



Carpetright plc

Annual report and accounts
2009



Group profile

at 3 May 2009

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Carpetright plc is Europe's leading specialist floor coverings retailer. Since the first store was opened in 1988 the business has followed a controlled store expansion programme developing both organically and, in recent years, through acquisition within the UK and other European countries.

The significant change in the economic environment has made the past year extremely challenging. However, with our market leading position, more stores and operational efficiencies, the Board expects a return to growth in shareholder value.

The Group trades from 695 stores across Europe and employs 3,966 staff.

The Group is organised into two geographical regions, the UK & RoI (comprising the UK and the Republic of Ireland) and the Rest of Europe (comprising The Netherlands, Belgium and Poland).

Group financial highlights 2009

	52 weeks ending 2 May 2009	53 weeks ending 3 May 2008	Change
Revenue	£482.8m	£521.5m	(7.4%)
Underlying profit before tax	£17.2m	£62.1m	(72.3%)
Profit before tax	£16.7m	£59.5m	(71.9%)
Underlying earnings per share	18.2p	63.5p	(71.3%)
Basic earnings per share	17.6p	63.2p	(72.2%)
Dividend per share	8.0p	52.0p	(84.6%)

Where this review makes reference to "Underlying" these relate to profit/earnings before profits/losses on property disposals and other non-recurring items.

Regional performance

UK & RoI overview 2009

Revenue	£394.1m
Underlying operating profit	£15.6m
Employees	3,230
Trading space sq ft '000	4,632

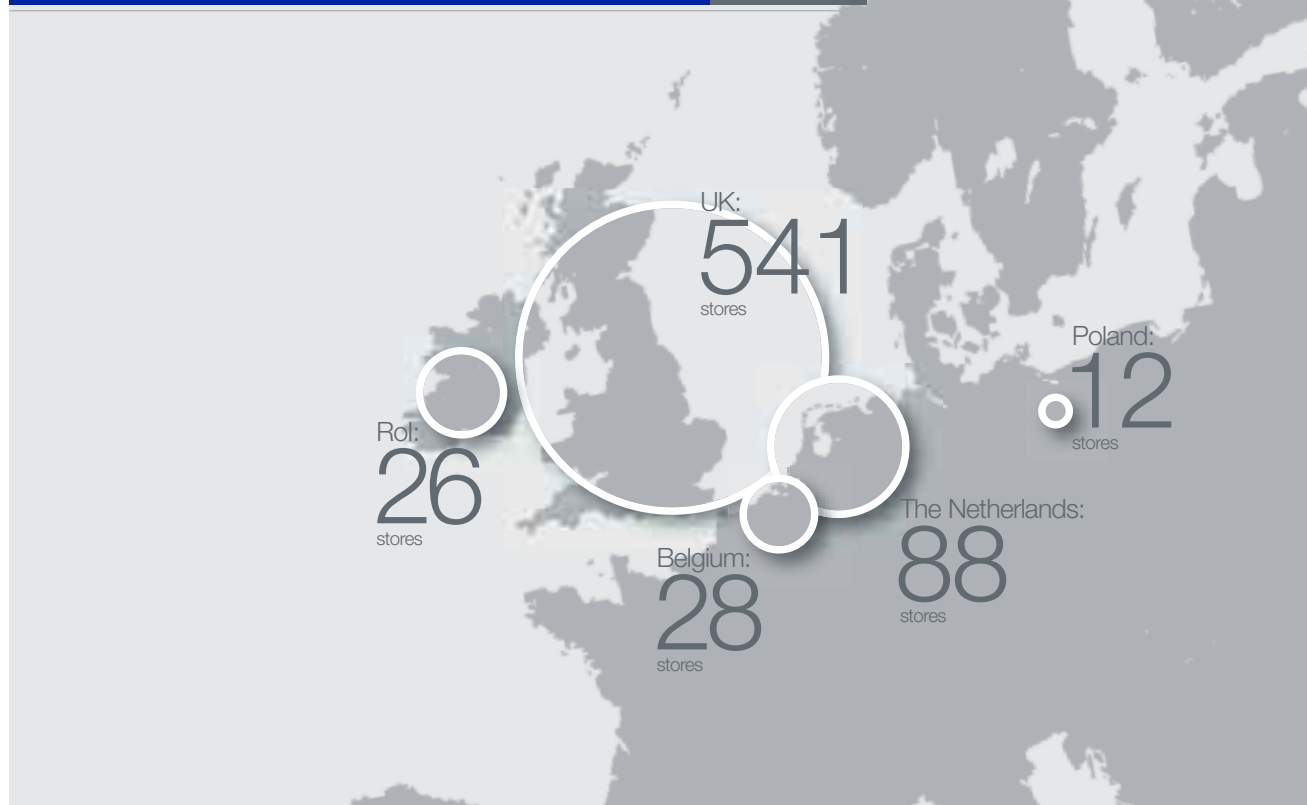
Rest of Europe overview 2009

Revenue	£88.7m
Underlying operating profit	£7.2m
Employees	736
Trading space sq ft '000	1,523

Store portfolio at 2 May 2009

UK & RoI		Rest of Europe	
Standalone	510	The Netherlands	88
Concessions	57	Belgium	28
Total	567	Poland	12
		Total	128

UK & RoI	Rest of Europe
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Chairman's statement



Lord Harris of Peckham
Chairman and Chief Executive

I have said before that I expected my 51st year of selling carpets to be extremely challenging and it has proved to be the case. Market conditions and consumer confidence declined throughout the year, leading to a significant reduction in sales volume and profitability.

We continue to manage the business through this period of economic downturn by exerting tight control over all costs, capital expenditure, stock and cash flow. Our expansion into Europe over the past few years has delivered increased profit. This part of the business continues to show good growth.

Total revenue for the 52 weeks ended 2 May 2009 has decreased by 7.4% to £482.8 million. Underlying profit before tax has declined by 72.3% to £17.2 million. After the impact of profits on property disposals less other non-recurring items, reported profit before tax has declined to £16.7 million. Underlying earnings per share have fallen by 71.3% to 18.2 pence and basic earnings per share has declined to 17.6 pence. Including acquisitions, we opened a net 20 stores and completed the investment in our cutting and distribution centre and IT systems, closing the year with net debt of £97.1 million.

Whilst the Group has remained profitable in the most challenging of market conditions, profits have reduced substantially and there remains continued uncertainty in the economic outlook. Against this background, and being mindful of retaining some financial flexibility to respond to any opportunities presented by the downturn, the Board feels it prudent to recommend a final dividend of 4.0 pence per share. Having previously paid an interim dividend of 4.0 pence per share the total dividend for the period will therefore be 8.0 pence per share. The Board appreciates the importance of the dividends to its shareholders and will seek to return to a greater level of dividend when a sustained recovery is evident and reflected in the financial results of the Group.

During the year there have been several important developments which will drive future profitability. These have included:

Stores – 32 stores opened during the year. The acquisition of Ben de Graaff Tapijt (“Ben de Graaff”) and Sleepright UK Ltd (“Sleepright”) added 12 stores to the Group and after the closure of 24 stores, we are now trading from 567 stores in the UK & Rol and 128 stores across Europe.

New ranges – the Group introduced several new ranges of carpets with a particular focus on mid-priced deep pile Saxony carpets and continued to improve our ranges of higher quality wool products.

Cutting and distribution centre – all our cutting, distribution and UK central office functions were relocated into the new facility in Purfleet, Essex allowing us to close four sites in April 2008. This centre has now been operational for over a year and has enabled us to reduce our delivery times. This new facility is an important element in Carpetright’s future growth strategy, giving us the ability to double our capacity at minimal extra cost.

UK acquisitions – on 5 December 2008 we acquired Sleepright for a total purchase consideration of £1.0 million. The Sleepright format had been trialled successfully over the previous 18 months, and at the time of the acquisition was operating from 93 outlets within Carpetright stores and one standalone unit. We see significant opportunities to develop the business and there are important synergies for us to exploit and enhance returns. This has begun with a review of the product range and supplier base, a change in the promotional offer, enhanced advertising, staff training and the trialling of a direct home delivery service.

I believe we will develop this proposition into a leading bed retailer.

European expansion – we have seen strong sales and profit growth in The Netherlands and Belgium. In 2009 these businesses represented 38% of our underlying operating profit.

We have successfully integrated the Ben de Graaff stores from the acquisition completed in July 2008. Of the 11 stores, we have converted eight stores to the Carpetright fascia and have now closed three stores, where there was a close proximity to one of our existing stores. This is enabling us to deliver operational efficiencies.

I am confident that we will continue to achieve good growth across Europe.

Board changes

Martin Toogood retired from the Board on 10 September 2008 after six years’ service. I would like to thank him for his contribution over that period.

After 17 years’ service on the Board, John Kitching stepped down on 2 May 2009 to focus his significant knowledge and experience on managing the Storeys operation within our Group. I would like to thank John for his contribution and commitment to both me personally and the Group, and look forward to benefiting from his continued leadership of Storeys.

People

I thank all our staff for their continued commitment, contribution and loyalty throughout the year and extend a warm welcome to all the staff from the Ben de Graaff and Sleepright businesses. The role of all our staff, who consistently provide excellent customer service, remains paramount and it is their efforts that really make the difference.

Prospects

This year has been a challenging one. The unprecedented turmoil in world financial markets and the banking sector has severely affected consumer confidence. This has made the trading environment extremely difficult.

Our principal markets of UK & Rol are in recession and the likelihood is that, with unemployment set to rise, the housing market will remain weak. Although there have been a significant number of actions taken by the Government to improve the economy, we do not expect a return to more normal trading conditions for at least 12 months.

Against this backdrop, we have been delighted by the first full year of operations in the new warehouse and cutting facility, which has provided additional capacity and enabled us to pursue additional business with the large insurers and housebuilders. The acquisition of Sleepright and the continued growth of our European business ensure we are well placed to trade resiliently.

I remain as passionate as ever about our business and am excited about the prospects for the Group when trading conditions improve. I am confident our strategy of providing a comprehensive offer with the widest product range, best prices and excellent customer service will support future growth.

Lord Harris of Peckham

Chairman and Chief Executive

Principal activities

Carpetright plc is Europe's leading specialist floor covering retailer, selling a wide range of carpets, rugs, vinyls and laminates together with associated accessories. In addition, the product offering was extended to selling beds following the acquisition of Sleepright.

The Group trades from 695 stores organised and managed in two geographical segments. These are the "UK & Rol" (comprising the UK and the Republic of Ireland) and the "Rest of Europe" (comprising The Netherlands, Belgium and Poland).

The Group aims to be the first choice for all consumers by offering the broadest range of floor coverings, at the keenest prices, with unbeatable customer service.

Business strategies

The primary financial objective of the Group is to deliver long-term sustainable growth in earnings per share and cash flow. We achieve this through the following strategies:

Focusing on floor coverings, ensuring that we improve and develop our product ranges to provide consumers with comprehensive product choice at the best prices;

Developing a competitive bed proposition to be sold alongside floorcoverings, driving incremental contribution;

Providing an inclusive offer which appeals to all segments of the market;

Ensuring our customers receive excellent levels of service;

Actively managing our store portfolio by a mixture of new store openings in areas where we are not represented, coupled with store relocations in areas where we are either over-spaced or where new units are available which deliver better overall profitability;

Expanding into additional European countries where market opportunities exist;

Achieving market leading positions, and an increasing market share, in each country in which we trade through the addition of new, profitable stores;

Improving margins by better sourcing, continuous cost control and efficient management of stock levels and working capital; and

Continuing to invest in training and developing our people to maintain a competitive advantage.

Key performance indicators

We monitor our performance against the strategies by reference to a limited number of key indicators:

Like-for-like sales growth – calculated as this year's sales divided by last year's sales for all stores that are at least 12 months old at the beginning of our financial year. Stores closed during the year are excluded from both years. No account is taken of changes to store size or the introduction of third party concessions.

Gross margins – gross profit as a percentage of sales.

Store numbers and store space – the number of stores trading and their gross area, including both selling and warehouse space. Space occupied by sublet tenants is excluded.

Underlying operating margins – operating profit, excluding profits/losses on property disposals and other non-recurring items, as a percentage of sales.

→ Delivering our vision

→ Comprehensive product choice

→ Growing our store base

→ Delivering great value

→ Offering outstanding customer service

Achievements in 2009

Cut-length carpet ranges have been further extended and a wider range of rugs has been introduced. The acquisition of Sleepright has enabled us to extend our product offering. The ranges in each country have been adjusted to suit local markets and reflect new customer trends.

Goals for 2010

The ranges within markets and formats will continue to be adjusted to suit local conditions and trends. Increasing focus will be put on the VIP wool range and continuing to promote the product benefits of vinyl in the UK. The Sleepright offer will be extended to more stores.

Group financial performance

A summary of the reported financial results for the year ended 2 May 2009 is set out below:

	2009 £m	2008 £m	% change
Revenue	482.8	521.5	(7.4%)
Underlying* operating profit	22.8	63.4	(64.0%)
Net finance charges	(5.6)	(1.3)	–
Underlying* profit before tax	17.2	62.1	(72.3%)
Profits/losses on property disposals and non-recurring items	(0.5)	(2.6)	–
Profit before tax	16.7	59.5	(71.9%)
Earnings per share (pence)			
– underlying*	18.2	63.5	(71.3%)
– basic	17.6	63.2	(72.2%)
Dividends per share (pence)	8.0	52.0	(84.6%)
Net debt	(97.1)	(57.5)	(£39.6m)

*Where this review makes reference to "Underlying" these relate to profit/earnings before profits/losses on property disposals and other non-recurring items.

Overview

Progress against the Group's financial objectives has been difficult this year. Total sales declined by 7.4% to £482.8 million on a reported rate basis. The 53rd week in the comparatives accounted for 1.3% of the decline. The fall in sales was driven mainly by the UK and Republic of Ireland, which declined by 13.5% on a like-for-like basis. During the year, the Group opened 32 stores and closed 24, which, together with the one store acquired with Sleepright and 11 stores with Ben de Graaff, gave a net increase of 20 stores and a total store base of 695. The total space grew by 5.8% to just over 6.1 million square feet.

The lower level of sales in the UK & RoI was the key driver in underlying operating profit declining to £22.8 million, a decrease of 64.0% on last year.

Net finance charges increased to £5.6 million, primarily from the impact of higher levels of net debt. These combined to decrease underlying profit before tax by 72.3% to £17.2 million. As a consequence underlying earning per share declined to 18.2 pence.

Non-recurring items accounted for a net loss of £0.5 million (2008: loss of £2.6 million), a combination of net profit on property disposals offset by reorganisation costs from acquisitions.

Profit before tax decreased by 71.9% to £16.7 million.

Group underlying profit before tax		£m
2005		61.5
2006		56.7
2007		57.7
2008		62.1
2009	17.2	

Basic earnings per share		pence
2005		71.0
2006		65.0
2007		68.2
2008		63.2
2009	17.6	

Dividend		pence
2005		47.0
2006		49.0
2007		50.0
2008		52.0
2009	8.0	

UK & Rol: Like-for-like sales growth		%
H1 2006/07		+0.9
H2 2006/07		-3.6
H1 2007/08		-3.4
H2 2007/08		-1.8
H1 2008/09		-13.0
H2 2008/09		-14.1

UK & Rol: Underlying operating margin		%
2005		14.7
2006		13.8
2007		13.3
2008		12.8
2009		4.0

UK and Republic of Ireland – Operational review

Objectives

We have reviewed our key objectives for the UK & Rol, and the targets that we will look to achieve in the next three years:

Stores – expand Carpetright and Storeys to 550 stores (excluding concessions) across the UK & Rol, particularly in those areas where we are geographically under-represented;

Concessions – continue to review the profitability of current concession operations (“In House” and “Carpetright” branded) and seek opportunities to take over the operation of carpet departments in appropriate host stores;

Product – maintain our leading position in carpets and vinyl as well as growing our market share and proposition in other floor coverings. We will continue to expand our exclusive ranges and enlarge our value offerings;

Service – continue to invest in ensuring quality fitters are available for our customers and develop our website for the benefit of our customers. We aim to make these both a source of competitive advantage;

Sleepright – develop the ranges, offer and store format to improve customer choice and service. We aim to increase the number of outlets by introducing the bed format into more Carpetright stores;

Costs – focus on reducing operating costs through a combination of space reduction, the store relocation programme and appropriate sublet opportunities, and continuous challenge on existing costs to ensure we are achieving value for money.

→ Delivering our vision

→ Comprehensive product choice

→ Growing our store base

→ Delivering great value

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Achievements in 2009

The Group has opened a net eight stores in the year, which together with 11 stores from the Ben de Graaff and one store from the Sleepright acquisitions means we now trade from 695 stores.

Goals for 2010

The Group plans to increase its store base by 20 in the UK & Rol and four in the Rest of Europe. In addition, we plan to increase the number of Sleepright outlets to 150, from 111 at the year end.

Financial results

UK & RoI – Key financial results	2009 £m	2008 £m	Change
Revenue	394.1	452.7	(12.9%)
Like-for-like sales	(13.5%)	(2.7%)	(10.8pp)
Gross profit	244.6	284.1	(13.9%)
Gross profit %	62.1%	62.8%	(0.7pp)
Underlying operating profit	15.6	58.0	(73.1%)
Underlying operating margin %	4.0%	12.8%	(8.8pp)

Total revenue declined by 12.9% to £394.1 million (like-for-like decline of 13.5%) reflecting a significant deterioration in the economic environment which impacted consumer spending. This performance can be viewed against a market which, we believe, decreased by around 20% in value terms and so represents a further increase in market share.

The acquisition of Sleepright accounted for a sales increase of 1.5%. This was offset by the previous year having a 53rd week which contributed a 1.5% sales decline. The net impact of opening and closing stores added 0.6% to sales year-on-year.

Gross profit decreased 13.9% to £244.6 million representing 62.1% of sales. This is a 0.7 percentage point decline on the previous year. The Sleepright acquisition accounted for 0.2 percentage points of this decline, as this part of the business operates on a lower gross margin than floor coverings. The remaining difference was principally caused by the impact on product cost prices of the strengthening Euro relative to Sterling. Historically, we have always maintained a policy of moving our retail prices to reflect changes in cost prices. However, the unprecedented fluctuations in the exchange rate during the past year resulted in over 10,000 price changes which impacted our promotional programme and operational efficiencies. In the latter part of the year we moved away from this policy to facilitate a clearer and more consistent offer to the customer.

The total UK cost base increased by 1.3% across the year to £229.0 million. This included the impact of the Sleepright acquisition, which accounted for 1.6% of the growth. The 53rd week in the prior year accounted for a 1.8% decline year-on-year in costs. Consequently, removing these two elements, the cost base grew by 1.5%, on a comparable 52 week basis.

Store payroll costs showed a significant year-on-year saving. Part of this reduction has come from lower commissions due to lower sales and the rest from a reduction in headcount. In comparable stores, we have achieved a reduction in staff costs equal to over 300 full time equivalent positions (FTEs) year-on-year through a focus on sales productivity and the impact of completing the rollout of Navision. Net new store openings added just over 30 new FTEs.

Store occupancy costs increased year-on-year, through a mixture of underlying rent and rates inflation and new space. Depreciation was also up with the completion of the rollout of our in-store computer system.

Underlying operating profit decreased by 73.1% to £15.6 million.

Sales and marketing

The specialist floor covering market has declined in volume terms over the last year impacted by a poor economic environment, deteriorating consumer confidence and a decline in mortgage approvals and resultant housing transactions. Manufacturers and retailers have seen the decline accelerate over the year and we believe many independents have ceased trading.

There still remains a surplus of manufacturing capacity to the carpet market even after some suppliers initiating considerable downsizing or closure programmes. We have continued our strategy of dealing with a small number of suppliers but have increased our overall supplier base. This has helped achieve better pricing and would give us options if an individual supplier got into difficulties.

Unsurprisingly, consumers are cutting back on how much they wish to spend. Over the past year we have worked closely with suppliers to re-engineer products to lower selling price levels. We have also introduced more Saxony carpets which are available in many fashionable colour options.

The laminate and wood market appeared to decline over the year. We believe choice and quality are more important to the customer in this market than price alone and we are currently in the process of repositioning our offer to the consumer.

Due to large shifts in the exchange rate, the selling prices of rugs from India and China have increased, impacting on demand. We continue to review our offer to stay ahead of interior design fashions.

Last year saw the launch of a generic marketing campaign (“Fun on the Floor”) to promote the benefits of carpet, supported by retailers, wholesalers and manufacturers. Although the initial impact was below everyone’s expectations we remain committed to working within the industry to drive awareness and sales. This year the plan is to improve on the successful aspects of last year’s campaign.

The new warehouse and cutting facility has provided capacity for the Group to target incremental sales volume from new business lines outside its core retail offer. In particular, we see the insurance market as an important area for future growth. Our insurance business is administered through an independent third party, allowing us to service this market with a lower central cost and improved cash flows versus dealing with insurers directly.

Store portfolio development

We continued to develop our store portfolio during the year:

UK & RoI store base	Store numbers				Sq. ft. '000		
	3 May 2008	Openings	Closures	Other	2 May 2009	3 May 2008	2 May 2009
Standalone	498	23	(12)	1	510	4,350	4,516
Concessions	61	5	(9)	–	57	121	116
	559	28	(21)	1	567	4,471	4,632

In response to the tougher market conditions, we reduced the pace of store openings during the year. There have been 28 new openings as well as one from the acquisition of Sleepright. All our new stores take time to mature and we expect to see stronger sales from them in future years. At the same time we closed 21 stores, either as part of our ongoing programme to move to lower cost locations, or because the stores did not contribute to our overall profitability.

Total space increased by 3.6% with the average store size now 8,169 sq ft, (2008: 8,000 sq ft). In the 2009/10 financial year we anticipate opening 20 stores.

Operational initiatives

We continue to invest in the key areas:

Quality of service

In-store experience

Advertising effectively

Product development

During the year, a number of initiatives were started to ensure we kept pace with consumer expectations, in particular in respect of the in-store experience. We are in the process of repositioning our point of sale to focus not just on price, but also on the quality of our services and product benefits. We aim to inspire customers with colour, texture and the advantages that come from particular products. Our intention is for our cut length showrooms to have an interior design feel, focusing on fashion and colour trends. This will be in contrast to our roll stock offer which will focus on immediate supply for consumers on a budget.

We are well known for value, but the high quality of our customer service is less appreciated. Going forward, greater emphasis is being placed on the experience of our staff and our independent fitters. Ensuring quality fitters are available for our customers remains a key priority and the business continues to invest in the "Fitters' Academy".

Our customers are now able to make comments on service via email as well as the telephone, and system improvements allow us to capture customer service comments more easily. We continue to train our Store Managers to handle complaints effectively and we treat all feedback as an opportunity to improve our service offering further. Similarly, we have been providing appropriate training and courses for our estimators to enhance the customer experience. We have an exceptionally low complaint ratio reflecting the quality service we already achieve.

