free fitting in selected stores impacted by competition.

4. Where we sell it

While the ability to visit a store, to touch and view the product and to obtain specialist advice prior to making a purchase remain critical, the internet has become a vital research tool for many customers and the rapid growth in the use of mobile devices has made an integrated multi-channel proposition a necessity.

With our extensive geographic coverage, we see the opportunity to leverage the accessibility of our store estate, combined with the strength of our marketing reach and supported by an inspirational website, as a key advantage when compared to the majority of the competition.

Enhancements made online in the first half of the year include:

- Introducing the Carpetright 'Visualiser' - giving the customer the chance to upload photos of their rooms and see how they will be enhanced by trying different product across our extensive ranges.
- Blogs designed to enhance consumer knowledge including decorating tips and trends with Diana Civil, a leading UK interior stylist.
- Practical videos on how to choose product, measure a room, stain removal and other tips to enhance our authority as market leaders in the sector.
- Guides with brand ambassador Lucy Alexander as to how we make it "easy with every step".
- Ability to book a home visit direct with our Home Flooring Surveyors online.
- Ability to pay for products using Interest Free Credit online.
- Complete rebranding of the site and associated materials.

We continue to aggressively manage our store portfolio to reduce total square footage; to eliminate store catchment overlap; to improve the quality of the estate by relocating to better sites; and to reduce property costs, with the overall objective of ensuring our store base is better aligned with the needs of customers.

Key areas of progress are:

- We have opened one new high street store in Gerrards Cross during the half which is trading extremely well and a new retail park unit in Selly Oak, Birmingham which opened two weeks into the second half.
- We closed seven stores in the period, primarily a continuation of the previously announced plan to eliminate stores with overlapping catchments. Prior to committing to these closures we model the expected level of transfer of sales to nearby stores, assess the likely net reduction in cost and, after considering any costs to facilitate the deal, look for a cash payback within two years. We believe we will achieve around 20 closures by the end of April 2017, in line with previous guidance.
- We continue to take a robust view at lease renewal, which provides an opportunity to secure lower rents for future years. Within the next five years 40% of the UK estate has a lease renewal scheduled, providing further opportunity to reduce the fixed store operating costs. As at 29 October 2016, we had 429 stores trading in the UK, with average length of lease of 5.6 years (H1 FY16: 6.5 years).
- In Benelux we have opened one and closed one store, while relocating three others to a smaller format in the same location, leaving 137 stores trading at 29 October 2016. The

potential to secure rent reductions in Rest of Europe is generally dictated by the average length of lease remaining, with this being 2.5 years (H1 FY16: 2.9 years) in the Netherlands and 2.3 years (H1 FY16: 1.5) in Belgium.
- In the Republic of Ireland, this period is 8.6 years (H1 FY16: 9.6 years) reflecting long term deals during the expansion into this market in the period from 2001 to 2008.

The actual results achieved thus far have been in line with our modelling which gives us confidence in our approach.

Dividend

The Board continues to prioritise the use of cash for the acceleration of the strategy by investing further in the existing store estate, while also reducing the fixed occupancy costs as quickly as possible. As a result, it has taken the decision not to pay an interim dividend (H1 FY16: Nil).

Current Trading

We have had promising start to the second half, with like-for-like sales in the UK up 2.6% in the six weeks to 10 December 2016. In the Rest of Europe, an equally encouraging start with like-for-like sales up 5.9% on a local currency basis over the same period. This provides confidence that our strategy remains on track and will deliver.

Summary and Outlook

We have had a challenging first half - the full impact of the UK decision to leave the EU remains unclear; consumer demand remains uneven; the market is extremely competitive and the impact of currency movements have combined to give us substantial trading headwinds. To address these challenges and revitalise the business, we have a programme of activities underway, but these will take time to deliver their full effect.

The positive impact at the initial 49 refurbished stores has given us the confidence to accelerate this part of the programme. We are now scheduling investment to 150 stores by the year end - 50% more than the original target and representing over one third of our UK estate.

We have made an encouraging start to the second half with a return to like-for-like sales growth in both businesses. As we enter the important January trading period, we remain comfortable with the range of market expectations. Looking longer term, we are confident that our plan to build on Carpetright's strong foundations, to modernise the business and to ensure we capitalise as market leader to the full is still on track.

Wilf Walsh
Chief Executive Officer
13 December 2016

Financial review

UK

Key financial results for the UK:

	H1 FY17 £m	H1 FY16 £m	Change
Revenue	**186.5**	199.2	(6.4%)
Like-for-like sales	**(2.9%)**	3.7%	
Gross profit	**111.0**	121.5	(8.6%)
Gross profit %	**59.5%**	61.0%	(1.5ppts)
Costs	**(106.2)**	(112.1)	5.3%
Cost to sales %	**(56.9%)**	(56.3%)	(0.6ppts)
Underlying operating profit	**4.8**	9.4	(48.9%)
Underlying operating margin %	**2.6%**	4.7%	(2.1ppts)

UK store portfolio:

	Store numbers				Gross Sq ft ('000)	
	30 April 2016	Openings	Closures	**29 Oct 2016**	30 April 2016	**29 Oct 2016**
Standalone	420	1	(6)	**415**	3,734	**3,672**
Concessions	15	0	(1)	**14**	29	**26**
	435	1	(7)	**429**	3,763	**3,698**
As at 31 Oct 2015				438		3,818

Included in standalone stores:				
Bed departments	246	2	0	**248**
As at 31 Oct 2015				249

Like-for-like sales declined by 2.9% (H1 FY16: +3.7%), reflecting uneven consumer demand in an increasingly competitive market.

