Carpetright plc

Embargoed until 7am, 30 June 2015

Carpetright plc
Full Year Results for the 53 weeks ended 2 May 2015

"Substantial growth in Group underlying profit to £14.2m, strong like-for-like sales growth in UK, a return to profit in the Rest of Europe and a net cash position at period end."

Financial Highlights (on a pro forma 52 week basis)(Note 1)

Group

- Group revenue increased 3.3% to £462.6m (2014: £447.7m).
- Significant increase in underlying profit before tax to £13.0m (2014: £4.6m).
- Underlying earnings per share of 13.7p (2014: 4.7p).

UK

- Like-for-like sales increased by 7.3% (2014: down 0.2%).
- Underlying operating profit up 33.6% to £14.3m (2014: £10.7m).
- Store base reduced by a net twelve during the year to 460 stores.

Rest of Europe

- Like-for-like sales increased by 0.3% (2014: down 8.6%).
- Underlying operating profit of £0.3m, an improvement of £4.1m, reversing the losses experienced in the prior year.
- Store base reduced by a net five during the year to 137 stores.

Statutory Results (including 53rd week)

- 53rd week contributed a further £7.2m to revenue and £1.2m to pre-tax profit, resulting in Group underlying profit before tax of £14.2m (2014: £4.6m).
- Exceptional charges of £7.6m, predominantly related to onerous lease provisions.
- Profit before tax of £6.6m, an improvement of £13.8m (2014: loss of £7.2m).
- Basic earnings per share of 6.7p (2014: 5.3p loss per share).
- Net cash of £0.5m (2014: net debt of £11.1m).

Trading Update for the eight weeks to 27 June 2015

- Encouraging start to the new financial year with like-for-like sales ahead by 4.9% in the UK and 7.4% in the Rest of Europe, on a local currency basis.

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

"I am pleased to able to report on a year of significant progress. The Group has delivered substantial growth in profit, strong and consistent like-for-like sales growth in the UK, a return to profit in the Rest of Europe and a net cash position at the end of the period.

"Today we're giving a progress update on a range of strategic initiatives that will broaden the appeal of the Carpetright brand and reposition the business, to ensure it is better able to capitalise on its market leadership position. We have made a promising start with these plans, establishing a real momentum for change within the business.

"I am also pleased to report that customer reaction to the first phase of activity has been positive, supporting encouraging trading in the opening period of new financial year, with UK like-for-like sales being ahead by 4.9% in the eight weeks to 27 June 2015.

"While this is just the beginning of the journey to transform Carpetright, we have a clear direction and the positive results we are seeing from a number of our initial activities give us confidence that we are on the right path."

Group Financial Summary

	53 week 2015 £m	**Pro forma 52 week 2015 £m**	52 week 2014 £m	52 week change
Group revenue (Note 2)	**469.8**	**462.6**	447.7	3.3%
• *UK*	*403.2*	***396.0***	*375.8*	*5.4%*
• *Rest of Europe*	*66.6*	***66.6***	*71.9*	*(7.4%)*
Underlying operating profit/(loss) (Note 3)	**15.8**	**14.6**	6.9	111.6%
• *UK*	*15.5*	***14.3***	*10.7*	*33.6%*
• *Rest of Europe*	*0.3*	***0.3***	*(3.8)*	
Underlying profit before tax (Note 3)	**14.2**	**13.0**	4.6	182.6%
Underlying earnings per share	**15.5p**	**13.7p**	4.7p	191.5%
Exceptional items (Note 5)	**(7.6)**	**(7.6)**	(11.8)	
Statutory profit /(loss) before tax	**6.6**	**5.4**	(7.2)	
Basic earnings/(loss) per share	**6.7p**	**5.0p**	(5.3p)	
Net cash/(debt)	**0.5**	**-**	(11.1)	£11.6m
Dividend per share	**Nil**	**-**	Nil	

Notes
1. The 2015 financial year represents the trading period for 53 weeks to 2 May 2015. The comparative period of financial year 2014 represents the 52 weeks to 26 April 2014. We believe that the pro forma 52 weeks result for the 2015 financial year better reflects the underlying performance of the business when compared to the prior year. On this basis, all commentary included in this report is based on the 52 week period to 25 April 2015 unless otherwise stated.
2. All sales figures are quoted after deducting VAT.
3. 'Underlying' excludes exceptional items and related tax.
4. 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.
5. Exceptional items comprises, net losses on disposal of properties of £0.4m; onerous lease provisions of £7.0m and non-cash impairment of other assets of £0.2m.

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.

A conference call facility is available on +44 (0) 20 3003 2666 conference ID: 'Carpetright'

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

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Forthcoming news flow:
Carpetright will release its first half trading update on 27 October 2015.

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.

FULL YEAR RESULTS

The 2015 financial year represents the trading period for 53 weeks to 2 May 2015. The comparative period for financial year 2014 represents the 52 weeks to 26 April 2014. We believe that the pro forma 52 week result for the 2015 financial year better reflects the underlying performance of the business when compared to the prior year. On this basis, all commentary included in this report is based on the 52 week period to 25 April 2015 unless otherwise stated.

A summary of the reported financial results for the year ended 2 May 2015 is set out below:

	53 week 2015 £m	**Pro forma 52 week 2015 £m**	52 week 2014 £m	52 week change
Revenue	469.8	**462.6**	447.7	3.3%
Underlying operating profit	15.8	**14.6**	6.9	111.6%
Net finance charges	(1.6)	**(1.6)**	(2.3)	
Underlying profit before tax	14.2	**13.0**	4.6	182.6%
Exceptional items	(7.6)	**(7.6)**	(11.8)	
Profit/(loss) before tax	6.6	**5.4**	(7.2)	
Earnings per share (pence)				
– underlying	15.5p	**13.7p**	4.7p	191.5%
– basic	6.7p	**5.0p**	(5.3p)	
Net cash/(debt)	0.5	**-**	(11.1)	£11.6m
Dividends per share (pence)	Nil	**-**	Nil	-

Note - 'Underlying' excludes exceptional items and related tax.

