Embargoed until 7am, 28 June 2016

Full Year Results for the 52 weeks ended 30 April 2016

"Solid growth in Group underlying profit before tax to £17.3m, along with announcement of a range of strategic initiatives to update and broaden the appeal of the Carpetright brand"

Financial highlights (note 1)

Group

- Underlying profit before tax up 33.1% to £17.3m (2015: £13.0m) in-line with market expectations. (notes 3, 4, 5)
- Group revenue decreased by 1.3% to £456.8m (2015: £462.6m) (note 2), compared to store space reduction of 5.4% associated with rationalisation of the estate.
- Underlying earnings per share up 40.9% to 19.3p (2015: 13.7p).
- Statutory profit before tax of £12.8m, an improvement of £6.2m (2015: £6.6m 53 week basis).

UK

- Like-for-like sales increased by 2.8%. (note 6, 7)
- Underlying operating profit up 17.5% to £16.8m (2015: £14.3m).
- Significant progress made in reducing the number of underperforming stores - net 25 closures to reduce the UK estate to 435 stores.

Rest of Europe

- Like-for-like sales growth of 4.8%.
- Underlying profit of £2.5m, an improvement of £2.2m on the £0.3m delivered in 2015.
- Store base unchanged at 137, after eight openings and eight closures.

Strategic Update

- Successful trial of new store format and branding completed in the year. Positive customer reaction with LFL sales growth of 9.1% being achieved, providing proof of concept ahead of wider roll-out.
- Range of strategic initiatives to update and broaden the appeal of the Carpetright brand being announced today, including:
    - New Carpetright branding/identity being introduced across the business from 1 July 2016.
    - Phased refurbishment of the UK store estate – 100 stores to be completed within the next 12 months at a capital cost of £10m.
    - Following double digit sales growth in the category, new hard flooring sections being introduced into UK stores, featuring established brands including Balterio, Kronospan and Quickstep.
    - New *'Exclusive to Carpetright'* ranges and introduction of *'Essential Value'* brand to strengthen Carpetright's authority as the leader in floorcoverings.
    - Focus on improving customer service – stronger satisfaction metrics being achieved.

Current Trading

- We have had a challenging start to the new financial year, against strong comparatives in the prior year and in a market which is increasingly competitive. In the UK, while May was a difficult month with like-for-like sales down 7.6%, June has been significantly better, being up 6.3%. These figures combine to give a decline of 1.0% for the eight weeks to 25 June 2016. In the Rest of Europe, like-for-like sales up by 1.3%, on a local currency basis over the same period.

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

"I am pleased to able to report on another year of significant progress. The Group has again delivered solid growth in profit, accompanied by consistent like-for-like sales growth in both the UK and Rest of Europe, whilst establishing real momentum with its plans to update and revitalise its business.

"Today we're giving a progress update on the range of strategic initiatives that will continue to broaden the appeal of the Carpetright brand and reposition the business, to ensure it is better able to capitalise on its market leadership position. Customer reaction to the initiatives trialled in our four concept stores during the period was overwhelmingly positive and we are excited about the opportunity of extending these to the wider estate commencing on 1 July 2016.

"Trading conditions in the early weeks of the new financial year have been more challenging, against strong comparatives in the prior year and in a market which is increasingly competitive, particularly in the UK. The outlook has been further complicated by the outcome of last week's referendum and we are cautious about the impact the associated uncertainty will have on consumer confidence.

"Whilst we have a long journey ahead in transforming Carpetright, we have a clear direction and are confident that our plans for repositioning the business will yield positive results."

Group financial summary

	52 week 2016 £m	Pro forma 52 week 2015 £m	52 week change	53 week 2015 £m
Group revenue	**456.8**	462.6	(1.3%)	469.8
• *UK*	*391.0*	*396.0*	*(1.3%)*	*403.2*
• *Rest of Europe*	*65.8*	*66.6*	*(1.2%)*	*66.6*
Underlying operating profit	**19.3**	14.6	32.2%	15.8
• *UK*	*16.8*	*14.3*	*17.5%*	*15.5*
• *Rest of Europe*	*2.5*	*0.3*	*733.3%*	*0.3*
Underlying profit before tax	**17.3**	13.0	33.1%	14.2
Underlying earnings per share	**19.3p**	13.7p	40.9%	15.5p
Exceptional charges	**(4.5)**	(7.6)	40.8%	(7.6)
Profit before tax	**12.8**	5.4	137.0%	6.6
Basic earnings per share	**14.9p**	5.0p	198.0%	6.7p
Net cash/(debt)	**(1.1)**	-	-	0.5

Notes

1. The 2016 financial year represents the 52 week trading period to 30 April 2016. The comparative period of financial year 2015 represents the 53 weeks to 2 May 2015. We believe that a comparison to the pro forma 52 weeks result for 2015 financial year better reflects the underlying performance of the business. On this basis, all commentary included in this report is based on the 52 week period in the prior year to 25 April 2015 unless otherwise stated.
2. Revenue represents amounts payable by customers for goods and services after deducting VAT and other charges.
3. 'Underlying' excludes exceptional items and related tax.
4. Exceptional items comprises, net losses on disposal of properties of £3.6m; onerous lease provisions of £0.6m and a net non-cash impairment of other assets of £0.3m.
5. Analyst consensus for the year ending 30 April 2016 is for Group underlying profit before tax of £17.3m.
6. 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. No account is taken of changes to store size or introduction of third party concessions.
7. Sales represents amounts payable by customers for goods and services before deducting VAT and other charges.

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.

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

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/mdjhgcbp

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 25 October 2016.

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).

carpetright.

FULL YEAR RESULTS

The 2016 financial year represents the 52 week trading period to 30 April 2016. The comparative period of financial year 2015 represents the 53 weeks to 2 May 2015. We believe that a comparison to the pro forma 52 weeks result for the 2015 financial year better reflects the underlying performance of the business. On this basis, all commentary included in this report is based on the 52 week period in the prior year to 25 April 2015 unless otherwise stated.

A summary of the reported financial results for the year ended 30 April 2016 is set out below:

	52 week 2016 £m	Pro forma 52 week 2015 £m	52 week change	53 week 2015 £m
Revenue	**456.8**	462.6	(1.3%)	469.8
Underlying operating profit	**19.3**	14.6	32.2%	15.8
Net finance charges	**(2.0)**	(1.6)	(25.0%)	(1.6)
Underlying profit before tax	**17.3**	13.0	33.1%	14.2
Exceptional items	**(4.5)**	(7.6)	40.8%	(7.6)
Profit before tax	**12.8**	5.4	137.0%	6.6
Earnings per share				
– underlying	**19.3p**	13.7p	40.9%	15.5p
– basic	**14.9p**	5.0p	198.0%	6.7p
Net cash/(debt)	**(1.1)**	–	–	0.5

Overview of Group Financial Results

Total Group revenue for the year decreased by 1.3% to £456.8m, consisting of a decline in the UK business of 1.3% and a decline of 1.2% in the Rest of Europe. Our continued focus on rationalising and repositioning the store portfolio saw the Group open 18 stores and close 43, giving a net decrease of 25 stores and a total store base of 572. The rate of revenue decline was significantly less than the fall in total store space, which declined by 5.4% to 5.1 million square feet, reflecting our success in exiting under-performing locations in the UK.