We opened one and closed seven stores during the period, which translated into net space decline of 65,000 sq ft, a decrease of 1.7%. At the close of the period there were 248 stores trading with a bed department (H1 FY16: 249). Sales within the beds category now represent 9.1% of the sales mix (H1 FY16: 8.9%).

Gross profit decreased by £10.5m to £111.0m, representing 59.5% of sales, a decrease of 150 basis points. This decline in margin rate reflects a combination of:

- The adverse impact of the fall in Sterling to Euro exchange rate on imported goods for resale.
- Counter competition measures including a 'free fitting' offer in selected stores.
- A dilutive impact from product categories which attract lower average gross margins.
- An improvement in underlying floor covering margin through improved sourcing and promotional planning.

The total UK cost base decreased by 5.3% compared with the prior year to£106.2m reflecting tight control of costs and the impact of store closures. Costs as a percentage of sales were 56.9%, a marginal uplift from 56.3% in the prior year, reflecting the operational gearing of the business. The movement in costs was a combination of:

- Store payroll costs decreased by £1.4m to £29.7m (H1 FY16:£31.1m) from a reduction in headcount from store closures, combined with a decline in sales commission and bonus costs from the fall in sales
- Store occupancy costs (rent, rates, other & depreciation) decreased by 2.0% to £57.4m (H1 FY16: £58.6m) primarily the impact of the store closures, offset in part by an increase in depreciation from the refurbishment programme. The latter includes £0.3m accelerated depreciation for assets written off during these works.
- Marketing and central support costs decreased by 14.0% to £19.1m (H1 FY16:£22.2m), reflecting tight cost control and non-repeating expenditure incurred in the prior year.

The combination of the above factors resulted in underlying operating profit decreasing by 48.9% to £4.8m.

Rest of Europe

Key financial results for the Rest of Europe

	H1 FY17 £m	H1 FY16 £m	Change (Reported)	Change (Local)
Revenue	**35.8**	32.0	11.9%	(1.4%)
Like-for-like sales (local currency)	**(1.5%)**	5.5%		
Gross profit	**20.6**	18.5	11.4%	(2.0%)
Gross profit %	**57.5%**	57.8%	(0.3ppts)	
Costs	**(19.5)**	(17.9)	(8.9%)	3.6%
Cost to sales %	**(54.5%)**	(55.9%)	1.4ppts	
Underlying operating profit	**1.1**	0.6	83.3%	44.4%
Underlying operating margin %	**3.1%**	1.9%	1.2ppts	

Rest of Europe store portfolio:

	Store numbers				**Gross Sq ft ('000)**	
	30 April 2016	Openings	Closures	**29 Oct 2016**	30 April 2016	**29 Oct 2016**
Netherlands	93	3	(3)	**93**	985	**950**
Belgium	23	1	(1)	**23**	245	**235**
Republic of Ireland	21	0	0	**21**	157	**157**
	137	**4**	**(4)**	**137**	**1,387**	**1,342**
As at 31 Oct 2015				138		1,453

Macroeconomic indicators for our markets in Belgium and the Republic of Ireland remained fragile throughout the first half, however, the Netherlands experienced a recovery in market conditions with an increase in reported consumer confidence and encouraging economic indicators, such as the number of housing transactions fuelling demand. In local currency terms, the three businesses combined to produce a decline in revenue of 1.4% on the prior year. The combined like-for-like sales decreased by 1.5%. After exchange rate movements, total revenue increased by 11.9% in reported currency.

Whilst the number of stores remained unchanged at 137, the trading space reduced by 3.2% as a result of downsizing at three locations, one opening and one closure.

Gross profit percentage decreased 30 basis points to 57.5% the result of the impact of growth in lower margin product categories. The combination of volume and rate declines resulted in cash gross profit in local currency declining by 2.0%. After taking into account exchange rate movements this resulted in an increase of 11.4% in reported currency.

Operating costs in local currency reduced by 3.6%, primarily the result of reduced occupancy costs related to the downsizing and relocating stores. This was reflected in the decline in the costs as a percentage of sales to 54.5%, a reduction on the prior year figure of 55.9%. In reported currency, costs increased by 8.9% to £19.5m.

The net result was a year-on-year improvement in underlying operating profit of 44.4% in local currency, which translated to an increase of 83.3% in reported currency of £0.5m to £1.1m.