Overview

Total Group sales for the year increased by 3.3% to £462.6m, with the UK business up 5.4% and a decline of 7.4% in the Rest of Europe. Our continued focus on rationalising and repositioning the store portfolio saw the Group open 15 stores and close 32, giving a net decrease of 17 stores and a total store base of 597. Total store space declined by 3.3% to 5.4 million square feet.

Group underlying operating profit increased by 111.6% to £14.6m, supported by solid like-for-like sales growth in the UK and a return to profit in our Rest of Europe business. Underlying net finance charges were £0.7m lower at £1.6m. These factors combined to generate an underlying profit before tax of £13.0m, a 182.6% increase on the prior year.

Exceptional charges totalled £7.6m (2014: £11.8m), primarily costs associated with onerous leases and exiting stores.

As a result, all of the above combine to produce Group profit before tax of £5.4m (2014: £7.2m loss). Basic earnings per share were 5.0p (2014: 5.3p loss).

In the UK business, the 53rd week contributed a further £7.2m to revenue and £1.2m to Group profit before tax. Our businesses in the Netherlands and Belgium report on a calendar month basis and, as a result, there was no impact from the 53rd week in these operations. Whilst our business in the Republic of Ireland operates on a similar calendar to the UK, the impact of the 53rd week is not material. As a consequence, the Group underlying profit before tax for the 2015 financial period was £14.2m, profit before tax was £6.6m and basic earnings per share were 6.7p.

The combination of stronger cash flow from the growth in underlying profitability and control of capital expenditure, negated in part by the impact of the 53rd week and the introduction of interest free credit, enabled the Group to end the year with net cash of £0.5m, a favourable movement of £11.6m from the £11.1m net debt reported at the 2014 year-end.

STRATEGIC REVIEW

Overview

The opportunity to revitalise Carpetright after a period of sustained economic turbulence is significant.

At the time of the interim results in December 2014, we outlined the key themes of our strategic plan to update and reposition the business to extend Carpetright's consumer appeal and to ensure that it is better able to capitalise on its market leadership position.

Our focus during the second half has been on transferring this strategic intent into a broad-based operational plan, which translates each element into action. We are pleased to report we have made strong progress across a range of initiatives, while simultaneously continuing to drive forward the trading performance of the Group.

At the heart of our strategic thinking is an opportunity to broaden the appeal of the brand by placing a 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, while retaining our well-established value heritage. Furthermore, in today's retail environment, where customers place a high value on convenience and speed, we need to make buying floor coverings a hassle-free experience, eliminating those elements of the process that can confuse or irritate the customer.

The strategic plan identified clear areas of focus which, together, will be critical in enhancing Carpetright's competitive position and delivering the turnaround of the business. An update on progress to date with each element of the plan is provided below.

The key areas of focus are:

1. **Revitalising the Carpetright brand**
2. **Unrivalled choice of floor coverings**
3. **Providing an outstanding customer experience**
4. **Unbeatable value**
5. **Multi-channel convenience**
6. **Managing the store portfolio**

1. Revitalising the Carpetright brand

While Carpetright enjoys high brand awareness and a strong reputation for value within its core customer base, encouraging potential new customers to consider us when they shop for floor coverings requires a repositioning and updating of the brand.

Having completed a comprehensive review of our brand, sub brands, tone of voice and identity, work is well-progressed on the development of an updated brand positioning that is more in tune with the contemporary retail market.

Key elements of this work include:

- The introduction of new promotional messaging in 2015, with revised point-of-sale and advertising campaigns, which are dramatically different in style and message from the predominantly price-led theme adopted historically. The early signs, evidenced by like-for-like sales growth, indicate that these changes have been embraced positively by customers and colleagues alike.
- A trial of new retail concepts in four stores in and around London, beginning in July 2015. Each store will trial an experimental shop fit that is a significant departure from existing stores, with new elements to inspire customers and encourage experimentation, sampling and discovery. The emphasis is on a smooth, dedicated service to customers that takes the pressure out of selection and purchase. Lessons learnt from this trial will be used to shape the development of a new store format which will be rolled out in full, or in part, across our estate in due course.

- As part of the store trial we will be testing a new identity for the Carpetright brand. A new logo has been developed to give a more contemporary feel that will attract customer groups in which the business has previously under-indexed, without alienating our loyal existing customer base.

2. Unrivalled choice of floor coverings

As market leader, we have has long offered the broadest range of carpets in the marketplace, including premium and specialist lines, but this capability to offer a full range of floor covering options is not universally recognised by our potential customer base.

To address this, we are repositioning our ranges and adapting our sales process to move from a simple functional carpet sale to a more consultative approach which recognises our important role in helping customers transform their homes.

Key initiatives include:

- Strengthening our in-house design/new product development teams, with a number of key appointments, to bring a more innovative, contemporary and inspiring approach to our range selection.

- Introducing competitive offers on premium, branded carpets, such as Brintons, Ulster and Westex, to broaden our customer appeal, and drive average transaction values and cash margins.

- Repositioning our hard flooring selection in the UK, building on our extensive knowledge and success in continental Europe, where this product category makes up a much greater proportion of the sales mix. A decision to lower price points in March 2015 generated incremental sales and profit, and we are introducing the market leading brands of Balterio, Kronospan and Quickstep to our range in Summer 2015, as well as testing re-engineered wood.

- The introduction of an entirely new rug range, which is both contemporary in look and at a lower entry price point, has strengthened our competitive position in this market significantly, with very encouraging initial results.

- The development of a new carpet range in conjunction with House Beautiful Magazine, which is due to launch in Autumn 2015. We believe this kind of high profile brand collaboration has an important role to play in enhancing the design and home transformation credentials of the Carpetright brand.

3. Providing an outstanding Customer Experience

Customers' expectations of service standards have risen significantly over the past decade and while independent data identified a significant improvement in our service performance in recent years, it also identified a need for greater consistency in this area. The strategic plan puts the customer's needs at the heart of everything we do and the business is committed to making customer service a genuine point of sustained competitive advantage.

