

Company Registration Number: 02294875 (England and Wales)

CARPETRIGHT LIMITED
(Formerly CARPETRIGHT PLC)
FINANCIAL STATEMENTS AND REPORT
FOR THE PERIOD ENDED 31 OCTOBER 2020

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CARPETRIGHT LIMITED

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CARPETRIGHT LIMITED

COMPANY INFORMATION

Directors	Wilf Walsh Patrick Stirling-Howe
Secretary	Zoe Rayner
Place of Registration	England and Wales
Company number	02294875
Registered Office	Nestware House Purfleet Bypass Purfleet Essex RM19 1TT
Independent Auditor	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

CARPETRIGHT LIMITED

STRATEGIC REPORT

For the period ended 31 October 2020

The Directors present their Group Strategic Report for the 18-month period to 31 October 2020. The comparative results are for the 12-month period to 27 April 2019.

Principal Activities, Review of business and important events

On 24 January 2020 Carpetright Limited (formerly Carpetright plc) was acquired by Meditor Holdings Limited ("Meditor") by way of Scheme of Arrangement and re-registered as a private limited company, Carpetright Limited ("Carpetright/Company"). Prior to the acquisition of Carpetright, Meditor's parent company Meditor European Master Fund Limited ("MEMFL") purchased the debt facilities previously provided by the Company's lending banks – NatWest bank plc and Allied Irish bank. On 3 November 2020 Nestware Holdings Limited ("Nestware"), a wholly owned subsidiary of Meditor, acquired Carpetright from Meditor via a Share Exchange Agreement and in March 2021 acquired the debt from MEMFL. As a result, Carpetright is now supported by a combination of funding provided by its immediate parent company (Nestware) and equity capital.

Carpetright and its subsidiaries (together the "Group") have a specialist focus on the domestic floorcoverings markets in the UK, Netherlands, Belgium and the Republic of Ireland. The Group also offers a selected range of beds in the UK, and curtains and blinds in the Netherlands and Belgium, giving access to other segments of the home furnishings sector.

The extended reporting period of 18-month to 31 October 2020 will be followed by a 14-month period to 31 December 2021 to align Carpetright's accounting period to that of its ultimate parent company. Group revenue for the 18-month period was £493.2m (2019: 12month period £386.4m). The movement reflects the extended reporting period in 2020 offset by the significant impact of the global COVID-19 pandemic and the continued rationalisation of the UK store portfolio as part of the ongoing Company Voluntary Arrangement ("CVA") process which commenced in June 2018 and is due to complete in 2022.

The Group continued to deliver against the objectives set out in the CVA and closed 41 UK stores in the period and eight in the Rest of Europe, which was offset by opening three stores and seven concessions. The net decrease of 39 meant the total store base decreased to 427 at the period end (2019: 466), with total store space decreasing by 7.0% to 3.9 million square feet (2019: 4.2 million square feet).

The Directors primarily use underlying EBITDA to monitor performance. It is used to analyse the Group's core operating profitability before non-operating expenses and non-cash charges and most closely reflects operating cash flow. This measure is defined as underlying earnings before interest, taxation, depreciation and amortisation. On this measure, underlying EBITDA for the period was a profit of £77.3m (2019: profit of £2.9m, excludes the impact of adopting IFRS 16 'Leases'). The total loss before tax for the period was £64.3m (2019: loss of £24.8m).

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Business KPIs

The Directors have assessed that the following Key Performance Indicators (KPIs) are relevant in tracking the operating performance of the Group and as such the fulfilment of the Group's long-term commercial objectives.

1. **Revenue:** Revenues were, unsurprisingly, extremely volatile throughout the reported period primarily due to enforced store closures and other trading restrictions enforced by the relevant national governments in reaction to the global COVID-19 pandemic.
2. **Underlying EBITDA:** As with revenue, underlying EBITDA was materially impacted by the commercial effects of the pandemic. This could not wholly be mitigated by the significant cost reduction measures deployed by the Group during the period.
3. **Net debt:** Net Debt increased over the period as the reductions in trading income could not be offset by cash conservation measures.

Future developments

The outbreak of COVID-19 has significantly impacted the lives of our customers and colleagues; the economies in which the Group trades; our business performance and the businesses of our suppliers and partners, not only during the period reported but continuing to the date of publication of these accounts and almost certainly beyond. Despite these unprecedented challenges the fundamentals upon which Carpetright's business is built remain sound.

With the continued support of its shareholder, Carpetright has innovated and invested in new working practices and technology to ensure the business engages with customers in safe and engaging ways. These investments will support the business in future years and in many ways has accelerated the Group's, already envisaged, digital strategy. Market leading innovations such as the deployment of 'Roomvo', the worlds most advanced online room visualiser tool, and an exclusive partnership to floorcovering retail with 'Go Instore' have enabled a richer digitally enabled customer journey.

The Directors are pleased to have the backing of, and close working relationship with, an engaged and highly motivated shareholder who has supported the Group throughout the unprecedented challenges posed by the global pandemic. Investment from Meditor and subsequently Nestware maintains the funding necessary to support the Group's operating commitments and capital requirements necessary to deliver the continued turn-around of the business and liquidity to navigate the impact of COVID-19.

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Principal Risks and Uncertainties

The key risks and uncertainties facing the Group are:

Principal risk description	Risk management
<p>Customer satisfaction and quality control: Failure to anticipate and plan for changes in consumer taste could have a material effect on future operations and financial performance. In addition, failure to meet the product quality and service expectations of customers may cause damage to our reputation and the loss of consumer trust and confidence, which in turn may have an adverse effect on business performance.</p>	<p>The Group provides a broad range of products and price points in our categories to make it easy for our customers to trade up or down. Range reviews are performed periodically to ensure we account for changes in consumer tastes.</p> <p>It also works closely with its suppliers to ensure the products it sells are of the highest quality and meet the organisation's required ethical and safety standards.</p> <p>Detailed sales information by product and by store is reviewed weekly, enabling changes to prices, incentive structures and marketing activity to optimise sales.</p>
<p>Property Portfolio: Property costs form a significant part of the Group's fixed cost base and as such all decisions in this area have an impact on the long-term value of the business.</p>	<p>The Group continuously reviews the location and format of its stores and their contribution to the overall results. Implementation of the CVA allowed the Group to reduce its UK property portfolio, significantly reducing the number of locations on unsustainable rental agreements.</p> <p>The Group continues to invest in the modernisation and refurbishment of stores and consults with external advisers, where appropriate, to provide expert advice and inform decision making.</p>
<p>Business Continuity: A major incident, such as a key system or supplier failure, could impact the ability of the Group to continue trading.</p>	<p>The Group has an established disaster recovery plan which is reviewed and tested periodically. It also has long-standing good working relationships with its key suppliers and actively monitors the supply base to identify exposure to supply chain failure and identify appropriate contingency solutions.</p>

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<p>Financial Risk and Liquidity: The Group risks exposure to exchange rate, interest rate, liquidity and credit risks having an adverse or unexpected impact on results, funding requirements, or purchasing ability.</p>	<p>The Group works closely with international suppliers and has agreements in place to mitigate the impact of a movement in exchange rates.</p> <p>The Group also monitors and forecasts its financial position to ensure funding requirements are being met.</p>
<p>Legal and Regulatory: The business is required to comply with the legislation in relation to a wide range of areas, including bribery and corruption, money laundering, health and safety, modern slavery, GDPR, FCA regulations. Non-compliance poses the risk of penalties or damage to the Group's reputation.</p>	<p>The Group employs an appropriately qualified and experienced Company Secretary and a separate Health and Safety officer and engages with expert external advisors where necessary to ensure legal, regulatory, and accounting compliance.</p>
<p>People: The success of the Group's business strategy is dependent on its ability to attract, develop, and retain a diverse range of high-quality colleagues. The loss of these individuals, or the inability to recruit sufficiently qualified and experienced replacements may impact the Group's ability to achieve its objectives.</p>	<p>The Group has a dedicated recruitment and training team who monitor vacancy levels and work in partnership with experienced senior colleagues who have a track record of successfully attracting and motivating colleagues in the floorcoverings sector.</p>
<p>Commercial and Competition: Lack of capacity in key suppliers or product markets can cause delays in products supply, increased costs and poor product quality. Failure to manage or negotiate commercial contracts effectively may result in higher costs therefore reduced margins. The Group competes with a wide variety of retailers across multiple channels and across a broad spectrum of price points therefore the loss of competitiveness may affect the Group's long-term growth and profit.</p>	<p>The Group invests in marketing designed to communicate our credentials on range, choice and value and continuously monitors customer service, product and advertising performance and competitor activity.</p> <p>The Group works closely with its suppliers to ensure the products it sells are of the highest quality and meet the organisation's required ethical and safety standards.</p>
<p>Cyber security: Loss of access to or loss of data from the Group's IT systems and infrastructure through cyber-attack may affect the Company's ability to carry on day-to-day business which may have an adverse effect on the Group's revenue.</p>	<p>The Group has an ICT security framework in place which highlights the highest cyber risks, we also utilise third part consultants to perform penetration testing on a regular basis. As new cyber risks develop, we adjust our framework accordingly.</p>

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<p>COVID-19:</p> <p>Serving and interacting face to face with retail customers is core to the Group's retail business strategy in all territories. Further, multi-disciplinary support teams work closely together to support Group operations.</p> <p>It is unclear how the COVID-19 pandemic will evolve and impact colleagues, supply chain and customers.</p>	<p>Daily review of the latest Government advice and regulations along with regular dialogue with our existing supply-chains ensures the Group quickly adapts and continues to operate in the most efficient manner possible.</p> <p>Utilisation of the latest virtual office environments and investment in technology enables colleagues to work remotely.</p>
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Going Concern

Following the change of ownership in January 2020, Meditor subscribed £10.0m for new ordinary shares and increased the intergroup debt facilities to £70.0m. In March 2021 the same debt facilities were acquired by Nestware, increased to £120.0m, and their maturity extended to 31 December 2024, thus providing a solid financial platform to fund significant capital investment projects aimed at securing the long-term future of the business and sustainable profitable growth. These facilities are subject to covenants which Nestware has presently set aside. Nestware has also confirmed its intention to provide additional financial support, if required, for a period of at least 12 months from the date of approval of the financial statements for the period ended 31 October 2020 and this is backed by a formal letter of support upon which the directors can rely, as at the date of approval of these financial statements, there are sufficient funds within the wider group.

The Directors have prepared cash flow forecasts to December 2024. These projections are sensitive to changes in the underlying assumptions, the main two being revenue and margin. These forecasts indicate sufficient resources will be available to settle liabilities as they fall due for a period of at least 12-month from the date of approving these financial statements. The plans also incorporate costs savings delivered through the successful execution of the CVA, which is due to end in 2022. Whilst not included in the going concern assessment, management believe the successful completion of the CVA will enhance the Group's credit rating.

As previously noted under risks and uncertainties, the effects of the COVID-19 pandemic are being felt on a global scale with governments facing unprecedented challenges and taking the necessary counter measures to combat the spread of the infection. The Group's trading results have been materially impacted by COVID-19 during the period reported, in the period post balance sheet and almost certainly beyond. Despite these unprecedented challenges the fundamentals upon which Carpetright's business is built remain sound and the Directors continue to carefully monitor the situation so appropriate actions are taken in a timely manner to safeguard the business model and shareholder investment. Trading since the lifting of Covid restrictions in 2022 has been positive and in line with directors' expectations.

The Directors are closely monitoring the unfolding events in Ukraine in reference to any potential impact on the Group's trading position. The Group does not source any product directly or indirectly from Ukraine or Russia; however, the Directors are conscious of the impact the conflict is having on fuel costs, specifically crude oil, and the inflationary impact this 'may' have on the Group's input materials cost. At the time of

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For the period ended 31 October 2020

writing suppliers are not indicating any changes to input costs. This being the case the Directors do not see the conflict having a material impact on going concern at the time of approval of the financial statements. Based on their assessment of the Group's financial position, forecast and projections the Directors believe the Company and the Group have more than sufficient resources to maintain operations for the foreseeable future, including for a minimum of twelve months following the signing of these accounts, and beyond. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement by the Directors on performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors consider that they have acted in ways that they believe in good faith to be the most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the matters set out in s.172(1) of the Act) in the decisions they made during the period ended 31 October 2020.