Group financial review

Net finance charges and taxation

Net finance charges for the period were £0.1m lower at £0.9m (H1 FY16:£1.0m) principally a result of lower levels of average drawings of facilities during the period.

The taxation charge on profit for the half year was £0.2m (H1 FY16:£2.1m). This is based on a full year effective tax rate of 25.0% (H1 FY16: 30.1%), a variance of 5.0% compared to the UK corporation tax rate of 20.0% due to the effects of non-deductible items, overseas tax rates and other permanent differences. The decrease on last half year's rate is predominantly due a reduction in non-deductible items.

Exceptional items
The Group recorded a net charge of£0.9m (H1 FY16:£1.9m) in the half year, a combination of surrender premiums paid to exit poor performing stores, the write off of any associated undepreciated assets and charges associated with onerous store locations, offset in part by premiums received.

During the period, the Group closed eleven trading stores for a net charge of£0.9m, a combination of exit premiums, asset write offs and fees. We also successfully disposed of one non-trading store, at a total cost of £0.2m against which we utilised £0.2m onerous lease provision.

At 30 April 2016 there were eleven vacant properties in the UK and two in the Republic of Ireland classed as onerous leases, against which we carried a provision. We disposed of one onerous location during the half year, removing us from all future liabilities associated with the property. There were no additions or re-openings of onerous stores during the period therefore there were twelve onerous stores remaining at the end of the financial period.

Earnings per share
Underlying earnings per share decreased by 41.1% to 5.6p (H1 FY16: 9.5p) reflecting the fall in underlying profitability of the Group.

Basic earnings per share decreased by 20.5% to 5.8p (H1 FY16: 7.3p). The reduction in basic earnings per share in less in percentage terms than the reduction in underlying earnings per share, a result of a deferred tax credit of £0.6m associated with the fall in the UK corporation tax rate to 17% being taken in the first half as an exceptional tax credit.

Balance sheet
The Group has net assets of £84.4m (Year end FY16: £74.0m) an increase of £10.4m since 30 April 2016.

Summary Balance sheet

	29 Oct 2016	30 April 2016	Movement
	£m	£m	£m
Freehold and long leasehold property	**60.5**	61.5	(1.0)
Other non current assets	**113.5**	107.5	6.0
Stock	**38.4**	41.6	(3.2)
Trade & other current assets	**26.2**	20.0	6.2
Creditors < 1 year	**(90.3)**	(91.1)	0.8
Creditors > 1 year	**(60.6)**	(62.2)	1.6
Net cash/(debt)	**0.4**	(1.1)	1.5
Pension deficit	**(3.7)**	(2.2)	(1.5)
Net Assets	**84.4**	74.0	10.4

The Group owns a significant property portfolio, most of which is used for retail purposes. The carrying values are supported by a combination of value-in-use and independent valuations.

Net debt and cash flow
The Group's net cash at 29 October 2016 was£0.4m, a favourable movement of £1.5m from the year end FY16 net debt of £1.1m.

This increase in cash was driven by the underlying operating profit performance, supported by the £4.1m reduction in stock, being offset in part by a £2.4m cash outflow related to provisions; £0.5m contributions to pension schemes; £0.7m net expenditure on exiting operating leases and a £7.2m increase in working capital.

The increase in working capital was attributable to a combination of an increase in debtors due to the seasonality of sales; amortisation of deferred income relating to property incentives; an increase in expense prepayments due to timing differences; and a decrease in merchandise creditors driven by lower stock levels.

The resulting net inflow of cash generated by operations of £5.9m was offset by net capital expenditure, net interest paid, tax paid and other movements (primarily exchange differences) totalling £4.4m, resulting in free cash flow inflow of £1.5m (H1 FY16: £3.6m in flow).

Summary cash flow

	H1 FY17	H1 FY16
	£m	£m
Underlying Operating Profit	5.9	10.0
Depreciation and non-cash items	6.7	6.8
Decrease in stock	4.1	0.0
Increase in working capital	(7.2)	(1.8)
Net expenditure on exit of operating leases	(0.7)	(0.7)
Contributions to pension schemes	(0.5)	(0.4)
Provisions paid	(2.4)	(2.1)
Cash generated by operations	5.9	11.8
Net interest paid	(0.6)	(1.5)
Corporation Tax received/(paid)	0.1	(1.3)
Net capital expenditure	(4.5)	(5.2)
Free cash flow	0.9	3.8
Other	0.6	(0.2)
Movement in net debt	1.5	3.6
Opening net (debt)/cash	(1.1)	0.5

Closing net cash	0.4	4.1

Gross capital expenditure was £7.9m (H1 FY16:£6.0m), with the majority of this relating to the store refurbishment programme of £5.7m, new store fit outs of £0.4m, investment in IT systems of £1.3m and expenditure at the support offices of £0.5m. After allowing for proceeds generated from the disposal of two freehold properties, from which we no longer trade, net capital expenditure was £4.5m (H1 FY16: £5.2m).