This year, our choice of media will determine our creative execution when advertising. The "one size fits all" approach no longer applies and a number of new initiatives are being trialled. As an example, we have sponsored our first TV programme to enhance the communication of the brand.

Our Central Support office and cutting facility has proved to be a real success story. Not only has it allowed us to improve our environmental performance and enhanced communication from department to department, it has also allowed us to become more efficient with the deliveries to our stores resulting in lower costs to the business. In addition, it has given us the capacity to explore new business channels without affecting our traditional retail business opportunities.

Summary and outlook

In the UK & RoI, the last year has been extremely difficult with a deteriorating economic environment, a decline in consumer confidence and a reduction in housing transactions having adversely impacted our performance. We remain cautious about short-term prospects but are confident that the investments we have made in our stores, ranges, services, cutting and distribution centre and IT systems will all support future growth.

→ Delivering our vision

→ Comprehensive product choice

→ Growing our store base

→ Delivering great value

→ Offering outstanding customer service

Achievements in 2009

The Group has continued to offer customers outstanding promotions throughout the year. These were across all product groups in all geographic markets.

Goals for 2010

The Group will continue to develop strong promotions in all its businesses and will ensure customers are offered great value through a combination of quality, price and service.

Rest of Europe – Operational review

Objectives

The Rest of Europe continues to grow as a percentage of the overall Group. We have set ourselves the following medium-term objectives:

Grow our store base to 130 stores across The Netherlands and Belgium;

Achieve £10 million profit from The Netherlands and Belgium through a mixture of sales growth, improvements in the gross margin and rigorous cost control;

Develop our Polish operation to achieve a profitable return; and

Identify, evaluate and, where appropriate, exploit opportunities to open stores in other European countries.

Financial results

Rest of Europe – Key financial results	2009 £m	2008 £m	Change (Reported)	Change (Constant currency)
Revenue				
– The Netherlands and Belgium	85.7	66.7	28.5%	10.0%
– Poland	3.0	2.1	42.9%	23.2%
– Rest of Europe	88.7	68.8	28.9%	
Underlying operating profit				
– The Netherlands and Belgium	8.7	6.8	27.9%	7.4%
– Poland	(1.5)	(1.4)	(7.1%)	8.1%
Rest of Europe	7.2	5.4	33.3%	
Underlying operating margin %				
– The Netherlands and Belgium	10.2%	10.2%	(0.0%)	(0.0%)
– Poland	–	–	–	–
Rest of Europe	8.1%	7.8%	0.3%	

Reported revenue in the Rest of Europe was 28.9% ahead of last year at £88.7 million. In local currency terms, the increase was 10.0% in The Netherlands and Belgium and 23.2% in Poland.

In July 2008 the acquisition of Ben de Graaff was completed. This added 11 stores to the portfolio. In the 10 months of the financial year, they contributed 7.3% of the year-on-year sales growth in local currency terms. Of the 11 stores, three have been closed and the remainder converted to the Carpetright fascia. This has enabled us to gain the operational and marketing synergies resulting from a single brand.

An additional two stores were opened bringing the total in The Netherlands and Belgium to 116.

The Netherlands and Belgium gross profit increased by 30.3% to £49.5 million with an improvement in the gross margin of 0.8 percentage points, a combination of cost price improvements and managing the product mix.

Costs were tightly controlled with most of the increase attributable to new space and inflationary pressures.

Rest of Europe: Underlying operating margin (The Netherlands and Belgium) %

2005	5.6
2006	7.1
2007	8.5
2008	10.2
2009	10.2

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Achievements in 2009

The quality of the fitting service, undertaken by our independent carpet fitters, together with the effectiveness of our cutting and distribution centre, has enabled us to improve service to our customers. We have completed the rollout of our in-store computer system (Navision) in the UK & RoI which has streamlined our order administration.

Our cutting and distribution centre has been operational for a full year. This has enabled us to reduce delivery lead times, provide increased capacity and drive operational efficiencies.

Goals for 2010

We intend to develop our Fitters Academy to ensure we have the best fitting service in the UK. We expect to have a direct home delivery service in all Sleepright outlets. We are developing a transactional website which will complement our store base.

Business review (continued)

The region recorded an underlying operating profit of £7.2 million, an increase of 33.3% on last year. The underlying reported operating profit in The Netherlands and Belgium increased by 27.9% to £8.7 million with an operating margin of 10.2%. In local currency terms the underlying operating profit increased by 7.4%. The reported loss in Poland was £1.5 million, marginally below the previous year. In local currency terms, this loss was an improvement of 8.1% year-on-year.

The 50/50 joint venture in Germany with TTL, launched in April 2008, with one store near Berlin, has not provided us with a satisfactory return or the confidence to expand the operation. Consequently, we and our partner agreed to discontinue the operation and dissolve the business.

Store portfolio development

The store expansion programme continued during the year with four new stores opening. The portfolio is now as follows:

Rest of Europe store base	3 May 2008	Openings	Closures	Other	Store numbers		Sq ft '000
					2 May 2009	3 May 2008	2 May 2009
The Netherlands	77	2	(2)	11	88	895	1,065
Belgium	28	–	–	–	28	335	335
Poland	11	2	(1)	–	12	115	123
	116	4	(3)	11	128	1,345	1,523

Operational initiatives

The Netherlands and Belgium

The key focus throughout the last year has been the ongoing improvement of in-store product offers, together with increased promotional activity, and the integration of the Ben de Graaff acquisition. Business in both countries has been strong, building on the good performance of prior years. Our brand awareness continues to grow, resulting in increased footfall and sales conversion.

In The Netherlands, the focus has been on a strong promotional programme. The strength of our offer, including the use of single day “double discount” events, continues to enable us to outperform the competition and we have once again increased our market share, with much of this growth attributable to a continued improvement in our customer conversion rate. In Belgium we identified, following market research, that the stores in the French speaking region could be targeted more specifically to the local consumer. As a result specific changes were made to the ranges, which has led to improved sales and margin growth.

We have seen a shift in the sales mix in The Netherlands and Belgium towards rugs, vinyl and laminate in particular. These categories are more important than in the UK & Rol, with laminate alone representing 20% of total revenue. We have extended the product range to widen customer choice and our advertising strategy has evolved to ensure that we are not perceived as just a carpet specialist. We will look to grow sales from these categories throughout 2009/10 whilst we continue to develop the best product ranges for these countries.

Integration costs associated with the Ben de Graaff acquisition accounted for £0.7 million, which has been included as non-recurring.

Poland

Progress in Poland has been challenging, particularly due to the deterioration in economic conditions which has impacted consumer demand. The Group was trading from 12 stores at the year end, a net increase of one in the year. This was after two openings and one closure.

Encouragingly we have seen total sales increase by 23.2% in local currency terms. Most sales continue to be in either rugs or take-away roll-stock carpet but the offer continues to evolve and we have been pleased with the clearer product segmentation in our most recent openings.

During the year we have continually reviewed the store layouts for each store. As a result, we have reorganised the stores to ensure clearer category segmentation.

Summary and outlook

The performance in the Rest of Europe over the last year has been strong and the growth potential remains solid. In The Netherlands and Belgium, we expect trading conditions to remain challenging but believe we have the strength of offer to continue to grow.

In Poland, the focus will be on driving sales in the existing stores and ensuring the format improves its performance.

Financial review 2009

Property disposals and non-recurring items

The Group recorded a net charge of £0.5 million (2008: charge of £2.6 million) in the year.

	(Charge)/Gain	
	2009 £m	2008 £m
Profit on disposal of properties	1.8	7.0
Store impairment charge	(0.9)	–
Reorganisation costs of acquired businesses	(1.2)	(1.8)
Impairment of investment in joint venture	(0.2)	–
New cutting and distribution facility	–	(7.8)
	(0.5)	(2.6)

We continued to trade our property portfolio successfully, although market conditions have made this more challenging. A non-recurring gain of £1.8 million was achieved (2008: £7.0 million).

Accounting standards require us to perform impairment tests each year. As a result of the challenging retail environment we have reviewed the carrying value of the store assets in our balance sheet. The models used to value these assets include a number of assumptions relating to market growth and inflationary expectations. The tests have led to an impairment of £0.9 million in relation to eight loss making stores.

A non-recurring charge of £0.5 million has been taken for the integration of UK acquisitions and of £0.7 million for European integration.

Following the decision to discontinue the joint venture in Germany, the investment has been impaired at a charge of £0.2 million.

Cash flow

	2009 £m	2008 £m
Underlying operating profit	22.8	63.4
Depreciation and other non-cash items	20.5	17.0
Non-recurring items	(1.2)	(6.6)
Decrease in stock	2.7	0.8
(Increase)/decrease in working capital	(18.6)	(1.9)
Cash generated by operations	26.2	72.7
Net interest paid	(5.5)	(2.2)
Corporation tax paid	(12.2)	(15.1)
Dividends paid	(22.8)	(35.2)
Net capital expenditure	(20.6)	(58.9)
Purchase of own shares	–	(6.5)
Other	(4.7)	(5.4)
Movement in net debt	(39.6)	(50.6)
Opening net debt	(57.5)	(6.9)
Closing net debt	(97.1)	(57.5)

The Group's operating cash flow remained positive at £26.2 million (2008: £72.7 million). The increase in working capital of £18.6 million (2008: £1.9 million) was due to the reduction in creditors associated with the decline in sales volume.

Net capital expenditure was £20.6 million (2008: £58.9 million). This can be broken down into the following principal categories.

	2009 £m	2008 £m
Core capital expenditure	12.0	36.6
Freehold properties	4.3	9.9
Acquisition of new businesses	7.3	32.4
Proceeds from property disposals	(3.0)	(20.0)
	20.6	58.9

The year-on-year reduction in core capital expenditure reflects the significant prior year investment in the cutting and warehouse facility at Purfleet and rollout of Navision in stores.

The net debt increased by £39.6 million over the year and totalled £97.1 million at the year end.

Taxation

The effective tax rate on profits is 29.8% (2008: 28.1%). This has increased due to the impact of one off credits in 2008 (+2.2 pp) and the lower profitability magnifying the impact of non-qualifying depreciation (+3.1 pp). These have been partially offset by the reduction in the UK corporation tax to 28% from 30% (–2.0 pp) and various overseas tax movements (–1.6 pp).

Earnings per share

Basic earnings per share decreased by 72.2% to 17.6 pence, reflecting a 72.4% decrease in post tax earnings. Underlying earnings per share decreased to 18.2 pence. The Group had 67.2 million shares in issue throughout the year.

Dividend

The Board is proposing a final dividend of 4.0 pence per share (2008: 30.0 pence), bringing the full year dividend to 8.0 pence (2008: 52.0 pence). The final dividend will be paid on 25 September 2009 to shareholders on the register on 11 September 2009. Dividend cover, based on basic earnings per share, is 2.20 times (2008: 1.22 times).

Current liquidity

At the year end the Group held cash balances of £17.4 million (2008: £8.9 million) in a combination of Sterling, Euros and Polish Zlotys.

Gross bank borrowings at the balance sheet date were £108.3 million (2008: £61.7 million) of which £103.9 million is term based with the balance of £4.4 million being drawn down from overdraft facilities. The Group has further undrawn, committed facilities of £24.5 million at the balance sheet date. These are principally available as on-demand overdraft facilities and are subject to annual review.

In April 2009, the Group completed a refinancing arrangement with its principal bank, the Royal Bank of Scotland. The revised facilities provide approximately £110 million of debt capacity split between amortising loans, revolving credit facilities and overdrafts in a mixture of Sterling and Euro currencies. The term of these facilities are to July 2012 and involved combined arrangement fees and legal costs of £1.5 million. Although paid in cash at the outset, these will be amortised over the life of the facility. The facilities are accompanied by a number of covenants which are believed to be appropriate in the current economic climate. The Group monitors actual and prospective compliance with these on a regular basis and is in the process of renegotiating financing agreements with its other bankers to align the covenant requirements with those of the principal bankers.

Management of liquidity risk and financing

The Group's Treasury policy is intended to ensure that there are adequate financial resources for the development and growth of the business whilst financing its operations at the lowest cost and minimising foreign exchange and interest rate risk. The objective is to achieve this without operational disruption or recourse to complex financial instruments.

The strategy and policies are approved by the Board. The Group does not engage in speculative transactions. The key financial risks relate to meeting debt repayments as they fall due, interest rate risk and limited foreign currency exposure.

The Group's term based borrowings are a direct result of the acquisition of businesses in the UK and Europe and the strategic investment in a new systems and warehouse and cutting facility. The borrowings are denominated in Sterling and Euros. The Group anticipates that there will be sufficient Euro cash flow to pay both the interest on the Euro borrowings as well as the capital repayment amounts due over the life of the underlying loan. The Group fixes the interest rate on at least 75% of term borrowings via interest rate swap arrangements to provide interest cost certainty and reduce risk.

Any current account deposits generated from the strong operational cash flows of the Group are invested in the currency in which they are received unless there is a clear need for conversion. During the year the Group invested these deposits in a combination of overnight and longer term investment graded accounts arranged via the Group's principal bankers in the countries in which it trades.

Accounting policies and standards

The principal accounting policies of the Group are set out in Note 1 to the accompanying financial statements together with a description of certain key measures and policies that are included in the review of the trading results above.

Calendar

The Group's financial reporting year ends on the nearest Saturday to 30 April. The UK & RoI accounts for next year will therefore be for the 52 weeks ending 1 May 2010. The Rest of Europe will continue to account on a calendar month basis to 30 April.

Details of all the calendar dates for the 2009/10 financial year can be found on page 76 of the report as well as on our website www.carpetright.plc.uk

Principal risks and uncertainties

The Board has a policy of continuous identification and review of key business risks and oversees the development of processes to ensure that these risks are managed appropriately. In the day-to-day operation of our businesses and the development of the Group, both in existing and new markets, we face risks and uncertainties, some of which are unique to the sector in which we operate. The risk factors addressed below are those which we believe could adversely affect us, potentially impacting the operations, revenue, profit, cash flow or assets of the Group. Additional risks and uncertainties currently unknown to us, or which we currently deem immaterial may also have an adverse affect on the Group.

We use our risk management process to identify, monitor, evaluate and escalate such issues as they emerge, enabling the Board to take appropriate action wherever possible in order to control them. The Corporate Governance report on pages 19 to 23 describes the systems and processes through which the Directors manage and mitigate risks.

Economic and market conditions

The economy is a major influence on consumer spending with trends in housing transactions, consumer confidence, mortgage approvals, consumer debt levels and interest rates impacting consumer demand for discretionary spending on the home. It is management's experience from historic downturns that the carpet market remains relatively stable in value terms over time and this trend is expected to continue. European expansion not only provides opportunities for sustainable growth and returns but also economic diversification.

Business strategy development and implementation

If the Board adopts the wrong business strategy or does not implement its strategies effectively the business may suffer. The Board needs to understand and properly manage strategic risk in order to deliver long-term growth for the benefit of all Carpetright's shareholders.

Employee risk

Carpetright's businesses depend on a high level of input from all levels of staff. The employee risks are split between:

Management Risk

The Group relies on key personnel including the Executive Directors, Senior Managers and Store Managers. Procedures are in place to identify and retain key personnel and the Board regularly reviews succession planning for the senior roles.

Customer Service Risks

Carpetright customers expect and receive a high level of customer service. The Group employs close to 4,000 staff, mostly based in stores, and utilises the services of over 2,000 independent carpet fitters who provide this service. The Group continues to ensure that all staff are properly recruited, trained and rewarded so that high levels of customer service are maintained.

Entering new markets

Expansion into additional European countries provides the opportunity for substantial long-term growth and economic returns for shareholders. This represents a good opportunity for the Group but exposes it to new cultural and regulatory risks. Also failure to identify, conduct appropriate due diligence and appropriately integrate acquisitions, particularly in new geographical markets, could have an adverse impact on the Group. The Group only enters new markets where the potential long-term growth and returns outweigh the risks.

Cost inflation

The location of the principal carpet manufacturers in Europe means the Group is exposed to fluctuations in the value of the Euro. The Group seeks to mitigate this risk by putting in place appropriate arrangements with manufacturers and proactively managing its selling prices to maintain margins.

There are a number of significant cost pressures affecting all retailers. Many of these costs are growing by more than the rate of inflation, putting continued pressure on operating margins. The strategy of introducing space for beds/concessions, moving to smaller stores and driving benefits from our supply chain and IT investments helps mitigate some of the risk.

Supply chain and business continuity

Carpetright's revenues and cash flows are dependent on the continued operation of its cutting and distribution facilities. As noted in this report the cutting and distribution centre in Purfleet has centralised these activities.

New business continuity plans are being documented and arrangements made to mitigate significant risks arising.

IT systems

Carpetright is dependent upon the continued availability and integrity of its computer systems. The systems implemented within the UK & RoI are more robust than those that were replaced and will improve the overall controls over data integrity. The central systems are mirrored in a separate location as part of a systems business continuity plan.

Liquidity

Carpetright is dependent on debt financing facilities to be available at a commercially viable rate. We have introduced robust processes to ensure we effectively manage working capital and maintain ongoing measurement to ensure the Group can meet its financing requirements and is compliant with banking covenants.

Board of Directors

Lord Harris of Peckham ⁽⁶⁶⁾

Chairman and Chief Executive

Lord Harris is now in his 52nd year in carpet retailing and is one of the best known names in the business. He was Chairman and Chief Executive of Harris Queensway plc from 1964 until the company was taken over in 1988. Lord Harris is a non-executive director of Arsenal Holdings plc and Arsenal Football Club plc. He was a Non-Executive Director of Great Universal Stores plc for 18 years until July 2004 and was a Non-Executive Director of Matalan Plc for two years until January 2007.

Christian Sollesse ⁽⁵⁰⁾

Managing Director, UK and Republic of Ireland

Christian Sollesse joined Carpetright in 1995 having worked for many years in senior retail management roles in Harris Queensway and Harris Interiors. Christian was appointed Sales Director in 1997 with responsibility for sales and retail management. In June 2005 Christian was appointed Managing Director, UK and Republic of Ireland, taking responsibility for trading operations.

Martin Harris ⁽⁴⁰⁾

Group Commercial Director

Martin Harris joined Carpetright in 1991, previously having been an Executive Director of Harveys Furnishing Group Limited. Martin became Marketing Director in 1997, resigning to become a Non-Executive Director in 1998. In November 2002 Martin resumed Executive Director responsibilities as Buying Director and was appointed Commercial Director when he assumed responsibility for Marketing in 2003. Martin took on responsibility for supply chain and logistics in June 2005 and was responsible for the move to Carpetright's new central cutting and distribution centre and offices in early 2008.

Neil Page ⁽⁴⁶⁾

Group Finance Director

Neil Page joined Carpetright in July 2008 as Group Finance Director. Neil began his career with British Rail and Marks and Spencer. He joined Superdrug in 1991, holding a variety of finance and operational positions before taking up the role of Finance and IT Director for AS Watson (Health & Beauty) UK Ltd in July 2002.

Baroness Noakes ⁽⁶⁰⁾

Non-Executive Director

Baroness Noakes, a chartered accountant, joined the Board in 2001. Baroness Noakes is a Non-Executive Director of Severn Trent plc and a trustee of the Reuters Founders Share Company. Previously she was with KPMG for 30 years and was the Senior Non-Executive Director of the Bank of England and a non-executive director of Hanson plc and ICI plc. Baroness Noakes chairs the Audit and Nomination Committees and is the Senior Independent Director.

Simon Metcalf ⁽⁶⁶⁾

Non-Executive Director

Simon Metcalf joined the Board in 2004. He is a chartered accountant and worked in corporate finance as a director of County Bank and its successor organisations for over 25 years, latterly as Vice Chairman of Hawkpoint Partners. He is currently a Non-Executive Director of The Collinson Group, Professional Travel Insurance Limited and a number of other private companies. He is a trustee of the Bankside Gallery. Simon chairs the Remuneration Committee.

Guy Weston ⁽⁴⁸⁾

Non-Executive Director

Guy Weston joined the Board in 2005. Guy began his career as a management tutor and business analyst before entering the food and beverage industry, working for R Twining & Co., Jacksons of Piccadilly and The Ryvita Company. Currently, Guy is Chairman of Heal's PLC and Wittington Investments Ltd, a Director of the Thrombosis Research Institute and a Trustee of the Garfield Weston Foundation.

Geoff Brady ⁽⁵⁵⁾

Non-Executive Director

Geoff Brady joined the Board in March 2007. He has had a career of over 35 years in the retail sector including Chief Executive Officer of Allied Carpets plc, Managing Director of Daimler Chrysler Retail UK and Commercial Director of Superdrug plc. He was a Deputy Chairman of Matalan Plc and a Non-Executive Director of Floors-2-Go Plc, prior to both companies' return to private ownership. He is currently a Non-Executive Director of Fairline Boats Ltd, Saul D. Harrison & Sons plc and Harvey Jones Holdings Ltd.

Directors' report for the period to 2 May 2009

The Directors have pleasure in presenting their Annual Report, together with the accounts, for the period ended 2 May 2009.

1 Business review and principal activity

The principal activity of the Group and Company is that of selling floor coverings (principally carpets, vinyls, laminates and rugs) and beds. At 2 May 2009 the Group traded from 567 outlets in the UK and the Republic of Ireland, 116 outlets in The Netherlands and Belgium and 12 in Poland.

The results and activity for the period, future plans, trends and factors affecting the development, position and performance of the business, as required by the Companies Act 2006 and the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, are described in the Chairman's statement and the Business review on pages 2 to 13. There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.

2 Profits and dividends

The profit on ordinary activities of the Group before taxation amounted to £16.7 million (2008: £59.5 million) and after taxation to £11.8 million (2008: £42.8 million). From this profit the Directors recommend a final dividend of 4.0 pence net of tax per Ordinary share (2008: 30.0 pence per share) to be paid on 25 September 2009 to shareholders registered at the close of business on 11 September 2009. An interim dividend of 4.0 pence was paid on 20 February 2009. If the final dividend is approved, the total Ordinary dividend for the year will amount to 8.0 pence per share (2008: 52.0 pence per share).

3 Directors

The names of the Directors of the Company are set out on page 14, together with short biographical notes. Mr Martin Toogood, Non-Executive Director, retired from the Board on 10 September 2008 and Mr John Kitching left the Board on 2 May 2009.

Mr Metcalf retires, having completed three years service since last being re-elected to the Board and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting ("AGM").

Details of Executive Directors' service contracts and share options are set out in the Directors' remuneration report on pages 24 to 29.

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors and former Directors who held office during the 2008/09 financial year.