Key initiatives undertaken to date include:

- The introduction of 'Do We Measure Up?' a new web-based customer service programme, across the entire UK store network in January 2015. We are now receiving an average of 2,500 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. In the six months since the launch of the initiative in January 2015 we have received over 70,000 individual customer reviews.

- People form the essential element in the customer journey and feedback tells us that friendly, engaged and knowledgeable staff are key factors when customers make their purchasing decisions. We are investing in training programmes with a medium term plan to develop a Carpetright 'Academy' where all retail team members will receive the appropriate training in service and product knowledge to reinforce our position as the authoritative market leader.

- The business is investing £4.5m in a complete systems upgrade at store level to ensure quick, efficient order processing to make buying from us a smoother, hassle-free experience.

- The completion of plans to implement a web-based home appointment booking system for our estimators has made the service much more efficient for customers. This service will be further enhanced by the introduction of a tablet PC-based solution for the production of cutting plans during the next year.

- We have completed the development of a new debit/credit card-based payment system for use by our approved fitters in the UK, replacing the current outdated cash payment process.

4. Unbeatable Value

While we have a long-established and well-deserved reputation for value among our core customer base, the main customer proposition, with an absolute focus on price, has been unchanged for many years and the strategic review identified an opportunity to introduce some important changes to this. However, 'value' is an important part of our brand's heritage and will remain a key strategic pillar now and into the future.

Key initiatives include:

- A Group-wide review of discount levels, which resulted in a clearer and more consistent approach for customers.

- The adoption of a more rounded execution of our value proposition, which recognised the importance of factors other than price in the consumers' decision to purchase. This includes a focus on range authority and customer service.

- The introduction of Interest Free Credit ("IFC"), which is a common feature across the home retail sector but which Carpetright had not offered historically. IFC was rolled-out across our UK store base from Boxing Day 2014 and has been received very positively by our customers, enabling them to purchase the carpet, floor or bed they really love. This has translated through to both higher sales and higher average transaction values.

- Our now well established "Price Promise", where customers can be confident that we will price match competitor deals on the same product.

5. Multi-channel convenience

While physical stores remain crucial in the flooring market, with almost all customers visiting a store at some point in their purchase journey, the additional convenience that digital technology can bring to the process is of growing importance.

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 an 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 competition.

Key areas of progress include:

- An average of over 111,000 unique weekly visitors to our consumer website, a 27.6% increase on the prior year, with a corresponding rise in appointment leads and sample requests.

- A further improvement in our conversion to sales ratio, through a call centre and improved follow-up at store level. Sales from this combination of the call centre and an online capability have grown significantly during the year and are equivalent in turnover to one of our top ten retail stores.

- Investment in an updated and more inspirational website, launched at the end of April 2015, which reflects the new brand messaging discussed above and which has been successful in driving more customers from the website to our stores. The site has also been adapted for compatibility with mobile devices, which is crucial in a channel that continues to evolve at a rapid pace.

- Inspirational, quirky and entertaining campaigns on Social Media that are topical and engage customers on all aspects of home design and improvement.

6. Managing the store portfolio

While we have been implementing measures to optimise the size of its store estate for a number of years, these are being accelerated under the new strategic plan. We are actively managing our store portfolio to reduce total square footage (but not necessarily store numbers); to eliminate store catchment overlap; improve the quality of the estate by relocating to better sites; and to reduce property costs, to ensure the retail base is better aligned with the needs of today's customers.

Key initiatives include:

- At year-end 2015 we had 460 stores trading in the UK, opening 12 stores and closing 24 during the year. This net reduction is primarily the result of completing the initial phase of the previously announced plan to eliminate stores with overlapping catchments. We will continue to take advantage of similar opportunities. In addition, we have negotiated exits from eight locations where we had onerous leases, removing us from all future liabilities associated with those properties.

- 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 27% of the UK estate has a lease renewal scheduled, providing further opportunity to reduce the fixed store operating costs. By year-end 2015 the average length of lease had fallen to 7.1 years (2014: 7.7 years).

- In the Rest of Europe we had 137 stores, opening three and closing eight during the year. In line with the UK activity, discussions are being held with landlords in respect of lease renewals and this process is delivering rental reductions.

- The potential to secure reductions is generally dictated by the average length of lease remaining, with this being 3.1 years (2014: 3.2 years) in the Netherlands and 1.9 years (2014: 1.6 years) in Belgium. In the Republic of Ireland this period is 10.1 years (2014: 11.2 years), reflecting the agreement of long term deals during the expansion into this market in the period from 2001 to 2008.

- Following the strategic review and based on recent evidence, we have made a revised assessment for the unavoidable onerous lease costs for loss making stores, resulting in a £7.0m charge. This has been treated as an exceptional item.

- By this time next year we anticipate being able to show the positive results of our accelerated property activity during 2015/16. Our target is a combination of a geographic store portfolio and a digital offer that provides a streamlined, cost effective solution to enable all customers to access the

Carpetright brand. This will also include new store openings in locations where we are under-represented.

Current Trading

The Group has made an encouraging start to the new financial year with UK like-for-like sales ahead by 4.9% in the eight weeks to 27 June 2015 and like-for-likes sales in Rest of Europe ahead by 7.4% in the same period.

Outlook

Carpetright has endured a difficult period in the years since the onset of the financial crisis but retains the fundamentals of a leading retail business – high brand recognition, critical mass and a market leadership position. Our task is to build on these strong foundations and modernise the Group to ensure it exploits these advantages to the full in the retail market of today.

We have made an encouraging start, establishing a real momentum for change within the business which is invigorating. While this is just the beginning of the journey to transform Carpetright, we have a clear direction and are already seeing positive results from a number of our initial activities which gives us confidence that we are on the right path.