	H1 FY17 £m	H1 FY16 £m
Capital expenditure	**(7.9)**	(6.0)
Net proceeds from freehold property disposals	**3.4**	0.8
Net capital expenditure	**(4.5)**	(5.2)

Current liquidity

At the half year the Group held cash balances of £13.8m (H1 FY16:£8.6m), principally a combination of Sterling and Euros. Gross bank borrowings at the balance sheet date were £11.2m (H1 FY16:£2.2m), being a combination of drawn down from overdraft and revolving credit facilities. The Group had further undrawn facilities of £43.5m at the balance sheet date.

In April 2015, the Group completed a refinancing arrangement of its principal facilities, providing approximately £58m of debt capacity split between revolving credit facilities and overdrafts in a mixture of Sterling and Euro currencies. The revolving credit facility matures in July 2019. In December 2015 the Group elected not to renew its€5.0m multi-option facility in Belgium due to a lack of requirement. This action reduced the Group's total facilities in GBP terms to £54.7m. The facilities contain financial covenants which are believed to be appropriate in the current economic climate and which are tested on a quarterly basis, against which the Group monitors compliance.

Pensions

At 29 October 2016 the IAS 19 net retirement benefit deficit was £3.7m (30 April 2016: £2.2m). The discount rate was 2.7% (30 April 2016: 3.5%), reflecting prevailing corporate bond rates. This lower discount rate resulted in an increase in the schemes liabilities and more than offset the combination of an increase in market value of the plan's assets and additional company contributions,

The Company agreed a recovery plan with the Trustees in 2015 and this will be reviewed following the completion of the next triennial valuation, which will be performed as at 5 April 2017.

Neil Page
Chief Financial Officer
13 December 2016

Condensed consolidated income statement
for 26 weeks ended 29 October 2016

		26 weeks to 29 October 2016			26 weeks to 31 October 2015			52 weeks to 30 April 2016		
		Before Exceptional items	Exceptional Items (note 5)	Total	Before Exceptional items	Exceptional Items (note 5)	Total	Before Exceptional items	Exceptional Items (note 5)	Total
	Notes	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	4	222.3	-	222.3	231.2	-	231.2	456.8	-	456.8
Cost of sales		(90.7)	-	(90.7)	(91.3)	-	(91.3)	(182.6)	-	(182.6)
Gross profit		131.6	-	131.6	139.9	-	139.9	274.2	-	274.2
Administration expenses		(126.6)	-	(126.6)	(130.7)	-	(130.7)	(256.8)	(0.9)	(257.7)
Other operating income/(loss)		0.9	(0.9)	-	0.8	(1.9)	(1.1)	1.9	(3.6)	(1.7)
Operating profit/(loss)	4	5.9	(0.9)	5.0	10.0	(1.9)	8.1	19.3	(4.5)	14.8
Finance costs	6	(0.9)	-	(0.9)	(1.0)	-	(1.0)	(2.0)	-	(2.0)
Profit/(loss) before tax		5.0	(0.9)	4.1	9.0	(1.9)	7.1	17.3	(4.5)	12.8
Tax	7	(1.2)	1.0	(0.2)	(2.5)	0.4	(2.1)	(4.2)	1.5	(2.7)
Profit/(loss) for the financial period attributable to owners of the Company		3.8	0.1	3.9	6.5	(1.5)	5.0	13.1	(3.0)	10.1
Basic earnings per share (pence)	8	5.6	0.2	5.8	9.5	(2.2)	7.3	19.3	(4.4)	14.9
Diluted earnings per share (pence)	8	5.6	0.2	5.8	9.5	(2.2)	7.3	19.3	(4.4)	14.9

All items in the income statement arise from continuing operations.

Condensed consolidated statement of comprehensive income
for 26 weeks ended 29 October 2016

	Notes	**26 weeks to 29 October 2016 £m**	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Profit for the financial period		**3.9**	5.0	10.1

	Notes			
Items that will not be reclassified to the income statement:				
Re-measurements of defined benefit plans	14	**(2.0)**	0.4	1.1
Tax on items that will not be reclassified to the income statement		**0.3**	(0.1)	(0.4)
Total items that may not be reclassified to the income statement		**(1.7)**	0.3	0.7
Items that may be reclassified to the income statement:				
Exchange gains/(loss)		**8.2**	(1.1)	3.2
Tax on items that may be reclassified subsequently to the income statement		**-**	-	-
Total items that may be reclassified to the income statement		**8.2**	(1.1)	3.2
Other comprehensive gain/(loss) for the period		**6.5**	(0.8)	3.9
Total comprehensive income for the period attributable to owners of the Company		**10.4**	4.2	14.0

The notes on pages 23 to 28 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of changes in equity
for 26 weeks ended 29 October 2016