The beneficial interests of the Directors who held office at the end of the period in the share capital of the Company are as follows:

	Ordinary shares of one penny each as at 2 May 2009	Ordinary shares of one penny each as at 3 May 2008 or date of appointment, if later
Lord Harris	12,649,321	15,881,071
M J Harris	3,939,809	876,094
J Kitching	679,587	674,471
N Page	6,077	nil
C G Sollesse	39,312	31,199
G Brady	1,000	nil
S R Metcalf	2,000	2,000
Baroness Noakes	32,225	32,225
G Weston	12,000	12,000

In addition, Lord Harris has a non-beneficial interest in 209,514 shares (2008: 149,514). 119,000 of these shares are included within Mr Martin Harris' beneficial interests. Also, each Director has an indirect interest in the shares held in trust under the Long-Term Incentive Plan ("LTIP"). Save as disclosed in this section, none of the Directors has any non-beneficial interests in the shares of the Company.

Between 2 May 2009 and the date of this report 40 shares have been purchased for each of Lord Harris, Mr Page and Mr Sollesse and 39 shares purchased for Mr Harris under the Company's All Employee Share Ownership Plan ("AESOP"). In addition, 39 shares were purchased for Mrs Sollesse under the AESOP and these form part of Mr Sollesse's beneficial holding. There have been no other changes to the above shareholdings.

Save as disclosed herein, no Director had a material interest in any contract or arrangement with the Company during the year, other than through their respective service contracts.

Details of transactions during the period with companies of which Lord Harris and/or Mr Harris is a Director and/or in which Lord Harris holds a material interest are noted below. All of these transactions are on normal commercial terms.

	2009	2008	2009	2008	2009	2008
	Lease and concession agreement payments made £'000	Lease and concession agreement payments made £'000	Lease and concession agreement payments received £'000	Lease and concession agreement payments received £'000	Supplies of goods/ services payments made £'000	Supplies of goods/ services payments made £'000
Clacton Property Investments Ltd	156	–	–	–	–	–
Edinburgh Retail LLP	457	508	–	100	–	–
Glenrothes Retail LLP	187	155	–	400	–	–
Greenock Retail Ltd	225	225	–	–	–	–
Harris Ventures Ltd	261	265	–	–	57	8
Hull Unit Trust	354	360	–	–	–	–
Islandview Properties Ltd	272	277	–	–	–	–
Neath Retail LLP	150	153	–	–	–	–
Wick Retail Ltd	54	55	–	–	–	–

As at 2 May 2009 the Group owed related parties £719 (2008: £1,470).

4 Substantial shareholdings

As at the date of this report, the Company has been notified of the following substantial shareholdings, other than those of the Directors, in the issued share capital of the Company:

	Number of shares held	Total number of shares held	Percentage of shares held
The Olayan Group		10,099,000	15.0%
Harris Associates Inc		5,467,443	8.1%
Cascade Investments LLP		3,427,957	5.1%
MF Global UK Ltd		3,276,576	4.9%
A R Bull, as a trustee jointly with			
S L Harris	212,000		
Lord Harris*	48,000		
Lord Harris and P J Saunders**	59,000		
C W Harris and P Scott	10,000		
A H Palmer and E A O'Keeffe	1,750,000		
C J Downs, D J Stockwell and Sir Hugh Sykes	987,500	3,066,500	4.6%
Artisan Partners LP		2,745,979	4.1%
A H Palmer and E A O'Keeffe***		873,000	1.3%

* These shares are also included in Lord Harris's non-beneficial holding reported on page 15.

** These shares are also included in Mr Harris's beneficial holdings and Lord Harris's non-beneficial holdings reported on page 15.

*** Of these shares, 793,000 are held on behalf of Mr Harris and so are also included in his reported holding on page 15. These shares are in addition to the shares held jointly with Mr Bull. The total number of shares in which Ms Palmer and Mr O'Keeffe have a non-beneficial interest is 2,623,000, representing 3.9% of the issued share capital.

5 Employment policies

It is the Group's policy to involve employees in the business and to ensure that matters of concern to them, including the Group's aims and objectives and financial and economic factors affecting the Group, are communicated in an open and regular way. This is achieved through the Group's annual conference, management briefings and other less formal communications. The Directors believe it is in the interests of both the Group and the employees for staff to have an opportunity to invest in Company shares and an All Employee Share Ownership Plan ("AESOP") commenced in September 2001 and a Savings Related Share Option Scheme ("the SAYE Scheme"), open to all employees, was launched in January 2005.

Under the Company AESOP employees may make contributions from their gross pay with which shares are purchased on their behalf by the AESOP Trustee. Dividends on AESOP shares are reinvested in the AESOP. At 2 May 2009, 96,374 shares were held in the Plan (2008: 80,964) with a total value of £544,031 (2008: £617,351). Administration costs are borne by the Company and are expensed as professional fees.

The SAYE Scheme was launched in January 2005. In 2009, 401 employees took up the invitation to commence savings to purchase shares at a discounted price (295 pence) and options were granted over 732,573 shares. If all of these share options are exercised the issued share capital will increase by 1.1%. It is intended to continue to issue annual invitations to join the SAYE Scheme following the release of the interim results.

6 Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of an employee becoming disabled, every effort is made to ensure that their employment continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. The Group's policy is to make its premises as accessible as possible to all staff and customers, including those with disabilities, and it will continue its programme of investing in its premises to remove or minimise any difficulties the disabled might encounter.

7 Donations

No charitable or political donations were made during the year (2008: £nil). The Group's Corporate Responsibility Policy, which includes charities, is available on the corporate website (www.carpetright.plc.uk) and an update will be published on the website by the end of July 2009.

8 The environment

The Group is committed to taking steps to control and minimise any damage its business may cause to the environment through manufacturing processes, transport and logistics, energy usage and packaging. During the year recycling initiatives have been introduced at the cutting and distribution centre and waste management has been improved. Benchmarking of utilities consumption will continue in 2009/10 to further reduce the environmental impact of operations. A full update on the Group's Environmental Policy will be available as part of the Corporate Responsibility update to be published on our website, www.carpetright.plc.uk, before the end of July 2009.

9 Financial instruments

The Group uses a limited number of financial instruments to manage the financial risks faced by the Group comprising cash, short-term deposits, bank overdrafts and various items such as trade debtors and creditors that arise directly from operations. The main financial risks faced by the Group are those of interest rate, exchange rate and liquidity. The Group manages interest rate risk by placing Interest Rate Swap Agreements against at least 75% of term loan borrowings, the balance being liable to interest at the prevailing floating rate. Foreign exchange risk is minimised by (a) purchasing goods for resale in local currency and (b) utilising the European cash flows to settle loan repayments required in Euros. In respect of liquidity risk, the Group finances its operations from a mix of retained profits and bank borrowings achieved through overdraft facilities. Daily cash balances are forecast and surplus cash is placed on treasury deposit with our bankers at commercial rates, all counterparties having an investment grading. At 2 May 2009 the Group held a net balance of £13.0 million (2008: £2.2 million net cash overdraft).

10 Creditors' payment policy

While the Group does not follow any formal code or standard on payment practice, it agrees terms and conditions for its business transactions when orders for goods and services are placed, and includes the relevant terms in contracts where appropriate. These arrangements are adhered to when making payments subject to the terms and conditions being met by suppliers. The number of trade creditor days outstanding at the period end for the Company was 56 days (2008: 53 days).

11 Market value of properties

In the opinion of the Directors the current open market value of the Group's interests in land and buildings exceeds the book value in notes 12 and 13 to the Accounts by approximately £16 million (2008: £25 million).

12 Share capital and share purchases

As at the date of this report, the Company's share capital consists of 67,217,556 issued and fully paid Ordinary shares each with a nominal value of one penny, listed on the London Stock Exchange. Shares may be held in certificated or uncertificated form. Further details of the Company's authorised and issued share capital can be found in note 26 to the financial statements on page 63.

At the 2008 Annual General Meeting shareholders gave the Company renewed authority to purchase a maximum of 6,721,755 shares of one penny each, i.e. up to 10% of the issued share capital. During the year under review, the Company purchased no shares for cancellation (2008: 750,000). A resolution seeking renewal of the authority will be put to the forthcoming Annual General Meeting.

The rights and obligations attaching to the Company's Ordinary shares are contained in the Company's Articles of Association, a copy of which can be obtained on request to the Company Secretary.

Each Ordinary share carries the right to one vote on a poll at a general meeting of the Company. There are no restrictions on transfer or limitations on the holding of the Company's Ordinary shares and no requirements for prior approval of any transfers. Under the Company's Articles of Association, the Directors have power to suspend voting rights and the right to receive dividends in respect of shares in circumstances where the holder of those shares fails to comply with a notice issued under section 793 of the 2006 Act.

Shares acquired through Carpetright's employee share schemes rank equally with all other Ordinary shares in issue and have no special rights. The trustees of the Company's Employee Benefit Trust (EBT) have waived their rights to dividends on shares held by the EBT and do not exercise their right to vote in respect of such shares. Shares held in trust on behalf of participants in the All Employee Share Ownership Plan are voted by the Trustee as directed by the participants. Details of share-based payments, including information regarding the shares held by the EBT, can be found in note 5 to the financial statements on pages 41 to 43.

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

All of the Company's employee share schemes contain provisions relating to a change of control of the Company following a takeover bid. Under these provisions, a change of control of the Company would normally be a vesting event, facilitating the exercise or transfer of awards, subject to any relevant performance conditions being satisfied. The Company is not a party to any other significant agreements that take effect, alter or terminate upon a change of control following a takeover bid other than its bank facility agreement, which provides that on a change of control, the Company is unable to draw down any further amounts under the facility and all sums must be repaid. Further, it is not party to any agreement with the Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs as a result of a takeover bid.

13 Annual General Meeting

In addition to resolutions to adopt the accounts, declare a final dividend, approve the Directors' remuneration report, re-elect Directors and reappoint the auditors, four further resolutions will be proposed at the Annual General Meeting.

The first is to give the Directors general power to allot shares up to an aggregate nominal amount of £224,058 being equal to approximately 33.3% of the issued Ordinary share capital. The Directors have no present intention of exercising this authority, which will lapse at the 2010 Annual General Meeting, but retain the authority to do so.

The second asks shareholders to disapply the statutory rights of pre-emption contained in section 89 of the Companies Act 1985 so as to grant the Directors authority to allot equity securities or sell treasury shares for cash up to an aggregate nominal value of £33,608 (being 5% of the issued Ordinary share capital as at 29 June 2009). The Directors consider it desirable to maintain the flexibility afforded by this power which will terminate at the 2010 Annual General Meeting.

The third resolution will renew an existing authority which gives the Company power to purchase its own Ordinary shares, such authority being limited to the purchase of 10% of the Ordinary shares in issue as at 29 June 2009. The maximum price payable for the purchase by the Company of its own Ordinary shares will be limited to the higher of (i) 5% above the average of the middle market quotations of the Company's Ordinary shares, as derived from the Daily Official List of the London Stock Exchange, for the five business days' prior to the purchase; (ii) the price of the last independent trade of an Ordinary share; and (iii) the highest current independent bid for an Ordinary share as derived from the trading venue where the purchase is carried out. The minimum price payable by the Company for the purchase of its own Ordinary shares will be 1 penny per share (being the nominal value of an Ordinary share). The authority to purchase the Company's own Ordinary shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary share and that it is in the best interests of the Company at the time. Options over 859,725 Ordinary shares in the capital of the Company were outstanding as at 26 June 2009 (being the latest practicable date prior to publication of this report) representing 1.3% of the issued share capital of the Company as at that date. If the Directors were to exercise in full the power for which they are seeking authority under the proposed resolution, the options outstanding as at 26 June 2009 would represent 1.4% of the Ordinary share capital in issue following such exercise.

The fourth resolution is to consider and, if thought fit, approve adjustments to the 2004 Long-Term Incentive Plan, details of which are set on pages 27 to 29.

14 Audit information

Each of the Directors of the Company in office at the date of approval of this Report has confirmed that (a) so far as each Director is aware, there is no relevant audit information of which the auditors are unaware and (b) that each Director has taken all steps they should have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

15 Auditors

PricewaterhouseCoopers LLP has expressed its willingness to continue in office as auditors of the Company and, in accordance with section 491 of the Companies Act 2006, a resolution proposing its re-appointment will be put to the members at the Annual General Meeting.

By order of the Board

Mrs P A T Dregent

Secretary

29 June 2009

Registered Office:
Harris House, Purfleet Bypass
Purfleet, Essex RM19 1TT

Reg. No. 2294875

Corporate governance

This statement, together with the Directors' remuneration report on pages 24 to 29, explains how the Company has applied the principles set out in the Financial Reporting Council's Combined Code on Corporate Governance (2006).

The Company recognises the importance of, and is committed to, high standards of corporate governance. The principles of good governance adopted by the Company have been applied as follows:

The Board

The overall strategy and objectives for the Group are agreed by the Board as a whole, with the day-to-day management being delegated to the Chief Executive and the Executive Directors, with each Executive Director being responsible for the performance of his area of the business. The Board is also responsible for satisfying itself as to the integrity of financial information and the effectiveness of the Group's system of internal control and risk management processes.

All Directors are equally accountable under the law for the proper stewardship of the Group's affairs. However, the Non-Executive Directors have a particular role to:

- challenge constructively the strategy proposed by the Chief Executive and the Executive Directors;
- scrutinise and challenge performance;
- assess risk and the integrity of financial information and controls; and
- ensure appropriate remuneration and succession planning arrangements are in place in relation to Executive Directors and other senior executive roles.

A Board performance evaluation exercise, which included the work of the Board Committees, was last undertaken in spring 2009, led by the Senior Independent Director and the Chairman. Improvements to the acquisitions process and performance analysis were identified as being necessary and these are being implemented.

Directors

The Board currently consists of four Executive and four Non-Executive Directors, all of whom are considered by the Board to be independent under the terms of the Combined Code. Mr Neil Page assumed office on 14 July 2008. Mr Martin Toogood retired from the Board on 10 September 2008, and Mr John Kitching on 2 May 2009.

Under the Company's Articles of Association every Director will submit himself or herself for re-election every third year.

The full Board met six times during the year under review and six meetings are scheduled for the current year. The Non-Executive Directors generally meet privately with the Chairman and Chief Executive at least twice each year. The Non-Executive Directors meet, with no Executive Directors present, at least once each year inter alia to review the performance of the Chairman and Chief Executive.

The Board evaluation process includes periodic review and discussion of the position of the Chairman who also combines the role with that of Chief Executive. The Board does not at present consider it necessary to separate the two roles. The Chairman is one of the leading figures in the industry both in the UK and Europe and the Board believe that it is in shareholders' interests that he should be seen to take the leading role in the Company's affairs. He also has extensive listed company experience at board level. The Chairman was not a member of any Board Committee during the year under review, although he attends Committee meetings if invited, and has joined the Nomination Committee for 2009/10. The Board recognises that with a combined Chairman and Chief Executive the role of the Senior Independent Director (SID) is important. In particular, the SID plays a significant role in determining the Board agenda and Board appraisal process and in ensuring that any issues raised by the Non-Executive Directors are fully dealt with. Baroness Noakes has been the SID since June 2004.

Each Board member receives monthly trading results, commentary and an update on key business issues and prior to each Board meeting receives a full set of Board papers for each agenda item to be discussed at the meeting. A formal Schedule of Matters Reserved for the Board covers key areas of the Company's affairs, including property and business acquisitions and disposals above a set limit.

All Directors have access to the advice and services of the Company Secretary and the Board has established a procedure whereby Directors, wishing to do so in the furtherance of their duties, may take independent professional advice at the Company's expense. In addition, such advice may include training in order to enable them to discharge their roles and responsibilities as a Director. All new Directors receive an induction tailored to their particular requirements.

Attendance at Board and Committee meetings

For the period to 2 May 2009 the Directors' attendance as members at meetings was as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings:	6	4	2	3
Executive Directors				
Lord Harris	6			
M J Harris	6			
J Kitching	6		2	
N Page*	5			
C G Sollesse	6			
Non-Executive Directors				
G Brady**	6	4		2
S R Metcalf	5	4		3
Baroness Noakes	6	4	2	
M Toogood***	6		1	1
G Weston	6		2	3
Scheduled meetings for 2009/10	6	4	2	4

* Mr Page joined the Group on 14 July 2008.

** Mr Brady joined the Remuneration Committee in September 2008.

*** Mr Toogood retired from the Board and Committees in September 2008.

Board Committees

The Board has delegated specific responsibilities to committees, as described below. Executive Directors attend both the Audit Committee and Remuneration Committee on the request of the respective Chairman of each Committee. The Company Secretary acts as Secretary to each Committee. The Terms of Reference of each Committee are available on the Company's corporate website (www.carpetright.plc.uk).

For the year 2008/09 the Committee memberships were as follows:

Membership:	Audit	Nomination	Remuneration
	Solely independent non-executives	Majority independent non-executives	Solely independent non-executives
G Brady	Member		Member (from Sept 2008)
S R Metcalf	Member		Chairman
Baroness Noakes	Chairman	Chairman	
M Toogood		Member (to Sept 2008)	Member (to Sept 2008)
G Weston		Member	Member
		plus J Kitching	

The **Audit Committee** consists of three independent Non-Executive Directors. It is chaired by Baroness Noakes, who is a chartered accountant and is considered to be suitably qualified and has recent and relevant experience. Baroness Noakes, Mr Brady and Mr Metcalf served for the whole year.

At the invitation of the Committee, the Chairman and Chief Executive regularly attended meetings, as did the Group Finance Director, the Head of Internal Audit and the external auditors. There were also regular private meetings with the external and internal auditors at which management was not present.

In 2008/09 there were four Committee meetings, with four planned for 2009/10. An annual calendar was used to ensure that the Committee's terms of reference were fully addressed over the year.

The Audit Committee discharged its responsibilities by:

- Reviewing the Group's draft preliminary annual results announcement and financial statements and the interim statement prior to board approval and reviewing the external auditor's detailed reports thereon;
- Reviewing the consistency of and any changes to the Group's accounting policies, the application of appropriate accounting standards and methods used to account for significant or unusual transactions;
- Reviewing the independence, objectivity and effectiveness of the external auditors and, on the basis of that review, recommending to the Board their re-appointment at the AGM;
- Approving the audit fees paid to the external auditors and reviewing the application of the policy on non-audit work performed by them together with the non-audit fees payable to them;
- Reviewing the external auditors' plan for the audit of the Group's accounts, and approving the terms of engagement for the audit;
- Reviewing the process for ensuring that senior management confirm that they have supplied the auditors with relevant audit information;
- Reviewing the internal audit plan, monitoring the delivery of that plan during the year and reviewing the effectiveness of the internal audit function;
- Reviewing the work of the Executive Directors' committee, which oversees the identification and management of the risks to the business, together with reports on the Group's systems of internal control and reporting the results of this review to the Board;
- Reviewing the whistleblowing policy and relevant items reported under that policy.

Carpentright's policy is for the auditors to carry out mainly audit and assurance related activities. The policy places a premium upon the auditors' independence and the auditors are allowed to undertake non-audit work only if the Audit Committee has satisfied itself that the auditors' independence would not be compromised.

As part of the Board effectiveness evaluation, the Committee undertook a form of self assessment: no issues were identified.

For 2008/09, Baroness Noakes (Chairman) and Mr Weston, both independent Non-Executive Directors, and Mr Kitching served on the **Nomination Committee** throughout the year. Mr Toogood was a Nomination Committee member until his retirement from the Board in September 2008. Following Mr Kitching ceasing to be a Director at the year end Lord Harris has been appointed to the Committee for 2009/10.

The Committee reviews annually the composition of the Board to ensure that at least half the Board comprises independent Non-Executive Directors and recommends changes as necessary. External search consultants assist in the search process for all new Board appointees. The Nomination Committee considers the skills and competencies of the existing Directors when drawing up a specification for new appointments.

The Committee also considers whether Directors due to retire by rotation should be recommended for re-appointment, and whether the appointment of Non-Executive Directors reaching the end of their three-year term should be renewed. Committee members do not vote on their own re-appointment. The Committee met twice during the year.

The Remuneration Committee's report is set out on pages 24 to 29.

Internal control

The Board acknowledges its responsibility for the Company's and the Group's systems of internal control and for monitoring their effectiveness. In order to fulfill this responsibility and safeguard shareholder investment and the Company's and the Group's assets, the Directors have established an organisational framework with clear operational procedures, lines of responsibility and delegated authority which has operated throughout the year under review and up to the date of approval of the Annual Report and Financial Statements. The Directors are satisfied that there are suitable ongoing processes for identifying, evaluating and managing the significant risks faced by the Group.

The Board confirms it has reviewed the Group's system of internal controls including financial, operational and compliance controls as well as risk management, and that these accord with the guidance on internal controls set out in Internal Control: Revised Guidance for Directors on the Combined Code, issued by the Financial Reporting Council in October 2005.

The key elements of the Group's systems of internal control are as follows:

Identification of business risks

The Board is responsible for identifying the major business risks faced by the Group, and determining a suitable response. The Executive Directors' Group ("the EDs' Group") has the objective of identifying and assessing risks to the Company's medium-term strategy. The EDs' Group directs the UK and European Risk Management Committees, the former having been in existence for several years, to provide a risk response to each of the identified risks. The EDs' Group has provided regular reports to the Audit Committee and has considered the risk map and strategies adopted to mitigate the risks therein.

The UK Risk Management Committee comprises a small number of the senior management team as regular members, who are able to call on the expertise of other managers as required. The Committee, which meets at least quarterly, regularly reviews the risk management and control process and considers the response to the significant risks which have been identified by management and others and monitors the maintenance of a control environment directed towards the proper management of risk.

Additionally, there are working groups covering Corporate Responsibility, Business Continuity, Stock Management and Health and Safety, each of which meets at least four times a year. During the year under review these reported to the EDs' Group, and for 2009/10 these will report to the UK Risk Management Committee. Temporary Working Groups are formed as necessary to address specific risks, for example the commencement of operations from the new cutting and distribution centre in Purfleet.

The European Risk Management Committee consists of senior managers within the European operations. The Committee meets quarterly to consider all risk matters across the European operations, and reports to the EDs' Group.

Health and Safety

Enforcing the Health and Safety policy is a high priority for management and fully descriptive manuals are available to all staff, supported by a training programme for stores, distribution centres and the central support office. Risk assessments are undertaken for all procedures and safe systems of work devised for all procedures involving physical risk. Failure to adhere to safe systems of work or following unsafe working practices will be subject to review and, if necessary, disciplinary proceedings. Health and safety issues are included as part of the internal audit review of all premises.

Procedures documentation

Business Procedures and Systems Procedures Manuals are available to provide staff with a reliable source of reference on all Company procedures. Procedures are reviewed regularly and updates are issued as necessary via a weekly bulletin to all stores and central departments.

Planning

The Group's planning system underpins the annual budget process. The budget is reviewed and approved formally by the Board. Actual performance is reported on a monthly basis and measured against the Budget and the prior year and a detailed explanation of significant variances is provided. Key performance indicators are monitored weekly.