Group underlying operating profit increased by 32.2% to £19.3m, supported by the substantial reduction in property costs resulting from the repositioning of the UK store portfolio and a strengthening performance in our Rest of Europe business. Underlying net finance charges were £0.4m higher at £2.0m. These factors combined to generate an underlying profit before tax of £17.3m, a 33.1% increase on the prior year.

Exceptional charges totalled £4.5m (2015: £7.6m), primarily costs associated with exiting under-performing stores.

As a result, Group profit before tax was £12.8m (2015: £5.4m). Basic earnings per share were 14.9p (2015: 5.0p).

The Group ended the year with net debt of £1.1m, an adverse movement of £1.6m from the £0.5m net cash in 2015.

STRATEGIC UPDATE

Our strategic plan identifies clear areas of focus to support the updating and revitalising of the Carpetright retail proposition. Our vision is to ensure we connect better with today's customer, so that future generations will continue to shop with Carpetright wherever they are in their particular stage of life.

Whilst we are pleased to report a second year of strong profit growth and ten consecutive quarters of like-for-like growth – the past twelve months have not been without their challenges. In turning the business round we are re-engineering every aspect of it, specifically:

- **Who we are** – The brand, culture, values and corporate identity
- **What we sell** – Broadening our total floorcovering range to meet consumer demand
- **How we sell it** – Embedding product training, customer service, Interest Free Credit and a host of other initiatives within the business
- **Where we sell it** – Reducing and resizing our property portfolio

In implementing the plan we will maintain the momentum we have already generated which is centred on putting the customer at the heart of everything we do, specifically:

1. **Revitalising the Carpetright brand**
2. **Offering the Best Choice in Floorcoverings**
3. **Unbeatable Value**
4. **Making it Easy**
5. **Expertise**
6. **Outstanding Customer Service**
7. **Managing the Store Portfolio**

1. Revitalising the Carpetright brand

Customer research has told us quite clearly, that while Carpetright has a very high prompted brand awareness amongst consumers, only 50% of those surveyed would actually consider shopping with us. As we reported last year, we have been testing a new brand identity. After trialling this across a number of different store formats and locations, we have developed a new look which has researched extremely well. This new identity for our brand, and accompanying tone of voice, is more in tune with the contemporary retail customer, without taking us away from the concept of value, which, as market leader, remains vitally important to our offer.

The new identity will be rolled out progressively across the UK estate from 1 July 2016, whenever we refresh or refurbish our stores. The new identity will also feature in all our advertising and communications from the same date.

We trialled four new concept stores in and around London, beginning in August 2015. As a group, they have delivered like-for-like sales growth of 9.1% in the period January-April 2016. The results were encouraging and we are rolling out elements of the new design across the chain. We plan to focus this refurbishment on our highest turnover stores, our smaller High Street stores and those locations where we are most obviously at a competitive disadvantage, for example where we face competition from a new local market entrant. Within twelve months, we expect to have around 100 stores trading under the new brand identity at a capital cost of around £10m. Whilst some of this investment can be viewed as maintenance capital, our experience from the stores converted to date gives us confidence that we can achieve a payback within 18 months.

From 1 September 2016 all UK store staff will be adopting a new uniform, selected by colleagues themselves. This programme will give sales colleagues in-store a more contemporary service-oriented identity to support our strategic initiatives and has been well received by store teams.

To support the rebrand, in August 2016 we are starting a TV sponsorship package across UKTV's lifestyle and entertainment channels (Home, Really, Alibi, Gold and W), sponsoring specific programmes (examples being Escape to the Country; DIY SOS; Homes Under the Hammer) to help drive recognition of the new brand, as well as increased consideration from potential customers.

Whilst the focus has been on the UK, we have begun a similar journey in the Netherlands. At the beginning of June 2016, we refurbished a store in Utrecht, which takes much of the learning from the UK, whilst adapting it for the Dutch consumer. Although it is too early to draw firm conclusions, we are encouraged by the initial customer response.

2. Offering the Best Choice in Floorcoverings

Our ability to offer customers a vast range of choice in floorcoverings is critical to our market leadership position and for many years we have offered the widest range and selection of carpet available. We have been repositioning our carpet range and, just as importantly, substantially extending our offer in the hard flooring area as consumer tastes adapt and change through the various life stages.

A number of new initiatives have been developed, in part through our concept stores and a variety of other trials around the country:

- Having achieved 36% growth in hard flooring in concept stores since January 2016, we are introducing new in store sections with a new and improved range of laminate, vinyl and engineered wood as part of the refurbishment programme. We will also roll-out a new and comprehensive display of Luxury Vinyl Tile stands, all supplier funded, which is testimony to their belief in our growth potential in this area. This initiative will include a range from Tarkett that allows us to compete head-to-head with established brands such as Amtico and Karndean. The introduction of recognised brands such as Balterio, Kronospan and Quickstep to our range has delivered encouraging growth as consumer tastes continue to evolve in this segment. The roll-out has to be controlled and managed effectively – we need to ensure that all our staff are adequately trained and that we have sufficient fitting capacity wherever we introduce the product extensions. Preparation, ahead of fitting a hard floor, is key and it is a different process that is also more expensive than fitting a carpet.

- We enjoyed double digit percentage growth in underlay sales in the year as we demonstrated to customers that proper underlay should not be considered an optional extra but as an essential ingredient that shapes how a new carpet feels, wears and looks. We have invested in staff training to promote underlay as well as rolling out new underlay display stands across the estate.

- We successfully developed a new range of products with '*House Beautiful'* magazine which launched in Autumn 2015, and we are very encouraged by the results thus far. We are extending the range from 150 stores into all Carpetright locations from August 2016 and will be launching some new additions to the '*House*

Beautiful' range at the same time. We will also trial a premium range of Luxury Vinyl Tile products under the brand.

- We will launch some new brands that will be '*Exclusive at Carpetright'* in time for the Autumn season. These include carpet under the famous '*Kosset*' brand, and some innovative and eye catching designs, that will only be available from us. Keeping the range fresh, interesting and exclusive to Carpetright, will give us a clear edge as seasons change and customers look for home inspiration.

- In the Netherlands and Belgium we have re-introduced a range of curtains and blinds. This category was previously sold by these businesses prior to their acquisition by Carpetright in 2001. Comments from customers and our own teams identified it as an opportunity and it is now ranged in 72 stores and represents 6% of the total sales mix by the end of financial year.