FINANCIAL REVIEW

UK

The key financial results for the UK were:

	53 week 2015 £m	**Pro forma 52 week 2015 £m**	52 week 2014 £m	52 week change
Revenue	403.2	**396.0**	375.8	5.4%
Like-for-like sales	-	**7.3%**	(0.2%)	
Gross profit	247.6	**243.4**	235.1	3.5%
Gross profit %	61.4%	**61.4%**	62.5%	(1.1ppts)
Costs	(232.1)	**(229.1)**	(224.4)	(2.1%)
Cost to sales %	57.6%	**57.9%**	59.7%	1.8ppts
Underlying operating profit	15.5	**14.3**	10.7	33.6%
Underlying operating profit %	3.8%	**3.6%**	2.8%	0.8ppts

The UK portfolio is now as follows:

	Store numbers				Sq ft ('000)	
	26 April 2014	Openings	Closures	**2 May 2015**	26 April 2014	**2 May 2015**
Standalone	457	10	(19)	**448**	4,039	**3,963**
Concessions	15	2	(5)	**12**	27	**16**
Total	472	12	(24)	**460**	4,066	**3,979**

In an improving trading environment revenue increased by 5.4% to £396.0m. We opened 12 stores and closed 24 stores in the year, which translated into a net space decline of 87,000 sq ft, a decrease of 2.1%. After taking into account the movement in number of stores, like-for-like sales grew by 7.3% across the year as a whole, the second half performance was stronger at 8.1%, following 6.5% growth in the first half. At the close of the year there were 265 stores trading with a bed department (2014: 260). Sales within the beds category now represent 8.7% of the sales mix (2014: 7.6%).

Gross profit increased by £8.3m to £243.4m, representing 61.4% of sales, a decrease of 110 basis points. The decline in margin rate was a result of:

- Implementing market beating promotions to drive footfall and top line sales volumes.
- An increase in bed sales, which have a lower gross margin, resulting in an adverse mix impact.

The total UK cost base increased by 2.1% compared with the prior year to £229.1m (2014: £224.4m). Costs as a percentage of sales were 57.9%, which compared very favourably to 59.7% in the prior year, reflecting the operational gearing of the business. The movement in costs was a combination of:

- A 3.1% increase in store payroll costs to £60.6m (2014: £58.8m), reflecting commission payments associated with stronger sales growth.
- A reduction in occupancy costs to £125.3m (2014: £125.7m). This masked inflationary cost increases being offset by reductions resulting from the net decrease in the number of stores and successful rent negotiations. The underlying rent in like-for-like stores held broadly level with the prior year, with the majority of rent reviews being settled at or near zero.
- Marketing and central support costs increased by 8.3% to £43.2m (2014: £39.9m), primarily the result of employee profit share costs increasing by £2.1m, due to targets across the business being exceeded as a result of the strong business performance, along with £1.2m of costs incurred as part of the initiatives to revitalise the brand.

The culmination of the above factors led to underlying operating profit increasing by 33.6% to £14.3m (2014: £10.7m). The 53rd week contributed an additional £1.2m to this figure, increasing it to £15.5m for the 2015 financial period.

Rest of Europe

The key financial results for the Rest of Europe were:

	2015 £m	2014 £m	Change (Reported currency)	Change (Local currency)
Revenue	**66.6**	71.9	(7.4%)	level
Like-for-like sales	**0.3%**	(8.6%)		
Gross profit	**39.6**	40.8	(2.9%)	4.5%
Gross profit %	**59.5%**	56.7%	2.8ppts	
Costs	**(39.3)**	(44.6)	11.9%	5.2%
Cost to sales %	**59.0%**	62.0%	3.0ppts	
Underlying operating profit/(loss)	**0.3**	(3.8)		
Underlying operating profit/(loss) %	**0.5%**	(5.3%)	5.8ppts	

The Rest of Europe portfolio is now as follows:

	Store numbers				Sq ft ('000)	
	26 April 2014	Openings	Closures	**2 May 2015**	26 April 2014	**2 May 2015**
Netherlands	95	3	(5)	**93**	1,104	**1,046**
Belgium	25	–	(3)	**22**	298	**257**
Republic of Ireland	22	–	–	**22**	162	**162**
Total	142	3	(8)	**137**	1,564	**1,465**

The flooring market in the Netherlands and Belgium remained weak, impacted by government austerity measures which reduced customers' disposable income and lowered consumer confidence. That said, improvements in a number of economic indicators, such as rising housing transactions in the Netherlands, give grounds for cautious optimism for the future. The level of consumer confidence has also increased in the Republic of Ireland on the back of an improvement in economic conditions. Sales across the Rest of Europe business units have shown signs of improvement, with a return to growth in the second half in local currency terms, after 18 consecutive quarters of decline.

Our Rest of Europe portfolio reduced by a net five stores during the year, a result of exiting four poor performing sites, relocating three stores in the Netherlands and one temporary closure due to fire. The estate is now trading from 137 stores. In local currency terms, the three businesses combined to produce total sales that were level with the prior year, with like-for-like sales increasing by 0.3%. After exchange rate movements, total sales fell by 7.4% in reported currency.

Gross profit percentage increased by 280 basis points to 59.5% (2014: 56.7%) resulting principally from improved sourcing and operational disciplines curtailing local discounting. The improvement in margin rate was sufficient to offset the impact of lower sales volumes, resulting in an increase in gross profit of 4.5%. However, after taking account of exchange rate movements this resulted in a decline of 2.9% in reported currency.

Operating costs in local currency reduced by 5.2%. The majority of the savings were driven by the consolidation of our offices in Continental Europe and a reduction in advertising spend. This was reflected in the decline in the costs as a percentage of sales to 59.0%, a reduction on the prior year figure of 62.0%. In reported currency, this was a reduction in costs of 11.9% to £39.3m.

The net result was an improvement in underlying operating profit of £4.1m to £0.3m, reversing the losses experienced in the prior year.

GROUP FINANCIAL REVIEW

Underlying net finance charges were £1.6m (2014: £2.3m). The decrease was principally driven by our lower level of average net debt over the period.

The taxation charge on profit for the year was £2.1m (2014: £3.6m credit). The weighted average annual effective tax rate for the period is a charge of 31.3% (2014: credit of 52.0%). The increase is due to current period profitability, mix of tax rates in different countries, and one off credits recognised in the prior period not repeated.