Control procedures

The Group has control procedures designed to provide a complete and accurate record of financial transactions, to ensure correct accounting and to minimise the possible exposure to fraudulent transactions. The Board believes that the measures taken, including physical controls, separation of duties and management reviews provide suitable assurance. Any issues raised by the Group's auditors or the internal audit function are fully reviewed and considered. Where necessary, separate working parties are set up to investigate and recommend means of addressing significant areas of concern, in addition to the work undertaken by the Risk Management Committee. The Internal Audit function undertakes its work, both on central functions and in the field, based on a risk analysis model. In particular, regular store audits take place at varying frequencies based upon a risk model so that audit input is commensurate with identified control risks.

An external whistleblowing service provides an independent point of contact for any member of staff to raise concerns they are unable to raise directly with their line manager. Concerns may be reported anonymously and feedback is given wherever possible.

Monitoring and effectiveness

On behalf of the Board the Audit Committee reviews the effectiveness of the Group's system of internal control, by reviewing the internal audit programme and its findings, by reviewing the work of the EDs' Group, reviewing the half year and annual financial statements, and the nature and scope of the external audit. Any significant findings or identified risks are closely examined so that appropriate action may be taken, or directed.

The Board has reviewed the effectiveness of its systems of internal control during the year. In particular, a Risk Register is reviewed regularly and updated annually as a means of identifying and evaluating the significant risks which affect the business and the policies and procedures by which these risks are managed. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from the review of the effectiveness of internal control.

Relations with shareholders

The Company maintains good communications with shareholders. The Executive Directors meet regularly with representatives of institutional shareholders to discuss the strategies and objectives of the Company. Investors are welcome to meet with the Non-Executive Directors if they wish to do so and have such an opportunity at the Preliminary and Interim Announcements which are attended by the Senior Independent Director and other Non-Executives. Other arrangements are made during the year and investors have an open invitation to contact the Directors at any time. The whole Board is briefed on any concerns raised by shareholders.

Interim management statements will be issued as listed on the Calendar on page 76.

It is intended that the Chairmen of the Audit, Nomination and Remuneration Committees will attend the Annual General Meeting. All shareholders will have at least 20 working days' notice of the Annual General Meeting. As required by the Code the Board will, at the 2009 Annual General Meeting, announce the proxy votes in favour of and against each resolution following a vote by a show of hands, and the votes cast will be posted on the corporate website.

Accountability and audit

The Statement of Directors' responsibilities in relation to the accounts is set out on page 30. The Statement by the Auditors on their responsibilities in respect of the accounts is contained in their report on page 75. Details of the auditor's remuneration for audit work and non-audit fees for the periods ended 2 May 2009 and 3 May 2008 are disclosed in note 3 to the Financial Statements.

Going concern

The Group's financial statements have been prepared on the basis that the Directors have a reasonable expectation that the Group will continue to be a going concern for the foreseeable future. In forming this opinion the Directors have reviewed the Company's budget for the year ending 1 May 2010 and outline projections for the subsequent two years, including capital expenditure and cash flow forecasts.

Corporate Responsibility

The Company is very aware of its responsibilities to the wider community and has published a Corporate Responsibility policy which is available on the corporate website. The policy includes relations with staff, shareholders and the community, trade bodies and suppliers and will be updated regularly.

Compliance with the Combined Code

The Company complied with the Code provisions (set out in section 1 of the Combined Code) throughout the period ended 2 May 2009 except provision A.2.1 as the roles of Chairman and Chief Executive are combined, as discussed above. In addition, for the last eight months of the year the independent Non-Executive Directors did not comprise 50% of the Board following Mr Toogood's retirement from the Board in September 2008, which imbalance was corrected by Mr Kitching's retirement from the Board at 2 May 2009.

Our auditors, PricewaterhouseCoopers LLP, have reviewed the Directors' statement on the Company's compliance to the extent required by the listing rules and their report appears on page 75.

Directors' remuneration report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Combined Code (2006) and the relevant requirements of the Listing Rules of the UK Listing Authority.

As required by the Companies Act 2006, a resolution for shareholders to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved. The report, which is split into separate sections for audited and unaudited information, has been approved by the Board.

Unaudited information

Remuneration Committee's composition and scope

At 4 May 2008 the Remuneration Committee ("the Committee") comprised Mr Metcalf (Chairman of the Committee), Mr Toogood and Mr Weston all of whom were independent Non-Executive Directors. Following Mr Toogood's retirement from the Board in September 2008, Mr Brady was appointed to the Committee.

The Committee is responsible for determining the pay and benefits and contractual arrangements of each Executive Director, as well as the Company's share-based incentive programmes. The Chairman and Chief Executive and/or the Group Finance Director attend meetings of the Committee when requested. Neither participates in discussions relating to his own remuneration. Meetings are also attended by the Group Human Resources Director and a representative of Hay Group, as required. The Terms of Reference of the Committee are displayed on the corporate website (www.carpentright.plc.uk).

Advisers to the Remuneration Committee

During the year Hay Group was retained by the Committee to advise on matters relating to the remuneration of the Executive Directors generally, reward scheme design and benchmarking remuneration. Hay Group has provided no other services to the Company.

Travers Smith provided legal advice to the Committee. Travers Smith provide the Company with other legal advice, principally on corporate matters.

Remuneration policy

Executive Directors

The Company's policy is to provide remuneration packages for the Executive Directors to include fixed and variable elements and which reflect their responsibilities relative to the size and nature of the business.

Details of individual Directors' remuneration, Long-Term Incentive Plan ("LTIP") awards and sharesave options are set out on pages 25 to 27 of this report.

The main components of the remuneration package for Executive Directors are:

Basic salary

The Company's policy is that basic salaries for Executive Directors should take into account the role and responsibilities, performance and experience of the individual. Basic salary is targeted at the retail market median for comparable roles and is reviewed annually in line with the corporate year or when an individual changes his position or responsibilities.

Annual performance related bonus

Executive Directors are eligible to receive an annual performance bonus. The bonus is a proportion of salary based on the achievement of the annual budgeted profit. For 2009/10 the bonus will be earned on a sliding scale depending on performance. Bonus payments do not form part of the Directors' pensionable earnings.

Long-Term Incentive Plan

The LTIP was introduced in 2004. Further details, including membership of the peer group, are given on pages 27 to 29. Conditional awards of shares were made in September 2004, 2005 and 2006. No award was made in 2007/08 or 2008/09 following a review of the LTIP by the Remuneration Committee when the Board decided to base more of the Executive Directors' remuneration on annual performance. For 2009/10 it is proposed to amend the LTIP and make awards to a limited number of Directors and Executives.

The vesting of these awards will be subject to performance conditions and details of the proposal are set out on pages 28 and 29.

Pensions

Mr Harris, Mr Kitching and Mr Sollesse are members of the Carpentright plc Pension Plan which is a contributory defined benefit scheme. Details of the Pension Plan as it applies to the Executive Directors are set out below. The Company's contribution on behalf of members is 19.6% of pensionable salaries.

Mr Page has joined the defined contribution Group Personal Pension Plan and the Company contributes to this.

Other benefits

Executive Directors are entitled to a car allowance, permanent health insurance, annual health screening and membership of a private medical insurance scheme. Additionally, Executive Directors may join the AESOP and the SAYE Scheme on the same terms as any other employee.

Non-Executive Directors

The fees of the Non-Executive Directors are determined by the Board. It is the Board's policy to set these fees according to the recommendations made by the Chairman and Chief Executive and the Group Finance Director who make such recommendations with reference to fee levels in similar businesses. The Non-Executive Directors are not eligible for any of the Company's variable pay arrangements.

Senior management

As part of the same exercise as the annual review of the Executive Directors' salary, bonus and benefits, the Committee also reviews the total remuneration of senior management. The Company's policy is to remunerate senior management in line with the retail market median after reviewing performance and benchmarking each role against suitable comparators in the same way as Executive Directors' remuneration is evaluated.

Performance graph

For the information of shareholders a five-year graph is given below showing the total shareholder return ("TSR") of the Company compared to the FTSE mid-250 Index and the Retail Index, which the directors believe to be the most suitable broad comparators. The graph below shows the TSR of the Company compared to that of these two indices over the period May 2004 – April 2009.



Service contracts

It is the Company's policy to employ Executive Directors under contracts with an indefinite term subject to termination by notice given by either party, normally of 12 months. These employment contracts do not provide for termination payments other than, in the case of early termination by the Company, payment in lieu of notice. An exercise to revise and update the Executive Directors' contracts of employment was undertaken in 2006 and Lord Harris and Mr Sollesse entered into new contracts which contain suitable mitigation terms. Mr Harris remains on his original terms.

A summary of the Executive Directors' service contracts is given below.

	Current salary £	Date of service contract	Notice period
Lord Harris	481,832	20 November 2006	12 months
M J Harris	253,684	30 June 2003	12 months
N Page	260,000	2 March 2009	12 months
C G Sollesse	280,000	20 November 2006	12 months

Lord Harris also receives a supplement of £18,349 in lieu of pension contributions. Executive Directors retain remuneration from outside non-executive directorships. During the year Lord Harris waived his fees payable by Arsenal Holdings plc and Arsenal Football Club plc, totaling £25,000. Mr Harris received £33,000 as a non-executive directors of Harris Ventures Ltd.

Non-Executive Directors do not have service contracts with the Company and they are subject to re-election in accordance with the Articles of Association. All of the current Non-Executive Directors are appointed for a specified term of three years at a time.

The details of the Non-Executive Directors' terms are:

	Date of letter of (re) appointment	Unexpired term at date of this report
G Brady	1 March 2007	8 months
S R Metcalf	1 June 2007	11 months
Baroness Noakes	22 January 2007	7 months
G Weston	17 January 2008	19 months

Audited information**Directors' emoluments**

The table below analyses the emoluments during the period of individual Directors who held office during the period.

	Basic salary £'000	Bonus £'000	Benefits/ LTIP gains £'000	Fees £'000	2009 Total £'000	2008 Total £'000	2009 Pensions £'000	2008 Pensions £'000
Lord Harris (Chairman)	499	–	92	–	591	650	–	–
M J Harris	256	–	58	–	314	347	23	22
J Kitching	285	–	57	–	342	381	23	22
N Page (from 14 July 2008)	209	–	22	–	231	–	39	–
C G Sollesse	280	–	60	–	340	359	23	22
G Brady	–	–	–	36	36	36	–	–
S Metcalf	–	–	–	41	41	40	–	–
Baroness Noakes	–	–	–	51	51	51	–	–
M Toogood (to 10 September 2008)	–	–	–	13	13	36	–	–
G Weston	–	–	–	36	36	36	–	–
	1,529	nil	289	177	1,995	1,936	149	66

No emoluments were waived during the period.

The remuneration of the highest paid Director, the Chairman, was £591,000 (2008: £650,000).

In addition, during the period Christian Sollesse received a bonus of £200,000 from Harris Ventures Limited, a shareholder whose shares are included within Lord Harris' declared shareholding in recognition of his importance to the Company and his part in achieving a good return for shareholders, including Harris Ventures. Baroness Wilcox, who became a consultant on retirement from the Board in 2007, received a fee of £15,000 per annum in respect of her work as a Pension Trustee.

Sharesave options

Under the Sharesave Scheme employees may be granted options over shares in the Company with an exercise price at a discount of up to 20% on the share price and which may be exercised in three or five years from the date of grant using savings of up to £250 per month deducted regularly from their salary.

The Executive Directors participate in this Scheme and details of options granted to them are:

	As at 3 May 2008	Granted during year	Lapsed during year	As at 2 May 2009	Exercise price pence	First exercise date	Last exercise date
Lord Harris	2,718	5,491	2,718	5,491	295	April 2014	October 2014
M J Harris	2,718	5,491	2,718	5,491	295	April 2014	October 2014
J Kitching	2,718	5,491	2,718	5,491	295	April 2014	October 2014
N Page	–	5,491	–	5,491	295	April 2014	October 2014
C G Sollesse	2,718	5,491	2,718	5,491	295	April 2014	October 2014

An option over 5,491 shares was also granted to Mrs Caroline Sollesse, an employee of the Company. Details of options outstanding under the SAYE Scheme are shown at note 5 in the accounts.

The market price of Carpetright shares was 564.5 pence on 2 May 2009 (3 May 2008: 762.5 pence). During the period ended 2 May 2009, the shares of Carpetright plc traded between a low of 342.0 pence and a high of 809.5 pence.

All Employee Share Ownership Plan

Carpetright operates an AESOP under which staff may contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. All of the Executive Directors participate in the AESOP, contributing £125 per month.

Long-Term Incentive Plan

The LTIP was adopted at the Annual General Meeting in 2004.

Under the LTIP the Executive Directors may receive annual awards in the form of contingent entitlements to Carpetright shares. These awards will be satisfied by the purchase of shares: no new shares will be issued. No award was made in 2008/09. The following table shows awards made under the LTIP and the scheme interests of the relevant directors in the 2006 awards remained the same as at 2 May 2009:

	Shares awarded 20 September 2005	Shares awarded 15 September 2006
	Number	Number
Closing price on award date	£9.26	£11.77
Lord Harris	28,574	31,580
M J Harris	13,935	16,788
J Kitching	16,774	18,515
C Sollesse	15,483	17,117

During the period to 2 May 2009 the 2005 award vested in part, as follows:

	Originally awarded Number	Lapsed Number	Vested Number	Value at call date £	Gain £
Lord Harris	28,574	14,973	13,601	59,402	59,266
M J Harris	13,935	7,302	6,633	28,970	28,904
J Kitching	16,774	8,790	7,984	27,864	27,784
C G Sollesse	15,483	8,114	7,369	25,202	25,128

The shares to satisfy the awards will be purchased over the three-year vesting period. An Employee Benefit Trust has been established to hold these shares and this is based in the Channel Islands. A Liaison Committee, chaired by Mr Metcalf and including the Group Finance Director and the Company Secretary, co-ordinates the purchase of shares with the Trust. 49,064 shares were purchased in the period to 2 May 2009.

For the 2005 award, relative earnings per share ("EPS") performance and total shareholder return ("TSR") performance over the three-year vesting period against a peer group each determined vesting for one half of each award in accordance with the following table:

Applies to TSR or EPS peer group ranking	2005 EPS and TSR Vested award (% of salary)
50th percentile and below	0%
51st percentile	9%
75th percentile or greater	30%

Vesting is determined by straight-line interpolation for performance between the 51st and 75th percentiles. Following the initial test, there is no opportunity to re-test performance for the determination of awards.

Membership of the peer group for each year's award, compiled in accordance with advice from Hay Group, is detailed below.

	20 September 2005	15 September 2006
Body Shop	•	—
The Boots Company Plc	•	—
Countrywide	—	•
Debenhams	—	•
DSG International (Dixons)	•	•
GUS plc	•	—
GUS plc (Argos)	—	•
Halfords	•	•
Headlam	—	•
HMV Group Plc	•	•
Homestyle Group Plc	—	•
JJB Sports Plc	•	•
KESA	—	•
Kingfisher	—	•
Land of Leather	—	•
Marks & Spencer Plc	•	—
Matalan Plc	•	—
MFI Furniture Group Plc	•	•
Next Plc	•	—
SCS Upholstery Plc	•	•
Topps Tiles Plc	•	•
Travis Perkins	•	•
Woolworths Group Plc	•	•
WH Smith Plc	•	•

TSR performance against a peer group determines vesting for one half of the 2006 award but for the other half of the 2006 award vesting is determined by EPS performance over the three year vesting period:

TSR peer group ranking	Vested award (% of salary)	Annualised EPS performance	Vested award (% of salary)
50th percentile and below	0%	Below RPI + 3%	0%
51st percentile	12%	RPI + 3%	12%
75th percentile or greater	40%	RPI + 5%	40%

Vesting for the EPS-based award will be determined by straight-line interpolation for performance between the RPI + 3% and RPI + 5%. Once these performance targets have been examined there is no further examination.

For 2009/10 and future awards it is proposed that the proportion of shares vesting after three years will depend on Carpetright's performance with respect to EPS.

The performance target would be underlying EPS, before exceptional items, at +30% per annum compound growth. A minimum of 15% growth in EPS would be required to trigger an award, with a sliding scale operating to the maximum of +30%, as below:

Compound growth performance target p.a.	% award vested	% of salary (excluding share price change)	
		Main Board	Senior Managers
EPS < 15%	0%	0%	0%
EPS + 15%	35%	70%	35%
EPS + 30%	100%	200%	100%

Following a review of the operation of the LTIP by the Remuneration Committee it is proposed (subject to receiving shareholder approval) to increase the maximum award that can be made in any year under the LTIP from 100% of salary to 300%. For 2009/10, however, it is intended that no participant, including the Executive Directors, will be given an award in excess of 200% of salary. The Committee recommends this increase which is to reflect market practice and to allow an increase in the proportion of Directors' remuneration that relates to the delivery of enhanced shareholder value over the long term.

Based on current basic salaries the annual cost of a maximum award under the LTIP would be £1,587,368 for the Directors and £619,000 for the senior executives, giving a total of £2,206,368. The awards are not pensionable.

If a participant ceases to be employed by the Company, the participant generally forfeits all of his awards. In cases of death or retirement due to ill health a pro rata payment may be made at the discretion of the Remuneration Committee.

In the event of a change of control of the Company all awards will vest on a pro rata time and performance basis.

The above is a summary of the LTIP. No amendments to the advantage of participants may be made to the provisions of the LTIP described above without the prior consent of shareholders except in the event of a minor amendment to benefit the administration or tax treatment of the LTIP. Accordingly the Company will seek approval of the shareholders to increase the maximum award for Executive Directors that may be made under the LTIP from 100% to 300% of salary at the forthcoming AGM.

Non-Executive Directors are not eligible to participate in the LTIP. Details of options outstanding under the LTIP are shown in note 5 to the accounts.

Pensions

Only the Executive Directors' basic salaries are pensionable and the main features of the Carpetright plc Pension Plan, which is a defined benefit scheme, in respect of Executive Directors are:

- (a) Pensions from age 60 of 2/105 of final pensionable salary for each year of pensionable service, subject to a maximum of 40/60 of final pensionable salary.
- (b) A cash benefit on death in service of four times annual rate of pensionable salary at date of death.
- (c) Pensions payable in the event of ill-health.
- (d) Pensions for dependants on a member's death.
- (e) Members' contributions are 5% of salary.
- (f) All pensions are subject to contractual increases each April of 3% in respect of pensionable service prior to 6 April 1997 and the lesser of 5% and the increase in RPI in respect of pensionable service subsequent to 5 April 1997. The Executive Directors are subject to a notional earnings cap as published by HMRC for registered pension schemes in the calculation of retirement benefits and death in service pensions. It is confirmed that there are no discretionary practices which are taken into account in calculating transfer values on ceasing service.

Details of pensions earned by the Executive Directors are shown below:

	Pension accrued at 2 May 2009 £'000	Increase/ (decrease) in accrued pension during the period to 2 May 2009 (excluding inflation) £'000	Cost to the Plan of the increase in pension in excess of contributions in excess of inflation ⁽¹⁾ £'000	Increase/ (decrease) in accrued pension during the period to 2 May 2009 (including inflation) £'000	Transfer value as at 3 May 2008 ⁽²⁾ £'000	Transfer value as at 2 May 2009 ⁽²⁾⁽⁶⁾ £'000	Increase in transfer value net of Directors' contributions ⁽²⁾ £'000
Lord Harris ⁽³⁾	27	–	–	1	457	517	60
M J Harris	13	2	19	3	103	153	44
J Kitching ⁽⁴⁾	46	2	37	4	784	998	209
C G Sollesse	30	2	28	3	377	491	108

(1) The cost to the Plan of the increase represents the incremental value to the Director of his service during the period, calculated on the assumption that service terminated at the year end. It is based on the increase in accrued pension net of inflation after deducting the Director's contribution.

(2) The total change in value includes the effects of fluctuations in the transfer value due to factors beyond the control of the Company and the Directors, such as stock market movements. It is calculated after deducting Director contributions.

(3) Lord Harris has been in receipt of a pension since 15 September 2007.

(4) Mr Kitching left the Board of Directors on 2 May 2009.

(5) The transfer values quoted are full amounts and have not been reduced.

(6) The transfer value basis was changed during the year.

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the period. The increase or decrease in transfer value has been calculated on the basis of actuarial advice less Directors' contributions. Members of the scheme have the option to pay Additional Voluntary Contributions but none of the Directors has elected to do so.

Statement of Directors' responsibilities

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

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

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

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

The Directors are responsible for the maintenance and integrity of the Company's websites (www.carpetright.com and www.carpetright.plc.uk) and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Mrs P A T Dregent

Secretary

29 June 2009

Group income statement for the 52 weeks ended 2 May 2009

	Note	52 weeks to 2 May 2009 £m	53 weeks to 3 May 2008 £m
Revenue	2	482.8	521.5
Cost of sales		(187.0)	(198.4)
Gross profit	2	295.8	323.1
Other operating income		1.8	10.1
Administrative expenses		(275.3)	(272.4)
Operating profit	2,3	22.3	60.8
Operating profit before profit on property disposals and non-recurring items	2	22.8	63.4
Profits/(losses) on property disposals and non-recurring items	6	(0.5)	(2.6)
Finance costs payable	7	(7.2)	(2.8)
Finance income receivable	7	1.6	1.5
Profit before tax		16.7	59.5
Tax	8	(4.9)	(16.7)
Profit for the financial period attributable to equity holders of the Company		11.8	42.8
	Note	2009 Pence	2008 Pence
Basic earnings per share	10	17.6	63.2
Diluted earnings per share	10	17.6	63.2

Dividends paid to equity shareholders in the year and shown in the cash flow statement totalled £22.8 million (2008: £35.2 million).

All items in the income statement arise from continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company profit and loss account. The retained profit for the Parent Company for the year was £8.4 million (2008: £37.8 million).

Statements of recognised income and expense for the 52 weeks ended 2 May 2009

	Note	Group 52 weeks to 2 May 2009 £m	Group 53 weeks to 3 May 2008 £m	Company 52 weeks to 2 May 2009 £m	Company 53 weeks to 3 May 2008 £m
Profit for the financial period		11.8	42.8	8.4	37.8
Actuarial gains/(losses) on defined benefit pension schemes	24 (i) (a) (5)	(1.1)	0.5	(1.1)	0.5
Fair value losses in respect of cash flow hedges		(2.3)	(0.2)	(2.3)	(0.2)
Exchange gains/(losses) in respect of hedged equity investments		7.2	4.4	(5.1)	2.8
Tax on items taken directly to or transferred from equity	8 (iii)	0.3	(0.1)	0.3	(0.1)
Net gains/(losses) recognised directly in equity		4.1	4.6	(8.2)	3.0
Total recognised income for the financial period attributable to equity holders of the Company		15.9	47.4	0.2	40.8

The notes on pages 34 to 73 form an integral part of the financial statements.