3. Unbeatable Value

Unbeatable value will always be important to Carpetright – as market leader we expect to negotiate the very best terms with suppliers and to pass those benefits on to our customers with the very best prices in the marketplace.

There are three main anchors to our value proposition:

- Interest Free Credit (IFC) - Launched successfully in December 2014, IFC has grown to a sales penetration level of 16% of all transactions. We increased the value of the IFC offer at Christmas 2015, extending the deal to 0% over a four year period. IFC allows customers to get the product they love for a reasonable monthly fee, over a prescribed period, and allows for prudent customer budgeting and affordability. Our average transaction value in the past year was £331, yet our average IFC transaction was £1,216 and it is a major value differentiator for us in the floorcoverings sector.

- Never Beaten On Price - Our customer promise is clear; if you provide us with a quote from an alternative retailer for exactly the same product, we will match it. Customers want reassurance that they are getting the best deal available and this rock solid guarantee differentiates us from the majority of our competitors.

- Promotions - Consumer appetite for a deal has been sharpened by an extended period of austerity in the UK. Carpetright will always have a good selection of products on promotion at any one time and will ensure that it operates ethically, promoting its products in accordance with the law.

We have rebranded our entire range of roll stock and remnant products under the *'Essential Value*' brand which covers a wide range of budget lines that can be taken away immediately for self-fitting or fitted for the customer within days. With new carpet available from as little as £2.99 a square metre, *'Essential Value'* demonstrates to all customers, not just those on a budget, that Carpetright should be their first choice for value.

Additionally, we will use our 'Price Checker' on Beds to highlight our value on comparable lines against specialist bed retailers.

4. Making it Easy

Giving great service and making the purchase an enjoyable, hassle free experience is really important on the floorcovering journey. Unlike other relatively straightforward big ticket sales such as beds or sofas, ordering new flooring presents a number of potentially daunting obstacles to the customer – with the need to get someone round to complete accurate measurements and give an estimate of what they need and how much it will cost being the most significant. Once ordered it's then the job of our recommended fitters to come to the home and complete the task.

Our research tells us that there are a number of pinch points in the process - from consideration online right through to the "Ta Da" moment when the fitter presents the beautifully finished product to the customer - where we could do much better, specifically:

- Improved communications and a checklist on purchasing to ensure customers understand exactly what happens once an order is taken and what happens on fitting day.
- Regular updates by e-mail and text so that the customer's mind is always at ease on the progress of their order.
- We aim to ensure that all fitters are now equipped with card readers for electronic payment rather than cash.
- We are pleased to be working with 'Which? Trusted Traders'. Following their rigorous process of assessment over the next few months, our recommended floor and carpet fitting services will be endorsed by 'Which? Trusted Traders' to give potential customers additional peace of mind when choosing our service.

Creating a contemporary and compelling digital offer is central to improving customer consideration of Carpetright when they are researching their new flooring options. The business has focussed on improving the look and feel of the Carpetright website to ensure there is inspiration for the customer as well as improved navigation. While transacting online is not a key consideration for the vast majority of customers, the opportunity to showcase the product and the store portfolio online in the research stage of the customer journey, remains the key opportunity. Initiatives for this upcoming year include:

- A complete rebrand of the website with the new brand identity
- "Where's my stuff?" – customer order tracker and "My Account" section
- Online estimator diary booking
- Improved site search
- Interest Free Credit Online
- Room Visualiser tool

From inspiring customers to shop with Carpetright online through brand advertising, consultation and advice, ordering, preparing the room, fitting, tidy up and disposal – our objective is to make a flooring purchase from Carpetright a seamless, hassle free experience that will encourage recommendation of the brand.

5. Expertise

Training and Development within Carpetright had previously been sporadic. Whilst we have a lot of incredibly knowledgeable people with many years of loyal service and experience within the Group, we needed a more co-ordinated approach to ensuring our colleagues are the best in the business when it comes to product authority and recommendation.

We are developing an online Academy portal for training Carpetright staff in 2016. This will focus initially on induction for new starters as well as comprehensively covering all product areas in depth so that we can continuously add to our colleague knowledge and build confidence, especially as we reach into new areas of the floorcoverings market. The portal will also develop specific skills not only in-store but also in delivering the managers and leaders of tomorrow. A new team of experienced training professionals will build the platform this year.

6. Outstanding Customer Service

Putting the customer at the heart of everything we do is central to our strategy and we have had a busy year making this come to life in our stores.

Back in July 2014 our score on the independent retail review website '*Trustpilot*' was 1.7 out of 10. While many colleagues were focusing on providing the best service, the culture of the business was about taking orders, making sales and earning commission.

Power has transferred from the retailer to the customer in the last decade. Customers expect whatever they want, whenever they want with swift, efficient delivery. Customers are all very quick to tell the world on various social media platforms how it went. The default position is rapidly becoming excellent service, with consumers sharing only their bad experiences, which can quickly go viral severely impacting brand reputation.

We are aware through our research that compared to competitors our brand scores well on key areas such as 'Value' and 'Range'. People know they can get a good deal at Carpetright and know that we have a broad product portfolio. We have tended to under index on key measures such as 'Trust' and 'Reputation' and we can only address this by devoting ourselves to changing our service culture which has to evolve as we improve customer perceptions.

In January 2015, we introduced our internal Customer Service Programme, 'Do We Measure Up?' This is a scheme where customers are e-mailed about their experience with Carpetright at three stages in the Customer Journey – 'Measuring & Estimating'; 'In-store experience'; and 'Fitting'. Customers are incentivised to complete the feedback with the opportunity of winning their carpet, or the value of their order, for free in a monthly draw. The top four drivers of Highly Satisfied customers are:

1. Colleague friendliness
2. Time spent understanding customer needs
3. Speed of placing the order
4. Colleague product knowledge

Research indicates that customers are more than twice as likely to recommend when they are 'Highly Satisfied' and customers in this zone of satisfaction will spend 12% more on average. Since launching the scheme we have moved the overall satisfaction rating from 71% to 76% and believe that an 80% plus score is well within our reach in the next twelve months.

Whilst this is our own internal measure, we are also able to track a Net Promoter Score, allowing us to benchmark ourselves against other retailers in similar sectors. This has moved along a similar trajectory and now stands at 71%. We are confident of continuing this improvement.

Additionally, we will be adjusting our reward and compensation packages away from commission payment on order taking and re-targeting them to successful completion of the job and 'Do We Measure Up?' ratings.

An identical customer service programme has been launched in the Netherlands and Belgium in April 2016. We expect to be able to make similar improvements in these businesses.

For the record, our '*Trustpilot*' score in June 2016 was up to 8.7 out of 10 – a significant improvement.