Exceptional items

The Group recorded a net charge of £7.6m (2014: charge of £11.8m) in the year.

	2015 £m	2014 £m
Property profits/(losses)	**(0.4)**	(1.6)
Onerous lease provision	**(7.0)**	(6.6)
Impairment charge:		
Store assets	**(0.2)**	(0.5)
Freehold property	**-**	(1.9)
European office restructuring	**-**	(1.2)
Pre tax exceptional items	**(7.6)**	(11.8)

A net loss of £0.4m was made on property disposals in the year (2014: £1.6m loss). This was principally the result of surrender premiums being paid to exit loss-making stores.

At 26 April 2014 there were 22 vacant properties in the UK and three in the Republic of Ireland classed as onerous leases, against which we carried a provision. During the year we disposed of eight stores, relieving us from all future liabilities associated with these properties. The charge associated with exiting these stores equalled the provisions carried for the named locations. There were no additions or re-openings of onerous stores during the period therefore there were 17 onerous stores remaining at the end of the financial period.

Following the strategic review, we have made a revised assessment of the unavoidable onerous lease costs for loss-making stores, resulting in a charge of £7.0m. There was no charge against other property related provisions (2014: £6.6m charge).

We have reviewed the carrying value of the store assets in our balance sheet, consistent with the approach in previous years. These tests have led to a net charge of £0.2m (2014: £0.5m).

As with previous years, we have reviewed the carrying value of the Group's freehold properties. As part of this review we commissioned an independent valuation of the Group's freehold. The review concluded that the carrying values of our freehold assets are appropriate and therefore there is no change to the impairment provisions held (2014: £1.9m).

Earnings per share
Underlying earnings per share, for 52 week period to 25 April 2015, was 13.7 pence (2014: 4.7 pence), an increase of 191.5%. Underlying earnings per share, for the 53 week period to 2 May 2015, was 15.5 pence.

Basic earnings per share, for the 52 week period, was 5.0 pence (2014: loss of 5.3 pence) and for the 53 week period, 6.7 pence.

Dividend
The Board has decided not to pay a final dividend (2014: nil). In taking this decision, the Board has considered that whilst there has been an improvement in profitability during the year, the priority for the use of cash is to accelerate activity to reduce the fixed occupancy costs and to invest in the remaining stores to broaden the appeal of the brand. That said, if we maintain our current progress the Board would look favourably on restoring the dividend in due course.

Balance sheet
The Group had net assets of £59.5m at the end of the year (2014: £61.1m), a year-on-year decrease of £1.6m.

	2 May 2015 £m	26 April 2014 £m
Freehold & long leasehold property	**64.9**	71.0
Other non-current assets	**106.5**	114.4
Stock	**34.1**	33.9
Trade & other current assets	**25.2**	19.8
Creditors < 1 year	**(97.9)**	(93.5)
Creditors > 1 year	**(69.8)**	(70.1)
Net Debt	**0.5**	(11.1)
Pension Deficit	**(4.0)**	(3.3)
Net Assets	**59.5**	61.1

During the period, two freehold property disposals were completed. 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.

Cash flow
Group net cash at 2 May 2015 was £0.5m, a favourable movement of £11.6m on the prior year-end position of £11.1m net debt. The reduction in debt was driven by the underlying operating profit performance being offset in part by a £4.6m cash outflow related to provisions, £0.9m contributions to

closed defined benefit pension schemes and a £1.2m increase in working capital. This increase in working capital was attributable to a combination of higher merchandise creditors (a consequence of higher sales), offset by the amortisation of property lease incentives, the timing impact of the 53rd week and the introduction of interest free credit.

The resulting net inflow of cash generated by operations of £23.0m was partially negated by net capital expenditure, interest and tax net outflows totalling £11.7m.

The Group's average net debt was £4.9m over the period (2014: £16.4m).

Cash flow statement

	2015 £m	2014 £m
Underlying operating profit	**15.8**	**6.9**
Depreciation and other non-cash items	**14.0**	13.9
(Increase)/Decrease in stock	**(1.0)**	3.5
(Increase)/Decrease in working capital	**(1.2)**	(8.1)
Provisions paid	**(4.6)**	(4.9)
Operating cash flow	**23.0**	**11.3**
Net interest paid	**(1.6)**	(1.4)
Corporation tax paid	**(4.4)**	(0.7)
Net capital expenditure	**(5.7)**	(10.2)
Free cash flow	**11.3**	**(1.0)**
Other	**0.3**	0.1
Movement in net debt	**11.6**	**(0.9)**
Opening net debt	**(11.1)**	(10.2)
Closing net debt	**0.5**	**(11.1)**

Net capital expenditure was £5.7m (2014: £10.2m). This can be broken down into the following principal categories:

	2015 £m	2014 **£m**
Capital expenditure	**(8.8)**	(10.8)
Proceeds from freehold property disposals	**1.2**	0.4
Proceeds from leasehold property disposals	**1.9**	0.2
Net capital expenditure	**(5.7)**	(10.2)

The majority of the capital expenditure was focused on new stores and refurbishing existing stores, along with a £0.9m cost of re-platforming the UK website. The latter to provide an updated and more inspirational online customer experience.

Current liquidity

At the year-end the Group held cash balances of £7.3m (2014: £6.3m), principally a combination of Sterling and Euros. Gross bank borrowings at the balance sheet date were £4.4m (2014: £14.9m), all of which were drawn down from overdraft facilities. The Group had further undrawn facilities of £53.6m 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. Arrangement fees and legal costs will be amortised over the life of the facility, although paid in cash at the outset. The facilities contain financial covenants which are believed to be appropriate in the current economic climate and tested on a quarterly basis, against which the Group monitors compliance.

Pensions

At 2 May 2015 the IAS 19 net retirement benefit deficit was £4.0m (2014: £3.3m). The discount rate was 3.4% (2014: 4.2%), reflecting prevailing corporate bond rates. The higher market value of plan assets and additional Company contributions have been more than offset by increases in scheme liabilities during the period, a result of the lower discount rate. 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 2015 and this will be reviewed following the completion of the next triennial valuation, which will be performed as at 5 April 2017.