Balance sheets at 2 May 2009

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Assets					
Non-current assets					
Intangible assets	11	71.2	62.7	16.2	17.8
Property, plant and equipment	12	164.7	165.8	105.8	111.6
Investment property	13	25.3	21.0	7.5	7.6
Investment in subsidiary undertakings	14	–	–	39.1	40.1
Investment in joint ventures	15	–	0.2	–	0.2
Deferred tax assets	23	3.3	3.2	–	–
Trade and other receivables	17	1.3	1.3	61.7	50.0
Total non-current assets		265.8	254.2	230.3	227.3
Current assets					
Inventories	16	43.2	40.1	31.7	30.4
Trade and other receivables	17	34.4	32.8	26.2	24.3
Cash and cash equivalents	18	17.4	8.9	10.5	3.2
Total current assets		95.0	81.8	68.4	57.9
Total assets		360.8	336.0	298.7	285.2
Liabilities					
Current liabilities					
Trade and other payables	19	(110.8)	(123.8)	(88.6)	(102.4)
Obligations under finance leases	20	(0.9)	(0.8)	(0.9)	(0.8)
Borrowings and overdrafts	21	(17.1)	(22.4)	(5.5)	(11.5)
Current tax liabilities		(5.7)	(11.6)	(4.2)	(8.5)
Total current liabilities		(134.5)	(158.6)	(99.2)	(123.2)
Non-current liabilities					
Trade and other payables	19	(31.5)	(28.3)	(35.6)	(28.3)
Obligations under finance leases	20	(3.0)	(3.9)	(2.0)	(2.9)
Borrowings	21	(91.2)	(39.3)	(88.5)	(35.1)
Derivative financial instruments	25 (iii)	(2.3)	–	(2.3)	–
Provisions for liabilities and charges	22	(0.8)	(1.4)	(0.8)	(1.4)
Deferred tax liabilities	23	(27.9)	(28.9)	(18.3)	(20.6)
Retirement benefit obligations	24 (i) (a) (2)	(2.4)	(1.3)	(2.4)	(1.3)
Total non-current liabilities		(159.1)	(103.1)	(149.9)	(89.6)
Total liabilities		(293.6)	(261.7)	(249.1)	(212.8)
Net assets		67.2	74.3	49.6	72.4
Equity					
Share capital	26	0.7	0.7	0.7	0.7
Share premium	26	15.4	15.4	15.4	15.4
Treasury shares	26	(0.1)	(0.2)	(0.1)	(0.2)
Other reserves	27	51.2	58.4	33.6	56.5
Total equity attributable to equity holders of the Company	28	67.2	74.3	49.6	72.4

The notes on pages 34 to 73 form an integral part of the financial statements.

These financial statements from pages 31 to 73 were approved by the Board of Directors on 29 June 2009 and were signed on its behalf by:

Lord Harris of Peckham
Neil Page
Directors

Cash flow statements for the 52 weeks ended 2 May 2009

	Note	Group 52 weeks to 2 May 2009 £m	Group 53 weeks to 3 May 2008 £m	Company 52 weeks to 2 May 2009 £m	Company 53 weeks to 3 May 2008 £m
Operating activities					
Profit before tax		16.7	59.5	11.4	55.1
Adjusted for:					
Depreciation and amortisation	2,3	20.4	17.0	16.2	13.6
Non-recurring non-cash items		1.1	3.0	1.1	3.0
Share-based payments	4,5	0.1	–	0.1	–
Profits on property disposals		(1.8)	(7.0)	(1.8)	(7.0)
Net finance costs	7	5.6	1.3	4.7	0.4
Operating cash flows before movements in working capital		42.1	73.8	31.7	65.1
Decrease/(increase) in inventories		2.7	0.8	(0.6)	0.9
(Increase)/decrease in trade and other receivables		(0.9)	(1.0)	(9.4)	1.2
(Decrease)/increase in trade and other payables		(17.7)	(0.9)	(13.9)	(3.3)
Cash generated from operations		26.2	72.7	7.8	63.9
Interest paid		(6.2)	(2.9)	(5.5)	(1.9)
Corporation taxes paid		(12.2)	(15.1)	(8.3)	(14.8)
Net cash from operating activities		7.8	54.7	(6.0)	47.2
Investing activities					
Proceeds on disposal of property, plant and equipment and investment property		3.0	20.0	3.0	20.0
Purchases of intangible assets		(2.0)	(2.0)	(2.0)	(1.5)
Purchases of property, plant and equipment and investment property		(14.3)	(44.5)	(9.3)	(37.8)
Acquisition of shares in subsidiary net of cash acquired	32	(7.3)	(32.2)	(1.5)	(32.2)
Acquisition of shares in joint ventures		–	(0.2)	–	(0.2)
Investment in existing subsidiaries	14	–	–	–	(2.1)
Interest received		0.7	0.7	0.7	0.6
Net cash used in investing activities		(19.9)	(58.2)	(9.1)	(53.2)
Financing activities					
Purchase and cancellation of own shares		–	(6.5)	–	(6.5)
Purchase of treasury shares by employee share trust		(0.2)	–	(0.2)	–
Repayment of borrowings		(20.5)	(13.4)	(13.3)	(9.2)
New loans advanced		72.0	38.5	69.0	38.5
Repayment of obligation under finance leases		(0.8)	(0.8)	(0.8)	(0.8)
Dividends paid to Company shareholders	9	(22.8)	(35.2)	(22.8)	(35.2)
Net cash generated by/(used in) financing activities		27.7	(17.4)	31.9	(13.2)
Net increase/(decrease) in cash and cash equivalents in the period		15.6	(20.9)	16.8	(19.2)
Cash and cash equivalents at the beginning of the period		(2.2)	19.2	(5.3)	14.7
Exchange differences		(0.4)	(0.5)	(1.0)	(0.8)
Cash and cash equivalents at the end of the period	18, 33	13.0	(2.2)	10.5	(5.3)

The notes on pages 34 to 73 form an integral part of the financial statements.

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 Principal accounting policies

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

Basis of preparation

The financial statements of the Group are made up to the Saturday nearest to 30 April. The financial year for 2009 represents the 52 weeks ended 2 May 2009. The comparative financial year for 2008 was 53 weeks ended 3 May 2008.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union, together with those parts of the Companies Acts 1985 and 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, pension assets and liabilities and share-based payments which are measured at fair value. The principal accounting policies set out below have been consistently applied to all periods presented unless otherwise stated.

Where applicable comparative amounts have been restated to conform with current presentation.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings. The acquisition of subsidiaries is accounted for using the purchase method. The results of subsidiaries acquired or disposed of in the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal respectively.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Exchange differences

The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency. Transactions in foreign currencies, which are those other than the functional currency of an entity, are recorded at the opening rate for the month in which the transaction occurs which is used as a reasonable approximation to the rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the income statement for the period except where they are part of a net foreign investment hedge when they are recognised in equity.

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

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

Segment reporting

A geographical segment has operations within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments. The Group recognises only geographical segments as the business operation is the same throughout the Group.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for the provision of goods and services to customers outside the Group net of returns, sales allowances and value added and other sales based taxes. Revenue from goods and services is recognised at the point the Group fulfils its commercial obligations to the customer, the revenue and costs in respect of the transaction can be measured reliably and collectability is reasonably assured.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of options is recognised as an expense and is calculated using Black-Scholes and Monte-Carlo models. The value of the charge is adjusted to reflect expected and actual levels of options vesting. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options which are expected to become exercisable.

At each balance sheet date the Group revises its estimates of the number of options which are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the vesting period.

1 Principal accounting policies (continued)

Impairment

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

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Non-financial assets other than goodwill that suffer an impairment are reviewed for possible reversal of impairment at each reporting date.

Other operating income

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

Profits or losses on the disposal of property, plant and equipment represent the difference between the net proceeds and the net carrying value at the date of sale. Disposals are accounted for when there has been an unconditional exchange of contracts except where payment or completion is expected to occur significantly after exchange.

Non-recurring items

Transactions which are material by virtue of their size or incidence such as major reorganisation costs and impairments are disclosed as non-recurring items.

Tax

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

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

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

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

Dividends

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity. Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

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

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

Brands	20 years
Computer software	7 years

1 Principal accounting policies (continued)

Property, plant and equipment

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

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

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

Freehold and long leasehold buildings	50 years
Short leasehold buildings	The shorter of the period of the lease and the estimated useful life
Fixtures and fittings	7 to 10 years
Computers	5 to 7 years
Motor vehicles	4 years
Other plant and machinery	7 to 10 years

Borrowing costs

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

Investment property

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

Leasing commitments

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

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

Rentals payable under operating leases are charged to income on a straight-line basis over the period of the lease. Premiums payable, rent free periods and contributions receivable on entering an operating lease are released to income on a straight-line basis over the lease term.

Investment in subsidiaries

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

Investments in joint ventures

Joint ventures are established through an interest in a jointly controlled entity. Investments in joint ventures are initially recognised at cost, being the fair value of the consideration given, and including acquisition charges associated with the investment. After initial recognition investments in joint ventures are accounted for using the equity method.

Inventories

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

Rebates receivable from suppliers

Volume related rebates receivable from suppliers are credited to the carrying value of the inventory to which they relate. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Trade receivables and payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, deposits repayable on demand and highly liquid investments. For the purposes of the cash flow statement cash and cash equivalents also includes bank overdrafts which are shown within borrowings and overdrafts in current liabilities on the balance sheet.

1 Principal accounting policies (continued)

Bank loans and overdrafts

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

Provisions

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

Retirement benefit obligation

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

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

Actuarial gains and losses are recognised in full, directly in equity in the period in which they occur and are presented in the statement of recognised income and expense.

Other income and expenses associated with the defined benefit scheme are recognised in the income statement.

The pension cost of defined contribution schemes is charged in the income statement as incurred.

Financial instruments

Derivative financial instruments

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates and changes in interest rates. In accordance with its Treasury policy, the Group does not enter into derivatives for speculative purposes.

Derivatives are stated at their fair value. The fair value of interest rate contracts is the estimated amount that the Group would receive or pay to terminate them at the balance sheet date, taking into account prevailing interest rates.

Changes in the fair value of derivatives which do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting

Changes in the fair value of derivatives that are designated and effective as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. When the asset or liability for the hedged transaction is recognised in the balance sheet, the associated gain or loss on the hedging instrument previously recognised in equity is included in the carrying amount of the hedged asset or liability. Gains or losses realised on cash flow hedges are then recognised in the income statement in the same period as the hedged item.

Where the Group hedges net investments in foreign entities through currency borrowings the gains or losses on the retranslation of the borrowings are recognised in equity.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the income statement.

Critical estimates and judgements

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

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value. Actual outcomes could vary significantly from these estimates.

1 Principal accounting policies (continued)

Critical estimates and judgements (continued)

Impairment of assets

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or cash-generating unit is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

Retirement benefits

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

New standards and interpretations

Standards, amendments and interpretations adopted by the Group in 2008/09

The following interpretations became effective in these financial statements but had no impact on the Group's results:

- IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions" provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for instance options over a Parent's shares) should be accounted for as equity settled or cash settled share-based payment transactions in the stand-alone accounts of the Parent and Group companies. This interpretation does not have any impact on the Group's financial statements. The Company's accounting policy for share-based compensation arrangements is already in compliance with the interpretation.
- IFRIC 12 "Service Concession Arrangements" is not relevant to the Group.

New standards and interpretations of existing standards that are not yet effective and have not been early adopted by the Group

At 2 May 2009 the following new standards and interpretations and amendments to existing standards, which are expected to be relevant to the Group and have an impact on the financial statements, were issued but not yet effective:

- IAS 1 (revised), "Presentation of Financial Statements", (effective for periods beginning on or after 1 January 2009). The standard requires non-owner changes in equity to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Owner changes in equity will be shown in a statement of changes in equity. Restatements or reclassifications of comparative information will require an additional restated balance sheet as at the beginning of the comparative period. This will be applied in the Group's 2009/10 financial statements.
- IAS 23 (amendment), "Borrowing Costs", (effective for periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of the asset. The option of immediately expensing those borrowing costs will be removed. There will be no impact on the Group or Company's financial statements as borrowing costs on qualifying assets are already capitalised under the allowed alternative treatments in the existing IAS 23.
- IFRS 2 (amendment), "Share-based Payment", (effective for periods beginning on or after 1 January 2009). The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features that are not vesting conditions will need to be included in the grant date fair value. All cancellations, whether by the Group or by other parties, will receive the same accounting treatment. This will be applied to the Group's 2009/10 financial statements. The impact is not expected to be significant.
- IFRS 3 (revised), "Business Combinations", (effective for periods beginning on or after 1 July 2009). The revised standard harmonises business combination accounting with US GAAP. The standard will continue to apply the acquisition method to business combinations but with certain significant changes. All payments to purchase a business will be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling interests may be calculated on a gross or net basis. All transaction costs will be expensed. This is still subject to endorsement by the EU but is expected to be applied in the Group's 2010/11 financial statements.
- IFRS 8, "Operating Segments", (effective from annual periods beginning on or after 1 January 2009) replaces IAS 14 and aligns segmental reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that being used for internal reporting purposes. This will be applied in the Group's 2009/10 financial statements.

2 Segmental analysis

The Group's primary reporting segment is geographic, as this is the basis on which the Group is both organised and managed. The Group does not report a secondary segment on the basis of business operations because business operations throughout the Group are the same. The geographical sectors are: United Kingdom & Republic of Ireland ("UK & Rol"), and The Netherlands, Belgium, Poland and the joint venture arrangement in Germany ("Rest of Europe"). Central costs are incurred principally in the UK and are immaterial. As such these costs are included within the UK & Rol segment. Segment revenue, expense, result, assets and liabilities include transfers between geographical segments. Such transfers are priced at arm's-length and are eliminated on consolidation.

Analysis by geography:

	52 weeks to 2 May 2009			53 weeks to 3 May 2008		
	UK & Rol £m	Rest of Europe £m	Group £m	UK & Rol £m	Rest of Europe £m	Group £m
Gross revenue	397.3	88.7	486.0	456.0	68.8	524.8
Inter-segment revenue	(3.2)	–	(3.2)	(3.3)	–	(3.3)
Segment revenue (by origin and destination)	394.1	88.7	482.8	452.7	68.8	521.5
Gross profit	244.6	51.2	295.8	284.1	39.0	323.1
Operating profit before profits/(losses) on property disposals and non-recurring items	15.6	7.2	22.8	58.0	5.4	63.4
Segment result: operating profit after profits/(losses) on property disposals and non-recurring items	15.9	6.4	22.3	55.4	5.4	60.8
Net finance costs payable			(5.6)			(1.3)
Profit before tax			16.7			59.5
Tax			(4.9)			(16.7)
Profit for the financial period			11.8			42.8
Other segmental items:						
Depreciation and amortisation	16.6	3.8	20.4	13.6	3.4	17.0
Share-based payments	0.1	–	0.1	–	–	–
Segment assets:						
Gross assets (by origin and destination) ⁽¹⁾⁽²⁾	245.4	105.2	350.6	240.7	88.9	329.6
Inter-segment balances	(10.5)	–	(10.5)	(6.2)	–	(6.2)
Segment assets	234.9	105.2	340.1	234.5	88.9	323.4
Unallocated assets			20.7			12.1
Total assets			360.8			335.5
Segment liabilities:						
Gross liabilities (by origin and destination) ⁽¹⁾	123.4	32.6	156.0	135.8	24.8	160.6
Inter-segment balances	–	(10.5)	(10.5)	–	(6.2)	(6.2)
Segment liabilities	123.4	22.1	145.5	135.8	18.6	154.4
Unallocated liabilities			148.1			106.8
Total liabilities			293.6			261.2
Capital expenditure:						
Capital expenditure (by origin and destination)	14.1	2.2	16.3	38.0	8.5	46.5

(1) Segment assets and liabilities exclude interest-bearing balances and tax assets and liabilities.

(2) Segment assets for Rest of Europe include the equity investment in the German joint venture.

3 Operating profit, analysis of costs by nature

Operating profit is stated after charging/(crediting):

	Note	Group 2009 £m	Group 2008 £m
Rental income earned on investment property		(2.0)	(1.7)
Cost of inventories recognised as an expense in cost of sales		167.8	177.5
Operating lease rentals			
Minimum lease payments in respect of land and buildings		91.8	85.0
Minimum lease payments in respect of plant and machinery		1.7	1.4
Sublease rental income		(5.4)	(3.7)
Auditors' remuneration			
Fees payable to the Company's auditor for the audit of the Company's annual financial statements		0.3	0.2
Staff costs	4	101.6	99.0
Amortisation of intangible assets	11		
Charged in administrative expenses		3.5	2.1
Depreciation of property, plant and equipment	12		
Owned assets			
Charged in cost of sales		0.1	1.0
Charged in administrative expenses		15.5	12.9
Under finance leases			
Charged in cost of sales		0.7	0.7
Charged in administrative expenses		0.1	0.1
Depreciation of investment property	13		
Charged in administrative expenses		0.4	0.1
Charged in other operating income		0.1	0.1

4 Staff costs

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

	Group 2009 Number	Group 2008 Number	Company 2009 Number	Company 2008 Number
Stores	3,030	3,127	2,406	2,597
Central support office and warehouse	381	422	330	371
	3,411	3,549	2,736	2,968

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

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Wages and salaries (including short-term employee benefits)		89.9	87.6	71.5	72.9
Social security costs		9.1	9.2	6.9	7.5
Post employment benefits		2.5	2.2	1.1	1.4
Share-based payments	5	0.1	—	0.1	—
		101.6	99.0	79.6	81.8

Wages and salaries include short-term employee benefits as defined in IAS 19, with the exception of costs associated with the Group's pension schemes. Post employment benefits include costs associated with the Group's pension schemes with the exception of net interest costs and the actuarial gain on the defined benefit pension scheme. £0.5 million (2008: £0.5 million) in defined benefit pension costs are allocated to administrative expenses. Share-based payments comprise the cost of awards in respect of employee share schemes in accordance with IFRS 2. These costs are explained in Note 5.

4 Staff costs (continued)

The employment costs of key management⁽¹⁾ were as follows:

	Group 2009 £m	Group 2008 £m
Salaries (including short-term employee benefits)	2.9	3.6
Social security costs	0.4	0.4
Post employment benefits	0.3	0.3
Share-based payments	0.1	–
	3.7	4.3

(1) Key management comprises Group Directors and those senior officers of the Group responsible for planning, directing or controlling Group activities.

During the year the Executive Directors realised gains totalling £0.1 million on the vesting of the 2005 Long-Term Incentive Plan (2008: £0.1 million). Details of these gains, share options and other Directors' remuneration are disclosed in the Directors' remuneration report on pages 24 to 29, which form part of these financial statements.

5 Share-based payments

Included within administrative expenses is £0.1 million (2008: £nil) in respect of equity-settled share-based payments.

The Group's employee share schemes are described below and additional detail is disclosed in the Directors' remuneration report on pages 24 to 29. Scheme participants are either Directors of the Company or employees of the Group. The costs associated with the schemes are accounted for in the Company's accounts.

(i) LTIP

Under this scheme participants may receive annual awards in the form of contingent entitlements to Company shares. These entitlements are equity-settled through the purchase of existing shares by the administering Trust. The shares vest three years after award if participants remain with the Group during the vesting period and the Group meets targeted levels of total shareholder return ("TSR") and earnings per share ("EPS") growth. The performance conditions are fully described in the Directors' remuneration report in the section titled Long-Term Incentive Plan.

During the period contingent entitlements to nil shares were awarded (2008: nil). The charge recognised in the income statement in respect of all LTIP awards is £0.1 million (2008: a credit of £0.1 million). The fair values of the awards are determined using a Monte-Carlo simulation model which takes account of the performance conditions described in the preceding paragraph. The fair value per share is based on the expected number of shares that will vest. LTIP shares do not earn dividends during the vesting period. The Group's LTIP is administered by the Equity Trust (Guernsey) Limited which holds Company shares that will be used to satisfy the LTIP award. The Trust's shareholding in 2009 was 23,543 shares (2008: 21,543). These shares are classified as treasury shares in accordance with IAS 32.

Reconciliation of movements in the periods ended 2 May 2009

	LTIP 2007		LTIP 2006		LTIP 2005		Executive LTIP award	
	Number options '000s	Fair value £m	Number options '000s	Fair value £m	Number options '000s	Fair value £m	Number options '000s	Fair value £m
Outstanding at 29 April 2007	101.8	0.3	121.5	0.5	63.2	0.3	40.0	0.3
Forfeited	–	–	–	–	–	–	(40.0)	(0.3)
Vested	–	–	–	–	(22.0)	(0.2)	–	–
Expired	–	–	–	–	(41.2)	(0.1)	–	–
Outstanding at 3 May 2008	101.8	0.3	121.5	0.5	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–
Vested	–	–	(47.1)	(0.2)	–	–	–	–
Expired	–	–	(74.4)	(0.3)	–	–	–	–
Outstanding at 2 May 2009	101.8	0.3	–	–	–	–	–	–
Exercisable at 2 May 2009	–	–	–	–	–	–	–	–
Exercisable at 3 May 2008	–	–	–	–	–	–	–	–

5 Share-based payments (continued)

(i) LTIP (continued)

The valuation assumptions used in the application of the Monte-Carlo and Black-Scholes' models applied to the relevant schemes above are as follows:

Valuation assumptions	LTIP 2007 award	LTIP 2006 award	LTIP 2005 award	Executive LTIP award
Fair value per share	773	693	928	837
Share price at grant (pence)	1,177	926	1,047	960
Exercise price (pence)	1	1	1	1
Expected volatility (%) ⁽¹⁾	23.0	22.2	23.3	–
Vesting period (years)	3	3	3	3
Dividend yield (%)	4.2	5.1	4.2	4.6
Risk free interest rate (%)	4.9	4.2	4.9	4.1
Possibility of ceasing employment before vesting (%)	–	5.0	6.0	–

(1) Expected volatility is based on historical volatility over the three or five year period respectively preceding the date of grant. The risk free interest rate is the yield on zero-coupon UK government bonds at the date of grant of the respective awards over a term consistent with the vesting period.

(ii) Savings Related Share Option Scheme (“SAYE”)

Three and five year SAYE schemes were introduced in 2004. Employees and Executive Directors are invited to subscribe for options over shares in the Company at a 20% discount. The options are exercisable within six months from the third or fifth anniversary of the grant date. The entitlement to share options is equity-settled. Funds for the purchase of Company shares are built up through the contribution of a maximum of £250 per month from salary. During the period options were granted over 732,573 shares in respect of a three year and five year award exercisable between April and October 2012, and April and October 2014 respectively. The 2009 tranche of share options are exercisable at 295 pence per share (2008: 618 pence per share). There are no vesting conditions other than continued employment with the Group until the respective exercise dates. Share options were valued using a Black-Scholes option-pricing model. The fair value per share is based on the expected number of shares that will vest. The cost charged to the income statement in respect of this scheme is £nil (2008: £0.1 million).