A number of significant decisions were made in the period, notably the investigation as to solutions to deliver the long-term funding required by the Group and its belief that the offer from Meditor was the only viable route to deliver its requirements for a deliverable, controllable solution to those requirements required to make Carpetright a sustainable business. This culminated in the recommendation by the Directors as to the acquisition by Meditor in late 2019, which completed in January 2020. Meditor has since made further funding available to the Group, both through capital and debt. In making the recommendation, the Directors were cognisant of the need to act fairly and took advice as to the financial terms of the takeover proposal which helped ensure that the proposal was properly considered, and the duty was discharged appropriately.

It has in the period, further, strengthened its financial position, thereby promoting the long-term success of the business through the sale and leaseback of a number of freehold and long-leasehold properties, with flexible terms to allow Carpetright to terminate the leases where it considers it appropriate to do so.

The promotion of the long-term success and improvement in the financial stability of the business has the effect of ensuring that it has been able to continue to trade and pay its suppliers, continues to employ a significant number of people throughout the UK and Europe and ensures continuity of the provision of introduction of customers to approximately 1,100 flooring installation businesses.

The needs of the customers are paramount as, without customers, the business would not exist. Against the backdrop of the COVID-19 pandemic, Carpetright has developed a range of digital services to maintain its service proposition. These include Virtual and Video consultations which enable the business to discuss our customers flooring needs, demonstrate relevant products and process orders. Carpetright has developed this proposition further with the recent launch of 'Goinstore'.

The Group continues to take customer service very seriously. Building on the learnings from its 'in-store experience' training programme Carpetright has refined its Customer Journey to enable the business to share the benefits with all customer facing colleagues to develop the quality of each customer interaction. Recognising the importance of extending this across all customer touchpoints with the business and to broaden the ability for customers to choose how they want to shop with the business, Carpetright is launching a transformational programme of activity to develop its 'in-home' experience. This improved

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service will enable customers to select products from physical samples, utilise digital technologies such as our flooring visualiser and complete their order from the comfort of their own home.

The Directors acknowledge that, in addition to the customers, it needs to foster business relationships with suppliers and others. The key suppliers to the Group are merchandise suppliers, landlords and other relationships include approximately 1,100 flooring installation businesses in the UK and 300 in the Netherlands and Belgium that rely on Carpetright's customers for their business. To keep in line with the

market, Carpetright has made one key decision to change the rates with the fitters in order to reflect the current market circumstances, as it continues to maintain good relationships with those suppliers through regular dialogue. In the light of the lockdown-imposed consequent upon Coronavirus, and the restrictions on trading, Carpetright has sought to find a fair system such that the burden of the fixed rental cost is shared between landlords and the Company. A significant number of deals have been struck to share this burden equitably, and discussions remain ongoing with other landlords with a view to reaching agreement. The Directors acknowledge that reaching agreement with all landlords on same the basis as it has done so with a significant proportion of landlords will be in everyone's interests and will reflect a fair outcome both between landlords and with Carpetright.

Non-Financial information

The Group is committed to operating a sustainable business model and continually evaluate and update our initiatives in line with best practice. While we have discussed progress in each of the key areas above, we do not necessarily have specific, relevant policies and KPIs concerning non-financial information.

Environmental Matters

The Group has continued to progress with our strategy of building a sustainable business committed to taking steps to control and minimise any damage our operations may cause to the environment through manufacturing processes, transport, energy usage and packaging. In particular, we are aware of the issue of climate change, and we are taking steps to understand and minimise our carbon emissions.

We recognise that the benefits through reduced cost and the environment benefits by reducing our consumption of energy and water. The release of greenhouse gases, notably carbon dioxide generated by burning fossil fuels, has an impact on climate change, which presents a risk to both our business and the wider environment. To substantially reduce the carbon emission, we have started a trial with the use of an electric truck.

We accept our responsibility to continually improve our environmental performance. We continue to benefit from the introduction of Automatic Meter Readers for electricity and gas, we have introduced automated time clocks in 10 stores to regulate the heating, which enable us to identify high-use locations and take corrective action where necessary, together with proactive management preventing us from heating stores overnight.

During the financial period we were able to reduce our electricity consumption further by introducing LED lighting into eight newly refurbished stores and installed motion-sensor technology into eight fully refurbished stores plus 41 partial refurbished stores, to ensure lights are only being used when necessary.

We have an Ethical and Environmental Code of Conduct (the Code) to ensure that we have an ethical supply chain and require our suppliers to sign up to the Code. The Code prohibits, for example, animal testing, the use of timber from non-sustainable sources and the use of certain chemicals which may be harmful to customers.

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Employees

Clearly critical to our ability to operate, our workforce is comprised of over 2,400 employees (we call them colleagues) across the Group. Our colleagues bring a wide variety of skills and experience, some of which are specialist and relatively niche. That said, in the most voluminous of our store-based roles, there is no specific requirement of prior skills and experience. We have a comprehensive training programme in place and can recruit from a wide labour pool. We have begun research to pinpoint the personal attributes that bring us greater predictability of future performance but do not believe this will reduce our potential labour pool; rather it will assist us in quickly filtering for candidates that are likely to perform well once recruited.

As the consumer shopping landscape around us becomes ever more omnichannel, we are conscious that we must continue to bolster our workforce with colleagues who have skills and agility in the digital arena.

Attracting and retaining great colleagues is pivotal to the Group's future and we have invested heavily over the past year to lay the foundations for upcoming work in this area. It will be critical to our future that we are viewed by potential employees as an Employer of Choice. We now have multi-generations in the labour pool and must ensure we can appeal to potential employees across the generations if we are to be able to continue to meet our future workforce needs. We will continue to work in this area uncovering what appeals to potential employees and how, as an employer, we can show that we can meet those desires.

Further work to bridge skills gaps has been started this year with Apprenticeships for our internal pipeline to Store Manager roles. In addition, we have made significant headway with the work for our new training approach, the Retail Academy.

To support our approach to colleague wellbeing, we have focussed on leveraging our partnership with Retail Trust, a charitable organisation who provide colleagues with access to emotional, physical and financial wellbeing resources. In addition, they also provide colleagues with access to counselling services and financial support where appropriate. Our Wellbeing community, accessed through our Fuse platform, serves colleagues with regular and tailored wellbeing content. The importance of this has been particularly heightened during the COVID-19 pandemic.

The Directors took the decision to access the furlough arrangements from the government in the UK through the Coronavirus Job Retention Scheme, in the Republic of Ireland, Jersey and Guernsey through the relevant COVID-19 Wage Subsidy Schemes. In Ireland we benefited from the Pandemic Unemployment Payment (PUPS) as well as the national employment office supplement scheme in Belgium. This ensured that a significant number of individuals would be able to return to work, rather than lose their jobs through redundancy.

Social Matters

During this financial year we concluded our support for The British Heart Foundation. The partnership, which was largely centred on colleague fundraising, throughout the partnership we raised a total of £318,000 to help fund research into heart and circulatory diseases. In addition, our colleagues in the Republic of Ireland raised a total of €11,000 for the Irish Heart Foundation throughout the partnership. Alongside this we have trained over 600 colleagues in essential life-saving CPR, so that we may be of help to anybody suffering a cardiac arrest in our stores, homes, or neighbourhoods.

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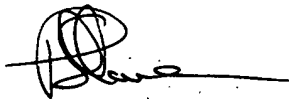
Human Rights

We do not have a specific human rights policy at present, but we do have policies that adhere to international human rights principles. We will review from time to time whether a specific human rights policy is needed in the future, over and above our existing policies. Our statement on modern slavery is available on our website www.carpetright.co.uk.

Anti-corruption and Anti-bribery

In our effort to stop any type of corruption we have put in place an Anti-Bribery and Corruption Policy which requires compulsory compliance by all staff. A copy of the policy is circulated to all new starters upon joining the business. We also operate whistleblowing hotlines through a third party provider enabling matters of concern to be raised on a named or anonymous basis.

The Strategic Report was approved by the Board of Directors and signed on behalf of the Board.



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Patrick Stirling-Howe

Director

18 March 2022

CARPETRIGHT LIMITED

DIRECTORS' REPORT

For the period ended 31 October 2020

The Directors present their Group Annual Report for the 18-month period to 31 October 2020.

Directors

The Directors who held office during the period were as follows:

Wilf Walsh

Patrick Stirling-Howe (appointed 1 June 2020)

Jeremy Simpson (resigned 1 June 2020)

Pauline Best (appointed 1 August 2019; resigned 23 January 2020)

David Clifford (resigned 23 January 2020)

Robert Ivell (resigned 23 January 2020)

Jemima Bird (resigned 23 January 2020)

Sandra Turner (resigned 5 September 2019)

Results and Dividends

The results for the period are set out on page 21 of the financial statements.

No dividend was paid, and no dividend was proposed during the period reported (2019: Nil).

Qualifying third-party indemnity provisions

The Company has provided qualifying third-party indemnities for the benefit of each Director who held office during the financial period ended 31 October 2020, all of which remain in place as at the date of this report. The Company also purchased and maintained Directors' and Officers' liability insurance during the financial period.

Employee Involvement and Engagement

The Strategic Report contains details of those matters of strategic importance where the interests of employees have been considered as part of the decision-making process.

In addition, there are a number of communication channels in place to help people develop their knowledge of and enhance their involvement with the Group. These include surveys, management briefings, briefings to stores and offices, annual events, store visits and video updates.

Over the past year, we have worked on actions identified in the employee engagement survey and listening groups conducted in 2019. We will continue with this approach over the coming year and seek to find additional ways in which colleagues are able to share their views and inputs. We have actively involved colleagues in developing concepts and working through trials and pilots, and we intend to continue with this approach.

Our main channel of communication with our distributed workforce is via our communications and training platform, Fuse. During the past period and exacerbated by COVID-19 impact, we have seen less reliance on formally crafted video communications and a move to less formal, "homemade" videos. Indeed, during lockdown periods, Fuse has been a critical tool for communicating with colleagues.

We continue to see good levels of engagement with Fuse with almost 2.8 million-page views in the past period (up 3.4% on last year). We have also seen increase in likes, follows, comments and shares.

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In the wake of COVID-19, we hosted a hugely successful virtual conference for colleagues, which provided an engaging and interactive platform for colleagues during a time in society when it was not possible for face-to-face group interaction. This enabled the Company to provide a business update, present the future strategy and host a Q&A opportunity for colleagues. Additionally, employee awards were presented recognising colleagues' contributions and achievements.

Throughout this period and particularly where employees were furloughed, communication was key. As well as formal communications in writing or via Fuse, managers continued to remain in touch with employees through informal means such as WhatsApp groups to check-in on wellbeing and to keep them abreast of business issues.

The Group has, where appropriate, also consulted with employees on a collective basis, reflected on proposals made by employee representatives and reached agreement in respect of all matters subject to the consultation accordingly.

Employment etc. of Disabled Persons

The Directors believe in creating, throughout the Group, a culture that is free from discrimination and harassment, and will not tolerate discrimination in any form. We are an equal opportunities employer and our people and applicants are treated fairly and equally regardless of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, or sexual orientation. Applications from people with disabilities are always fully considered. Should an individual become disabled while working for the Group, efforts are made to continue their employment and retraining is provided, if necessary.

We believe the attributes of individuals and their different perspectives and experiences add value to our business. We recognise that a diverse workforce will provide us with an insight into different markets and help us to anticipate and provide what our customers want from us.

Political Donations and Expenditure

The Group did not make any political donations in the period (2019: £nil).

Branches of the Company outside the UK

The Company has established a ROI branch as part of its business operations.