7. Managing the Store Portfolio

Last year, we said we anticipated being able to show positive results from our accelerated programme of property activity in 2015/16. We have been aggressively targeting that part of our legacy portfolio which is over-rented and made it our number one priority outside of our customer facing activity. In parallel, we are continuing to open new stores on a selective basis, where we see good opportunities to bring the Carpetright brand closer to consumers in local markets.

We are managing the estate to reduce square footage, to eliminate store catchment overlap, improve the quality of our store base by moving to better locations on realistic rent deals and by ensuring customers can access a Carpetright store wherever they live in the UK.

At 30 April 2016 we had 435 stores trading the UK. During the year we opened six new stores, relocated four and closed 31 giving a net reduction of 25 stores. We continue to eliminate overlap in towns where we have more than one unit – this allows us to upgrade and refurbish the remaining store and to capture the benefit of sales transferred from the store closure. We have, in addition, negotiated exits from two locations where we had onerous leases, removing us from all future liabilities associated with those properties.

The trial of our small high street concept store in Reigate has been a huge success and we have opened similar locations in affluent towns such as Bromley and Gerrards Cross, the latter post the year end. We believe the lower rent high street format offers an exciting opportunity especially in and around the M25.

We continue to take a robust view at lease renewal, which provides the 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 or to exit underperforming stores. At period-end, the average length of lease had fallen to 6.1 years (2015: 7.1 years).

In the Rest of Europe we had 137 stores, opening eight stores 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 2.6 years (2015: 3.1 years) in the Netherlands and 2.3 years (2015: 1.9 years) in Belgium. In the Republic of Ireland this period is 9.1 years (2015: 10.1 years) reflecting the agreement of long term deals during the expansion into this market in the period from 2001 to 2008.

We will close the Storeys brand effective 1 September 2016 with the exception of one store in Stockton-on-Tees. This largely North East based chain has struggled for a number of years due to underinvestment and the fact it has inevitably been competing with a nearby Carpetright store. Any stores that do not transfer to the Carpetright brand will become a new sub-brand, 'Carpetright Clearance', which will provide a budget option that will be sufficiently differentiated from the main estate. Both formats will benefit, unlike Storeys, from the Carpetright brand's marketing spend and digital presence.

This activity is delivering an improvement in profitability. Over the past two financial years, we have reduced the number of loss making stores in the UK to 38 locations from 67. While, this activity incurs a cash cost to exit leases, with net expenditure totalling £2.2m in the year, either by assigning to new tenants or returning the property landlords, by taking this robust approach we are confident we are getting an acceptable financial return.

Summary

We are now confident that we have a new store format that is well suited to taking on the competition and increasing our appeal to all types of consumers on all sorts of budgets. The transformation of Carpetright into a modern, sustainable market leader will not happen overnight, but we are positive that we have momentum and we are on the right path.

We were lapping our own strong like-for-like sales performance in the previous year and in addition we had a consumer backdrop which was not brim full of confidence. We have also faced increased competition from a new specialist on a number of our UK sites. We are convinced that we can retain our market share in these locations by focussing on doing the right things outlined above.

Through updating our brand identity and making it easy for the customer we believe that we can increase consideration of Carpetright and build average transaction values by focussing our staff on the following initiatives:

- Introducing Interest Free Credit
- Understanding customer needs and selling the right product
- Selling appropriate underlay and high margin accessories
- Providing a seamless, hassle free experience that will build our trust and reputation

We are embarking on a complete turnaround of the Carpetright business. We have not rushed into the changes, as we want to carry the majority of our staff with us and there is much to do. We need to ensure that we can execute the change successfully within our resource capacity and that we can carry out the customer promise effectively so that we become a recommended retailer more consistently.

Building consistency of performance across the chain will be key to our success, as those stores that score above 75% on 'Do We Measure Up?', deliver 15% IFC penetration and 50% underlay penetration enjoy double the like-for-like sales growth of the rest of the portfolio.

Current Trading

We have had a challenging start to the new financial year, against strong comparatives in the prior year and in a market which is increasingly competitive. In the UK, while May was a difficult month with like-for-like sales down 7.6%, June has been significantly better, being up 6.3%. These figures combine to give a decline of 1.0% for the eight weeks to 25 June 2016. In the Rest of Europe, like-for-like sales up by 1.3%, on a local currency basis over the same period.

Outlook

Carpetright retains the fundamentals of a leading retail business – high brand recognition, critical mass and a market leadership position. The opportunity to leverage these strengths and drive a significant improvement in performance remains significant.

Our strategic initiatives will continue to 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 progressed the plans previously announced, establishing a real momentum for change within the business.

Trading conditions in the early weeks of the new financial year have been more challenging, against strong comparatives in the prior year and market which is increasingly competitive, particularly in the UK. The outlook has been further complicated by the outcome of the EU referendum and we are cautious about the impact the associated uncertainty will have on consumer confidence.

Whilst we have a long journey ahead in transforming Carpetright, we have a clear direction and the positive results we are seeing from a number of our activities give us confidence that we are on the right path.

FINANCIAL REVIEW

UK

The key financial results for the UK were:

	52 week 2016 £m	Pro forma 52 week 2015 £m	52 week Change	53 week 2015 £m
Revenue	**391.0**	396.0	(1.3%)	403.2
Like-for-like sales	**2.8%**	7.3%	-	-
Gross profit	**237.3**	243.4	(2.5%)	247.6
Gross profit %	**60.7%**	61.4%	(0.7ppts)	61.4%
Costs	**(220.5)**	(229.1)	3.8%	(232.1)
Costs %	**56.4%**	57.9%	1.5ppts	57.6%
Underlying operating profit	**16.8**	14.3	17.5%	15.5
Underlying operating profit %	**4.3%**	3.6%	0.7ppts	3.8%

UK store portfolio:

	Store numbers				Gross Sq ft ('000)	
	2 May 2015	Openings	Closures	**30 April 2016**	2 May 2015	**30 April 2016**
Standalone	448	5	(33)	**420**	3,963	**3,734**
Concessions	12	5	(2)	**15**	16	**29**
Total	460	10	(35)	**435**	3,979	**3,763**

In a market characterised by economic uncertainty and volatile consumer confidence, revenue decreased by 1.3% to £391.0m. We opened 10 stores and closed 35 stores in the year, which translated into a net space decline of 216,000 sq ft, a decrease of 5.4%. After taking into account the movement in number of stores, like-for-like sales grew by 2.8% across the year as a whole, with the first half performance being stronger at 3.8%, followed by 1.9% growth in the second half. At the close of the year there were 246 stores trading with a bed department (2015: 265). Sales within the beds category now represent 9.0% of the sales mix (2015: 8.7%).

Gross profit decreased by £6.1m to £237.3m, representing 60.7% of sales, a decrease of 70 basis points. The decline in margin rate was primarily the result of:

- implementing market beating promotions to drive footfall and top line sales volumes; and
- an increase in product lines which have lower gross margins such as wood flooring and beds, resulting in an adverse mix impact.