Reconciliation of movements in the periods ended 2 May 2009

	SAYE 2009		SAYE 2008		SAYE 2007		SAYE 2006		SAYE 2005	
	3 year Number options '000s	5 year Number options '000s	3 year Number options '000s	5 year Number options '000s	3 year Number options '000s	5 year Number options '000s	3 year Number options '000s	5 year Number options '000s	3 year Number options '000s	5 year Number options '000s
Outstanding at 29 April 2007	–	–	–	–	33.2	39.2	26.0	37.6	62.4	143.0
Granted	–	–	141.2	159.4	–	–	–	–	–	–
Forfeited	–	–	(0.6)	–	(18.3)	(23.8)	(10.9)	(21.0)	(7.3)	(80.0)
Vested	–	–	–	–	–	–	(0.1)	–	(2.0)	–
Outstanding at 3 May 2008	–	–	140.6	159.4	14.9	15.4	15.0	16.6	53.1	63.0
Granted	403.5	329.1	–	–	–	–	–	–	–	–
Forfeited	(5.7)	–	(108.9)	(130.6)	(6.7)	(7.3)	(4.1)	(8.0)	(53.1)	(20.7)
Vested	–	–	–	–	–	–	–	–	–	–
Outstanding at 2 May 2009	397.8	329.1	31.7	28.8	8.2	8.1	10.9	8.6	–	42.3
Exercisable at 2 May 2009	–	–	–	–	–	–	10.9	–	–	–
Exercisable at 3 May 2008	–	–	–	–	–	–	–	–	53.1	–

5 Share-based payments (continued)

(ii) Savings Related Share Option Scheme ("SAYE") (continued)

The valuation assumptions used in the application of the Black-Scholes' models applied to the relevant schemes above are as follows:

Valuation assumptions	SAYE 2009		SAYE 2008		SAYE 2007		SAYE 2006		SAYE 2005	
	3 year	5 year	3 year	5 year	3 year	5 year	3 year	5 year	3 year	5 year
Fair value per share (pence)	95	81	148	132	322	352	256	265	274	295
Share price at grant (pence)	474	474	723	723	1,237	1,237	1,072	1,072	1,126	1,126
Exercise price (pence)	295	295	618	618	1,040	1,040	840	840	901	901
Expected volatility (%) ⁽¹⁾	42.4	35.2	33.6	29.7	19.9	21.6	22.7	22.9	22.7	23.6
Vesting period (years)	3.1	5.1	3.1	5.1	3.1	5.1	3.1	5.1	3.1	5.1
Dividend yield (%)	6.8	6.8	7.2	7.2	3.8	3.8	4.4	4.4	3.9	3.9
Risk free interest rate (%)	2.2	2.6	4.1	4.1	5.5	5.3	4.4	4.3	4.6	4.6
Possibility of ceasing employment before vesting (%)	40	50	40	50	40	50	40	50	40	50

(1) Expected volatility is based on historical volatility over the three or five year period respectively preceding the date of grant. The risk free interest rate is the yield on zero-coupon UK government bonds at the date of grant of the respective awards over a term consistent with the vesting period.

(iii) All Employee Share Ownership Plan ("AESOP")

Under this scheme staff are invited to contribute up to £125 per month from pre-tax salary to purchase Company shares. The Group does not incur a share-based payment charge in respect of this scheme since the Company shares are acquired at market value and are not subject to an accumulation period.

6 Profits/(losses) on property disposals and non-recurring items

	Group 2009 £m	Group 2008 £m
Disclosed in the income statement:		
Profits on property disposals	1.8	7.0
Impairment of property plant and equipment (see Note 12)	(0.9)	–
Post acquisition reorganisation of the acquired businesses	(1.2)	(1.8)
Impairment of investment in Joint venture (see Note 15)	(0.2)	–
Pre-opening costs relating to the new cutting and distribution centre	–	(7.8)
	(0.5)	(2.6)

The post acquisition reorganisation costs of the Storeys, Ben de Graaff and Sleepright businesses are primarily redundancy and other costs arising from the integration of the support functions into Carpetright.

The pre-opening costs relating to the new cutting and distribution centre were the dual running costs incurred in the start-up phase of the new site while the four, now closed, existing centres were also in operation, together with the costs of exiting those four sites.

7 Net finance costs

	Group 2009 £m	Group 2008 £m
Finance costs payable		
Interest on borrowings and overdrafts	5.8	2.5
Interest on obligation under finance leases	0.2	0.3
Interest on pension scheme obligation (Note 24)	1.0	0.8
Other interest payable	0.2	0.1
Less: interest capitalised (Note 12)	–	(0.9)
	7.2	2.8
Finance income receivable		
Interest on cash and cash equivalents	0.5	0.7
Expected return on pension scheme assets (Note 24)	1.0	0.8
Other interest receivable	0.1	–
	1.6	1.5
Net finance costs	5.6	1.3

8 Tax

(i) Analysis of the charge in the period

	Group 2009 £m	Group 2008 £m
UK current tax	3.6	14.9
Overseas current tax	2.1	1.4
Total current tax	5.7	16.3
UK deferred tax	(2.2)	3.8
Overseas deferred tax	1.4	(1.9)
Adjustments in respect of changes in tax rates	–	(1.5)
Total deferred tax	(0.8)	0.4
Total tax charge in the income statement	4.9	16.7

Tax of £0.1 million has been credited to the income statement (2008: £0.9 million credit) in respect of profits/(losses) on property disposals and non-recurring items. The 2008 adjustment of £1.5 million in respect of the change in the UK Corporation Tax rate has been treated as a non-recurring tax credit.

8 Tax (continued)

(ii) Reconciliation of profit before tax to total tax

	Group 2009 £m	Group 2008 £m
Profit before tax	16.7	59.5
Tax charge at UK Corporation Tax rate of 28% (2008: 29.83%)	4.7	17.7
Adjusted for the effects of:		
Overseas tax rates	(0.2)	(0.3)
Recognition of historic overseas tax losses	–	(2.3)
Non-qualifying depreciation	0.7	0.7
Foreign exchange movements on foreign deferred tax	0.3	0.9
Other permanent differences	(0.3)	1.9
Adjustments in respect of changes in tax rates on deferred tax	–	(1.5)
Adjustments in respect of prior periods	(0.3)	(0.4)
Total tax charge in the income statement	4.9	16.7

The weighted average annual effective tax rate for the year is 29.8% (2008: 28.1%). This increase arises primarily from the removal of the prior year credit relating to the restatement of deferred tax following the UK tax rate change from 30% to 28%, and the recognition of historic overseas tax losses as a deferred tax asset, together with the disproportionate effect of permanently disallowable items on the reduced level of profit.

(iii) Tax on items taken directly to or transferred from equity

	Group 2009 £m	Group 2008 £m
Deferred tax on actuarial gains, recognised in the SORIE	0.2	–
Deferred tax on share-based payments	0.1	(0.1)
Total tax recognised in equity	0.3	(0.1)

9 Dividends

	2009		2008	
	Pence per share	£m	Pence per share	£m
Group and Company				
Prior year final dividend paid	30.0	20.2	30.0	20.4
Current year interim dividend paid	4.0	2.6	22.0	14.8
	34.0	22.8	52.0	35.2

The Directors propose a final dividend of 4.0 pence per share amounting to £2.7 million (2008: 30.0 pence per share; £20.2 million) which is not included as a liability in these financial statements. Subject to approval by the shareholders at the Annual General Meeting, the proposed dividend will be paid on 25 September 2009 to shareholders who are on the register of members on 11 September 2009.

This would take the 2009 interim and final dividend payments to 8.0 pence amounting to £5.3 million (2008: 52.0 pence; £35.0 million).

10 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 (Guernsey) Limited (see Note 5) 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.

	2009			2008		
	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	11.8	67.2	17.6	42.8	67.7	63.2
Effect of dilutive share options	0.1	0.4	–	0.1	0.2	–
Diluted earnings per share	11.9	67.6	17.6	42.9	67.9	63.2

Reconciliation of earnings per share excluding post tax profit on property disposals and non-recurring items:

	2009			2008		
	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	11.8	67.2	17.6	42.8	67.7	63.2
Adjusted for the effect of profit on property disposals	(1.8)	–	(2.7)	(7.0)	–	(10.3)
Adjusted for the effect of non-recurring items	2.3	–	3.4	9.6	–	14.1
Tax thereon	(0.1)	–	(0.1)	(0.9)	–	(1.3)
Non-recurring tax benefit from the impact of the decrease in UK Corporation Tax rates on the opening deferred tax provision (Note 8)	–	–	–	(1.5)	–	(2.2)
Underlying earnings per share	12.2	67.2	18.2	43.0	67.7	63.5

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 profit on property disposals and non-recurring items and related tax.

11 Intangible assets

Group

	Goodwill £m	Computer software ⁽ⁱ⁾ £m	Brands £m	Total £m
Cost:				
At 29 April 2007	20.8	20.8	0.1	41.7
Exchange differences	2.1	–	–	2.1
Acquisition of subsidiaries	22.4	–	–	22.4
Additions	–	2.0	–	2.0
Disposals	–	(1.0)	–	(1.0)
At 3 May 2008	45.3	21.8	0.1	67.2
Exchange differences	2.7	–	–	2.7
Acquisition of subsidiaries (Note 32)	7.4	–	–	7.4
Additions	–	2.0	–	2.0
Disposals	–	(0.3)	–	(0.3)
At 2 May 2009	55.4	23.5	0.1	79.0
Accumulated amortisation and impairment:				
At 29 April 2007	0.5	2.2	0.1	2.8
Amortisation	–	2.1	–	2.1
Disposals	–	(0.4)	–	(0.4)
At 3 May 2008	0.5	3.9	0.1	4.5
Amortisation	–	3.5	–	3.5
Disposals	–	(0.2)	–	(0.2)
At 2 May 2009	0.5	7.2	0.1	7.8
Net book value:				
At 2 May 2009	54.9	16.3	–	71.2
At 3 May 2008	44.8	17.9	–	62.7

(i) Computer software relates principally to the external costs of the central SAP systems and in-store systems.

11 Intangible assets (continued)

Company

	Computer software £m	Brands £m	Total £m
Cost:			
At 29 April 2007	20.7	0.1	20.8
Additions	1.5	–	1.5
Disposals	(0.5)	–	(0.5)
At 3 May 2008	21.7	0.1	21.8
Additions	2.0	–	2.0
Disposals	(0.3)	–	(0.3)
At 2 May 2009	23.4	0.1	23.5
Accumulated amortisation and impairment:			
At 29 April 2007	2.2	0.1	2.3
Amortisation	2.1	–	2.1
Disposals	(0.4)	–	(0.4)
At 3 May 2008	3.9	0.1	4.0
Amortisation	3.5	–	3.5
Disposals	(0.2)	–	(0.2)
At 2 May 2009	7.2	0.1	7.3
Net book value:			
At 2 May 2009	16.2	–	16.2
At 3 May 2008	17.8	–	17.8

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

Goodwill comprises purchased goodwill in respect of the Ben de Graaff and Sleepright businesses in the current year, £4.5 million (€5.6 million) and £2.9 million respectively, Carpetworld in March 2008, £6.9 million, Storeys in May 2007, £15.3 million, the Mays business in June 2005, £4.7 million, and The Netherlands and Belgian businesses (valued in Euros) in 2002, £20.1 million. Goodwill is allocated to the cash generating units to which it relates.

Goodwill is impaired if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the value in use. In the absence of a recent market transaction the recoverable amount is determined from value in use calculations. These calculations are based on 10 year profit projections, the same period used by the Group for appraising the potential of business acquisitions, adjusted for non-cash items, planned working capital movements and capital expenditure. The cash flow projections for the initial three year period are based on financial budgets and plans approved by the Board. The key drivers are like-for-like sales growth, gross margin percentage and anticipated cost inflation. Cash flows beyond the plan period are extrapolated at a constant growth rate of 2.5% (2008: 2.5%). The growth rate is in line with long-term growth rates of the countries in which the Group operates. The pre-tax discount rate applied to cash flow projections is 9.6% (2008: 10.8%) and is based on the Group's weighted average cost of capital adjusted to reflect the risks of the businesses acquired. Based on these calculations goodwill is not impaired. An increase of 1% in the discount rate would not change the outcome of these calculations. An increase of 3% in the discount rate would be required before any material impairment of goodwill would be indicated.

12 Property, plant and equipment

Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 29 April 2007	58.9	8.6	20.5	71.2	30.7	189.9
Exchange differences	3.6	0.1	0.1	2.0	2.6	8.4
Additions	10.8	2.5	0.7	25.4	8.1	47.5
Interest capitalised (Note 7)	0.2	–	–	0.7	–	0.9
Acquisition of subsidiaries (Note 32)	10.8	6.1	0.5	1.1	0.6	19.1
Disposals	(12.4)	–	(1.0)	(7.1)	(2.1)	(22.6)
At 3 May 2008	71.9	17.3	20.8	93.3	39.9	243.2
Exchange differences	4.6	–	0.2	1.5	3.4	9.7
Additions	3.7	–	0.2	8.1	2.5	14.5
Acquisition of subsidiaries (Note 32)	–	–	–	0.4	–	0.4
Transfer to investment property	(3.1)	–	–	–	–	(3.1)
Disposals	–	–	(0.9)	(10.6)	(2.1)	(13.6)
At 2 May 2009	77.1	17.3	20.3	92.7	43.7	251.1
Accumulated depreciation and impairment:						
At 29 April 2007	3.0	1.3	6.4	35.5	19.9	66.1
Exchange differences	0.2	–	–	1.2	1.8	3.2
Depreciation	1.2	0.2	1.2	8.0	4.1	14.7
Disposals	(0.4)	–	(0.4)	(4.1)	(1.7)	(6.6)
At 3 May 2008	4.0	1.5	7.2	40.6	24.1	77.4
Exchange differences	0.4	0.1	0.1	1.2	2.2	4.0
Impairment	–	–	0.1	0.8	–	0.9
Depreciation	1.2	0.5	1.3	8.6	4.8	16.4
Transfer to investment property	(0.2)	–	–	–	–	(0.2)
Disposals	–	–	(0.4)	(9.9)	(1.8)	(12.1)
At 2 May 2009	5.4	2.1	8.3	41.3	29.3	86.4
Net book value:						
At 2 May 2009	71.7	15.2	12.0	51.4	14.4	164.7
At 3 May 2008	67.9	15.8	13.6	52.7	15.8	165.8

Capitalised interest

Interest capitalised during the year amounted to £nil. Interest capitalised in the prior year amounted to £0.9 million using an average rate of 6.1%.

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

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cost	6.4	7.1	6.4	7.1
Accumulated depreciation and impairment	(4.0)	(3.3)	(4.0)	(3.3)
Net book value	2.4	3.8	2.4	3.8

Included in assets held under finance leases are plant and machinery with a net book value of £1.2 million (2008: £1.9 million) and buildings with a net book value of £1.2 million (2008: £1.9 million).

12 Property, plant and equipment (continued)

Company

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold buildings £m	Fixtures and fittings £m	Plant and machinery £m	Total £m
Cost:						
At 29 April 2007	33.7	8.3	20.4	62.2	12.8	137.4
Exchange differences	–	0.1	0.2	0.5	–	0.8
Additions	5.1	2.4	0.6	24.3	6.6	39.0
Interest capitalised (Note 7)	0.2	–	–	0.7	–	0.9
Transfer from subsidiary	4.4	–	0.5	1.0	0.6	6.5
Disposals	(12.4)	–	(1.0)	(7.1)	(1.9)	(22.4)
At 3 May 2008	31.0	10.8	20.7	81.6	18.1	162.2
Exchange differences	–	–	0.2	0.3	0.2	0.7
Additions	1.0	–	0.2	7.1	1.3	9.6
Transfer (to)/from subsidiaries	(1.5)	–	–	0.6	–	(0.9)
Disposals	–	–	(0.9)	(10.4)	(2.1)	(13.4)
At 2 May 2009	30.5	10.8	20.2	79.2	17.5	158.2
Accumulated depreciation and impairment:						
At 29 April 2007	1.0	1.4	6.4	28.9	7.6	45.3
Exchange differences	–	–	–	0.2	–	0.2
Depreciation	0.4	0.1	1.3	7.2	2.5	11.5
Disposals	(0.4)	–	(0.4)	(4.1)	(1.5)	(6.4)
At 3 May 2008	1.0	1.5	7.3	32.2	8.6	50.6
Exchange differences	–	–	0.1	0.2	–	0.3
Impairment	–	–	0.1	0.8	–	0.9
Depreciation	0.2	0.2	1.2	8.4	2.6	12.6
Disposals	–	–	(0.4)	(9.8)	(1.8)	(12.0)
At 2 May 2009	1.2	1.7	8.3	31.8	9.4	52.4
Net book value:						
At 2 May 2009	29.3	9.1	11.9	47.4	8.1	105.8
At 3 May 2008	30.0	9.3	13.4	49.4	9.5	111.6

The impairment of property, plant and equipment relates to eight loss making stores in the UK and Rol.

13 Investment property

While investment property has not been independently valued the Directors believe that the value of such properties for the Group and Company are not significantly different to book value (2008: approximately £27 million and £9 million respectively). Operating expenses attributable to investment properties are incurred directly by tenants under tenant-repairing leases.

	Group £m	Company £m
Cost:		
At 29 April 2007	20.3	7.9
Exchange differences	1.9	–
At 3 May 2008	22.2	7.9
Exchange differences	2.0	–
Transfer from property, plant and equipment	3.1	–
At 2 May 2009	27.3	7.9
Accumulated depreciation and impairment:		
At 29 April 2007	0.8	0.3
Exchange differences	0.2	–
Depreciation	0.2	–
At 3 May 2008	1.2	0.3
Exchange differences	0.1	–
Transfer from property, plant and equipment	0.2	–
Depreciation	0.5	0.1
At 2 May 2009	2.0	0.4
Net book value:		
At 2 May 2009	25.3	7.5
At 3 May 2008	21.0	7.6

14 Investment in subsidiary undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group. All of the Group's subsidiary undertakings are included in the consolidated accounts.

	Country of incorporation and operation	Principal activity	Percentage of Ordinary shares held directly	Percentage of Ordinary shares held indirectly
Carpentright of London Limited	Great Britain	Holding	100%	
Melford Commercial Properties Limited	Great Britain	Property	100%	
Carpetland NV	Belgium	Retail		100%
Infradis Real Estate NV	Belgium	Property		100%
Carpetland BV	The Netherlands	Retail		100%
Fontainebleau Vastgoed BV	The Netherlands	Property		100%
Carpentright Poland Sp. Z.o.o.	Poland	Retail	100%	

Company

	2009 £m	2008 £m
Cost:		
At the beginning of the period	40.1	10.8
Exchange differences	0.4	0.1
Acquisition of shares in subsidiaries (Note 32)	0.7	29.2
Transfer to subsidiary undertaking	(2.1)	–
At the end of the period	39.1	40.1

During the period the Company subscribed £nil (2008: £2.1 million) for additional share capital in Carpentright Poland Sp. Z.o.o.

15 Investment in joint ventures

At 3 May 2008 the Group had invested £0.2 million in a joint venture with a German partner. The first trading outlet opened in April 2008 and closed in March 2009. The final result of the winding up of the joint venture is awaited. A small recovery is anticipated and the investment has been fully impaired.

The investment in the joint ventures is:

	Country of incorporation and operation	Principal activity	Proportion of ownership interest	Proportion of voting power held
Carpri Handels GmbH	Germany	Retail	50%	50%

Company

	2009 £m	2008 £m
Cost:		
At the beginning of the period	0.2	–
Additions:		
Acquisition of shares in joint ventures	–	0.2
Impairment	(0.2)	–
At the end of the period	–	0.2

16 Inventories

Group and Company inventories are held in the form of finished goods for resale. The write down of stock values to net realisable value during the current and comparative periods are immaterial.

17 Trade and other receivables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Non-current				
Receivables from subsidiaries	–	–	60.4	48.7
Prepayments and accrued income	1.3	1.3	1.3	1.3
	1.3	1.3	61.7	50.0
Current				
Trade receivables	5.6	5.0	4.2	4.6
Less: provision for impairment	(0.8)	(0.6)	(0.6)	(0.5)
	4.8	4.4	3.6	4.1
Other receivables	5.4	3.8	4.7	2.9
Prepayments and accrued income	24.2	24.6	17.9	17.3
	34.4	32.8	26.2	24.3
Total trade and other receivables	35.7	34.1	87.9	74.3

The Directors consider that the carrying amount of trade and other receivables approximate their fair value.

Provision for impairment

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
At the beginning of the period	0.6	0.6	0.5	0.5
Receivables written off against the provision in the period	(0.7)	(0.5)	(0.7)	(0.5)
Increase in the provision in the period	0.9	0.5	0.8	0.5
	0.8	0.6	0.6	0.5

17 Trade and other receivables (continued)

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

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Major insurance companies	0.1	0.6	0.1	0.6
Property rent debtors	1.8	1.1	1.8	1.1
Other debtors	3.4	1.7	2.7	1.1
Retail customers	4.9	4.8	3.7	4.2
Trade and other receivables	10.2	8.2	8.3	7.0

Balances from retail customers are considered to have little credit risk as they are primarily settled by cash or major credit card and must be settled prior to the goods being collected from/delivered by the store.

The age profile of balances other than those with retail customers is set out below:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Neither past due nor impaired	3.5	2.8	3.5	2.2
30 to 60 days	1.0	0.1	1.0	0.1
60 to 90 days	–	0.1	–	0.1
Over 90 days	0.8	0.4	0.1	0.4
Trade and other receivables	5.3	3.4	4.6	2.8

18 Cash and cash equivalents

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash at bank and in hand	17.4	6.3	10.5	0.6
Overnight deposits	–	2.6	–	2.6
Cash and cash equivalents on the balance sheets	17.4	8.9	10.5	3.2
Bank overdrafts (Note 21)	(4.4)	(11.1)	–	(8.5)
Cash and cash equivalents in the cash flow statements	13.0	(2.2)	10.5	(5.3)

19 Trade and other payables

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current				
Trade payables	60.4	55.6	49.0	45.6
Other taxes and social security	9.1	18.2	8.1	14.4
Accruals and deferred income	41.3	50.0	31.5	42.4
	110.8	123.8	88.6	102.4
Non-current				
Accruals and deferred income	31.5	28.3	31.5	28.3
Payable to subsidiaries	–	–	4.1	–
	31.5	28.3	35.6	28.3
Total trade and other payables	142.3	152.1	124.2	130.7

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is included in the Directors' report. The Directors consider that the carrying amount of trade and other payables approximates their fair value.