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DIRECTORS' REPORT

For the period ended 31 October 2020

Streamlined Energy and Carbon Reporting (unaudited)

Energy Consumption		May19 - Oct20
Scope 1: Combustion of fuel and operation of facilities.	<i>Natural Gas (kWh)</i>	31,412,139
	<i>Direct Transport (kWh)</i>	11,062,964
	<i>Red Diesel (kWh)</i>	45,310
	<i>Kerosene (kWh)</i>	32,951
	Total Scope 1 Energy (kWh)	42,553,364
Scope 2: Electricity purchased.	<i>Total Electricity (kWh)</i>	31,565,952
Total Scope 1 and 2 Energy Consumption (kWh)		74,119,316

Emissions Assessment		May19 - Oct20
Scope 1: Combustion of fuel and operation of facilities.	<i>Natural Gas (tCO₂e)</i>	5,776
	<i>Direct Transport (tCO₂e)</i>	2,824
	<i>Red Diesel (tCO₂e)</i>	11.6
	<i>Kerosene (tCO₂e)</i>	8.1
	Total Scope 1 - (tCO₂e)	8,620
Scope 2: Electricity purchased and heat and steam generated.	<i>Location Based (LB) (tCO₂e)</i>	7,911
	<i>Market Based (MB) (tCO₂e)</i>	6,913
<i>Location Based</i>	Total Scope 1 and 2 Emissions (tCO₂e)	16,530
<i>Market Based</i>	Total Scope 1 and 2 Emissions (tCO₂e)	15,533

Intensity Metric Assessment		May19 - Oct20
Intensity Ratio 1	<i>Turnover £m</i>	39.07

Energy Efficiency Narrative

The Company has installed LED lighting, replaced old heaters including, ventilation and air conditioning (HVAC) systems and upgraded building insulation, which is expected to result in an 15% reduction in kWh saving in energy consumption over the next 3 years. This includes looking at greater energy across the Company's estate within recycling and renewable energy. These actions were the top 3 recommendations from our most recent ESOS audit (carried out in February 2019) and we have also signed up to ISO 50001.

Methodology Notes

Exclusions - No Mandatory emissions have been excluded from this report.

Emissions Factors Applied - DEFRA 2019/20.

Methodology - This report is aligned with GHG protocol and Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance.

Estimations - 0.8% of energy and 0.7% of emissions are based on estimated values.

Scope of emissions included in the report - Electricity, Gas, Direct Transport, Red Diesel and Kerosene.

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Strategic Report

The Company has chosen, in accordance with section 414C (11) Companies Act 2006, to set out the Strategic Report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the Directors' Report. It has done so in respect of its particulars of important events and future developments.

Statement as to Disclosure to Auditors

Each of the Directors of the Company has confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware, and that each Director has taken all steps to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Corporate Governance Arrangements

Prior to being acquired by Meditor Holdings Limited in January 2020, the applicable Corporate Governance Arrangements were the UK Corporate Governance Code. The Company complied with that Code in full during the relevant period. Following the acquisition, the Company has applied the WATES Corporate Governance Principles for Large Private Companies which can be found on the Financial Reporting Council website. The Directors have set out below an explanation of how the Wates Principles have been applied.

Principle 1 – Purpose and leadership

The Board's primary purpose is to deliver sustainable and profitable long-term growth for the benefit of the Company's members and wider stakeholders. The principal strategic focus of the Board has been to oversee the implementation of the Company's plans to continue to promote the success of the business. With a view to ensuring that the Company achieves its purpose, the Directors engaged in frequent dialogue with the shareholder, employees at head office and stores throughout the country. Employees are also kept informed of the Company's plans and performance and given the opportunity to communicate their views, channel their queries through regular head office meetings. The Company's purpose has guided the Board to establish the values and culture of the Company to promote the success of the Company in the long-term.

Principle 2 – Composition

The Board comprises of Chief Executive Officer and Chief Financial Officer who are fully involved in the day-to-day running of the business. The Board members have a diverse range of skills, expertise and experience, their roles and responsibilities are separate and clearly defined to ensure that there is a balance of responsibilities, accountabilities, and decision-making across the Company. The size and composition of the Board is appropriate and at the right level. The Board discharges some of its responsibilities directly through committees such as operating and risk committees, senior management team and other heads of department. As and when required, the Board composition will be reviewed and considered to ensure that the Board has the appropriate mix of knowledge, experience, and diversity to meet the strategic needs of the Company in the future. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company's expense.

Principle 3 – Responsibilities

The Board is responsible for setting the Company's objectives and policies, providing effective leadership and for approving the Company strategy, budgets, business plans and major capital expenditure. It has responsibility for the management, direction and performance of the Company and is accountable to the Company's shareholder for the proper conduct of its business. The Chief Executive Officer takes responsibility for all business decisions with the ongoing support from the Chief Financial Officer, operating committees, and senior management team. The Company has in place a well-developed operating framework which sets

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DIRECTORS' REPORT

For the period ended 31 October 2020

out the Company's operating rules, policies, and delegations of authorities between the Board, its committees, and the senior management team.

Principle 4 - Opportunity and Risk

The Board meets regularly with the senior management team to review, advise on and approve the Company's strategic plan, which includes short term opportunities to improve business performance and a consideration of long-term strategic opportunities. The Board is also responsible for determining the Company's risk appetite, reviewing the assessment of the principal and emerging risks compared to the desired level of risk. The Risk Committee assists the Board in fulfilling its responsibility for determining the Company's risk appetite and for ensuring that sound risk management and internal control systems are maintained. The Risk Committee meets on a quarterly basis and its membership comprises the Chief Financial Officer (Chair), and appropriate senior managers. Further details of the principal risks affecting the Company can be found on pages 4-6.

Principle 5 - Remuneration

The Company remains committed to ensuring that the remuneration of the executive directors and senior management continue to support and drive the Company's strategy and motivates the senior management team to deliver the results and value for the shareholder. Giving due regard to the financial and commercial health of the Company, the executive directors and senior management are fairly rewarded for their individual contributions to the company's overall performance. In addition to the consideration of executive remuneration, the Company has taken a keen interest in the gender pay gap and is committed to continue improving the Company's gender pay gap. The Company also believes strongly in equal opportunities, promoting equal treatment regardless of age, disability, gender, ethnic origin, religion, nationality, marital status or sexual orientation and takes a zero-tolerance approach to discrimination.

Principle 6 – Stakeholder Relationships and Engagement

The Board has clearly outlined its purpose, which is to deliver sustainable and profitable long-term growth and to generate value for its shareholder, with due regard of the interests of the Company's other stakeholders, including colleagues (employees), customers, suppliers, landlords, regulators, local authorities, and the wider community. The Company believes strongly in communications with its stakeholders to promote stakeholder relationships and the Company's success.

The Board duly considers the views of the shareholder and the interests of the company in its decisions making and, in any transactions, undertaken by the Company. The Board recognises that colleagues are key to the Company's success. The Board is committed to ensuring high levels of employee engagement. The Company is committed to ensuring that all customers are treated fairly, and that customer's interest is considered as part of the decision-making process, at every level within the Company. The Company is committed to ensuring that slavery and human trafficking is not taking place in any of its supply chains or any part of its business.

Further details of engagement with stakeholders can be found on pages 7-10, in the section 172(1) statement within the Strategic Report.

CARPETRIGHT LIMITED

DIRECTORS' REPORT

For the period ended 31 October 2020

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. UK company law requires the Directors to prepare financial statements for each financial period. 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 United Kingdom.

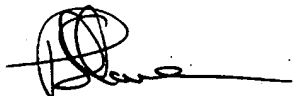
The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the United Kingdom; 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 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 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.

Approved by the Board of Directors and signed on behalf of the Board.



.....
Patrick Stirling-Howe
Director
18 March 2022

Independent auditor's report to the members of Carpetright Limited

Qualified opinion

We have audited the financial statements of Carpetright Limited (the 'parent company') and its subsidiaries (the 'group') for the period 28 April 2019 to 31 October 2020 inclusive, which comprise the consolidated statement of statement of profit and loss, the group and company statements of changes in equity, the group and company balance sheets, the group and company statements of cash flow, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion section" of our report, the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and:

1. give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2020 and of the group's loss for the period then ended; and
2. have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

The carrying amount of the group's and the parent company's inventory balance at 31 October 2020 is £46.0m and £37.3m, respectively. £25.2m of the group's and the parent company's inventory balance is held at stores in the UK and the Republic of Ireland. A further £6.9m of the group's inventory balance is held at stores by a significant component of the group.

Due to the restrictions of movement imposed by the government as a result of Covid-19, the parent company and this component of the group were unable to perform sufficient physical inventory counts during the period to enable us to obtain sufficient appropriate audit evidence as to the operating effectiveness of controls related to the perpetual inventory systems in place at the stores of the parent company and this component of the group.

Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the existence and condition of the £25.2m inventory balance held at stores by the parent company, and of the £6.9m inventory balance held at stores by this component of the group at 31 October 2020.

We were unable to satisfy ourselves by alternative means concerning the existence and condition of inventory held at stores by the parent company and by this component of the group at 31 October 2020 by using other audit procedures. Consequently, we were unable to determine whether any adjustment to these amounts were necessary, or whether there was any consequential effect on the group's cost of sales and the group's loss for the period ended 31 October 2020.

Independent auditor's report to the members of Carpetright Limited

In addition, the carrying amount of the group's trade payables balance and the group's accruals and deferred income balance at 31 October 2020 is £22.6m and £11.6m, respectively. Of these balances, £2.0m of trade payables and £1.7m of accruals and deferred income are held by a significant component of the group.

Due to issues with this component's underlying accounting records, including its IT systems, we were unable to obtain sufficient appropriate audit evidence regarding the completeness and valuation of the group's trade payables and accruals and deferred income balances held by this component at 31 October 2020.

Emphasis of Matter – Going concern (group and parent company)

We draw attention to note 1 of the financial statements on page 25, which explains that the group's and the parent company's future viability is dependent on the continued support of its principal lender, and for that lender to waive the consequences of further breaches of financial covenants.

While the lender has provided a letter to the directors confirming support for a period of not less than 12 months from the date of approval of these financial statements, the lender is not legally bound by this support.

In the scenario where the lender withdraws such support and the group and the parent company are unable to raise further funds or generate sufficient cash to cover its liabilities as they fall due, it would likely have a material impact on their financial condition and on their ability to continue their trading activities.

At 31 October 2020, the group and the parent company held cash and cash equivalents of £47.4m and £41.8m, respectively, and had headroom on their lending position of £5.0m. The directors have prepared cash flow forecasts which indicate that continued financing within the current headroom and waiver of financial covenants from the lender will be required over the period of 12 months from the date of approval of these financial statements.

Our qualified opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

1. the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
2. the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the "Report of the Directors and Audited Financial Statements" other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Carpetright Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have concluded that where the other information refers to those balances described in the "Basis for qualified opinion" section of our report, or related balances such as the group's cost of sales and the group's loss for the period, it may be materially misstated for the same reasons as those set out in the "Basis for qualified opinion" section of our report.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters described in the "Basis for qualified opinion" section of our report, in our opinion, based on the work undertaken in the course of the audit:

1. the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
2. the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the possible effects of the matters described in the "Basis for qualified opinion" section of our report, in light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Arising solely from the matters described in the "Basis for qualified opinion" section of our report:

1. we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
2. we were unable to determine whether adequate accounting records have been kept by the parent company.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

1. returns adequate for our audit have not been received from branches not visited by us; or
 2. the parent company financial statements are not in agreement with the accounting records and returns;
- or

certain disclosures of directors' remuneration specified by law are not made.