The total UK cost base decreased by 3.8% compared with the prior year to £220.5m (2015: £229.1m). Costs as a percentage of sales were 56.4%, which compared favourably to 57.9% in the prior year. The movement in costs was a combination of:

- a 1.3% increase in store payroll costs to £61.4m (2015: £60.6m), reflecting commission payments associated with stronger sales growth;

- a 7.1% reduction in occupancy costs to £116.4m (2015: £125.3m). primarily the impact of the net reduction of 25 stores during the year along with the full year impact of the net reduction of twelve stores in the prior year; and
- marketing and central support costs decreased by 1.2% to £42.7m (2015: £43.2m), primarily the result of one-off costs in the prior year associated with brand repositioning, partially offset by higher advertising costs.

The culmination of the above factors led to underlying operating profit increasing by 17.5% to £16.8m (2015: £14.3m).

Rest of Europe

The key financial results for the Rest of Europe were:

	2016 £m	2015 £m	Change (Reported Currency)	Change (Local Currency)
Revenue	**65.8**	66.6	(1.2%)	4.9%
Like-for-like sales (local currency)	**4.8%**	0.3%		
Gross profit	**36.9**	39.6	(6.8%)	(0.8%)
Gross profit %	**56.1%**	59.5%	(3.4ppts)	
Costs	**(34.4)**	(39.3)	12.5%	6.5%
Costs %	**(52.3%)**	(59.0%)	6.7ppts	
Underlying operating profit	**2.5**	0.3	733.3%	664.1%
Underlying operating margin %	**3.8%**	0.5%	3.3ppts	

Rest of Europe store portfolio:

	Store Numbers				**Sq ft ('000)**	
	2 May 2015	Openings	Closures	**30 Apr 2016**	2 May 2015	**30 Apr 2016**
Netherlands	93	4	(4)	**93**	1,046	**985**
Belgium	22	4	(3)	**23**	257	**245**
Republic of Ireland	22	0	(1)	**21**	162	**157**
Europe	137	8	(8)	**137**	1,465	**1,387**

Whilst macroeconomic conditions in Belgium remained fragile, the Netherlands and Republic of Ireland experienced a recovery, with an increase in reported consumer confidence and more encouraging economic data.

In local currency terms, the three businesses combined to produce a total revenue 4.9% ahead of the prior year, with like-for-like sales increasing by 4.8%. There has been a sustained improvement with six successive quarters of like-for-like growth. After exchange rate movements, total revenue fell by 1.2% in reported currency.

Our Rest of Europe store portfolio remained level on last year with 137 stores, having opened eight and closed eight during the period.

Gross profit percentage decreased by 340 basis points to 56.1% resulting principally from stronger promotions to drive top line sales volumes, adverse sales mix variance associated with the introduction of a new product category (curtains and blinds) and clearance activity implemented to tackle legacy stock issues and rationalise the range. The improvement in volume was insufficient to offset the impact of a lower margin rate, resulting in a decrease in cash gross profit of 0.8%. After taking into account exchange rate movements this resulted in a decline of 6.8% in reported currency.

Operating costs in local currency reduced by 6.5%. The majority of the savings were driven by a focused cost reduction programme initiated in the previous financial year and a reduction in advertising spend. This was reflected in the decline in costs as a percentage of sales to 52.3%, a reduction on the prior year figure of 59.0%. In reported currency, this was a reduction in costs of 12.5% to £34.4m.

The net result was an underlying operating profit of £2.5m, a £2.2m improvement on the £0.3m profit generated in the prior year.

GROUP FINANCIAL REVIEW

Net finance charges and taxation

Underlying net finance charges were £2.0m (2015: £1.6m). The increase was principally driven by a marginally higher level of average net debt over the period and amortisation of arrangement fees.

The taxation charge on profit for the year was £2.7m (2015: £2.1m). The weighted average annual effective tax rate for the period is 21.3% (2015: 31.3%). The decrease in the effective tax rate is the outcome from improved profitability while non-deductible items have remained stable, along with a deferred tax credit in the year from the fall in the main UK rate to 18%.

Exceptional items

The Group recorded a net charge of £4.5m (2015: £7.6m) in the year.

	2016 **£m**	2015 £m
Losses on disposal of properties	**(3.6)**	(0.4)
Onerous lease provision	**(0.6)**	(7.0)
Impairment release/(charge):		
Store assets	**0.1**	(0.2)
Freehold properties	**(0.4)**	-
Pre tax exceptional items	**(4.5)**	(7.6)

A net loss of £3.6m was made on property disposals in the year (2015: £0.4m loss). This was principally the result of surrender premiums being paid to exit loss-making stores and associated asset write-offs.

At 2 May 2015 there were 14 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 four of these stores, relieving us from all future liabilities associated with these properties. The charge associated with exiting these stores equalled the provisions carried. There were no additions or re-openings of onerous stores during the period, leaving ten onerous stores remaining at the end of the financial period.

A detailed review of provisions held for unavoidable onerous lease costs for loss-making stores resulted in a charge of £0.6m (2015: £7.0m).

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 credit of £0.1m (2015: £0.2m charge). The Group has entered into sale agreements for two freehold properties at below carrying value, offset by impairment adjustments at other locations, this combination led to a net charge of £0.4m in the period (2015: Nil).

Earnings per share

Underlying earnings per share of 19.3 pence (2015: 13.7 pence), an increase of 40.9%. Basic earnings per share was 14.9 pence (2015: 5.0 pence).

Dividend

The Board has decided not to pay a final dividend (2015: 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 Group's fixed occupancy costs and to invest in the remaining stores to broaden the appeal of the brand. Based on our current outlook, we do not expect this position to change in the current financial year.

Balance sheet

The Group had net assets of £74.0m at the end of the year (2015: £59.5m), a year-on-year increase of £14.5m.

	30 April 2016 £m	**2 May 2015** £m	Movement £m
Freehold and long leasehold property	**61.5**	64.9	(3.4)
Other non-current assets	**107.5**	106.5	1.0
Stock	**41.6**	34.1	7.5
Trade & other current assets	**20.0**	25.2	(5.2)
Creditors < 1 year	**(91.1)**	(97.9)	6.8
Creditors > 1 year	**(62.2)**	(69.8)	7.6
Net (debt)/cash	**(1.1)**	0.5	(1.6)
Pension deficit	**(2.2)**	(4.0)	1.8
Net assets	**74.0**	59.5	14.5

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.

As a consequence of managing the estate to reduce square footage, eliminate store catchment overlap and improve the quality of our store base on realistic rent deals, the level of operating lease liabilities has reduced significantly to £599.3m (2015: £679.1m).