Wilf Walsh
Chief Executive
29 June 2015

Neil Page
Group Finance Director

Consolidated income statement
for 53 weeks ended 2 May 2015

	Group 53 weeks to 2 May 2015			Group 52 weeks to 26 April 2014		
	Before exceptional items £m	Exceptional items (Note 5) £m	Total £m	Before exceptional items £m	Exceptional items (Note 5) £m	Total £m
Revenue	**469.8**	**-**	**469.8**	447.7	–	447.7
Cost of sales	**(182.6)**	**-**	**(182.6)**	(171.8)	–	(171.8)
Gross profit	**287.2**	**-**	**287.2**	275.9	–	275.9
Administration expenses	**(273.5)**	**(7.2)**	**(280.7)**	(271.1)	(10.2)	(281.3)
Other operating income/(loss)	**2.1**	**(0.4)**	**1.7**	2.1	(1.6)	0.5
Operating profit/(loss)	**15.8**	**(7.6)**	**8.2**	6.9	(11.8)	(4.9)
Finance costs	**(1.6)**	**-**	**(1.6)**	(2.3)	–	(2.3)
Profit/(loss) before tax	**14.2**	**(7.6)**	**6.6**	4.6	(11.8)	(7.2)
Tax	**(3.7)**	**1.6**	**(2.1)**	(1.4)	5.0	3.6
Profit/(loss) for the financial period attributable to equity shareholders of the Company	**10.5**	**(6.0)**	**4.5**	3.2	(6.8)	(3.6)
Basic earnings/(losses) per share (pence)	**15.5**	**(8.8)**	**6.7**	4.7	(10.0)	(5.3)
Diluted earnings/(losses) per share (pence)			**6.7**			(5.3)

Consolidated statement of comprehensive income
for 53 weeks ended 2 May 2015

	Group 53 weeks to 2 May 2015 £m	Group 52 weeks to 26 April 2014 £m
Profit/(loss) for the financial period	**4.5**	(3.6)
Items that may not be classified to the income statement:		
Re-measurement of defined benefit plans	**(1.4)**	1.1
Tax on items that may not be reclassified to the income statement	**0.1**	(0.5)
Total items that may not be reclassified to the income statement	**(1.3)**	0.6
Items that may be classified to the income statement:		
Exchange gains/(losses)	**(5.3)**	(1.6)
Tax on items that may be reclassified to the income statement	-	–
Total items that may be reclassified to the income statement	**(5.3)**	(1.6)
Other comprehensive income/(expense) for the period	**(6.6)**	(1.0)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company	**(2.1)**	(4.6)

The notes on pages 21 to 25 form an integral part of this consolidated financial information.

Consolidated statement of changes in equity
For 53 weeks ended 2 May 2015

Group	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
At 27 April 2013	0.7	16.6	(0.3)	0.1	7.0	41.2	65.3
Loss for the period	–	–	–	–	–	(3.6)	(3.6)
Other comprehensive income/(expense) for the financial period	–	–	–	–	(1.6)	0.6	(1.0)
Total comprehensive income/(expense) for the financial period	–	–	–	–	(1.6)	(3.0)	(4.6)
Issue of new shares	–	0.6	–	–	–	–	0.6
Share based payments and related tax	–	–	–	–	–	(0.2)	(0.2)
At 26 April 2014	**0.7**	**17.2**	**(0.3)**	**0.1**	**5.4**	**38.0**	**61.1**
Profit for the period	-	-	-	-	-	**4.5**	**4.5**
Other comprehensive income/(expense) for the financial period	-	-	-	-	**(5.3)**	**(1.3)**	**(6.6)**
Total comprehensive income/(expense) for the financial period	-	-	-	-	**(5.3)**	**3.2**	**(2.1)**
Issue of new shares	-	**0.2**	-	-	-	-	**0.2**
Purchase of own shares by employee benefit trust	-	-	**(0.1)**	-	-	-	**(0.1)**
Share based payments and related tax	-	-	-	-	-	**0.4**	**0.4**
At 2 May 2015	**0.7**	**17.4**	**(0.4)**	**0.1**	**0.1**	**41.6**	**59.5**

Consolidated balance sheet
As at 26 April 2014

	Group 2015 £m	Group 2014 £m
Assets		
Non-current assets		
Intangible assets	**56.1**	58.6
Property, plant and equipment	**94.6**	103.6
Investment property	**17.9**	19.6
Investment in subsidiary undertakings	**-**	–
Deferred tax assets	**2.2**	2.9
Trade and other receivables	**0.6**	0.7
Total non-current assets	**171.4**	185.4
Current assets		
Inventories	**34.1**	33.9
Trade and other receivables	**25.2**	19.8
Cash and cash equivalents	**7.3**	6.3
Total current assets	**66.6**	60.0
Total assets	**238.0**	245.4
Liabilities		
Current liabilities		
Trade and other payables	**(95.6)**	(89.3)
Obligations under finance leases	**(0.1)**	(0.1)
Borrowings and overdrafts	**(4.4)**	(11.1)
Current tax liabilities	**(2.3)**	(4.2)
Total current liabilities	**(102.4)**	(104.7)
Non-current liabilities		
Trade and other payables	**(37.7)**	(38.6)
Obligations under finance leases	**(2.3)**	(2.4)
Borrowings	**–**	(3.8)
Provisions for liabilities and charges	**(16.9)**	(14.9)
Deferred tax liabilities	**(15.2)**	(16.6)
Retirement benefit obligations	**(4.0)**	(3.3)
Total non-current liabilities	**(76.1)**	(79.6)
Total liabilities	**(178.5)**	(184.3)
Net assets	**59.5**	61.1
Equity		
Share capital	**0.7**	0.7
Share premium	**17.4**	17.2
Treasury shares	**(0.4)**	(0.3)
Other reserves	**41.8**	43.5
Total equity attributable to equity shareholders of the Company	**59.5**	61.1