Independent auditor's report to the members of Carpetright Limited

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Richard Karmel (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London E1W 1DD

Date: 18 March 2022

CARPETRIGHT LIMITED
Consolidated Statement of Profit and Loss for the period ended 31 October 2020

	Notes	Group 18-month period ended 31 October 2020			Group year ended 27 April 2019		
		Underlying performance £m	Separately reported items £m	Total £m	Underlying performance £m	Separately reported items £m	Total £m
Revenue		493.2	-	493.2	386.4	-	386.4
Cost of sales		(224.5)	-	(224.5)	(176.0)	-	(176.0)
Gross profit		268.7		268.7	210.4	-	210.4
Administration expenses		(194.9)	(5.5)	(200.4)	(209.5)	(9.2)	(218.7)
Other operating income/(loss)		3.5	(5.8)	(2.3)	2.0	1.3	3.3
Earnings before interest, tax, depreciation and amortisation		77.3	(11.3)	66.0	2.9	(7.9)	(5.0)
Depreciation	2	(82.4)	-	(82.4)	(10.7)	-	(10.7)
Amortisation	2	(1.1)	-	(1.1)	(0.7)	-	(0.7)
Operating loss		(6.2)	(11.3)	(17.5)	(8.5)	(7.9)	(16.4)
Finance costs	5	(46.8)	-	(46.8)	(8.4)	-	(8.4)
Loss before tax		(53.0)	(11.3)	(64.3)	(16.9)	(7.9)	(24.8)
Tax	6	2.1	(2.1)	-	2.6	0.2	2.8
Loss for the financial period		(50.9)	(13.4)	(64.3)	(14.3)	(7.7)	(22.0)

Consolidated Statement of Comprehensive Income for the period ended 31 October 2020

	Notes	Group 18-month period ended 31 October 2020 £m	Group year ended 27 April 2019 £m
Loss for the financial period		(64.3)	(22.0)
Items that may not be reclassified to the income statement:			
Re-measurement of defined benefit plans	19	(1.0)	(0.5)
Tax on items that may not be reclassified to the income statement	6	-	0.1
Total items that may not be reclassified to the income statement		(1.0)	(0.4)
Items that may be reclassified to the income statement:			
Exchange gains		1.9	(0.7)
Total items that may be reclassified to the income statement		1.9	(0.7)
Other comprehensive income/(expense) for the period		0.9	(1.1)
Total comprehensive expense for the period		(63.4)	(23.1)

CARPETRIGHT LIMITED
Statement of Changes in Equity for period ended 31 October 2020

Group	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 28 April 2018	0.7	19.1	(1.4)	0.1	10.0	–	(18.9)	9.6
Loss for the period	–	–	–	–	–	–	(22.0)	(22.0)
Other comprehensive expense for the financial period	–	–	–	–	(0.7)	–	(0.4)	(1.1)
Total comprehensive expense for the financial period	–	–	–	–	(0.7)	–	(22.4)	(23.1)
Issue of new shares	2.3	–	–	–	–	60.4	–	62.7
Transfer from merger reserve	–	–	–	–	–	(60.4)	60.4	–
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 27 April 2019	3.0	19.1	(1.4)	0.1	9.3	–	19.6	49.7
Loss for the period	–	–	–	–	–	–	(64.3)	(64.3)
Other comprehensive expense for the financial period	–	–	–	–	1.9	–	(1.0)	0.9
Total comprehensive expense for the financial period	–	–	–	–	1.9	–	(65.3)	(63.4)
Issue of new shares	1.0	9.0	–	–	–	–	–	10.0
Cancellation of treasury shares	–	–	1.4	–	–	–	(1.4)	–
Share based payments and related tax	–	–	–	–	–	–	0.3	0.3
At 31 October 2020	4.0	28.1	–	0.1	11.2	–	(46.8)	(3.4)

Company	Share capital £m	Share premium £m	Treasury shares £m	Capital redemption reserve £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Total £m
At 28 April 2018	0.7	19.1	(1.4)	0.1	(0.1)	–	(26.7)	(8.3)
Loss for the period	–	–	–	–	–	–	(20.1)	(20.1)
Other comprehensive income/(expense) for the financial period	–	–	–	–	0.1	–	(0.4)	(0.3)
Total comprehensive income/(expense) for the financial period	–	–	–	–	0.1	–	(20.5)	(20.4)
Issue of new shares	2.3	–	–	–	–	60.4	–	62.7
Transfer from merger reserve	–	–	–	–	–	(60.4)	60.4	–
Share based payments and related tax	–	–	–	–	–	–	0.5	0.5
At 27 April 2019	3.0	19.1	(1.4)	0.1	–	–	13.7	34.5
Loss for the period	–	–	–	–	–	–	(68.4)	(68.4)
Other comprehensive income/(expense) for the financial period	–	–	–	–	1.9	–	(1.0)	0.9
Total comprehensive income/(expense) for the financial period	–	–	–	–	1.9	–	(69.4)	(67.5)
Issue of new shares	1.0	9.0	–	–	–	–	–	10.0
Cancellation of treasury shares	–	–	1.4	–	–	–	(1.4)	–
Share based payments and related tax	–	–	–	–	–	–	0.3	0.3
At 31 October 2020	4.0	28.1	–	0.1	1.9	–	(56.8)	(22.7)

CARPETRIGHT LIMITED
Cashflow Statement for the period ended 31 October 2020

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Assets					
Non-current assets					
Intangible assets	8	33.7	29.6	11.5	8.0
Property, plant and equipment	9	49.6	88.9	29.5	55.0
Investment property	10	10.6	10.3	-	1.4
Investment in subsidiary undertakings	11	-	-	12.1	15.7
Right-of-use assets	24	159.9	-	140.0	-
Deferred tax assets	18	1.6	0.9	1.6	0.9
Trade and other receivables	13	-	0.5	-	0.4
Total non-current assets		255.4	130.2	194.7	81.4
Current assets					
Inventories	12	46.0	43.7	37.3	33.9
Trade and other receivables	13	10.3	12.9	36.1	50.0
Cash and cash equivalents	14	47.4	15.4	41.8	13.7
Total current assets		103.7	72.0	115.2	97.6
Total assets		359.1	202.2	309.9	179.0
Liabilities					
Current liabilities					
Trade and other payables	15	(70.9)	(69.8)	(66.0)	(65.9)
Obligations under finance leases		-	(0.1)	-	(0.1)
Borrowings and overdrafts	16	(65.0)	(25.5)	(65.0)	(25.5)
Provisions for liabilities and charges	17	(1.3)	(5.0)	(1.3)	(5.0)
Lease liability	24	(65.2)	-	(58.3)	-
Current tax liabilities		(2.6)	(1.2)	(0.8)	(0.8)
Total current liabilities		(205.0)	(101.6)	(191.4)	(97.3)
Non-current liabilities					
Trade and other payables	15	(0.2)	(24.3)	(0.2)	(24.3)
Obligations under finance leases		-	(1.3)	-	(0.3)
Borrowings and overdrafts	16	-	(15.9)	-	(15.9)
Provisions for liabilities and charges	17	-	(6.1)	-	(6.1)
Lease liability	24	(155.6)	-	(140.8)	-
Deferred tax liabilities	18	(1.5)	(2.7)	-	-
Retirement benefit obligations	19	(0.2)	(0.6)	(0.2)	(0.6)
Total non-current liabilities		(157.5)	(50.9)	(141.2)	(47.2)
Total liabilities		(362.5)	(152.5)	(332.6)	(144.5)
Net assets/(liabilities)		(3.4)	49.7	(22.7)	34.5
Equity					
Share capital	21	4.0	3.0	4.0	3.0
Share premium	21	28.1	19.1	28.1	19.1
Treasury shares	21	-	(1.4)	-	(1.4)
Other reserves		(35.5)	29.0	(54.8)	13.8
Total deficit attributable to shareholders of the Company		(3.4)	49.7	(22.7)	34.5

The retained loss for the Company for the period was £68.4m (2019: loss of £20.1m). These financial statements from pages 21 to 72 were approved by the Board of Directors on 18 March 2022 and were signed on its behalf by:

Director Patrick Stirling-Howe



CARPETRIGHT LIMITED
Cashflow Statement for the period ended 31 October 2020

	Notes	Group period ended 31 October 2020 £m	Group year ended 27 April 2019 £m	Company period ended 31 October 2020 £m	Company year ended 27 April 2019 £m
Cash flows from operating activities					
Loss before tax		(64.3)	(24.8)	(69.8)	(25.2)
Adjusted for:					
Depreciation and amortisation	2	83.5	11.4	67.3	8.5
(Profit)/ loss on property disposals	4	(8.3)	(1.3)	0.8	(1.3)
Separately reported non-cash items	4	13.0	6.3	12.5	5.7
Separately reported cash items	4	-	2.4	-	2.0
Share based payments and other non-cash items	4,22	0.3	0.5	0.3	0.5
Net finance costs	5	46.8	8.4	42.9	8.2
Operating cash flows before movements in working capital		71.0	2.9	54.0	(1.6)
(Decrease)/increase in inventories		(1.9)	(1.1)	(3.4)	0.3
Increase/(decrease) in trade and other receivables		0.1	3.8	10.3	3.9
Decrease in trade and other payables		20.9	(17.9)	19.8	(17.3)
Net income/(expenditure) on exit of operating leases		(0.4)	0.9	(0.3)	0.9
Restructuring costs		-	(2.4)	-	(2.0)
Provisions paid		(1.4)	(9.6)	(1.4)	(9.6)
Contributions to pension schemes		(1.6)	(1.2)	(1.6)	(1.2)
Cash generated from /(used in) operations		86.7	(24.6)	77.4	(26.6)
Interest paid		(47.8)	(2.4)	(44.1)	(2.4)
Corporation taxes (paid)/received		(0.5)	0.3	0.7	0.6
Net cash generated from/(used by) operating activities		38.4	(26.7)	34.0	(28.4)
Cash flows from investing activities					
Purchase of intangible assets		(4.4)	(3.9)	(4.4)	(3.7)
Purchase of property, plant and equipment and investment property		(7.2)	(4.8)	(4.4)	(3.1)
Proceeds on disposal of property, plant and equipment and investment property		27.9	0.6	13.5	0.6
Interest received		-	-	0.2	0.2
Net cash used in investing activities		16.3	(8.1)	4.9	(6.0)
Cash flows from financing activities					
Issue of new shares		10.0	62.7	10.0	62.7
Repayment of finance lease obligations		-	(0.2)	-	(0.1)
Repayment of lease liability		(53.9)	-	(44.4)	-
Repayment of borrowings	27,28	(27.3)	(34.5)	(27.3)	(34.5)
Dividends from subsidiaries		-	-	2.5	-
New loans	27,28	51.0	14.9	51.0	14.9
Net cash used in financing activities		(20.2)	42.9	(8.2)	43.0
Net increase in cash and cash equivalents in the period	27	34.5	8.1	30.7	8.6
Cash and cash equivalents at the beginning of the period		12.9	4.8	11.2	2.5
Exchange differences	28	-	-	(0.1)	0.1
Cash and cash equivalents at the end of the period	14,27	47.4	12.9	41.8	11.2

For the purpose of the statements of cashflow, 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 sheets and are included in borrowings and overdrafts under current liabilities.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

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 periods presented unless otherwise stated.

General information

Carpetright Limited ('the Company') and its subsidiaries (together, 'the Group') are retailers of floorcoverings and beds. The Company delisted from the London Stock Exchange on 24 January 2020. The Company is incorporated in England and Wales and domiciled in the United Kingdom. The address of its registered office is Carpetright Limited, Nestware House, Purfleet Bypass, Purfleet, Essex, RM19 1TT. The nature of the Group's operations and its principal activities are the retail of flooring and beds and related items.

Basis of preparation

The consolidated financial statements of the Group and the Company were previously drawn up to within seven days of the accounting record date, being 30 April of each year. Following the acquisition of the Company by Meditor Holdings Limited the accounting period was extended to 31 October 2020. The accounting period for 2020 represents the 18 months to 31 October 2020. The comparative financial period for 2019 was for 12 months ended 27 April 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRS IC) interpretations as adopted by the United Kingdom together with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the historical cost basis except for pension asset which are carried at fair value, pension liabilities which are prepared at discounted present value. The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its statement of profit or loss and statement of comprehensive income. The loss after tax for the Company for the period was £68.4m (2019: loss of £20.1m).

Going concern

The Directors have prepared cash flow forecasts to December 2024. These projections are sensitive to changes in the underlying assumptions, the main two being revenue and margin. These forecasts indicate sufficient resources will be available to settle liabilities as they fall due for a period of at least 12 months from the date of approving these financial statements.

As noted under risks and uncertainties on pages 4-6, the effects of the COVID-19 pandemic are being felt on a global scale with governments facing unprecedented challenges and taking the necessary counter measures to combat the spread of the infection. The Group's trading results have been materially impacted by COVID-19 during the period reported, in the period post balance sheet and almost certainly beyond. Despite these unprecedented challenges the fundamentals upon which Carpetright's business is built remain sound and the Directors continue to carefully monitor the situation so appropriate actions are taken in a timely manner to safeguard the business model and shareholder investment.

Based on their assessment of the Group's financial position, forecast and projections the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a minimum of twelve months following the signing of these accounts and beyond. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Disclosure of 'separately reported items'

IAS 1 'Presentation of Financial Statements' provides no definitive guidance as to the format of the statement of profit or loss but states key lines which should be disclosed. It also encourages the disclosure of additional line items and the reordering of items presented on the face of the statement of profit or loss when appropriate for a proper understanding of the entity's financial performance. In accordance with IAS 1, the Group has adopted a columnar presentation for its Consolidated statement of profit or loss, to separately identify underlying performance results, as the Directors consider that this gives a better view of the underlying results of the ongoing business. As part of this presentation format, the Group has adopted a policy of disclosing separately on the face of its Consolidated statement of profit or loss, within the column entitled 'Separately reported items', the effect of any components of financial performance for which the Directors consider separate disclosure would assist both in a better understanding of the financial performance achieved. In its adoption of this policy, the Group applies a balanced approach to both gains and losses and aims to be both consistent and clear in its accounting and disclosure of such items.