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 30 April 2016	**0.7**	**17.8**	**(1.3)**	**0.1**	**3.3**	**53.4**	**74.0**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**3.9**	**3.9**
Other comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**8.2**	**(1.7)**	**6.5**
Total comprehensive income for the financial period	**-**	**-**	**-**	**-**	**8.2**	**2.2**	**10.4**
Shares purchased by employee benefit trust	**-**	**-**	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Share-based payments and related tax	**-**	**-**	**-**	**-**	**-**	**0.1**	**0.1**
At 29 October 2016	**0.7**	**17.8**	**(1.4)**	**0.1**	**11.5**	**55.7**	**84.4**

	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 3 May 2015	0.7	17.4	(0.4)	0.1	0.1	41.6	59.5
Profit for the period	-	-	-	-	-	5.0	5.0
Other comprehensive income/(expense) for the period	-	-	-	-	(1.1)	0.3	(0.8)
Total comprehensive income for the financial period	-	-	-	-	(1.1)	5.3	4.2
Issue of new shares	-	0.3	-	-	-	-	0.3
Shares purchased by employee benefit trust	-	-	(0.4)	-	-	-	(0.4)
Share-based payments and related tax	-	-	-	-	-	0.5	0.5
At 31 October 2015	0.7	17.7	(0.8)	0.1	(1.0)	47.4	64.1

The notes on pages 23 to 28 form an integral part of this consolidated interim financial information.

Condensed consolidated balance sheet
as at 29 October 2016

	Notes	**29 October 2016 £m**	31 October 2015 £m	**30 April 2016 £m**
Assets				
Non-current assets				
Intangible assets	13	**60.4**	56.0	57.1
Property, plant and equipment	13	**96.2**	92.8	95.0
Investment property		**14.8**	17.8	14.5
Deferred tax assets		**2.2**	1.9	1.9
Trade and other receivables		**0.4**	0.5	0.5
Total non-current assets		**174.0**	169.0	169.0
Current assets				
Inventories		**38.4**	33.9	41.6
Trade and other receivables		**26.2**	22.2	20.0
Cash and cash equivalents	10	**13.8**	8.6	8.3
Total current assets		**78.4**	64.7	69.9
Total assets		**252.4**	233.7	238.9
Liabilities				
Current liabilities				
Trade and other payables		**(86.9)**	(92.0)	(88.8)
Obligations under finance leases	10	**(0.1)**	(0.1)	(0.1)
Borrowings and overdrafts	10	**(11.2)**	(2.2)	(7.1)
Current tax liabilities		**(3.4)**	(2.8)	(2.3)
Total current liabilities		**(101.6)**	(97.1)	(98.3)
Non-current liabilities				
Trade and other payables		**(35.4)**	(37.0)	(34.3)
Obligations under finance leases	10	**(2.1)**	(2.2)	(2.2)
Provisions for liabilities and charges	11	**(10.4)**	(14.7)	(12.6)
Deferred tax liabilities		**(14.8)**	(15.3)	(15.3)
Retirement benefit obligations	14	**(3.7)**	(3.3)	(2.2)
Total non-current liabilities		**(66.4)**	(72.5)	(66.6)
Total liabilities		**(168.0)**	(169.6)	(164.9)
Net assets		**84.4**	64.1	74.0
Equity				
Share capital		**0.7**	0.7	0.7
Share premium		**17.8**	17.7	17.8
Treasury shares		**(1.4)**	(0.8)	(1.3)
Other reserves		**67.3**	46.5	56.8
Total equity attributable to shareholders of the company		**84.4**	64.1	74.0

The notes on pages 23 to 28 form an integral part of this consolidated interim financial information.

Condensed consolidated statement of cash flows
for 26 weeks ended 29 October 2016

	Note	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Cash flows from operating activities				
Profit before tax		**4.1**	7.1	12.8
Adjusted for:				
Depreciation and amortisation		**6.6**	6.3	12.5
Loss on property disposals		**0.9**	1.9	3.6
Exceptional non-cash items		**-**	-	0.9
Share based compensation and other non-cash items		**0.1**	0.5	1.0
Net finance costs		**0.9**	1.0	2.0
Operating cash flows before movements in working capital		**12.6**	16.8	32.8
Decrease/(increase) in inventories		**4.1**	-	(7.0)
(Increase)/decrease in trade and other receivables		**(5.2)**	3.8	6.2
Decrease in trade and other payables		**(2.0)**	(5.6)	(10.5)
Net expenditure on exit of operating leases		**(0.7)**	(0.7)	(2.2)
Contributions to pension scheme		**(0.5)**	(0.4)	(0.9)
Provisions paid		**(2.4)**	(2.1)	(5.1)
Cash generated by operations		**5.9**	11.8	13.3
Interest paid		**(0.6)**	(1.5)	(2.0)
Corporation taxes received/(paid)		**0.1**	(1.3)	(3.0)
Net cash flows from operating activities		**5.4**	9.0	8.3
Cash flows from investing activities				
Purchases of intangible assets		**(1.1)**	(1.5)	(1.8)
Purchases of property, plant and equipment and investment property		**(6.8)**	(4.5)	(10.1)
Proceeds on disposal of property, plant, equipment & investment property		**3.4**	0.8	2.2
Net cash used in investing activities		**(4.5)**	(5.2)	(9.7)
Cash flows from financing activities				
Issue of new shares		**-**	0.3	0.4
Purchase of treasury shares by employee benefit trust		**(0.1)**	(0.4)	(0.9)
Repayment of finance lease obligations		**(0.1)**	(0.2)	(0.2)
Increase in borrowings		**4.0**	-	-
Net cash used in financing activities		**3.8**	(0.3)	(0.7)
Net increase in cash and cash equivalents in the period		**4.7**	3.5	(2.1)
Cash and cash equivalents at the beginning of the period		**1.2**	2.9	2.9
Exchange differences		**0.7**	-	0.4
Cash and cash equivalents at the end of the period		**6.6**	6.4	1.2