Cash flow

Group net debt at 30 April 2016 was £1.1m, an adverse movement of £1.6m on the prior year end position of £0.5m net cash. The increase was driven by the improvement in underlying operating profit being offset by a £7.0m increase in stock to reduce order fulfilment lead times and the listing of higher value ranges, a £5.1m cash outflow related to provisions paid, £0.9m contributions to closed defined benefit pension schemes and a £4.3m increase in working capital. This increase in working capital was attributable to a combination of amortisation of lease incentives, the timing impact from the 53rd week in the prior year being partially offset by a negotiated quicker payment cycle from the third party provider of consumer credit facilities.

The resulting net inflow of cash generated by operations of £13.3m was offset by net capital expenditure, interest and tax net outflows totalling £14.7m.

The Group's average net debt was £7.1m over the period (2015: £4.9m).

	2016 £m	2015 £m
Underlying Operating Profit	**19.3**	15.8
Depreciation and non-cash items	**13.5**	14.0
(Increase)/Decrease in stock	**(7.0)**	(1.0)
(Increase)/Decrease in working capital	**(4.3)**	0.8
Net (expenditure)/proceeds on exit of operating leases	**(2.2)**	1.0
Contributions to pension schemes	**(0.9)**	(0.9)
Provisions paid	**(5.1)**	(4.6)
Cash generated by operations	**13.3**	25.1
Net interest paid	**(2.0)**	(1.6)
Corporation Tax paid	**(3.0)**	(4.4)
Net capital (expenditure)/proceeds	**(9.7)**	(7.6)
Free cash flow	**(1.4)**	11.5
Other	**(0.2)**	0.1
Movement in net debt	**(1.6)**	11.6
Opening net debt	**0.5**	(11.1)
Closing net (debt)/cash	**(1.1)**	0.5

Net capital expenditure was £9.7m (2015: £7.6m). This can be analysed between the following principal categories:

	2016 £m	2015 £m
Capital expenditure	**(11.9)**	**(8.8)**
Proceeds from freehold property disposals	**2.2**	**1.2**
Net capital (expenditure)/proceeds	**(9.7)**	**(7.6)**

The majority of the capital expenditure was focused on new stores and refurbishing existing stores, along with investing in store IT systems in the UK.

Current liquidity

At the year end the Group held cash balances of £8.3m (2015: £7.3m), principally a combination of Sterling and Euros. Gross bank borrowings at the balance sheet date were £7.1m (2015: £4.4m), all of which were drawn down from overdraft facilities. The Group had further undrawn facilities of £47.3m 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 £54.4m. 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 30 April 2016 the IAS 19 net retirement benefit deficit was £2.2m (2015: £4.0m). This reduction of £1.8m reflects a combination of the movement in financial assumptions and pension deficit contributions made by the Company. 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	**Neil Page**
Chief Executive Officer	**Chief Financial Officer**
27 June 2016	

Consolidated income statement
for 52 weeks ended 30 April 2016

	Group 52 weeks to 30 April 2016			Group 53 weeks to 2 May 2015		
	Before exceptional items £m	Exceptional items (Note 5) £m	Total £m	Before exceptional items £m	Exceptional items (Note 5) £m	Total £m
Revenue	**456.8**	**–**	**456.8**	469.8	–	469.8
Cost of sales	**(182.6)**	**–**	**(182.6)**	(182.6)	–	(182.6)
Gross profit	**274.2**	**–**	**274.2**	287.2	–	287.2
Administration expenses	**(256.8)**	**(0.9)**	**(257.7)**	(273.5)	(7.2)	(280.7)
Other operating income/(loss)	**1.9**	**(3.6)**	**(1.7)**	2.1	(0.4)	1.7
Operating profit/(loss)	**19.3**	**(4.5)**	**14.8**	15.8	(7.6)	8.2
Finance costs	**(2.0)**	**–**	**(2.0)**	(1.6)	–	(1.6)
Profit/(loss) before tax	**17.3**	**(4.5)**	**12.8**	14.2	(7.6)	6.6
Tax	**(4.2)**	**1.5**	**(2.7)**	(3.7)	1.6	(2.1)
Profit/(loss) for the financial period attributable to equity shareholders of the Company	**13.1**	**(3.0)**	**10.1**	10.5	(6.0)	4.5
Basic earnings/(losses) per share (pence)	**19.3**	**(4.4)**	**14.9**	15.5	(8.8)	6.7
Diluted earnings/(losses) per share (pence)			**14.9**			6.7

Consolidated statement of comprehensive income
for 52 weeks ended 30 April 2016

	Group 52 weeks to 30 April 2016 £m	Group 53 weeks to 2 May 2015 £m
Profit for the financial period	**10.1**	4.5
Items that may not be reclassified to the income statement:		
Re-measurement of defined benefit plans	**1.1**	(1.4)
Tax on items that may not be reclassified to the income statement	**(0.4)**	0.1
Total items that may not be reclassified to the income statement	**0.7**	(1.3)
Items that may be reclassified to the income statement:		
Exchange gains/(losses)	**3.2**	(5.3)
Tax on items that may be reclassified to the income statement	**–**	–
Total items that may be reclassified to the income statement	**3.2**	(5.3)
Other comprehensive income/(expense) for the period	**3.9**	(6.6)
Total comprehensive income/(expense) for the period attributable to equity shareholders of the Company	**14.0**	(2.1)

The notes on pages 20 to 28 form an integral part of this consolidated financial information.

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Consolidated statement of changes in equity
for 52 weeks ended 30 April 2016

Group	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Total £m
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**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**10.1**	**10.1**
Other comprehensive income for the financial period	**–**	**–**	**–**	**–**	**3.2**	**0.7**	**3.9**
Total comprehensive income for the financial period	**–**	**–**	**–**	**–**	**3.2**	**10.8**	**14.0**
Issue of new shares	**–**	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Purchase of own shares by employee benefit trust	**–**	**–**	**(0.9)**	**–**	**–**	**–**	**(0.9)**
Share based payments and related tax	**–**	**–**	**–**	**–**	**–**	**1.0**	**1.0**
At 30 April 2016	**0.7**	**17.8**	**(1.3)**	**0.1**	**3.3**	**53.4**	**74.0**