Both size and the nature and function of the components of income and expense are considered in deciding upon such presentation. Such items may include, inter alia, the financial effect of separately reported items which occur infrequently, such as major reorganisation costs, one-off project costs and impairments and the taxation impact of the separately reported items.

New and amended accounting standards adopted by the Group

The following standards and interpretations to standards became effective in the period commencing 28 April 2019.

1. IFRS 16 'leases' was effective for year ends beginning on or after 1 January 2019. The Group adopted the standard on 28 April 2019. The impact of the standard is disclosed in note 24.
2. Amendment to IAS 19 'employee benefits'- plan amendment, curtailment or settlement. Effective for periods commencing on or after 1 January 2019. The Group schemes were closed to members in 2010. The changes in the standard are thus not applicable and do not have a material impact to the Group.
3. IFRS 9 'Financial instruments – prepayment features with negative compensation. Effective for periods commencing on or after 1 January 2019. The changes in the standard increased the scope of assets that may be measured at amortised costs and changes on accounting for modifications to a financial liability. These changes did not have a material impact on the Group.
4. Amendment to IAS 28 'investment in associates'. Effective for periods commencing on or after 1 January 2019. The amendment dealt with the treatment of long-term interest in associates and joint ventures. This amendment did not have a material impact on the Group as it does not have any associates or joint ventures.
5. Annual improvements 2015-2017 cycle - Effective for periods commencing on or after 1 January 2019. This amendment did not have a material impact on the Group.
6. IFRIC 23 'Uncertainty over income tax'. Effective for periods commencing on or after 1 January 2019. This interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income tax' are applied where there is uncertainty over income tax treatments. This clarification did not have a material impact on the Group.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

New standards and interpretation not yet effective

There were several new standards, amendments to standards and interpretation to existing standards which were issued but not yet effective and have not been adopted in the preparation of the financial statements. None of these would have a material impact on the financial statements.

1. Amendment to IFRS 3 'business combinations' definition of a business- Effective for periods commencing on or after 1 January 2020. This change widens the definition of acquisition that would fall within the scope of IFRS 3. The impact of this is not expected to be material.
2. Amendment to IAS 1 'presentation of financial statements and Amendment to IAS 8 'Accounting policies changes in accounting estimates and error. Effective for periods commencing on or after 1 January 2020. The amendments clarify the definition of material and make it more consistent across all IFRS's. The changes are not expected to have a material impact on the Group's financial statements.
3. Amendments to the conceptual framework. Effective for periods commencing on or after 1 January 2020. The changes are not expected to have a material impact on the Group's financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of a subsidiary to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Exchange differences

The consolidated financial statements are presented in pounds Sterling, which is the Company's functional and presentation 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 currencies are translated at the rates ruling at the balance sheet date. Resulting exchange gains or losses are recognised in the statement of profit or loss for the period, except where they are part of a net foreign investment hedge, when they are recognised in equity. The Group had no foreign exchange hedge contracts in place at period end. 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 in other comprehensive income. On disposal of a foreign operation, the cumulative exchange differences for that operation are recognised in the statement of profit or loss 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 and are recognised in other comprehensive income.

Notes to the accounts for the period ended 31 October 2020

Revenue

Revenue: We evaluate our Revenue with customers based on the five-step model under IFRS 15: 'Revenue from Contracts with Customers': (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognise revenues when (or as) each performance obligation is satisfied. Revenue from the sale of goods and services is recognised when the group has satisfied its performance obligation by transferring control of the goods or service to the customer. Control of the goods is transferred at the point of delivery or collection of the goods to the customer or their agent. In the case of a provision of service, revenue is recognised at the point the service is performed.

When the Group receives a payment and has a commitment to provide goods and services, the value of the goods or service is recognised as "contract liabilities". Contract Liabilities are realised and fulfilled within 12 months.

Revenue is shown net of discounts, sales returns, charges for the provision of interest free credit and VAT or other sales related taxes. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Government grants

Government grants are recognised in profit or loss on a systematic basis and recognised in the Statement of profit or loss over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. The grant is only recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Grant income is recorded as a deduction to the related expense, where the expense has been incurred in the same period as the grant income received. Government grants only relate to the various furlough schemes operated during the period as a result of the pandemic - see note 3.

Share based payments

The Group issues equity-settled share-based payments to certain employees, the terms of these payments do not contain any market conditions. The fair value of options granted is recognised as an employee benefits expense. The total amount to be expensed is determined by reference to the fair value of the options at the date the options were granted. 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 service and performance conditions that are included in the 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 statement of profit or loss and a corresponding adjustment to equity is made. Please refer to note 22 for further details on the share schemes.

Treasury shares

Own equity instruments that are reacquired (Treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium reserve.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Other operating income

Rental income earned on investment property is recognised in other operating income and is recognised on a straight-line basis over the term of the lease.

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 and its 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against the current tax liabilities and it is the intention to settle these on a net basis.

Tax is charged or credited directly to other comprehensive income if it relates to items that are charged or credited to other comprehensive income; otherwise, it is recognised in the statement of profit or loss.

Dividends

Dividends payable are 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.

Dividend income is recognised as other income in the profit or loss when the right to receive payment is established.

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. For the purposes of impairment, goodwill is allocated to each cash-generating unit (or groups of cash-generating units) that is expected to benefit from the business combination. Goodwill is reviewed for impairment at least annually or when there is an indication of impairment. Any impairment is recognised immediately in the statement of profit or loss 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.

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Impairments

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested at least annually for impairment or when there is an indication of impairment. Assets that are subject to amortisation and depreciation 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 statement of profit or loss whenever the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of impairment at each reporting date.

Other intangible assets

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

Gains and losses on disposals of intangible assets are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

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 - 5 to 10 years

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and any provision 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 - 3 to 15 years, except for fixed racking which is depreciated over 25 years
- Other plant and machinery - 5 to 10 years

Gains and losses on disposals of tangible assets are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

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.

IAS 17 Leases

Prior to the adoption of IFRS 16 'Leases' on 28 April 2019 the Group applied IAS 17 'Leases'. Under IAS 17 'Leases' the Group classified Leases as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases were classified as operating leases.

Assets used by the Group which had been funded through finance leases were capitalised in property, plant and equipment and the resulting lease obligations were included in payables. The assets were depreciated over the shorter of their useful lives and the period of the lease. The interest element of the rental obligations was charged to the statement of profit or loss over the period of the lease and represented a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases were charged to statement of profit or loss on a straight-line basis over the period of the lease. Premiums payable, rent-free periods and contributions receivable on entering an operating lease were charged or credited to income on a straight-line basis over the lease term. In the event of an amendment to the lease term, the period of recognition for any balance outstanding was adjusted accordingly. Further detail can be found in note 24.

Transition to IFRS 16

The Group has adopted IFRS 16 'Leases' using the modified retrospective approach and took advantage of the transition provisions within IFRS 16 'Leases'. The Group has also taken advantage of several practical expedients.

1. Prior year comparatives have not been restated and there has been no adjustment to equity as a result of adopting the standard.
2. Leases that were previously classified as finance leases. The easement allows for the initial right-of-use asset and Lease liability to be equal to finance lease asset and finance lease liability at the date of transition.
3. No assessment has been made on whether a contract is or contains a lease at the date of transition.
4. At initial recognition the Right-of-use asset is equal to the Lease Liability, adjusted for prepaid rents, lease incentives and onerous provisions.
5. A single discount rate has been applied to assets that are similar in nature and share the same characteristics.
6. Reliance was taken on previous assessment as to whether the lease was onerous or not.

The Group did not avail itself of the low value exemption, where the standard does not require the recognition of the right-of-use asset or lease liability for low value assets.

The changes in accounting resulting from adopting the standard are discussed below and also in note 24.

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

IFRS 16 Leases and right-of-use assets

The Group adopted the new leasing standard, IFRS 16 'Leases' on the 28 April 2019, using the modified retrospective approach, option 2. The Group recognises a right-of-use asset and a corresponding liability at the date at which a leased asset is made available for use by the Group. The Group has not taken the exemption available, on transition, relating to small value leases or leases with terms less than 12 months. Lease liabilities are measured at the present value of the future lease payments, excluding any payments relating to non-lease components. Future lease payments include fixed payments, in-substance fixed payments, and variable lease payments that are based on an index or a rate, less any lease incentives receivable. Lease liabilities also consider amounts payable under residual value guarantees and payments to exercise options to the extent that it is reasonably certain that such payments will be made. The payments are discounted at the rate implicit in the lease or, where that cannot be readily determined, at an incremental borrowing rate.

Right-of-use assets are measured initially at cost based on the value of the associated lease liability, adjusted for any payments made before inception, initial direct costs and an estimate of the dismantling, removal and restoration costs required in the terms of the lease. The Group presents right-of-use assets separately in the consolidated balance sheet. After initial recognition, the lease liability is reduced for payments made and increased to reflect interest on the lease liability (using the effective interest method).

The related right-of-use asset is depreciated over the term of the lease or, if shorter, the useful economic life of the leased asset. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised. Where the lease contains a purchase option the asset is written off over the useful life of the asset when it is reasonably certain that the purchase option will be exercised. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

1. The lease term has changed or there is a change in the assessment of the exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
2. The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
3. A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The company has taken advantage of the transition exemption on leases that were previously classified as finance leases. The easement allows for the initial right-of-use asset and Lease liability to be equal to finance lease asset and finance lease liability at the date of transition.

Leases for which the Group is a lessor are classified as finance or operating leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee and classified as an operating lease if it does not.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the Group's net investment in the lease.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Covid rent concessions

The Group has taken advantage of the amendment to IFRS 16. The amendment does not require lessees to treat rent concessions, as a result of Covid-19, as a lease modification. The lessee is permitted to treat such concessions in the same way as non-modification to leases are treated. The Group has therefore treated Covid-19 rent concessions as a variable lease payment and recognised a credit in the profit and loss account in the period in which the event that triggered the rent concession occurred.

Investment in subsidiaries

The Company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses. An impairment review is performed annually. Income from investments is recognised in the statement of profit or loss.

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.

Rebates earned by the Group take the form of volume-based rebates, for attaining specific purchase targets, with individual suppliers. These agreements normally cover the financial period. Agreements that cover more than one financial period are recognised in the period in which the rebate is earned and are credited to the carrying value of inventory to which they relate. The Group also receives discounts/rebates from certain suppliers for one-off, targeted marketing and promotional events. These rebates are recognised in the period in which the promotional activity is held.

Financial instruments

The Group does not have any derivatives or complex financial instruments.

The Group's principal financial instruments comprise 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 and has applied the simplified approach of IFRS 9.

The Group has no other material financial instruments. Further details can be found in note 20.

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 following the expected credit loss model of IFRS 9. See note 13.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, deposits repayable on demand, highly liquid investments and sums in transit receivable within 30 days from our credit card and Interest Free Credit providers. For the purposes of the statements of cash flow, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings and overdrafts in current liabilities on the balance sheet.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Financial Instruments (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.

Rolling credit facility (RCF)

The Rolling credit facility is recognised at fair value less directly attributable transaction costs. This equates to the amounts paid and received.

Given the nature of the financial instruments fair value is the open market price of contracts for the sale of goods or the amount payable for goods

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 benefit will be required to settle the obligation. Provisions are calculated on a discounted basis when appropriate. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment losses on the assets associated with that contract.

Retirement benefit obligation

The Group operates defined benefit and defined contribution schemes and 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 schemes 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.

The Group does not recognise any scheme surpluses, unless it has an unconditional right to a refund or reductions to future contributions. Actuarial gains and losses are recognised in full, directly in equity in the period in which they occur and are presented in other comprehensive income. Other income and expenses associated with the defined benefit scheme are recognised in the statement of profit or loss. The pension cost of defined contribution schemes is charged in the statement of profit or loss as incurred.

Critical estimates and judgments

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 judgments 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 period, are discussed below:

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

1. Principal accounting policies continued

Judgments

Lease liability – term of lease

The Group has applied judgment to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether it is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet and are detailed in note 24.

Estimates

Lease liability

The calculation of the lease liability entails several areas which require management judgment – see note 24. One of which is the incremental borrowing rate (IBR). A change in the IBR may materially impact the value of the lease liability.

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 – see note 19.