20 Obligation under finance leases

	Minimum lease payments				Present value of minimum lease payments			
	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m	Group 2009 £m	Company 2009 £m	Group 2008 £m	Company 2008 £m*
Amounts payable within one year	1.2	1.1	1.1	1.1	0.9	0.9	0.8	0.8
Amounts payable between one and five years	1.2	1.0	2.1	1.8	0.4	0.4	1.2	1.2
Amounts payable after five years	6.3	2.5	6.6	2.7	2.6	1.6	2.7	1.7
	8.7	4.6	9.8	5.6	3.9	2.9	4.7	3.7
Less: future finance charges	(4.8)	(1.7)	(5.1)	(1.9)				
Present value of obligations under finance leases	3.9	2.9	4.7	3.7				
Current	0.9	0.9	0.8	0.8				
Non-current	3.0	2.0	3.9	2.9				

It is the Group's policy to lease certain properties and vehicles under finance leases. The average lease term is 21 years and two years (2008: 22 years and two years) for properties and vehicles respectively. Minimum lease payments are discounted at the rate inherent in the leases. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Borrowings and overdrafts

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Current				
Unsecured overdraft	4.4	11.1	–	8.5
Borrowings:				
Secured	12.7	3.6	5.5	–
Unsecured	–	7.7	–	3.0
Borrowings and overdrafts	17.1	22.4	5.5	11.5
Non-current				
Borrowings:				
Secured	88.5	38.4	88.5	35.1
Unsecured	2.7	0.9	–	–
Borrowings	91.2	39.3	88.5	35.1
	108.3	61.7	94.0	46.6

Secured borrowings are denominated in Sterling and Euros and are secured on certain of the Group's freehold properties.

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

	Group 2009 %	Group 2008 %	Company 2009 %	Company 2008 %
Overdrafts	3.3	5.6	3.3	5.6
Borrowings	4.7	5.9	4.9	6.3

The maturity profile of borrowings and overdrafts are as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Amounts payable within one year	17.1	22.4	5.5	11.5
Amounts payable between one and two years	9.0	4.5	9.0	3.1
Amounts payable between two and five years	82.2	33.4	79.5	32.0
Amounts payable after five years	–	1.4	–	–
	108.3	61.7	94.0	46.6

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

22 Provisions for liabilities and charges

Group and Company

	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m
At the beginning of the period	0.8	0.6	1.4
Acquisition of subsidiaries	0.4	–	0.4
Utilised during the period	(0.6)	(0.4)	(1.0)
At the end of the period	0.6	0.2	0.8

Onerous lease provisions are expected to be used over periods of up to 10 years. Reorganisation provisions are expected to be used within the 2009/10 financial year.

23 Deferred tax assets and liabilities

	Note	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Recognised in the income statement:					
Accelerated capital allowances		9.4	7.6	5.7	6.0
Fair value of acquired property, plant and equipment		3.2	4.1	–	–
Rollover relief		14.5	14.9	13.8	14.9
Short-term temporary differences		(0.1)	0.1	(0.5)	(0.5)
Tax losses		(0.9)	(0.2)	(0.6)	–
Recognised in equity:					
Share-based payments		(0.1)	–	(0.1)	–
Retirement benefit obligation	24(f)(a)(6)	(0.7)	(0.5)	(0.7)	(0.5)
Acquisition of subsidiaries:					
Fair value of acquired property, plant and equipment		1.4	1.4	0.7	0.7
Rollover relief		1.2	1.4	–	–
Short-term temporary differences		–	0.1	–	–
Gross deferred tax liabilities		27.9	28.9	18.3	20.6
Recognised in the income statement:					
Tax losses		3.3	3.2	–	–
Gross deferred tax assets		3.3	3.2	–	–
Net deferred tax liabilities		24.6	25.7	18.3	20.6

23 Deferred tax assets and liabilities (continued)

The gross movement on the deferred tax account is as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
At the beginning of the period	25.7	22.3	20.6	17.6
Acquisition of subsidiaries	–	2.9	–	0.7
Charged to income statement (Note 8)	(0.8)	0.4	(0.2)	2.3
Charged directly to equity	(0.3)	0.1	(0.1)	–
At the end of the period	24.6	25.7	18.3	20.6

At the reporting date, the Group had unused tax losses of £10.1 million (2008: £8.7 million) which can be carried forward indefinitely and are available for offset against future profits. A deferred tax asset of £3.3 million (2008: £3.2 million) has been recognised in respect of these losses.

Deferred tax assets of £1.9 million (2008: £1.1 million) were available for offset against deferred tax liabilities of £29.8 million (2008: £30.0 million) and hence net deferred tax liabilities at 2 May 2009 are £27.9 million (2008: £28.9 million).

24 Retirement benefit obligations

The Group operates a variety of pension schemes, principally in the UK, The Netherlands and Belgium. They comprise defined benefit schemes where benefits are based on employees' length of service and average final salary, and defined contribution schemes where the employer company pays a set contribution to the scheme. The UK defined benefit schemes referred to in 24 (i) (a) and the first two defined contribution schemes referred to in 24 (ii) are accounted for by the Company.

(i) Defined benefit schemes

(a) UK defined benefit schemes

The Company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay for its employees and has assumed the liability for the scheme previously operated by Storeys Carpets Ltd (Storeys). The Company scheme was closed to new members on 31 March 2006. The assets of the schemes are held separately from those of the Company, those of the Company scheme being invested in a Managed Fund operated by SEI. Contributions are determined by a qualified actuary using the projected unit method. The most recent actuarial review was at 6 April 2005 when the actuarial value of the assets represented 91% of the benefits accrued to members after allowing for expected future increases in earnings. The Storeys scheme is also closed to new members and the assets of the scheme are held separately from those of the Company in independently managed funds. The most recent actuarial review of the Storeys scheme was at 1 March 2005. The Storeys scheme has no active members. The numbers set out below are the aggregate of the two schemes.

The assets and liabilities of the schemes were valued on an IAS 19 basis at 2 May 2009 by a qualified actuary.

1) Key assumptions used:

	2009 %	2008 %
Expected rate of salary increases	3.7	4.3
Expected rate of pension increases	2.9	3.5
Discount rate	6.8	6.5
Expected rate of inflation	2.9	3.5
Expected return on scheme assets	6.7	6.9

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The assumptions used for future life expectancy of members of the scheme are derived from industry dates and standard tables. Specifically the S1NMA table (2008: PMA 92 table) with medium cohort improvement has been used for male pensioners and the S1NFA table (2008: PFA 92 table) with medium cohort improvement for female pensioners projected by year of birth.

The most significant assumptions are the expected return on scheme assets, salary increases and the discount rate, of which the most sensitive assumption is the discount rate. If this assumption increased or decreased by 0.1% the defined benefit obligation would change by £0.2 million (2008: £0.2 million).

24 Retirement benefit obligations (continued)

2) The amount included in the balance sheet arising from the Group and Company's obligation in respect of the defined benefit scheme is as follows:

	2009 £m	2008 £m
Present value of pension scheme obligation	14.7	16.1
Fair value of pension scheme assets	(12.3)	(14.8)
Retirement benefit obligation recognised in the balance sheet	2.4	1.3

3) The amounts recognised in the income statement in respect of the defined benefit pension scheme are as follows:

	2009 £m	2008 £m
Current service cost recognised in administrative expenses (Note 4)	0.5	0.5
Interest cost on pension scheme obligation recognised in interest payable (Note 7)	1.0	0.8
Expected return on pension scheme assets recognised in interest receivable (Note 7)	(1.0)	(0.8)
Total recognised in the income statement	0.5	0.5

4) Reconciliation of movement in net pension deficit:

	2009 £m	2008 £m
Opening balance	(1.3)	(1.8)
Total recognised in the income statement	(0.5)	(0.5)
Less contributions	0.5	0.5
Actuarial gain/(loss) recognised in equity	(1.1)	0.5
Closing balance	(2.4)	(1.3)

5) The amounts recognised directly in equity in respect of the defined benefit pension scheme are as follows:

	2009 £m	2008 £m
Actuarial loss on plan assets	(3.7)	(1.5)
Experience adjustment on liabilities	(0.8)	(0.2)
Change in assumptions underlying present value of liabilities	3.4	2.2
Total	(1.1)	0.5
Cumulative total	–	1.1

6) Movements in the pension scheme obligation are as follows:

	2009 £m	2008 £m
Opening balance	16.1	10.3
Acquisition of subsidiary	–	6.5
Current service cost	0.5	0.5
Interest on pension scheme obligation	1.0	0.8
Actuarial gain recognised in equity	(2.6)	(2.0)
Benefits paid	(0.4)	(0.1)
Employee contributions	0.1	0.1
Closing balance	14.7	16.1

24 Retirement benefit obligations (continued)

7) Movements in the fair value of the pension scheme assets are as follows:

	2009 £m	2008 £m
Opening balance	14.8	8.5
Acquisition of subsidiary	–	6.5
Expected return on pension scheme assets	1.0	0.8
Actuarial loss recognised in equity	(3.7)	(1.5)
Actual return on assets	(2.7)	(0.7)
Employer contributions	0.5	0.5
Employee contributions	0.1	0.1
Benefits paid	(0.4)	(0.1)
Closing balance	12.3	14.8

8) The assets in the pension scheme and the expected rates of return are:

	2009			2008			2007		
	Long-term expected rate of return %	£m	Category of of asset as a proportion of total %	Long-term expected rate of return %	£m	Category of of asset as a proportion of total %	Long-term expected rate of return %	£m	Category of of asset as a proportion of total %
Equities	7.1	7.0	56.9	7.5	8.6	58.1	7.5	6.4	75.3
Bonds	5.5	2.1	17.1	5.5	2.5	16.9	5.4	2.1	24.7
Cash	0.5	0.1	0.8	5.0	0.1	0.7	3.0	–	–
Annuities	6.8	3.1	25.2	6.5	3.6	24.3	–	–	–
Fair value of pension scheme assets		12.3	100.0		14.8	100.0		8.5	100.0
Present value of pension scheme obligations		(14.7)			(16.1)			(10.3)	
Retirement benefit obligation		(2.4)			(1.3)			(1.8)	
Related deferred tax asset		0.7			0.5			0.5	
		(1.7)			(0.9)			(1.3)	

The long-term return on equities is assumed to be 4.0% in excess of inflation (2008: 4.0%). The rate of return on bonds is assumed to be in line with the yield on AA-rated corporate bonds. The long-term return on cash is assumed to be in line with inflation.

9) History of experience gains and losses:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of scheme assets	12.3	14.8	8.5	8.2	6.0
Present value of defined benefit obligations	(14.7)	(16.1)	(10.3)	(9.7)	(8.4)
Liability recognised in the balance sheet	(2.4)	(1.3)	(1.8)	(1.5)	(2.4)
Experience adjustments on pension scheme obligation	(0.8)	(0.2)	(0.1)	0.4	(0.3)
Percentage of pension scheme obligation (%)	(5.4)	(1.2)	(1.0)	4.1	(3.6)
Experience adjustments on pension scheme assets	(3.7)	(1.5)	(0.4)	1.3	(0.1)
Percentage of pension scheme assets (%)	(30.1)	(10.1)	(4.7)	15.9	(1.7)

Contributions of £0.6 million are expected to be paid into these pension schemes during 2009/10.

24 Retirement benefit obligations (continued)

(b) Multi-employer scheme

The Group's Dutch subsidiary participates in a multi-employer run industry pension scheme which has arrangements similar to those of a defined benefit scheme. It is not possible to identify the Group's share of the underlying assets and liabilities of the scheme, and therefore in accordance with IAS 19, the Group has taken the exemption for multi-employer pension schemes not to disclose pension scheme assets and liabilities. Accordingly, although this scheme is a defined benefit scheme it is treated as a defined contribution scheme recognising the contributions payable in each period in the income statement. Under the terms of the scheme the scheme deficit is recovered through increased contributions from participating members. At the period end the Group was unable to obtain a valuation of the industry scheme's full surplus or deficit. Contributions charged to the income statement amounted to £1.1 million (2008: £0.7 million).

(ii) Defined contribution schemes

With effect from 31 March 2006 the Company closed a defined contribution pension scheme to further contributions. Contributions made up until that date by employees were matched by the Company to an upper limit. The assets of the pension scheme are held separately from those of the Company and are invested by the National Provident Institution. No Company contributions were made to this scheme in the current or previous period.

The Company launched a Group Personal Pension Plan ("GPP Plan") in April 2006. Contributions made by employees are matched by the Company to an upper limit. The assets of the scheme are held separately from those of the Company and are invested by Scottish Life. Contributions for the period amounted to £0.8 million (2008: £0.8 million).

In addition, the Group operates defined contribution pension schemes for subsidiary companies in Belgium and The Netherlands. The Group makes contributions into the schemes, the assets of which are held separately from those of the Group and are invested by local insurance companies. The contributions by the Group into individual company schemes for the period were a net charge of £nil (2008: £nil) and contributions to industry collective schemes were £0.1 million (2008: £0.1 million).

25 Financial instruments

(i) Financial risk management objectives and policies

Risk management

The Group's principal financial instruments comprise derivatives, borrowings and overdrafts, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments which arise directly from the Group's operations include trade receivables and payables.

Exposure to credit, liquidity, foreign currency exchange and interest rate risks arise in the normal course of the Group's business operations and each of these risks are managed in accordance with the Group's treasury risk management strategy, which is also discussed in the Business Review in the section Management of Liquidity and Financing.

(a) Credit risk

The Group does not have significant concentrations of credit risk as exposure is spread over a number of counterparties and customers.

The Group is exposed to a small amount of credit risk that is primarily attributable to its trade and other receivables, the majority of which relates to retail customers (see Note 17). Retail customers are required to settle outstanding balances in cash or using a major credit card prior to goods being collected from/delivered by the store.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with a minimum AA credit rating. The maximum amount of credit risk is represented by the carrying amounts of financial assets.

25 Financial instruments (continued)

(b) Liquidity risk

The Group finances its operations from a mix of retained profits and bank borrowings achieved through term loans, revolving credit agreements and overdraft facilities. Daily cash balances are forecast and surplus cash is placed on treasury deposit with the Group's bankers at commercial rates. All counterparties have an investment graded rating.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest

	Less than one year £m	Between one and two years £m	Between two and five years £m	Over five years £m	Total £m
Group					
At 2 May 2009					
Interest bearing loans and borrowings	18.5	9.9	82.2	–	110.6
Finance leases	0.9	0.2	0.2	2.6	3.9
Trade and other payables	94.4	–	–	–	94.4
	113.8	10.1	82.4	2.6	208.9
At 3 May 2008					
Interest bearing loans and borrowings	22.4	4.5	33.4	1.4	61.7
Finance leases	0.8	0.9	0.3	2.7	4.7
Trade and other payables	99.4	–	–	–	99.4
	122.6	5.4	33.7	4.1	165.8
Company					
At 2 May 2009					
Interest bearing loans and borrowings	6.9	9.9	79.5	–	96.3
Finance leases	0.9	0.2	0.2	1.6	2.9
Trade and other payables	79.6	–	–	–	79.6
	87.4	10.1	79.7	1.6	178.8
At 3 May 2008					
Interest bearing loans and borrowings	11.5	3.1	32.0	–	46.6
Finance leases	0.8	0.9	0.3	1.7	3.7
Trade and other payables	84.1	–	–	–	84.1
	96.4	4.0	32.3	1.7	134.4

Committed overdraft facilities are renewable annually and amounts undrawn were £10.0m and €8.7 million (2008: £26.5 million and €10.6 million). During the year the Company completed a refinancing with the principal bankers which provides committed facilities to July 2012. These facilities comprise a £33.0 million term loan, a €23.5 million term loan and a £45.0 million revolving credit facility. There are a number of covenants which commit the Group to maintaining certain rates of fixed charge cover, leverage and cash flow cover. The company is and is expected to remain in compliance with these covenants. The revolving credit facility had an undrawn amount of £5.0 million (2008: £5.0 million).

The Group are in the process of renegotiating financing agreements with its other bankers to align the covenant requirements with those of the principal bankers.

25 Financial instruments (continued)

(c) Foreign exchange risk

Outside the UK the Group operates in the Republic of Ireland, The Netherlands, Belgium and Poland. Revenues and expenses of these operations are denominated in Euros or Zlotys. The Group's investment in Poland is currently not sufficiently material to require the risk to be hedged. The Group mitigates currency risk in respect of the net investment in European operations by designating Euro denominated borrowings as hedging instruments of Euro denominated investments in foreign operations.

If the closing Sterling-Euro rate had been 0.01 points lower in the period the exchange difference reported in the statement of recognised income and expense (SORIE) would have been £0.4 million higher (2008: £0.2 million lower). At 2 May 2009 if Sterling had weakened/strengthened by 10% against the Euro profit after tax for the year would have been £0.2 million higher/lower as a result of the translation of the Euro denominated businesses.

If the closing Sterling-Zloty rate had been 0.2 points lower in the period the exchange difference reported in the SORIE would have been £0.1 million lower (2008: £0.2 million).

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

	Euro 2009	Euro 2008	Zloty 2009	Zloty 2008
Average rate	1.19	1.40	4.53	5.25
Closing rate	1.12	1.28	4.89	4.42

(d) Interest rate risk

The Group has various borrowings bearing interest at a margin over LIBOR or EURIBOR rates. Group policy is to manage interest rate risk by purchasing interest rate swap agreements to hedge at least 75% of term loans. The remaining 25% is liable to interest at prevailing interest rates.

In accordance with IFRS 7, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of hedging instruments in place at 2 May 2009 and 3 May 2008 respectively. Consequently analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move;
- gains or losses are recognised in equity or the income statement in line with the accounting policies set out in Note 1;
- cash flow hedges were effective.

Based on the Group's net debt position at the year end a 1% change in interest rates would affect the Group's profit before tax by approximately £0.4 million (2008: £0.1 million).

The interest rate profile of the financial assets and liabilities of the Group, after the impact of interest rate swaps is as follows:

	2009					2008				
	Weighted average effective interest rate %	Floating rate £m	Fixed rate £m	Interest free £m	Total £m	Weighted average effective interest rate %	Floating rate £m	Fixed rate £m	Interest free £m	Total £m
Sterling	3.1	10.6	–	8.3	18.9	–	–	–	8.1	8.1
Euro	0.5	6.3	–	1.9	8.2	0.5	8.6	–	4.5	13.1
Zloty	–	0.5	–	–	0.5	–	0.2	–	–	0.2
Total financial assets		17.4	–	10.2	27.6		8.8	–	12.6	21.4
Sterling	2.7	22.9	56.2	75.6	154.7	1.4	31.4	4.7	86.8	122.9
Euro	3.5	18.6	16.8	17.9	53.3	3.2	11.1	19.2	12.1	42.4
Zloty	–	–	–	0.9	0.9	–	–	–	0.5	0.5
Total financial liabilities		41.5	73.0	94.4	208.9		42.5	23.9	99.4	165.8

Capital management

The Group aims to maximise shareholder value by maintaining an appropriate debt/equity capital structure. It uses a number of mechanisms to manage debt equity levels, as appropriate, in the light of economic and trading conditions and the future capital investment requirements of the business.

25 Financial instruments (continued)

(ii) Fair value of financial assets and liabilities

Financial assets and liabilities are classified in accordance with IAS 39. Financial instruments have not been reclassified or derecognised in the period. There are no financial assets which have been pledged or held as collateral. None of the Group's loans are impaired. In addition the Group does not have any financial assets or liabilities measured at fair value through the income statement other than derivatives. There are no available-for-sale financial assets.

The fair values of financial assets and liabilities, together with their carrying amounts are:

	Group 2009		Group 2008		Company 2009		Company 2008	
	Nominal value £m	Carrying and fair value £m	Nominal value £m	Carrying and fair value £m	Nominal value £m	Carrying and fair value £m	Nominal value £m	Carrying and fair value £m
At cost:								
Cash and cash equivalents	–	17.4	–	8.9	–	10.5	–	3.2
Loans and receivables at amortised cost:								
Trade and other receivables	–	10.2	–	12.5	–	68.7	–	56.4
Derivative financial instruments used for hedging:								
Interest rate swaps	–	–	19.1	–	–	–	19.1	–
Total financial assets	–	27.6	19.1	21.4	–	79.2	19.1	59.6
Financial liabilities at amortised cost:								
Borrowings and overdrafts	–	(108.3)	–	(61.7)	–	(94.0)	–	(46.6)
Finance lease obligations	–	(3.9)	–	(4.7)	–	(2.9)	–	(3.7)
Derivative financial instruments used for hedging:								
Interest rate swaps	66.8	(2.3)	–	–	66.8	(2.3)	–	–
Financial liabilities at cost:								
Trade and other payables	–	(94.4)	–	(99.4)	–	(79.6)	–	(84.1)
Total financial liabilities	66.8	(208.9)	–	(165.8)	66.8	(178.8)	–	(134.4)
Net financial liabilities	66.8	(181.3)	19.1	(144.4)	66.8	(99.6)	19.1	(74.8)

Determination of fair values

The fair values of derivatives are estimated using future cash flows discounted at risk-adjusted discount rates based on market yield curves. The carrying values of all other financial assets and liabilities are deemed to reflect fair value.

(iii) Derivative financial instruments

The Group has various Euro and Sterling-denominated borrowings which bear interest at floating rates. Interest on the Sterling borrowing is charged at LIBOR plus a margin. The Euro-denominated borrowings bear interest at the prevailing EURIBOR rate plus a margin. Interest rate swaps were purchased to fix approximately 65% of the floating interest charges due within the next three years at fixed rates of interest ranging from 3.21% to 5.25% (2008: 3.19% to 4.55%). The maturity profiles of the interest rate swaps match that of the underlying hedged borrowings.

Derivative financial instruments are not purchased for speculative purposes.

	2009		2008	
	Group £m	Company £m	Group £m	Company £m
Non-current assets				
Interest rate swaps – cash flow hedges	–	–	–	–
Non-current liabilities				
Interest rate swaps – cash flow hedges	(2.3)	(2.3)	–	–

25 Financial instruments (continued)

(iv) Hedge accounting

(a) Cash flow hedges

Interest rate swaps denominated in Euros and Sterling have been executed to hedge the Group's exposure to changes in floating interest rates in respect of approximately 65% of the Group's permanent borrowings. Hedge documentation is put in place at inception of all hedging relationships. Effectiveness tests are performed at each reporting date.

Interest rate swaps are measured at fair value under IAS 39. Changes in fair value are posted to equity in respect of the portion of the hedges which satisfy the criteria to be effective hedges. Charges or credits relating to the portion which does not satisfy these criteria are recognised directly in the income statement.

Cash flows in respect of the interest rate swaps are generally expected to occur at the same dates as the cash flows of the underlying hedged items.

(b) Net investment hedges

Euro-denominated borrowings are designated as hedging instruments of Euro-denominated net assets of the Group's foreign operations in order to protect the Group from currency risk in respect of the Group's Euro-denominated foreign operations. Borrowing balances are carried at amortised cost which approximates fair value since borrowings bear interest at the prevailing floating rate. The carrying value of borrowings amounted to €23.5 million (2008: €13.2 million).