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 23 to 28 form an integral part of this consolidated interim financial information.

Notes to the financial statements

1. General information

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

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

The condensed consolidated interim financial statements are unaudited but have been reviewed by the auditors whose report is set out on page 30. The financial information presented herein does not amount to statutory accounts within the meaning of Section 434 of the Companies Act 2006. The annual report and financial statements 2016 have been filed with the Registrar of Companies. The independent auditors' report on the annual report and financial statements 2016 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The financial period represents the 26 weeks to 29 October 2016 (comparative financial period 26 weeks to 31 October 2015; prior financial year 52 weeks to 30 April 2016). The financial information comprises the results of the Company and its subsidiaries (the 'Group').

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 13 December 2016.

2. Basis of preparation

The interim results, comprising the condensed consolidated interim financial statements and the interim management report have been prepared in accordance with the Disclosure Guidance and Transparency Rules source book of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. They should be read in conjunction with the annual report and financial statements for the 52 weeks ended 30 April 2016, which have been prepared in accordance with IFRSs as adopted by the European Union.

Going concern

The Directors confirm that, after considering the expected performance of the business and future cash requirements, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least one year from the date the financial statements were signed. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Euro			
Average	**1.23**	1.39	1.36
Closing	**1.11**	1.40	1.28

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the 52 weeks ended 30 April 2016, as described in those Annual Report and 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 1 May 2016 that would be expected to have a material impact on the Group's result.

On 1 May 2016 there were several new standards that were issued but not yet effective, nor adopted by the EU and have not been applied in the preparation of these interim financial statements. These include:

IFRS 15 'Revenue Contracts with customer' (effective for periods beginning on or after 1 January 2018)

IFRS 16 'Leases' ((effective for periods beginning on or after 1 January 2019)

The Group is in the process of assessing the impact of these standards.

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. 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 29 October 2016 is as follows:

	26 weeks to 29 October 2016			26 weeks to 31 October 2015		
	UK £m	Europe £m	Group £m	UK £m	Europe £m	Group £m
Gross revenue	188.1	35.8	223.9	201.4	32.0	233.4
Inter-segment revenue	(1.6)	-	(1.6)	(2.2)	-	(2.2)
Revenues from external customers	186.5	35.8	222.3	199.2	32.0	231.2
Gross profit	111.0	20.6	131.6	121.5	18.4	139.9
Underlying operating profit	4.8	1.1	5.9	9.4	0.6	10.0
Exceptional items	(0.7)	(0.2)	(0.9)	(1.6)	(0.3)	(1.9)
Operating profit	4.1	0.9	5.0	7.8	0.3	8.1
Finance costs	(0.9)	-	(0.9)	(1.0)	-	(1.0)
Profit before tax	3.2	0.9	4.1	6.8	0.3	7.1
Tax	-	(0.2)	(0.2)	(2.0)	(0.1)	(2.1)
Profit for the financial period	3.2	0.7	3.9	4.8	0.2	5.0
Segment assets:						
Segment assets	203.0	99.6	302.6	197.3	80.4	277.7
Inter-segment balances	(29.4)	(20.8)	(50.2)	(27.6)	(16.4)	(44.0)
Balance sheet total assets	173.6	78.8	252.4	169.7	64.0	233.7
Segment liabilities:						
Segment liabilities	(169.3)	(48.9)	(218.2)	(167.9)	(45.7)	(213.6)
Inter-segment balances	20.8	29.4	50.2	16.4	27.6	44.0
Balance sheet total liabilities	(148.5)	(19.5)	(168.0)	(151.5)	(18.1)	(169.6)
Other segmental items:						
Depreciation and amortisation	5.6	1.0	6.6	5.4	0.9	6.3
Additions to non-current assets	6.6	1.0	7.6	6.7	0.8	7.5

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £186.5m (H1 FY16: £199.2m) and the total revenue from external customers from other countries is £35.8m (H1 FY16: £32.0m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £142.3m (H1 FY16: £147.1m) and the total of those located in other countries is £79.7m (H1 FY16: £63.9m).

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.

5. Exceptional items

	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Loss on property disposals	(0.9)	(1.9)	(3.6)
Onerous lease provision	-	-	(0.6)
Impairment Charge - stores			
Store assets	-	-	0.1
Freehold properties	-	-	(0.4)
Exceptional items before tax	(0.9)	(1.9)	(4.5)

The Group recorded a net charge of £0.9m (H1 FY16: £1.9m) in the half year.