Impairment of store

Property, plant and equipment, investment property and other intangible assets 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 the higher of fair value less costs to sell, and value in use calculations prepared based on management's assumptions and estimates. 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. The cashflows used by management were discounted using a WACC rate of 9.9%. Please refer to note 9.

Impairment of right-use-assets

Right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a right-of-use asset is linked to the cash generating unit represent for which the asset was recognised. The recoverable amount of the cash-generating unit is determined based on the higher of fair value less costs to sell, and value in use calculations prepared based on management's assumptions and estimates. 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. The cashflows used by management were discounted using a WACC rate of 9.9%. Please refer to note 24.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

2. Operating (loss analysis of costs by nature)

Operating loss is stated after (crediting)/charging:

	Notes	Group 18-month period to 31 October 2020 £m	Group 12-month to 27 April 2019 £m
Rental income earned on investment property		(1.7)	(1.6)
Cost of inventories recognised as an expense in cost of sales		181.5	138.7
Operating lease rentals:			
Lease payments in respect of land and buildings		-	63.0
Lease payments in respect of plant and machinery		-	2.3
Other lease items (lease incentives and rent-free credits)			(6.5)
Sublease rental income		(1.2)	(1.1)
Auditors' remuneration:			
Audit of the Parent Company's consolidated financial statements		0.3	0.3
Audit of the subsidiary companies' financial statements		0.2	0.1
Non-audit fees		-	0.3
Staff costs	3	123.9	90.0
Impairment of assets	4	9.8	1.8
Impairment of right-of-use assets	4	4.3	-
Amortisation of intangible assets	8	1.1	0.7
Depreciation of property, plant and equipment	9	14.9	10.6
Depreciation of Right-of-use asset	24	67.0	-
Depreciation of investment property	10	0.5	0.1

Non-audit fees in the period were £nil (2019: £250k).

On 28 April 2019 the Group adopted IFRS 16 'Leases' and thus there are no operating lease payments in the period. All lease payments are utilised against the lease liability.

3. Staff costs

Average number of persons (full-time equivalents) employed by the Group (including directors) was as follows:

	Group 2020 Number of full-time equivalents	Group 2019 Number of full-time equivalents	Company 2020 Number of full-time equivalents	Company 2019 Number of full-time equivalents
Stores	2,080	2,195	1,667	1,786
Store support office and distribution centre	328	367	267	307
	2,408	2,562	1,934	2,093

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

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Wages and salaries (including short-term employee benefits)		107.5	78.3	81.7	62.2
Social security costs		11.7	8.5	7.0	5.5
Post-employment benefits – defined contribution		4.4	2.7	2.3	1.4
Share based payments	4, 22	0.3	0.5	0.3	0.5
		123.9	90.0	91.3	69.6

Notes to the accounts for the period ended 31 October 2020

3. Staff costs (continued)

Wages and salaries include short-term employee benefits as defined in IAS 19, except for costs associated with the Group's pension schemes. Post-employment benefits include costs associated with the Group's pension schemes (except for net interest costs and the actuarial gain on the defined benefit pension schemes) and are included in administration 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 22. Shares awards scheme ceased and terminated on 24 January 2020, following the Group's acquisition by Meditor Holdings Limited.

In the period the Group was in receipt of grants for Job Retention Schemes. These receipts have been recognised where the associated staff payroll costs are recognised and amounted to £8.1m

All receipts from the Coronavirus Job Retention Scheme have been paid in full to staff on furlough. This has been recognised as a grant in accordance with the accounting policy set out on page 28.

The Group considers key management to be the executive directors only.

Directors' remuneration	Group 18-month period to 31 October 2020 £m	Group 12-month to 27 April 2019 £m
Wages and salaries (including short-term employee benefits)	1.4	1.0
Post-employment benefits - pensions	0.2	0.2
Social security costs	0.2	0.2
Share based payments charge	0.1	-
	1.9	1.4

Highest paid director	Group 18-month period to 31 October 2020 £m	Group 12-month to 27 April 2019 £m
Wages and salaries (including short-term employee benefits)	0.7	0.5
Post-employment benefits	0.1	0.1
Share based payments charge	0.1	-
	0.9	0.6

None of the Directors are members of the company's defined benefit pension scheme. One Director was a member of the money purchase scheme however he made no contribution to the scheme. Two of the Directors received a pension supplement payment.

In September 2019 the Directors were granted 1,349,377 share awards under the company's long-term incentive plan. A total of 144,473 shares vested on the 24 January 2020, when the company was acquired by Meditor Holdings Limited.

Notes to the accounts for the period ended 31 October 2020

4. Separately reported items

In order to provide shareholders with additional insight into the underlying performance of the business, items recognised in the statement of profit or loss before tax which, by virtue of their size and/or nature, do not reflect the Group's underlying performance, have been excluded from the Group's underlying results.

	Notes	Group 18-month period to 31 October 2020 £m	Group year ended 27 April 2019 £m
Underlying loss before tax		(53.0)	(16.9)
Property disposals			
Profit on disposal of properties		8.3	1.3
		8.3	1.3
Other non-cash items			
Freehold and investment property impairment	9,10	(9.7)	(0.8)
Store asset impairment		(0.1)	(1.0)
Right-of-use asset impairment		(4.3)	-
		(14.1)	(1.8)
Share based payments	22	(0.3)	(0.5)
Other			
Redundancy provisions		-	0.5
Restructuring costs		(3.4)	-
CVA rent guarantee liability		-	(0.6)
Other		(0.7)	-
		(4.1)	(0.1)
Net onerous lease release /(charge)		1.2	(0.9)
ERP dual running costs		(2.0)	(2.0)
Pension administration costs	19	(0.3)	(0.9)
Stock provisions		-	(3.0)
		(1.1)	(6.8)
Total separately reported items		(11.3)	(7.9)
Statutory loss before tax		(64.3)	(24.8)

Notes to the accounts for the period ended 31 October 2020

4. Separately reported items (continued)

Non-cash items

The Group performed an impairment review over its goodwill, freehold properties and store fixed assets in accordance with IAS 36. The review resulted in no impairment in goodwill but a net impairment charge of £9.7m against freehold properties (2019: £0.8m). Further detail can be found in notes 8 and 9.

An impairment of £0.1m was recognised against store assets in Europe. An impairment of £4.3m was recognised against the right-of-use assets.

Profit on disposal of properties

A net gain of £8.3m was made on the disposal of several freehold properties (2019: £1.3m).

ERP dual running costs

The Group has continued to incur dual running costs as it replaces legacy IT systems and transitions to D365, which was completed in April 2020. Historically, these types of cost would have been capital spend, but with the switch to cloud-based software services, these are classified as operating expenditure. Due to the quantum and one-off nature of the project, these costs have been reported as separately reported items and amounted to £2.0m in the period (2019: £2.0m).

Other

Considering the variable nature of employee share-based payments, these have been classified as separately reported items. This also allows for greater visibility of these charges in the financial statements. A charge of £0.3m was incurred during the period (2019: £0.5m).

A sum of £0.3m (2019: £0.9m) was incurred in payments made to the Group's legacy defined benefit pension schemes the prior year included a sum of £0.4m relating to Guaranteed Minimum Pension. Further details are provided in note 19.

The tax impact of the separately reported items is a charge of £2.1m (2019: credit of £0.2m).

5. Finance costs

	Notes	Group 18-month period to 31 October 2020 £m	Group year ended 27 April 2019 £m
Interest on borrowings and overdrafts		(8.7)	(1.6)
Fees amortisation		(2.5)	(3.2)
Interest on obligations under finance leases		–	(0.1)
Other interest		(0.9)	(3.5)
Lease liability interest		(34.6)	–
Net interest on pension scheme obligations	19	(0.1)	–
Finance costs		(46.8)	(8.4)

Net finance charges for the period increased to £46.8m, an increase of £38.4m. This increase is driven by the adoption of IFRS 16 and specifically from the interest charged on lease liabilities. Please refer to Note 24. Interest on borrowings of £8.7m includes interest charged in the period of, £5.6m, on the Meditor loans, which were repaid on 31 July 2020.

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Notes to the accounts for the period ended 31 October 2020

6. Tax

(i) Analysis of the (credit)/charge in the period

	Notes	Group 18-month period to 31 October 2020 £m	Group year ended 27 April 2019 £m
UK current tax		(0.6)	(0.5)
Overseas current tax		2.5	0.7
Total current tax		1.9	0.2
UK deferred tax		(1.6)	(4.7)
Overseas deferred tax		(0.3)	1.7
Total deferred tax	18	(1.9)	(3.0)
Total tax credit in the income statement		-	(2.8)

(ii) Reconciliation of loss before tax to total tax

		Group 18-month period to 31 October 2020 £m	Group year ended 27 April 2019 £m
Loss before tax		(64.3)	(24.8)
Tax credit at UK corporation tax rate of 19% (2019: 19%)		(12.2)	(4.7)
Adjusted for the effects of:			
Overseas tax rates		0.4	-
Non-qualifying depreciation		1.8	0.4
Items not taxed		0.8	(0.7)
Losses not recognised		10.3	6.5
Tax release		(0.7)	-
Other permanent differences		(0.4)	(0.4)
Prior year adjustments		-	(3.9)
Total tax credit in the income statement		-	(2.8)

The weighted average annual effective tax rate for the period is nil (2019: 10.9% credit).

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

		Group 18-month period to 31 October 2020 £m	Group year ended 27 April 2019 £m
Deferred tax on actuarial losses recognised in other comprehensive income		-	(0.1)
Total tax recognised in equity		-	(0.1)

7. Dividends

The Directors decided that no final dividend will be paid (2019: No final dividend paid). This results in no dividend in the period to 31 October 2020 (2019: No dividend paid).

Notes to the accounts for the period ended 31 October 2020

8. Intangible assets

Group	Goodwill £m	Computer software £m	Brands £m	Total £m
<i>Cost:</i>				
At 28 April 2018	55.0	25.2	0.1	80.3
Exchange differences	(0.3)	(0.2)	–	(0.5)
Additions	–	3.9	–	3.9
Disposals	–	(0.6)	–	(0.6)
At 27 April 2019	54.7	28.3	0.1	83.1
Exchange differences	1.0	0.1	–	1.1
Additions	–	4.4	–	4.4
At 31 October 2020	55.7	32.8	0.1	88.6
<i>Accumulated amortisation and impairment:</i>				
At 28 April 2018	35.2	18.0	0.1	53.3
Exchange differences	(0.1)	–	–	(0.1)
Impairment	–	0.2	–	0.2
Amortisation	–	0.7	–	0.7
Disposals	–	(0.6)	–	(0.6)
At 27 April 2019	35.1	18.3	0.1	53.5
Exchange differences	0.3	–	–	0.3
Amortisation	–	1.1	–	1.1
At 31 October 2020	35.4	19.4	0.1	54.9
<i>Net book value:</i>				
At 31 October 2020	20.3	13.4	–	33.7
At 27 April 2019	19.6	10.0	–	29.6

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 intangible assets are amortised and tested for impairment when there is an indication that the asset may be impaired. Impairments and amortisation charges are recognised in full in administration expenses in the statement of profit or loss during the period in which they are identified.

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 of the goodwill held by the Group is determined from value in use calculations.

Management has identified one cash-generating unit (CGU) supporting goodwill -, being the Netherlands. Despite the challenging period and the COVID-19 lockdown, the remaining Goodwill of £19.6m, relating to the acquisition of the Dutch operations, is not impaired.

This was tested for impairment in the period using value in use calculations based on three-year profit projection models and plans approved by the Board, adjusted for non-cash items and capital expenditure.

The key assumptions used in the cash flow model when assessing European Goodwill balances are:

- Pre-tax -discount rate 9.9%
- Long term Growth rate 2.0%

The recoverable amount using value in use calculations exceeded the carrying value of Goodwill. The following amendments to the key assumptions would result in removal of any available headroom.