26 Share capital

Ordinary shares of one penny each	2009 £	2008 £
Authorised – 100,000,000 (2008: 100,000,000)	1,000,000	1,000,000

	Number of allotted, called up and fully paid Ordinary shares Millions	Share capital £m	Share premium £m	Treasury shares £m	Total £m
Group and Company					
At 29 April 2007	67.9	0.7	14.8	(0.5)	15.0
Purchase and cancellation of own shares	(0.7)	–	–	–	–
Issue of Ordinary shares on acquisition of Storey Carpets Ltd	–	–	0.5	–	0.5
Issue of Ordinary share capital to satisfy share option scheme exercises	–	–	0.1	–	0.1
Transfer of Treasury shares to participants	–	–	–	0.3	0.3
At 3 May 2008	67.2	0.7	15.4	(0.2)	15.9
Transfer of Treasury shares to participants	–	–	–	0.3	0.3
Purchase of own shares by employee share trust	–	–	–	(0.2)	(0.2)
At 2 May 2009	67.2	0.7	15.4	(0.1)	16.0

The Group's LTIP Trust was established to grant Executive Directors the contingent right to shares. Such grants are made on recommendation by the Group's Remuneration Committee. As required by IAS 32 grants of such shares are classified as Treasury shares and accordingly are deducted from total equity attributable to equity holders of the parent. These shares are held at historical cost until they are used to satisfy the LTIP awards. They are disclosed within the Treasury share reserve. The assets, liabilities, income and costs of the LTIP and Trust are included in both the Company and the consolidated financial statements. During the period the Trust purchased 49,064 Ordinary shares for £0.2 million. At the year end the Trust held 23,543 (2008: 21,543) Ordinary shares of one penny each with a market value of £0.1 million (2008: £0.2 million).

The Group also operates a share option scheme under which shares are issued to satisfy share option awards that are exercised.

During 2007/8 the Group purchased 750,000 Ordinary shares of one penny each for a total amount of £6.5 million. These shares were cancelled.

27 Other reserves

Non-distributable reserves

(i) Treasury shares

Treasury shares represent a reserve which comprises the cost of Company shares purchased in the market to satisfy the Group's LTIP awards.

(ii) Capital redemption reserve

The par value of cancelled shares is transferred to the capital redemption reserve to comply with capital maintenance provisions.

(iii) Translation reserve

The translation reserve includes cumulative net exchange differences on translation into Sterling of balances and transactions denominated in currencies other than Sterling.

(iv) Hedging reserve

Post-tax fair value movements relating to effective hedging instruments are recognised in the hedging reserve.

Distributable reserves

(i) Retained earnings

This reserve comprises cumulative results from the income statement, and cumulative movements recognised directly in equity that are not already recognised in another reserve account.

Group

	Note	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 29 April 2007		0.1	0.3	0.2	52.4	53.0
Actuarial gain on defined benefit pension scheme	24(i)(a)(5)	–	–	–	0.5	0.5
Exchange difference in respect of hedged equity investments		–	4.4	–	–	4.4
Tax on items taken directly to or transferred from equity	8(iii)	–	–	–	(0.1)	(0.1)
Fair value losses in respect of cash flow hedges		–	–	(0.2)	–	(0.2)
Profit for the financial period		–	–	–	42.8	42.8
Total recognised income and expense for the financial period		–	4.4	(0.2)	43.2	47.4
Transfer of Treasury shares to participants		–	–	–	(0.3)	(0.3)
Purchase of own shares for cancellation		–	–	–	(6.5)	(6.5)
Dividend paid to Company shareholders	9	–	–	–	(35.2)	(35.2)
At 3 May 2008		0.1	4.7	–	53.6	58.4
Actuarial gain on defined benefit pension scheme	24(i)(a)(5)	–	–	–	(1.1)	(1.1)
Exchange difference in respect of hedged equity investments		–	7.2	–	–	7.2
Tax on items taken directly to or transferred from equity	8(iii)	–	–	–	0.3	0.3
Fair value losses in respect of cash flow hedges		–	–	(2.3)	–	(2.3)
Profit for the financial period		–	–	–	11.8	11.8
Total recognised income and expense for the financial period		–	7.2	(2.3)	11.0	15.9
Transfer of Treasury shares to participants		–	–	–	(0.3)	(0.3)
Dividend paid to Company shareholders	9	–	–	–	(22.8)	(22.8)
At 2 May 2009		0.1	11.9	(2.3)	41.5	51.2

27 Other reserves (continued)

Company

	Note	Capital redemption reserve £m	Translation reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 29 April 2007		0.1	(0.3)	0.2	57.7	57.7
Actuarial gain on defined benefit pension scheme	24(i)(a)(5)	–	–	–	0.5	0.5
Exchange difference in respect of hedged equity investments		–	2.8	–	–	2.8
Tax on items taken directly to or transferred from equity		–	–	–	(0.1)	(0.1)
Fair value losses in respect of cash flow hedges		–	–	(0.2)	–	(0.2)
Profit for the financial period		–	–	–	37.8	37.8
Total recognised income and expense for the financial period		–	2.8	(0.2)	38.2	40.8
Transfer of Treasury shares to participants		–	–	–	(0.3)	(0.3)
Purchase of own shares for cancellation		–	–	–	(6.5)	(6.5)
Dividend paid to Company shareholders	9	–	–	–	(35.2)	(35.2)
At 3 May 2008		0.1	2.5	–	53.9	56.5
Actuarial gain on defined benefit pension scheme	24(i)(a)(5)	–	–	–	(1.1)	(1.1)
Exchange difference in respect of hedged equity investments		–	(5.1)	–	–	(5.1)
Tax on items taken directly to or transferred from equity		–	–	–	0.3	0.3
Fair value losses in respect of cash flow hedges		–	–	(2.3)	–	(2.3)
Profit for the financial period		–	–	–	8.4	8.4
Total recognised income and expense for the financial period		–	(5.1)	(2.3)	7.6	0.2
Transfer of Treasury shares to participants		–	–	–	(0.3)	(0.3)
Dividend paid to Company shareholders	9	–	–	–	(22.8)	(22.8)
At 2 May 2009		0.1	(2.6)	(2.3)	38.4	33.6

28 Statement of changes in shareholders' equity

Group

	Share capital (Note 26) £m	Share premium (Note 26) £m	Treasury shares (Note 26) £m	Other reserves (Note 27) £m	Total £m
At 29 April 2007	0.7	14.8	(0.5)	53.0	68.0
Actuarial gain on defined benefit pension scheme	–	–	–	0.5	0.5
Exchange difference in respect of hedged equity investments	–	–	–	4.4	4.4
Tax on items taken directly to or transferred from equity	–	–	–	(0.1)	(0.1)
Fair value losses in respect of cash flow hedges	–	–	–	(0.2)	(0.2)
Profit for the financial period	–	–	–	42.8	42.8
Total recognised income and expense for the financial period	–	–	–	47.4	47.4
Transfer of Treasury shares to participants	–	–	0.3	(0.3)	–
Purchase and cancellation of own shares	–	–	–	(6.5)	(6.5)
Issue of Ordinary shares on acquisition of Storey Carpets Ltd	–	0.5	–	–	0.5
Issue of Ordinary shares to satisfy share option scheme exercises	–	0.1	–	–	0.1
Dividend paid to Company shareholders	–	–	–	(35.2)	(35.2)
At 3 May 2008	0.7	15.4	(0.2)	58.4	74.3
Actuarial loss on defined benefit pension scheme	–	–	–	(1.1)	(1.1)
Exchange difference in respect of hedged equity investments	–	–	–	7.2	7.2
Tax on items taken directly to or transferred from equity	–	–	–	0.3	0.3
Fair value losses in respect of cash flow hedges	–	–	–	(2.3)	(2.3)
Profit for the financial period	–	–	–	11.8	11.8
Total recognised income and expense for the financial period	–	–	–	15.9	15.9
Transfer of Treasury shares to participants	–	–	0.3	(0.3)	–
Purchase of own shares by Employee Share Trust	–	–	(0.2)	–	(0.2)
Dividend paid to Company shareholders	–	–	–	(22.8)	(22.8)
At 2 May 2009	0.7	15.4	(0.1)	51.2	67.2

28 Statement of changes in shareholders' equity (continued)

Company

	Share capital (Note 26) £m	Share premium (Note 26) £m	Treasury shares (Note 26) £m	Other reserves (Note 27) £m	Total £m
At 29 April 2007	0.7	14.8	(0.5)	57.7	72.7
Actuarial gain on defined benefit pension scheme	–	–	–	0.5	0.5
Exchange difference in respect of hedged equity investments	–	–	–	2.8	2.8
Tax on items taken directly to or transferred from equity	–	–	–	(0.1)	(0.1)
Fair value losses in respect of cash flow hedges	–	–	–	(0.2)	(0.2)
Profit for the financial period	–	–	–	37.8	37.8
Total recognised income and expense for the financial period	–	–	–	40.8	40.8
Transfer of Treasury shares to participants	–	–	0.3	(0.3)	–
Purchase and cancellation of own shares	–	–	–	(6.5)	(6.5)
Issue of Ordinary shares on acquisition of Storey Carpets Ltd	–	0.5	–	–	0.5
Issue of Ordinary shares to satisfy share option scheme exercises	–	0.1	–	–	0.1
Dividend paid to Company shareholders	–	–	–	(35.2)	(35.2)
At 3 May 2008	0.7	15.4	(0.2)	56.5	72.4
Actuarial loss on defined benefit pension scheme	–	–	–	(1.1)	(1.1)
Exchange difference in respect of hedged equity investments	–	–	–	(5.1)	(5.1)
Tax on items taken directly to or transferred from equity	–	–	–	0.3	0.3
Fair value losses in respect of cash flow hedges	–	–	–	(2.3)	(2.3)
Profit for the financial period	–	–	–	8.4	8.4
Total recognised income and expense for the financial period	–	–	–	0.2	0.2
Transfer of Treasury shares to participants	–	–	0.3	(0.3)	–
Purchase of own shares by Employee Share Trust	–	–	(0.2)	–	(0.2)
Dividend paid to Group shareholders	–	–	–	(22.8)	(22.8)
At 2 May 2009	0.7	15.4	(0.1)	33.6	49.6

29 Capital and other financial commitments

Capital commitments at 2 May 2009 for which no provision has been made in the accounts relate to the acquisition of tangible and intangible assets, and are:

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Authorised and contracted:	2.5	9.1	2.1	8.8

There was no capital committed to the joint venture at either of the balance sheet dates.

30 Operating lease commitments

At 2 May 2009 the future minimum lease payments in respect of land and buildings and other assets under operating leases are:

Group

	2009		2008	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	87.0	1.5	81.9	0.8
Amounts payable between one and five years	321.0	3.1	303.0	2.0
Amounts payable after five years	584.5	–	593.2	–
	992.5	4.6	978.1	2.8

Company

	2009		2008	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases payable:				
Amounts payable within one year	79.5	1.2	73.8	0.5
Amounts payable between one and five years	309.0	2.7	284.8	2.0
Amounts payable after five years	583.0	–	582.4	–
	971.5	3.9	941.0	2.5

Operating lease payments are negotiated for an average of 11 years (2008: 11 years). The Group enters into sublease agreements in respect of some of its operating leases for stores. At the reporting date the Group had contracted with tenants for future minimum operating sublease receipts amounting to £15.7 million (2008: £19.0 million).

31 Contingent liabilities

The Group has no material contingent liabilities at 2 May 2009.

The Company's contingent liabilities are related party transactions which are disclosed in Note 34.

32 Business acquisitions

Ben de Graaff Tapijt

On 30 June 2008, the Group acquired the trade and assets of Ben de Graaff Tapijt. The consideration paid for the acquisition was £5.7 million. The principal activity of Ben De Graaff Tapijt is the retailing of carpet and other floor covering. The transaction has been accounted for in accordance with IFRS 3 Business Combinations.

Brand values were assessed as part of the acquisition fair value but were immaterial. No brand value has been recognised in the cost of the investment.

From the date of acquisition to 2 May 2009, the acquisition contributed £5.7 million to revenue, £0.1 million to underlying operating profit before tax and £0.1 million in cash flow. There is no material difference between the amounts included in these accounts and the amount that would have been recognised had the acquisition been made at the start of the financial year for profit or operating cash flow.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	5.7
Direct costs relating to the acquisition	0.1
Total purchase consideration	5.8
Fair value of net identifiable assets acquired	(1.3)
Goodwill	4.5

The goodwill is attributable to the significant synergies expected to arise after acquisition by the Group.

32 Business acquisitions (continued)

The assets and liabilities arising from the acquisition together with their fair values are as follows:

	Acquiree's carrying amount before business combination £m	Accounting policy alignment £m	Fair value adjustments £m	Fair value £m
Net assets acquired:				
Inventories	2.6	–	(0.8)	1.8
Trade and other payables	(0.1)	–	–	(0.1)
Other provisions	–	–	(0.4)	(0.4)
Net identifiable assets/(liabilities) acquired	2.5	–	(1.2)	1.3
Outflow of cash to acquire business, net of cash acquired				
Cash consideration				5.8
Cash flow on acquisition of shares in subsidiary net of cash acquired				5.8

Sleepright UK Ltd

On 5 December 2008, the Group acquired 100% of the issued share capital of Sleepright UK Ltd (Sleepright). The initial consideration was £0.8 million cash. The principal activity of Sleepright is the retailing of beds and mattresses. The transaction has been accounted for in accordance with IFRS 3 Business Combinations.

Brand values were assessed as part of the acquisition fair value but were immaterial. No brand value has been recognised in the cost of the investment.

From the date of acquisition to 2 May 2009, the acquisition contributed £6.6 million to revenue, £(0.2) million to profit before tax and £(0.2) million in cash flow. Had the acquisition taken place at the start of the financial year an additional £7.0 million in revenue would have been recognised. There would have been no material difference between the amounts included in these accounts and the amount that would have been recognised for profit or operating cash flow.

Details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	0.8
Direct costs relating to the acquisition	0.2
Total purchase consideration	1.0
Fair value of net identifiable liabilities acquired	1.9
Goodwill	2.9

The goodwill is attributable to the significant synergies expected to arise after acquisition by the Group.

32 Business acquisitions (continued)

The assets and liabilities arising from the acquisition together with their fair values are as follows:

	Acquiree's carrying amount before business combination £m	Fair value adjustments £m	Fair value £m
Net assets acquired:			
Property, plant and equipment	0.4	–	0.4
Inventories	1.2	(0.4)	0.8
Trade and other receivables	0.6	–	0.6
Trade and other payables	(3.7)	–	(3.7)
Net identifiable assets/(liabilities) acquired	(1.5)	(0.4)	(1.9)

Outflow of cash to acquire business, net of cash acquired

Cash consideration	1.0
Cash flow on acquisition of shares in subsidiary net of cash acquired	1.0

Melford Commercial Properties Ltd

On 31 March 2008, the Group acquired 100% of the issued share capital of Melford Commercial Properties Ltd. During the current period the purchase consideration and the acquirees book values have been finalised and the fair values have been reviewed. The revised details of net assets acquired and goodwill are as follows:

	£m
Purchase consideration:	
Cash paid	6.6
Direct costs relating to the acquisition	0.4
Total purchase consideration	7.0
Fair value of net identifiable liabilities acquired	0.1
Goodwill	7.1

Since the initial estimates were reported the total purchase consideration has been reduced by £0.2 million as a result of the finalisation of the direct costs. The fair value of the assets acquired has been reduced by £0.7 million to a net liability acquired of £0.1 million, £0.3 million as a result of the review of the book values in the acquired company and £0.4 million as a result of the review of the fair value adjustments. A net £0.2 million was received in cash during the period as a result of the finalisation of the working capital adjustment relating to this acquisition and the payment of direct costs.

Storey Carpets Ltd

£0.7 million of deferred consideration was paid during the period relating to the acquisition of Storey Carpets Ltd on 1 May 2007.

33 Movement in cash and net borrowings

Group

	2008					2009
	Total £m	Cash flow £m	Acquisitions £m	Exchange differences £m	Revaluation £m	Total £m
Cash and cash equivalents per the balance sheet	8.9					17.4
Bank overdrafts	(11.1)					(4.4)
Cash and cash equivalents per the cash flow statement	(2.2)	15.6	–	(0.4)	–	13.0
Borrowings						
Borrowings (current)	(11.3)					(12.7)
Borrowings (non-current)	(39.3)					(91.2)
	(50.6)	(51.5)	–	(1.8)	–	(103.9)
Obligation under finance leases						
Obligation under finance leases (current)	(0.8)					(0.9)
Obligation under finance leases (non-current)	(3.9)					(3.0)
	(4.7)	0.8	–	–	–	(3.9)
Derivative financial instruments	–	–	–	–	(2.3)	(2.3)
Net borrowings	(57.5)	(35.1)	–	(2.2)	(2.3)	(97.1)
	2007					2008
	Total £m	Cash flow £m	Acquisitions £m	Exchange differences £m	Revaluation £m	Total £m
Cash and cash equivalents per the balance sheet	20.7					8.9
Bank overdrafts	(1.5)					(11.1)
Cash and cash equivalents per the cash flow statement	19.2	(20.9)	–	(0.5)	–	(2.2)
Borrowings						
Borrowings (current)	(10.7)					(11.3)
Borrowings (non-current)	(11.0)					(39.3)
	(21.7)	(25.1)	–	(3.8)	–	(50.6)
Obligation under finance leases						
Obligation under finance leases (current)	(0.8)					(0.8)
Obligation under finance leases (non-current)	(3.7)					(3.9)
	(4.5)	0.8	(1.0)	–	–	(4.7)
Derivative financial instruments	0.1	–	–	–	(0.1)	–
Net borrowings	(6.9)	(45.2)	(1.0)	(4.3)	(0.1)	(57.5)

33 Movement in cash and net debt (continued)

Company

	2008					2009
	Total £m	Cash flow £m	Acquisitions £m	Exchange differences £m	Revaluation £m	Total £m
Cash and cash equivalents per the balance sheet	3.2					10.5
Bank overdrafts	(8.5)					–
Cash and cash equivalents per the cash flow statement	(5.3)	16.8	–	(1.0)	–	10.5
Borrowings						
Borrowings (current)	(3.0)					(5.5)
Borrowings (non-current)	(35.1)					(88.5)
	(38.1)	(55.7)	–	(0.2)	–	(94.0)
Obligation under finance leases						
Obligation under finance leases (current)	(0.8)					(0.9)
Obligation under finance leases (non-current)	(2.9)					(2.0)
	(3.7)	0.8	–	–	–	(2.9)
Derivative financial instruments	–	–	–	–	(2.3)	(2.3)
Net borrowings	(47.1)	(38.1)	–	(1.2)	(2.3)	(88.7)
	2007					2008
	Total £m	Cash flow £m	Acquisitions £m	Exchange differences £m	Revaluation £m	Total £m
Cash and cash equivalents per the balance sheet	14.7					3.2
Bank overdrafts	–					(8.5)
Cash and cash equivalents per the cash flow statement	14.7	(19.2)	–	(0.8)	–	(5.3)
Borrowings						
Borrowings (current)	(6.9)					(3.0)
Borrowings (non-current)	–					(35.1)
	(6.9)	(29.3)	–	(1.9)	–	(38.1)
Obligation under finance leases						
Obligation under finance leases (current)	(0.8)					(0.8)
Obligation under finance leases (non-current)	(3.7)					(2.9)
	(4.5)	0.8	–	–	–	(3.7)
Derivative financial instruments	0.1	–	–	–	(0.1)	–
Net borrowings	3.4	(47.7)	–	(2.7)	(0.1)	(47.1)

34 Related parties

Group

Related party transactions with the Directors are disclosed in the Directors' Report on page 16.

Share-based payment transactions which include transactions with key management are disclosed in Note 4 and 5.

Contributions to pension schemes are disclosed in Note 24. Costs incurred by the Group to administer pension schemes amounted to less than £0.1 million in both 2008 and 2009.

There have been no transactions with the joint venture other than the initial investment in shares.

Company

The following table provides the total amount of transactions and year end balances with related parties for the relevant financial year.

	Sales of goods £m	Amounts due from related parties £m	Amounts due to related parties £m
Subsidiary undertakings			
2008/09	3.2	60.4	4.1
2007/08	3.3	48.7	–

The Company guaranteed bank and other borrowings of subsidiary undertakings amounting to £7.1 million (2008: £10.9 million)

Five year summary

	2009 £m	2008 £m	2007 £m	2006 restated £m	2005 ⁽¹⁾ £m
Summarised income statements:					
Revenue	482.8	521.5	475.9	451.4	462.5
Gross profit	295.8	323.1	290.8	270.6	273.0
Operating profit before profit on property disposals, non-recurring items	22.8	63.4	59.5	58.7	63.4
Operating profit	22.3	60.8	68.8	66.2	74.4
Profit before tax	16.7	59.5	67.0	64.2	72.5
Tax on ordinary activities	(4.9)	(16.7)	(20.7)	(20.1)	(23.2)
Profit for the financial period	11.8	42.8	46.3	44.1	49.3
Extracts from balance sheets:					
Non-current assets	265.8	254.2	184.9	180.4	157.8
Net borrowings excluding obligation under finance leases	(93.2)	(52.8)	(2.4)	(23.9)	(35.7)
Net assets	67.2	74.3	68.0	56.0	40.9
Ratios and statistics:					
Basic earnings per share (pence)	17.6	63.2	68.2	65.0	71.0
Dividends per share (pence)	8.0	52.0	50.0	49.0	47.0
Gross profit (%)	61.3	62.0	61.1	59.9	59.0
Operating margin before profits on property disposals and goodwill amortisation (%)	4.7	12.2	12.5	13.0	13.7
Operating margin (%)	4.6	11.7	14.5	14.7	16.1
Number of stores at period end	695	675	621	538	492
Total space (sq ft – gross) '000	6,155	5,816	5,397	5,027	4,761

(1) 2005 has been restated following the adoption of IFRS. The 2005 figures were reported under UK GAAP in the 2005 annual report.

Independent auditors' report to the members of Carpetright plc

We have audited the financial statements of Carpetright plc for the 52 week period ended 2 May 2009 which comprise the Group and Company Balance Sheets, the Group Income Statement, the Group and Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Standards on Auditing (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 May 2009 and of the Group's profit and Group's and Parent Company's cash flows for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 23, in relation to going concern; and
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

S R Wootten (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 June 2009

Calendar

2009

Q1 interim management statement	5 August
Annual General Meeting	10 September
Pre close first half trading update	28 October
First half ends	31 October
Interim results announcement	15 December

2010

Q3 interim management statement	3 February
Pre close second half trading update	28 April
Year ends	1 May

Store portfolio

	2 May 2009		3 May 2008	
	Stores	Space Sq ft (‘000)	Stores	Space Sq ft (‘000)
UK & RoI				
Standalone	510	4,516	498	4,350
Concessions	57	116	61	121
	567	4,632	559	4,471
Rest of Europe				
The Netherlands	88	1,065	77	895
Belgium	28	335	28	335
Poland	12	123	11	115
	128	1,523	116	1,345
Group	695	6,155	675	5,816

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