During the period, the Group closed eleven trading stores, three of which attracted a total of £0.2m exit premiums, a further £4.1m losses on disposals have been recognised as a result of asset write offs of £3.8m and other associated disposal fees of £0.3m. Set against this we received £3.4m of disposal proceeds, arriving at a net loss on disposal of £0.9m. We also successfully disposed of one non-trading store, at a total cost of £0.2m against which we utilised £0.2m onerous lease provision, hence nil net loss on disposal.

The tax impact of the exceptional items is a credit of £0.4 (H1 FY16 Credit of £0.4m), the Group also recognised an exceptional tax credit of £0.6m (H1 FY16: Nil) for the fall in the UK main rate of to 17% from 1 April 2020 (see note 7).

6. Finance costs

	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Interest on borrowings and overdrafts	(0.6)	(0.5)	(1.1)
Fee amortisation	(0.2)	(0.3)	(0.6)
Net finance expense on pension scheme obligations	-	(0.1)	(0.2)
Interest on finance lease obligations	(0.1)	(0.1)	(0.1)
Finance expense	(0.9)	(1.0)	(2.0)

7. Income Tax

	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	53 weeks to 30 April 2016 £m
UK Tax expense	-	2.0	1.9
Overseas Tax expenses	0.2	0.1	0.8
Total Tax expense	0.2	2.1	2.7

The Income tax expense is recognised based on management's best estimate of the full year weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period.

The taxation charge on profit for the half year was £0.2m (H1 FY16: £2.1m). This is based on a full year effective tax rate of 25.0% (H1 FY16: 30.1%), a variance of 5.0% to the UK corporation tax rate of 20.0% is due to effects of one-off non-deductible items and overseas tax rates increasing the effective tax rate to 25.0%.

The March 2016 Budget announced a fall in UK corporation tax rate to 17% from 1 April 2020 and was substantively enacted in September 2016 and the effects of which are included in these financial statements. The reduction resulted in a deferred tax credit of £0.6m in the first half.

8. 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 29 October 2016			26 weeks ended 31 October 2015			52 weeks ended 30 April 2016		
	Earnings £m	Weighted average number of shares Millions	Earnings/ (loss) per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	**3.9**	**67.7**	**5.8**	5.0	68.2	7.3	10.1	67.7	14.9
Effect of dilutive share options	-	-	-	-	0.5	-	-	0.2	-
Diluted earnings per share	**3.9**	**67.7**	**5.8**	5.0	68.7	7.3	10.1	67.9	14.9

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 29 October 2016			26 weeks ended 31 October 2015			52 weeks ended 30 April 2016		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings per share	**3.9**	**67.7**	**5.8**	5.0	68.2	7.3	10.1	67.7	14.9
Adjusted for the effect of exceptional items:									
Exceptional items	**0.9**	-	**1.3**	1.9	-	2.8	4.5	-	6.7
Tax thereon	**(0.4)**	-	**(0.6)**	(0.4)	-	(0.6)	(0.2)	-	(0.3)
Exceptional tax benefit from tax rate change	**(0.6)**	-	**(0.9)**	-	-	-	(1.3)	-	(2.0)
Underlying earnings per share	**3.8**	**67.7**	**5.6**	6.5	68.2	9.5	13.1	67.7	19.3

	26 weeks ended 29 October 2016			26 weeks ended 31 October 2015			52 weeks ended 30 April 2016		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Diluted earnings per share	**3.9**	**67.7**	**5.8**	5.0	68.7	7.3	10.1	67.9	14.9
Adjusted for the effect of exceptional items:									
Exceptional items	**0.9**	-	**1.3**	1.9	-	2.8	4.5	-	6.7
Tax thereon	**(0.4)**	-	**(0.6)**	(0.4)	-	(0.6)	(0.2)	-	(0.3)
Exceptional tax benefit from tax rate change	**(0.6)**	-	**(0.9)**	-	-	-	(1.3)	-	(2.0)
Diluted Underlying earnings per share	**3.8**	**67.7**	**5.6**	6.5	68.7	9.5	13.1	67.9	19.3

9. Financial instruments

The condensed consolidated interim financial statements do not include all the financial risks management information and disclosures required in the annual financial statements, this should be read in conjunction with the Group's annual financial statements as at 30 April 2016. There have been no changes in the risk management since the year end.

The Group has no financial assets or liabilities that are measured at fair value.

Borrowings are measured at amortised cost, and the Directors are of the opinion that the carrying value of the borrowings are approximate to their fair value.

The carrying amount of all other financial assets and liabilities approximate their fair value.