Consolidated balance sheet
for as 30 April 2016

	Group 2016 £m	Group 2015 £m
Assets		
Non-current assets		
Intangible assets	**57.1**	56.1
Property, plant and equipment	**95.0**	94.6
Investment property	**14.5**	17.9
Investment in subsidiary undertakings	**–**	–
Deferred tax assets	**1.9**	2.2
Trade and other receivables	**0.5**	0.6
Total non-current assets	**169.0**	171.4
Current assets		
Inventories	**41.6**	34.1
Trade and other receivables	**20.0**	25.2
Cash and cash equivalents	**8.3**	7.3
Total current assets	**69.9**	66.6
Total assets	**238.9**	238.0
Liabilities		
Current liabilities		
Trade and other payables	**(88.8)**	(95.6)
Obligations under finance leases	**(0.1)**	(0.1)
Borrowings and overdrafts	**(7.1)**	(4.4)
Current tax liabilities	**(2.3)**	(2.3)
Total current liabilities	**(98.3)**	(102.4)
Non-current liabilities		
Trade and other payables	**(34.3)**	(37.7)
Obligations under finance leases	**(2.2)**	(2.3)
Provisions for liabilities and charges	**(12.6)**	(16.9)
Deferred tax liabilities	**(15.3)**	(15.2)
Retirement benefit obligations	**(2.2)**	(4.0)
Total non-current liabilities	**(66.6)**	(76.1)
Total liabilities	**(164.9)**	(178.5)
Net assets	**74.0**	59.5
Equity		
Share capital	**0.7**	0.7
Share premium	**17.8**	17.4
Treasury shares	**(1.3)**	(0.4)
Other reserves	**56.8**	41.8
Total equity attributable to equity shareholders of the Company	**74.0**	59.5

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Consolidated statement of cash flows
for 52 weeks ended 30 April 2016

	Group 52 weeks to 30 April 2016 £m	* Group 53 weeks to 2 May 2015 £m
Cash flows from operating activities		
Profit before tax	**12.8**	6.6
Adjusted for:		
Depreciation and amortisation	**12.5**	13.6
Loss/(gain) on property disposals	**3.6**	0.4
Exceptional non-cash items	**0.9**	7.2
Share based compensation and other non-cash items	**1.0**	0.4
Net finance costs	**2.0**	1.6
Operating cash flows before movements in working capital	**32.8**	29.8
(Increase)/decrease in inventories	**(7.0)**	(1.0)
Decrease/(Increase) in trade and other receivables	**6.2**	(5.7)
(Decrease)/increase in trade and other payables	**(10.5)**	6.5
Net (expenditure)/proceeds on exit of operating leases	**(2.2)**	1.0
Contributions to pensions schemes	**(0.9)**	(0.9)
Provisions paid	**(5.1)**	(4.6)
Cash generated by operations	**13.3**	25.1
Interest paid	**(2.0)**	(1.6)
Corporation taxes paid	**(3.0)**	(4.4)
Net cash generated from operating activities	**8.3**	19.1
Cash flows from investing activities		
Purchases of intangible assets	**(1.8)**	(1.7)
Purchases of property, plant and equipment and investment property	**(10.1)**	(7.1)
Proceeds on disposal of property, plant, equipment & investment property	**2.2**	1.2
Interest received	**–**	–
Net cash generated used in investing activities	**(9.7)**	(7.6)
Cash flows from financing activities		
Issue of new shares	**0.4**	0.2
Purchase of treasury shares by employee benefit trust	**(0.8)**	(0.1)
Repayment of finance lease obligations	**(0.3)**	(0.2)
Movement in borrowings	**–**	(4.1)
Net cash used in financing activities	**(0.7)**	(4.2)
Net (decrease)/increase in cash and cash equivalents in the period	**(2.1)**	7.3
Cash and cash equivalents at the beginning of the period	**2.9**	(4.5)
Exchange differences	**0.4**	0.1
Cash and cash equivalents at the end of the period	**1.2**	2.9

*Certain prior year amounts have been reclassified for consistency with the current period presentation. This has no impact in the Group's reported opening or closing net cash position.

For the purposes of the cash flow statement, cash and cash equivalents are reports 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 Carpetright plc, 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 2016 represents the 52 weeks ended 30 April 2016. The comparative financial period for 2015 was 53 weeks ended 2 May 2015.

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 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 Group meets its day to day working capital requirements through its bank facilities. The principal banking facility, which includes a revolving credit facility for £45 million, is committed to the end of July 2019. The Directors have considered the future cash requirements of the Group and are satisfied that the facilities are sufficient to meet its liquidity needs. The facilities are subject to a number of financial covenants, being a leverage covenant, a fixed charge cover covenant, and a capital expenditure covenant. The fixed charge cover covenant is the most sensitive to changes in the Group's profitability.

The Directors have considered the expected performance of the business over at least the next twelve months and modelled this performance against the covenants that have been set. In addition, the Directors have considered the trading performance necessary to breach the banking covenants as well as mitigating factors that would be available and actionable in the event that the adverse trading performance became reality.

The Directors have also considered the net current liability position of the Group and given the supplier payment terms and the expected cash generation, the Directors confirm that the Group is forecast to be able to meet its liabilities as they fall due.

The Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a minimum of twelve months following the signing of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The financial information on the following pages is derived from the full Group Financial Statements for the 52 week period to 30 April 2016 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 53 weeks to 2 May 2015 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.

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Foreign exchange rates

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

	Euro 2016	Euro 2015	Zloty 2016	Zloty 2015
Average rate	**1.36**	1.28	**5.77**	5.38
Closing rate	**1.28**	1.36	**5.62**	5.51

2. Segmental analysis

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

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

The reportable operating segments derive their revenue primarily from the retailing of 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 52 weeks ended 30 April 2016 is as follows:

	52 weeks to 30 April 2016			53 weeks to 2 May 2015		
	UK £m	**Europe £m**	**Group £m**	UK £m	Europe £m	Group £m
Gross revenue	**396.0**	**65.8**	**461.8**	409.1	66.6	475.7
Inter-segment revenue	**(5.0)**	**–**	**(5.0)**	(5.9)	–	(5.9)
Revenues from external customers	**391.0**	**65.8**	**456.8**	403.2	66.6	469.8
Gross profit	**237.3**	**36.9**	**274.2**	247.6	39.6	287.2
Underlying operating profit	**16.8**	**2.5**	**19.3**	15.5	0.3	15.8
Exceptional items	**(4.1)**	**(0.4)**	**(4.5)**	(4.9)	(2.7)	(7.6)
Operating profit/(loss)	**12.7**	**2.1**	**14.8**	10.6	(2.4)	8.2
Intercompany interest	**0.1**	**(0.1)**	**–**	(0.1)	0.1	–
Finance costs	**(2.1)**	**0.1**	**(2.0)**	(1.5)	(0.1)	(1.6)
Profit/(loss) before tax	**10.7**	**2.1**	**12.8**	9.0	(2.4)	6.6
Tax	**(1.9)**	**(0.8)**	**(2.7)**	(2.4)	0.3	(2.1)
Profit/(loss) for the financial period	**8.8**	**1.3**	**10.1**	6.6	(2.1)	4.5
Segment assets:						
Segment assets	**196.4**	**87.0**	**283.4**	200.2	80.6	280.8
Inter-segment balances	**(26.6)**	**(17.9)**	**(44.5)**	(25.8)	(17.0)	(42.8)
Balance sheet total assets	**169.8**	**69.1**	**238.9**	174.4	63.6	238.0
Segment liabilities:						
Segment liabilities	**(163.1)**	**(46.3)**	**(209.4)**	(175.6)	(45.7)	(221.3)
Inter-segment balances	**17.9**	**26.6**	**44.5**	17.0	25.8	42.8
Balance sheet total liabilities	**(145.2)**	**(19.7)**	**(164.9)**	(158.6)	(19.9)	(178.5)
Other segmental items:						
Depreciation and amortisation	**10.6**	**1.9**	**12.5**	11.5	2.1	13.6
Additions to non-current assets	**10.2**	**1.9**	**12.1**	7.1	1.4	8.5