Consolidated statement of cash flows
for 53 weeks ended 2 May 2015

	Group 53 weeks to 2 May 2015 £m	Group 52 weeks to 26 April 2014 £m
Cash flows from operating activities		
Profit/(loss) before tax	**6.6**	(7.2)
Adjusted for:		
Depreciation and amortisation	**13.6**	13.9
Loss on property disposals	**0.4**	1.6
Exceptional non-cash items	**7.2**	10.1
Share based compensation and other non-cash items	**0.4**	0.1
Net finance costs	**1.6**	2.3
Operating cash flows before movements in working capital	**29.8**	20.8
(Increase)/decrease in inventories	**(1.0)**	3.5
(Increase)/decrease in trade and other receivables	**(5.7)**	(0.3)
Increase/(decrease) in trade and other payables	**4.5**	(7.8)
Provisions paid	**(4.6)**	(4.9)
Cash generated by operations	**23.0**	11.3
Interest paid	**(1.6)**	(1.4)
Corporation taxes paid	**(4.4)**	(0.7)
Net cash generated from operating activities	**17.0**	9.2
Cash flows from investing activities		
Purchases of intangible assets	**(1.7)**	(0.2)
Purchases of property, plant and equipment and investment property	**(7.1)**	(10.6)
Proceeds on disposal of property, plant, equipment & investment property	**3.1**	0.6
Interest received	**–**	–
Net cash generated from/(used) in investing activities	**(5.7)**	(10.2)
Cash flows from financing activities		
Issue of new shares	**0.2**	0.6
Purchase of treasury shares by employee benefit trust	**(0.1)**	-
Movement in borrowings	**(4.1)**	0.1
Net cash used in financing activities	**(4.0)**	0.7
Net increase/(decrease) in cash and cash equivalents in the period	**7.3**	(0.3)
Cash and cash equivalents at the beginning of the period	**(4.5)**	(4.1)
Exchange differences	**0.1**	(0.1)
Cash and cash equivalents at the end of the period	**2.9**	(4.5)

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.

Notes to the accounts

1. Basis of preparation

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

The financial statements of the Group are drawn up to within seven days of the accounting record date being 30 April of each year. The financial period for 2015 represents the 53 weeks ended 2 May 2015. The comparative financial period for 2014 was the 52 weeks ended 26 April 2014.

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

The Directors, after reviewing the Group's operating budgets, forecasts and financing arrangement, consider that the Group has, at the date of this report, sufficient financing available for the estimated requirements for the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate for these financial statements to be prepared on a going concern basis.

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

The financial information on the following pages is derived from the full Group Financial Statements for the 53 week period to 2 May 2015 and does not constitute full accounts within the meaning of section 435 of the Companies Act 2006. The Groups Annual Report and Financial Statements on which the auditors have given an unqualified report which does not contain a statement under Section 498 (2) or (3) of the Companies Act 2006, will be delivered to the Registrar of Companies and posted to shareholders in due course.

The financial information for the 52 weeks to 26 April 2014 is delivered from the Annual Report for that year which has been delivered to the Registrar of Companies. The independent auditors reported on these accounts, their report was unqualified and did not contain a statement under either section 498 (2) or (3) of the Companies Report 2006.

Foreign Exchange rates

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

	Euro 2015	Euro 2014	Zloty 2015	Zloty 2014
Average rate	**1.28**	1.18	**5.38**	5.00
Closing rate	**1.36**	1.21	**5.51**	5.10

2. Segmental analysis

The Group's operating segments are determined on the basis of information provided to the chief decision maker - the Board - to review performance and make decisions. The reporting segments are:

- UK
- Rest of Europe (comprising of Belgium, The Netherlands and Republic of Ireland)

The reportable operating segments derive their revenue primarily from the retailing of floor coverings and beds. Central costs of the Group are incurred principally in the UK. 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 of Directors for the reportable segments for the 53 weeks ended 2 May 2015 is as follows:

	53 weeks to 2 May 2015			52 weeks to 26 April 2014		
	UK £m	Europe £m	Group £m	UK £m	Europe £m	Group £m
Gross revenue	**409.1**	**66.6**	**475.7**	379.5	71.9	451.4
Inter-segment revenue	**(5.9)**	**-**	**(5.9)**	(3.7)	–	(3.7)
Revenues from external customers	**403.2**	**66.6**	**469.8**	375.8	71.9	447.7
Gross profit	**247.6**	**39.6**	**287.2**	235.1	40.8	275.9
Underlying operating profit/(loss)	**15.5**	**0.3**	**15.8**	10.7	(3.8)	6.9
Exceptional items	**(4.9)**	**(2.7)**	**(7.6)**	(7.5)	(4.3)	(11.8)
Operating profit/(loss)	**10.6**	**(2.4)**	**8.2**	3.2	(8.1)	(4.9)
Intercompany interest	**(0.1)**	**0.1**	**–**	(0.1)	0.1	–
Finance costs	**(1.5)**	**(0.1)**	**(1.6)**	(2.2)	(0.1)	(2.3)
Profit/(loss) before tax	**9.0**	**(2.4)**	**6.6**	0.9	(8.1)	(7.2)
Tax	**(2.4)**	**0.3**	**(2.1)**	1.8	1.8	3.6
Profit/(loss) for the financial period	**6.6**	**(2.1)**	**4.5**	2.7	(6.3)	(3.6)
Segment assets:						
Segment assets	**200.2**	**80.6**	**280.8**	197.3	91.0	288.3
Inter-segment balances	**(25.8)**	**(17.0)**	**(42.8)**	(24.0)	(18.9)	(42.9)
Balance sheet total assets	**174.4**	**63.6**	**238.0**	173.3	72.1	245.4
Segment liabilities:						
Segment liabilities	**(175.6)**	**(45.7)**	**(221.3)**	(180.4)	(46.8)	(227.2)
Inter-segment balances	**17.0**	**25.8**	**42.8**	18.9	24.0	42.9
Balance sheet total liabilities	**(158.6)**	**(19.9)**	**(178.5)**	(161.5)	(22.8)	(184.3)
Other segmental items:						
Depreciation and amortisation	**11.5**	**2.1**	**13.6**	11.6	2.3	13.9
Additions to non-current assets	**7.1**	**1.4**	**8.5**	9.1	1.6	10.7

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £403.2m (2014: £375.8m) and the total revenue from external customers from other countries is £66.6m (2014: £71.9m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £147.4m (2014: £151.8m) and the total of those located in other countries is £64.6m (2014: £73.6m).