- An increase of 9.1% in the discount rate
- A decrease in the long-term growth rate by 67 %

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

8. Intangible assets continued

Company	Goodwill £m	Computer software £m	Brands £m	Total £m
<i>Cost:</i>				
At 28 April 2018	24.1	23.1	0.1	47.3
Exchange differences	–	0.1	–	0.1
Additions	–	3.7	–	3.7
Disposals	–	(0.6)	–	(0.6)
At 27 April 2019	24.1	26.3	0.1	50.5
Additions	–	4.4	–	4.4
At 31 October 2020	24.1	30.7	0.1	54.9
<i>Accumulated amortisation and impairment:</i>				
At 28 April 2018	24.1	17.9	0.1	42.1
Exchange differences	–	0.1	–	0.1
Impairment	–	0.2	–	0.2
Amortisation	–	0.7	–	0.7
Disposals	–	(0.6)	–	(0.6)
At 27 April 2019	24.1	18.3	0.1	42.5
Amortisation	–	0.9	–	0.9
At 31 October 2020	24.1	19.2	0.1	43.4
<i>Net book value:</i>				
At 31 October 2020	–	11.5	–	11.5
At 27 April 2019	–	8.0	–	8.0

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Notes to the accounts for the period ended 31 October 2020

9. 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 28 April 2018	43.1	16.2	17.7	100.9	36.5	214.4
Exchange differences	(0.4)	-	-	(0.3)	(0.4)	(1.1)
Additions	-	-	0.1	3.8	0.2	4.1
Disposals	(0.7)	(0.6)	(2.9)	(18.9)	(1.8)	(24.9)
At 27 April 2019	42.0	15.6	14.9	85.5	34.5	192.5
Exchange differences	0.8	-	0.1	0.7	1.2	2.8
Additions	-	-	0.3	5.4	0.9	6.6
Transfer between asset class	(0.5)	(0.3)	0.3	-	-	(0.5)
Disposals	(27.8)	(15.3)	(1.7)	(7.0)	(0.4)	(52.2)
At 31 October 2020	14.5	-	13.9	84.6	36.2	149.2
Accumulated depreciation and impairment:						
At 28 April 2018	9.3	5.9	13.1	59.3	28.1	115.7
Exchange differences	(0.1)	(0.2)	(0.1)	(0.1)	(0.3)	(0.8)
Impairment	0.8	-	0.1	0.6	0.1	1.6
Depreciation	0.6	0.2	0.9	7.8	1.1	10.6
Disposals	(0.3)	(0.6)	(2.7)	(18.1)	(1.8)	(23.5)
At 27 April 2019	10.3	5.3	11.3	49.5	27.2	103.6
Exchange differences	0.1	0.1	0.1	0.5	0.9	1.7
Impairment	5.5	5.9	-	0.1	-	11.5
Depreciation	0.7	0.3	1.2	11.1	1.6	14.9
Transfer between asset class	-	(0.3)	0.3	-	-	-
Disposals	(12.0)	(11.3)	(1.7)	(6.2)	(0.9)	(32.1)
At 31 October 2020	4.6	-	11.2	55.0	28.8	99.6
Net book value:						
At 31 October 2020	9.9	-	2.7	29.6	7.4	49.6
At 27 April 2019	31.7	10.3	3.6	36.0	7.3	88.9

In accordance with IAS 36, assets are reviewed for impairment whenever changes in circumstances indicate that the carrying value may not be recoverable. All freehold properties and the associated cash generating units have been reviewed for impairment at the period end, 31 October 2020. The assets are 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. As part of the group's restructuring the group commissioned an independent valuation of all freehold properties by a third party suitably qualified party. The valuer calculated the market value for UK properties with the benefit of 10-year lease to Carpetright Limited with a three-month break clause. The properties in the Netherlands were valued based on a standard 5 Year lease to Carpetland BV, our trading company in the Netherlands. A value in use calculation was also undertaken for each property, using forecasted cashflows and a discount rate of 9.9% along with a terminal value.

As per IAS 36 the recoverable amount was deemed to be the higher of the fair value less cost to sell or the value in use. This assessment was carried out on a property-by-property basis. The net impact the impairment review resulted in an impairment of £11.8m for properties situated in the UK offset by an £2.1m impairment reversal of properties in the Netherlands.

Property, plant and equipment held within cash generating units are also subject to an impairment review at each reporting date or more frequently if there is an indication of impairment. The review performed using forecasted cashflows and a discount rate of 9.9%, and resulted in an impairment recognised in the period of £0.1m.

CARPETRIGHT LIMITED
Notes to the accounts for the period ended 31 October 2020
9. 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 28 April 2018	17.4	9.4	16.7	81.8	8.0	133.3
Additions	–	–	0.1	2.4	0.1	2.6
Disposals	(0.7)	(0.6)	(2.8)	(14.3)	(0.3)	(18.7)
At 27 April 2019	16.7	8.8	14.0	69.9	7.8	117.2
Exchange differences	-	-	0.1	-	-	0.1
Additions	-	-	0.3	3.4	0.3	4.0
Transfer between class	-	(0.3)	0.3	-	-	-
Disposals	(16.7)	(8.5)	(1.7)	(4.9)	-	(31.8)
At 31 October 2020	-	-	13.0	68.4	8.1	89.5
Accumulated depreciation and impairment:						
At 28 April 2018	2.9	3.9	12.3	46.2	5.3	70.6
Exchange differences	-	(0.1)	(0.1)	0.1	0.1	-
Impairment	0.3	-	0.1	0.6	0.1	1.1
Depreciation	0.2	0.1	0.9	5.9	0.7	7.8
Disposals	(0.3)	(0.6)	(2.7)	(13.4)	(0.3)	(17.3)
At 27 April 2019	3.1	3.3	10.5	39.4	5.9	62.2
Exchange differences	-	-	0.1	-	-	0.1
Impairment	3.2	2.8	-	-	-	6.0
Depreciation	0.2	0.1	1.1	8.1	1.1	10.6
Transfer between class	-	(0.3)	0.3	-	-	-
Disposals	(6.5)	(5.9)	(1.7)	(4.4)	(0.4)	(18.9)
At 31 October 2020	-	-	10.3	43.1	6.6	60.0
Net book value:						
At 31 October 2020	-	-	2.7	25.3	1.5	29.5
At 27 April 2019	13.6	5.5	3.5	30.5	1.9	55.0

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

10. Investment property

Investment property is carried at depreciated historical cost and is reviewed for impairment at each balance sheet date or when there is an indication of impairment. The recoverable amount is the higher of fair value less costs to sell and their value in use. The value in use calculations are based on five-year income forecasts and a terminal value. These cashflows were discounted at a pre-tax rate of 9.9%. Please refer to note 9.

On the 30 October 2020 the investment properties held by Carpetright Limited and Melford Commercial Properties Limited were transferred, at market value, to Nestware Properties Limited (formerly Carpetright (Torquay) Limited). Rental income received from investment properties is £1.0m (2019: £0.7m).

Operating expenses attributable to investment properties are incurred directly by tenants under tenant-repairing leases.

	Group £m	Company £m
<i>Cost:</i>		
At 28 April 2018	20.8	2.9
Exchange differences	(0.3)	–
At 27 April 2019	20.5	2.9
Exchange differences	0.7	–
Transfer from property, plant and equipment	0.5	–
Disposal	(4.0)	(2.9)
At 31 October 2020	17.7	–
<i>Accumulated depreciation and impairment:</i>		
At 28 April 2018	10.3	1.5
Exchange differences	(0.2)	–
Depreciation	0.1	–
At 27 April 2019	10.2	1.5
Exchange differences	0.4	–
(Impairment reversal)/Impairment	(1.7)	0.3
Depreciation	0.5	–
Disposal	(2.3)	(1.8)
At 31 October 2020	7.1	–
<i>Net book value:</i>		
At 31 October 2020	10.6	–
At 27 April 2019	10.3	1.4

Notes to the accounts for the period ended 31 October 2020

11. Investment in subsidiary undertakings

All of the Group's subsidiary undertakings are included in the consolidated accounts. The Group has the following subsidiaries as at 31 October 2020.

	Registered office and country of incorporation	Principal activity	Percentage of ordinary shares held directly by Company	Percentage of ordinary shares held indirectly by Company
Carpetright of London Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Holding	100%	–
Melford Commercial Properties Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	100%	–
Pluto Sp. Z.o.o.	Ul. Spacerowa 188, 270 Marki, Poland	Property	100%	–
Carpetland NV	Nieuwe Stallesstraat 215, 1620 Drogenbos, Belgium	Retail	–	100%
Carpetland BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Retail	–	100%
Fontainebleau Vastgoed BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Property	–	100%
Carpetworld Manchester Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	–	100%
Harris Beds Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Holdings Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Sleepright (UK) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Storey Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–

The Group operates in the Republic of Ireland where it trades as a branch of Carpetright Limited.

As at April 2019 the company had the following subsidiaries:

	Registered office and country of incorporation	Principal activity	Percentage of ordinary shares held directly by Company	Percentage of ordinary shares held indirectly by Company
Carpetright of London Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Holding	100%	–
Melford Commercial Properties Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	100%	–
Pluto Sp. Z.o.o.	Ul. Spacerowa 188, 270 Marki, Poland	Property	100%	–
Carpetland NV	Nieuwe Stallesstraat 215, 1620 Drogenbos, Belgium	Retail	–	100%
Carpetland BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Retail	–	100%
Fontainebleau Vastgoed BV	Franciscusdreef 62, 3565 AC Utrecht, Netherlands	Property	–	100%
Carpetworld Manchester Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Property	–	100%
Harris Beds Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Holdings Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Mays Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Sleepright (UK) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Storey Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpet Express Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpet Depot Ltd	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Purfleet Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Purfleet Holdings Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetworld Ltd	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright at Home Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Carpetright Card Services Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpet Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets at Home Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets Direct Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Carpets Direct.com Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Harris Furnishing Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
In-House Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
New Carpet Express Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Premier Carpets Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Rugright (EU) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Sleepright (EU) Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–
Woodright Limited	Purfleet Bypass, Purfleet, Essex, England and Wales	Dormant	100%	–

Carpetright (Torquay) Limited, a wholly owned subsidiary and a property investment company was sold to an associated company, Nestware Holdings Limited on 30 October 2020.

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Notes to the accounts for the period ended 31 October 2020

11. Investment in subsidiary undertakings (continued)

Company	2020 £m	2019 £m
At the beginning of the period	15.7	15.7
Impairment	(3.6)	-
At the end of the period	12.1	15.7

The cost of investments net of impairments is £12.1m (2019: £15.7m).

An impairment of £3.6m was recognised in the period against the Company's investment in Melford Commercial Properties Limited, following the sale of its properties to Nestware Properties Limited.

Shortly before the period end the Company disposed of, at net book value, its interest in Nestware Properties Limited (formerly Carpetright (Torquay) Limited) to Nestware Holdings Limited.

As at 31 October 2020, accumulated impairments are £4.6m (2019: £1.0m).

12. Inventories

Group and Company inventories are held in the form of finished goods for resale. In the period the provision reduced by £3.0m and was recognised in the statement of profit or loss. At 31 October 2020 the provision was £0.4m (2019: £3.4m).

Notes to the accounts for the period ended 31 October 2020

13. Trade and other receivables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
<i>Non-current:</i>				
Prepayments	-	0.5	-	0.4
	-	0.5	-	0.4
<i>Current:</i>				
Trade receivables	1.2	1.7	0.5	0.6
Less: provision for impairment	(0.2)	(0.2)	(0.1)	(0.1)
	1.0	1.5	0.4	0.5
Other receivables	2.1	1.2	1.4	0.7
Prepayments and accrued income	7.2	10.2	6.7	9.0
Receivables from subsidiaries	-	-	27.6	39.8
	10.3	12.9	36.1	50.0
Total trade and other receivables	10.3	13.4	36.1	50.4

The Directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

Trade receivables are subject to a review for Expected Credit Loss (ECL). This is based on an assessment of individual receivables, using past experience and historic losses. An amount for ECL is recognised to reflect the value of future defaults. The ECL is not material and therefore has not been recognised in the financial statements.

Intercompany loans with UK subsidiaries are interest free and repayable on demand. Intercompany loans with overseas subsidiaries are liable to interest at 3.25% + Euribor and are repayable on demand.

Provision for impairment

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
At the beginning of the period	(0.2)	(1.2)	(0.1)	(1.2)
Provision for impairment utilised/(charged) during the period	-	1.0	-	1.1
At the end of the period	(0.2)	(0.2)	(0.1)	(0.1)

Provisions on customer balances are not material and no further information has been presented. A review of other receivables, given their nature, do not give rise to a credit risk that is material.

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

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Insurance companies	1.0	1.1	1.0	0.6
Property rent receivables	1.1	0.1	0.4	0.1
Retail customers	1.0	1.5	0.4	0.5
Receivables from subsidiaries	-	-	27.6	39.8
Trade and other receivables	3.1	2.7	29.4	41.0

Balances from retail customers principally relate to products awaiting collection and are considered to have little credit risk as they are primarily settled by cash or major credit card.