Carpetright plc is domiciled in the UK. The Group's revenue from external customers in the UK is £391.0m (2015: £403.2m) and the total revenue from external customers from other countries is £65.8m (2015: £66.6m). The total of non-current assets (other than financial instruments and deferred tax assets) located in the UK is £141.7m (2015: £147.4m) and the total of those located in other countries is £69.9m (2015: £64.6m).

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 2016 £m	Group 2015 £m
Losses on disposal of properties	**(3.6)**	(0.4)
Onerous lease provision	**(0.6)**	(7.0)
Impairment release/(charge):		
Store assets	**0.1**	(0.2)
Freehold properties	**(0.4)**	–
Pre tax exceptional items	**(4.5)**	(7.6)

A net loss of £3.6m was made on property disposals in the year (2015: £0.4m). This was principally the result of surrender premiums being paid to exit loss-making stores and asset write offs.

The Group has undertaken a review of the onerous lease provisions recognised for stores that have ceased to trade and the unavoidable onerous lease costs for loss-making stores, resulting in a net charge of £0.6m in the period (2015: £7.0m 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 resulted in an impairment in the current period of £0.4m (2015: Nil). In determining whether impairment triggers existed at the period end, the Directors treated each store as a separate cash generating units (CGU) and valued it at the higher of the value in use calculations or the market value of the properties and their assets.

The tax impact of exceptional items is a credit of £0.2m and the Group has also recognised an exceptional tax credit of £1.3m for the fall in the UK main rate of tax from 20% to 18%.

4. Tax

(i) Analysis of the charge in the period	**Group 2016 £m**	Group 2015 £m
UK current tax	**3.6**	2.1
Adjustment in respect of prior years	**(0.6)**	0.1
Overseas current tax	**–**	–
Total current tax	**3.0**	2.2
UK deferred tax	**(1.1)**	(0.7)
Overseas deferred tax	**0.8**	0.6
Total deferred tax	**(0.3)**	(0.1)
Total tax charge in the income statement	**2.7**	2.1

A change to the UK corporation tax rate was announced in the Chancellor's April 2015 Budget which reduced the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. This was substantively enacted on 26 October 2015. The financial statements include the impact of the reduction of the main rate of tax to 18% on the Group's deferred tax liability. This has resulted in an exceptional tax credit of £1.3m.

A change to the UK corporation tax rate was further announced in the Chancellor's Budget on 16 March 2016 this change reduces the main rate to 17% from 1 April 2020. The reduction had not been substantively enacted at the balance sheet date and its effects are not included in these financial statements. The overall effect of this change, if it had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £0.7m and credit the tax expense for the period by £0.7m.

(ii) Reconciliation of profit/(loss) before tax to total tax	Group 2016 £m	Group 2015 £m
Profit/(loss) before tax	**12.8**	6.6
Tax charge/(credit) at UK corporation tax rate of 20% (2015: 21%)	**2.6**	1.4
Adjusted for the effects of:		
Overseas tax rates	**0.3**	0.2
Deferred tax impact of fall in UK tax rates	**(1.3)**	–
Non-qualifying depreciation	**0.4**	0.5
Other permanent differences	**0.9**	(0.1)
Impact of gains crystallising	**(0.2)**	0.1
Total tax charge/(credit) in the income statement	**2.7**	2.1

The weighted average annual effective tax rate for the period is a charge of 21.3% (2015: 31.3%). The decrease in the effective tax rate is a result of the improved profitability while permanent differences remained fairly stable, along with a deferred tax credit in the year from the fall in the main rate to 18%.

(iii) Tax on items taken directly to or transferred from equity	Group 2016 £m	Group 2015 £m
Deferred tax on actuarial losses recognised in other comprehensive income	**(0.4)**	0.1
Deferred tax on share based payments	**–**	(0.1)
Total tax recognised in equity	**(0.4)**	–

5. Dividends

The Directors decided that no final dividend will be paid (2015: No final dividend paid). This results in no dividend in the period to 30 April 2016 (2015: 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 (see note 25) 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.

	52 weeks to 30 April 2016			53 weeks to 2 May 2015		
	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	**10.1**	**67.7**	**14.9**	4.5	67.7	6.7
Effect of dilutive share options	**–**	**0.2**	**–**	–	0.4	–
Diluted earnings per share	**10.1**	**67.9**	**14.9**	4.5	68.1	6.7

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

	52 weeks to 30 April 2016			53 weeks to 2 May 2015		
	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	**10.1**	**67.7**	**14.9**	4.5	67.7	6.7
Adjusted for the effect of exceptional items:						
Exceptional items	**4.5**	**–**	**6.7**	7.6	–	11.1
Tax thereon	**(0.2)**	**–**	**(0.3)**	(1.6)	–	(2.3)
Exceptional tax benefit from tax rate change	**(1.3)**	**–**	**(2.0)**	–	–	–
Underlying earnings per share	**13.1**	**67.7**	**19.3**	10.5	67.7	15.5

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

7. Movement in net debt

	Group 2016 £m	Group 2015 £m
Current assets:		
Cash and cash equivalents	**8.3**	7.3
	8.3	7.3
Current liabilities:		
Bank overdrafts	**(7.1)**	(4.4)
Obligations under finance leases	**(0.1)**	(0.1)
	(7.2)	(4.5)
Non-current liabilities:		
Obligations under finance leases	**(2.2)**	(2.3)
	(2.2)	(2.3)
Total net (debt)/cash	**(1.1)**	0.5

	Group 2016 £m	Group 2015 £m
Cash and cash equivalents	**8.3**	7.3
Bank overdrafts	**(7.1)**	(4.4)
Cash and cash equivalents in the cash flow statement	**1.2**	2.9

Reconciliation of movements in the period ended 30 April 2016

	Group 2016 £m	Group 2015 £m
Net (decrease)/increase in cash and cash equivalents in cash flow statement	**(2.1)**	7.3
Exchanges differences	**0.4**	0.1
Net (decrease)/increase in cash and cash equivalents	**(1.7)**	7.4
Borrowings	**-**	4.0
Other non-cash movements	**0.1**	0.2
Movement in net (debt)/cash	**(1.6)**	11.6