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

3. Exceptional items

	Group 2015 £m	Group 2014 £m
Property profits/(losses)	**(0.4)**	(1.6)
Onerous lease provisions	**(7.0)**	(6.6)
Impairment charge:		
Store assets	**(0.2)**	(0.5)
Freehold properties	**–**	(1.9)
European office restructuring	**–**	(1.2)
Pre tax exceptional items	**(7.6)**	(11.8)

The Group has undertaken a review of the onerous lease provisions recognised in prior periods for stores that have ceased to trade and made a revised assessment for the unavoidable onerous lease costs for loss-making stores, resulting in a charge of £7.0m in the period (2014: £6.6m charge).

In accordance with IAS 36, assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. The Group commissioned an external valuation of freehold properties in November 2014. These valuations, along with value in use calculations, have not resulted in an impairment in the current period. In the prior period there was a charge of £2.6m for freehold properties in the Netherlands and a release of £0.7m in the UK was recognised. In determining whether impairment triggers existed at the period end, the Directors treated each store as a separate cash-generating unit (CGU) and valued it at the higher of the value in use calculations or the market value of the properties and their assets.

4. Tax

(i) Analysis of the charge in the period	Group 2015 £m	Group 2014 £m
UK current tax	**2.1**	1.3
Adjustment for prior years	**0.1**	-
Overseas current tax	**-**	(0.2)
Total current tax	**2.2**	1.1
UK deferred tax	**(0.7)**	(3.1)
Overseas deferred tax	**0.6**	(1.6)
Total deferred tax	**(0.1)**	(4.7)
Total tax charge/(credit) in the income statement	**2.1**	(3.6)

The main rate of corporation tax decreased to 21% from 1 April 2014 and will further decrease to 20%. From 1 April 2015. Deferred tax balances are measured using the tax rates in effect in the period in which the deferred tax balances are expected to reverse. This resulted in a tax credit of £2.7m in the prior period. There was no material impact in the current period.

(ii) Reconciliation of profit/(loss) before tax to total tax	Group 2015 £m	Group 2014 £m
Profit/(loss) before tax	**6.6**	(7.2)
Tax charge/(credit) at UK corporation tax rate of 21% (2014: 23%)	**1.4**	(1.6)
Adjusted for the effects of:		
Overseas tax rates	**0.2**	(0.2)
Deferred tax impact of fall in UK tax rates	**–**	(2.7)
Non-qualifying depreciation	**0.5**	0.5
Other permanent differences	**(0.1)**	0.2
Adjustments in respect of prior periods	**0.1**	0.2
Total tax charge/(credit) in the income statement	**2.1**	(3.6)

The weighted average annual effective tax rate for the period is a charge of 31.3% (2014: credit of 52.0%). The increase is due to current period profitability, one off credits recognised in the prior period not repeated, as well as the constant level of permanently disallowed expenditure.

(iii) Tax on items taken directly to or transferred from equity	Group 2015 £m	Group 2014 £m
Deferred tax on actuarial losses recognised in other comprehensive income	**0.1**	(0.5)
Deferred tax on share based payments	**(0.1)**	–
Total tax recognised in equity	**-**	(0.5)

5. Dividends

The Directors decided that no final dividend will be paid (2014: No final dividend paid). This results in no dividend in the period to 2 May 2015 (2014: No dividend paid).

6. Earnings per share

Basic earnings per share is calculated by dividing earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, excluding those held by Equity Trust (Jersey) Limited 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.

	53 weeks to 2 May 2015			52 weeks to 26 April 2014		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings/(losses) per share	**4.5**	**67.7**	**6.7**	(3.6)	67.6	(5.3)
Effect of dilutive share options	**-**	**0.4**	**-**	–	0.4	–
Diluted earnings/(losses) per share	**4.5**	**68.1**	**6.7**	(3.6)	68.0	(5.3)

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

	53 weeks to 2 May 2015			52 weeks to 26 April 2014		
	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence	Earnings £m	Weighted average number of shares Millions	Earnings per share Pence
Basic earnings/(losses) per share	**4.5**	**67.7**	**6.7**	(3.6)	67.6	(5.3)
Adjusted for the effect of exceptional items:						
Exceptional items	**7.6**	**-**	**11.1**	11.8	–	17.4
Tax thereon	**(1.6)**	**-**	**(2.3)**	(2.3)	–	(3.4)
Exceptional tax benefit from tax rate change	**-**	**-**	**-**	(2.7)	–	(4.0)
Underlying earnings/(losses) per share	**10.5**	**67.7**	**15.5**	3.2	67.6	4.7

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.

7. Movement in net debt

	Group 2015 £m	Group 2014 £m
Current assets:		
Cash and cash equivalents	**7.3**	6.3
	7.3	6.3
Current liabilities:		
Bank overdrafts	**(4.4)**	(10.8)
Bank borrowings	**–**	(0.3)
Obligations under finance leases	**(0.1)**	(0.1)
	(4.5)	(11.2)
Non-current liabilities:		
Borrowings	**–**	(3.8)
Obligations under finance leases	**(2.3)**	(2.4)
	(2.3)	(6.2)
Total cash/(net debt)	**0.5**	(11.1)

Reconciliation of movements in the periods ended 2 May 2015

	Group 2015 £m	Group 2014 £m
Net increase/(decrease) in cash and cash equivalents	**7.4**	(0.3)
Net (increase)/decrease in borrowings	**4.1**	0.1
Other non-cash movements	**0.1**	(0.7)
	11.6	(0.9)