Notes to the financial statements

10. Movement in cash and net debt

	30 April 2016				29 October 2016
	Total £m	Cash flow £m	Exchange differences £m	Other non cash £m	**Total £m**
Cash and cash equivalents in the balance sheet	8.3	-	-	-	**13.8**
Bank overdrafts	(7.1)	-	-	-	**(7.2)**
Cash and cash equivalents in the cash flow statement	1.2	4.7	0.7	-	**6.6**
Borrowings					
Current borrowings	-	-	-	-	**-**
Non-current borrowings	-	(4.0)	-	-	**(4.0)**
	-	(4.0)	-	-	**(4.0)**
Obligations under finance leases					
Current obligations under finance leases	(0.1)	-	-	-	**(0.1)**
Non-current obligations under finance leases	(2.2)	-	-	-	**(2.1)**
	(2.3)	0.2	-	(0.1)	**(2.2)**
Net cash/(debt)	(1.1)	0.9	0.7	(0.1)	**0.4**

	3 May 2015				31 October 2015
	Total £m	Cash flow £m	Exchange differences £m	Other non cash £m	Total £m
Cash and cash equivalents in the balance sheet	7.3	-	-	-	8.6
Bank overdrafts	(4.4)	-	-	-	(2.2)
Cash and cash equivalents in the cash flow statement	2.9	3.5	-	-	6.4
Borrowings					
Current borrowings	-	-	-	-	-
Non-current borrowings	-	-	-	-	-
	-	-	-	-	-
Obligations under finance leases					
Current obligations under finance leases	(0.1)	-	-	-	(0.1)
Non-current obligations under finance leases	(2.3)	-	-	-	(2.2)
	(2.4)	0.2	-	(0.1)	(2.3)
Net cash/(debt)	0.5	3.7	-	(0.1)	4.1

11 Provisions

	Onerous lease provision £m	Re-organisation provision £m	Total £m
Opening at 30 April 2016	12.5	0.1	12.6
Utilised during the period	(2.6)	-	(2.6)
Impact of movement in foreign exchange rates	0.4	-	0.4
Closing balance at 29 October 2016	**10.3**	**0.1**	**10.4**
Opening at 3 May 2015	16.6	0.3	16.9
Utilised during the period	(2.0)	(0.1)	(2.1)
Impact of movement in foreign exchange rates	(0.1)	-	(0.1)
Closing balance at 31 October 2015	14.5	0.2	14.7

Notes to the financial statements

12. Dividends

No dividends were paid or proposed in the 26 weeks to 29 October 2016 or in the 26 weeks to 31 October 2015

13. Capital expenditure

During the period, additions were £1.1m (H1 FY16: £1.5m) on intangible assets and £6.5m (H1 FY16: £5.9m) on the acquisition and fit out of stores. Net proceeds from the sale of assets during the period are £3.4m (H1 FY16: £0.8m).

Capital commitments contracted but not provided for at the end of the period are £0.3m (H1 FY16: £0.7m for new store computer systems and £nil (H1 FY16: £nil) for store fit outs.

14. Retirement benefit obligation

	26 weeks to 29 October 2016 £m	26 weeks to 31 October 2015 £m	52 weeks to 30 April 2016 £m
Deficit in scheme at beginning of period	**(2.2)**	(4.0)	(4.0)
Net interest expense	**-**	(0.1)	(0.1)
Employer contributions	**0.5**	0.4	0.9
Actuarial gains/(losses)	**(2.0)**	0.4	1.0
Deficit in scheme at end of period	**(3.7)**	(3.3)	(2.2)
Fair value of pension scheme assets	**30.8**	25.9	26.1
Present value of pension scheme obligations	**(34.5)**	(29.2)	(28.3)
Retirement benefit obligations	**(3.7)**	(3.3)	(2.2)

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

	29 October 2016 £m	31 October 2015 £m	30 April 2016 £m
RPI inflation	**3.5**	3.2	3.1
Discount rate	**2.7**	3.7	3.5

The mortality rates assumptions are taken from the S1NXA with medium cohort improvements, at a minimum of 1% pa.

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 £0.5m.

15. Related party transactions

The Group's significant related parties are disclosed in the Group's 2016 annual financial statements. There were no material differences in related parties or related party transactions in the period compared to the prior period.

16. Events after the reporting period

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

Principal risks and uncertainties

The Group operates a structured risk management process which identifies and evaluates risks and uncertainties and reviews mitigating activity.

The Board considers that the principal risks and uncertainties which could have a material impact on the Group's performance in the remaining 26 weeks of the financial year remain the same as those stated on pages 26-27 of the 2016 Annual Report and Accounts, which are available on our 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 Directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

The Directors of Carpetright plc are listed in the Carpetright plc Annual Report for 30 April 2016, and on the Group's corporate website www.carpetright.plc.uk.

By order of the Board

Wilf Walsh
Chief Executive

Neil Page
Chief Financial Officer

Independent review report to Carpetright plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Carpetright plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results announcement of Carpetright plc for the 26 week period ended 29 October 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 29 October 2016;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

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

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

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

Our responsibility is to express a conclusion on the interim financial statements in the interim results announcement based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and 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.

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

PricewaterhouseCoopers LLP

Chartered Accountants

London

13 December 2016

Notes:

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

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

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