Notes to the accounts for the period ended 31 October 2020

14. Cash and cash equivalents

	Notes	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Cash at bank and in hand		47.4	15.4	41.8	13.7
Bank overdrafts	16	-	(2.5)	-	(2.5)
Cash and cash equivalents in the cash flow statements		47.4	12.9	41.8	11.2

Cash at bank and in hand of £47.4m includes, amounts held in bank accounts of £38.6m (2019: overdrawn £2.5m) cash of £1.4m (2019: £3.3m) and cash equivalents of £7.4m (2019: 12.1m), principally monies due from our credit card and interest free credit (IFC) providers.

15. Trade and other payables

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
<i>Current:</i>				
Trade payables	22.6	24.8	20.2	22.0
Other taxes and social security	15.8	8.7	13.6	6.7
Accruals and deferred income	11.6	18.4	9.8	16.4
Contract liabilities	20.9	17.9	16.7	15.4
Payable to subsidiaries	-	-	5.7	5.4
	70.9	69.8	66.0	65.9
<i>Non-current:</i>				
Accruals and deferred income	-	21.0	-	21.0
Other creditors	0.2	-	0.2	-
Accrued interest	-	3.3	-	3.3
	0.2	24.3	0.2	24.3
Total trade and other payables	71.1	94.1	66.2	90.2

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables approximate to their fair values.

Contract liabilities represent the Group's obligations to provide goods and services for customer orders and will be realised in the next 12 months. The movement on contract liabilities year on year is due to normal trading. There are no material movements as a result of acquisitions, disposals, foreign exchange, changes in variable consideration or other one-off events.

Intercompany loans with UK subsidiaries are interest free and repayable on demand. Intercompany loans with overseas subsidiaries are liable to interest at 3.25% + Euribor and are repayable on demand.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

16. Borrowings

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
<i>Current:</i>				
Bank overdraft	–	2.5	–	2.5
Non-bank loans	–	–	–	–
Revolving credit facility	65.0	23.0	65.0	23.0
	65.0	25.5	65.0	25.5
<i>Non-current:</i>				
Non-bank loans	–	15.9	–	15.9
	–	15.9	–	15.9

Borrowings and overdrafts are denominated in Sterling and Euro of which £65.0m (2019: £25.5m) are secured on certain freehold properties held by the Carpetright Group and a fixed and floating charge on other assets.

The Group had an undrawn facility of £5.0m (2019: £29.1m).

In December 2019 the group drew on a further shareholder loan of £10.0m (gross of fees) repayable on 31 July 2020. This loan note and loan notes from prior years were repaid in full, along with associated interest on 31 July 2020.

As at 31 October 2020 the Group's only source of borrowings was a related party RCF facility with a limit of £70.0m with MEMFL, of which £65m has been drawn down. In March 2021 the RCF facility was acquired by Nestware Holdings Limited and increased to £120m.

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

	Group 2020 %	Group 2019 %	Company 2020 %	Company 2019 %
Overdrafts	3.25	3.25	3.25	3.25
Non-bank loans	6.0 - 18.0	18.0	6.0 - 18.0	18.0

The RCF facility was subject to fixed interest rate of 3.75% + libor (2019: 3.75% + libor) in addition to a variable PIK interest charge of between 3% to 5% dependent on the level of utilisation.

The maturity profiles of borrowings are as follows:

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Amounts payable within one year	65.0	25.5	65.0	25.5
Amounts payable within two to five years	–	15.9	–	15.9
Amounts payable after five years	–	–	–	–
	65.0	41.4	65.0	41.4

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

Notes to the accounts for the period ended 31 October 2020

17. Provisions for liabilities and charges

	Group 2020 £m			Company 2020 £m		
	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m	Onerous lease provisions £m	Reorganisation provisions £m	Total provisions £m
Group and Company						
At the beginning of the period	8.5	2.6	11.1	8.5	2.6	11.1
Added during the period	-	0.8	0.8	-	0.8	0.8
Released during the period	(8.4)	(0.8)	(9.2)	(8.4)	(0.8)	(9.2)
Utilised during the period	-	(1.4)	(1.4)	-	(1.4)	(1.4)
At the end of the period	0.1	1.2	1.3	0.1	1.2	1.3

In prior years the Group recognised an onerous lease provision for the estimated future unavoidable lease costs in respect of closed and loss-making stores. On the adoption of IFRS 16, on 28 April 2019, onerous lease provisions for the Group's leased properties were offset against the right-of-use asset, as permitted by IFRS 16 'Leases' (see note 24). As at the period end the Group has a provision of £0.1m for rent payable for one lease that had been assigned to a third party but reverted to the Group. This amount was paid in June 2021 and the lease has reverted to the landlord.

Reorganisation provisions, includes legal fees and store closure costs in relation to stores impacted by the CVA. Due to the nature of the provision, uncertainty exists as to the timing and final costs that will be incurred from implementing the reorganisation programme. This was utilised within 12 months of the balance sheet date.

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Current	1.3	5.0	1.3	5.0
Non - Current	-	6.1	-	6.1
Provision for liabilities and charges	1.3	11.1	1.3	11.1

Notes to the accounts for the period ended 31 October 2020

18. Deferred tax assets and liabilities

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Deferred tax assets	(1.6)	(0.9)	(1.6)	(0.9)
Deferred tax liabilities	1.5	2.7	-	-
Net deferred tax (assets)/liabilities	(0.1)	1.8	(1.6)	(0.9)

The net group deferred tax liability has reduced from £1.8m to a deferred tax asset of £0.1m. This is primarily caused by the release of deferred tax liabilities following the sale of freeholds to Nestware Properties Limited. Deferred tax assets and liabilities are offset against each other where there is a legally enforceable right to offset. Deferred tax liabilities of 1.5m (2019: £2.7m) comprise deferred tax assets of £1.1m (2019: £1.0m) offset against deferred tax liabilities of £2.6m (2019: £3.7m).

Deferred tax assets on tax losses are recognised to the extent that future taxable profits are probable. The Group has unrecognised tax losses of £16.7m (2019: 5.1m).

The movement in deferred tax assets and liabilities recognised by the Group and company during the current and prior period is:

Group	Accelerated tax depreciation £m	Fair value adjustments £m	Deferred capital gains £m	Short-term timing differences £m	Tax losses £m	Share based payments £m	Retirement benefit obligations £m	Total £m
At 28 April 2018 (assets)/liability	4.2	1.3	9.3	(3.9)	(5.6)	(0.4)	(0.1)	4.8
Exchange differences	(0.1)	-	0.1	-	-	-	-	-
Credit to the income statement	(3.8)	-	(5.3)	2.2	4.0	(0.1)	-	(3.0)
At 27 April 2019 - (assets)/liability	0.3	1.3	4.1	(1.7)	(1.6)	(0.5)	(0.1)	1.8
Exchange differences	0.1	-	(0.1)	-	-	-	-	-
Charge/(credit) to the income statement	(0.8)	-	(4.6)	1.4	1.6	0.5	-	(1.9)
At 31 October 2020 - (assets)/liability	(0.4)	1.3	(0.6)	(0.3)	-	-	(0.1)	(0.1)

Company	Accelerated tax depreciation £m	Fair value adjustments £m	Deferred capital gains £m	Short-term timing differences £m	Tax losses £m	Share based payments £m	Retirement benefit obligations £m	Total £m
At 28 April 2018 (assets)/liability	1.6	-	8.7	(2.8)	(3.2)	(0.4)	(0.1)	3.8
Exchange differences	-	-	-	-	-	-	-	-
Credit to the income statement	(2.8)	-	(5.3)	1.9	1.6	(0.1)	-	(4.7)
At 27 April 2019 - (assets)/liability	(1.2)	-	3.4	(0.9)	(1.6)	(0.5)	(0.1)	(0.9)
Exchange differences	(0.1)	-	-	-	-	-	-	(0.1)
Charge/(credit) to the income statement	(0.2)	-	(3.4)	0.9	1.6	0.5	-	(0.6)
At 31 October 2020 - (assets)/liability	(1.5)	-	-	-	-	-	(0.1)	(1.6)

Notes to the accounts for the period ended 31 October 2020

19. 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 note 19 (i) (a) and the first two defined contribution schemes referred to in note 19 (ii) are accounted for by the Company.

(i) Defined benefit schemes

(a) UK defined benefit schemes

The Company operated a funded defined benefit pension scheme providing benefits based on final pensionable pay for its employees and has assumed the liability for a scheme that was previously operated by Storey Carpets Ltd (Storeys). The company therefore has two schemes that are described below.

The Company scheme was closed to defined benefit service accrual on 30 April 2010 and has been closed to new members since 31 March 2006. The scheme previously operated by Storeys is also closed to new members and has no active members. The assets of the schemes are held separately from those of the Company. The assets of the Company scheme are invested in a Managed Fund operated by a fund management company. Contributions are determined by a qualified actuary using the projected unit credit method. The most recent actuarial review was at 6 April 2020 when the actuarial value of the assets represented 95% of the benefits accrued to members after allowing for expected future increases in earnings. A deficit reduction plan has been agreed with the Trustees under which £1.3m was paid in the period (2019: £0.6m). The assets of the Storeys scheme are held in independently managed funds. The most recent actuarial review of the Storeys scheme was at 1 March 2020 when the actuarial value of the assets represented 103% of the benefits accrued to members. A contribution plan had been agreed with the Trustees but ended in February 2020. The company paid £0.3m in the period (2019: £0.3m).

Risks

The schemes are exposed to several risks which fall within actuarial risks and investment risks. The risks are monitored by the Trustees to mitigate them and are detailed below:

Investment return risks: If the assets underperform the returns assumed in setting the funding target then additional contributions may be required at subsequent valuations.

Investment matching risks: The schemes invest significantly in equity type assets, whereas the solvency target is closely related to the return on bonds. If the equity type assets have fallen in value relative to the matching assets of bonds additional contributions may be required.

Longevity risk: If future improvements in mortality exceed the assumptions made then additional contribution may be required.

Legislative risk: The Government may introduce over riding legislation which leads to an increase in the value of the plan benefits.

Solvency risks: As the funding target is not a solvency target, and the investment strategy does not follow that required for a solvency target, the assets of the plan may not be sufficient to provide all members with the full value of their benefits on a plan wind-up.

Some of these risks can be reduced by adjusting the funding strategy with the help of the Trustees, for example investment matching risk. Other risks cannot so easily be removed, for example longevity risk. The Trustees of the plan regularly review such risks and mitigating controls and a risk register is approved annually to mitigate such risks.

Notes to the accounts for the period ended 31 October 2020

19. Retirement benefit obligations (continued)

The Trustees have adopted an investment matching strategy that seeks to match the investment with the cashflow obligations of the scheme. Thus, investing in lower risk assets, such as annuities and bonds, which provide a more secure cashflow, as the pension obligation approaches maturity.

Employer contributions of £0.9m are expected to be paid into these pension schemes during the financial period 2021. The weighted average duration of the defined benefit obligation is 20 years for the Carpetright scheme and 16 years for the Storeys scheme.

The assets and liabilities of the schemes were valued on an IAS 19 basis at 31 October 2020 by a qualified actuary. The numbers set out below are the aggregate of the two schemes.

1) The table below outlines amounts included in the financial statements arising from the Group's and Company's obligations in respect of the defined benefit scheme:

	2020 £m	2019 £m
Present value of pension schemes' obligations	(32.1)	(30.1)
Fair value of pension schemes' assets	33.9	31.3
Asset ceiling	(2.0)	(1.8)
Total recognised in the balance sheet	(0.2)	(0.6)

	Notes	2020 £m	2019 £m
Net interest cost on pension schemes	5	0.1	–
Past service costs - Guaranteed Minimum pension equalisation			(0.4)
Administration costs	4	(0.3)	(0.2)
Total recognised in the income statement		(0.2)	(0.6)

	2020 £m	2019 £m
Actuarial gains on plan assets	2.3	1.0
Change in assumptions underlying present value of liabilities	(3.1)	(1.3)
Asset ceiling movement in period	(0.2)	(0.2)
Total recognised in the other comprehensive income statement	(1.0)	(0.5)

A scheme surplus of £2.0m (2019: £1.8m) in one of the defined benefit schemes has been derecognised as the Group does not have an unconditional right to refunds or reductions in future contributions. The Group no longer has a funding commitment and as such no funding liability has been recognised (2019: £0.3m)

Notes to the accounts for the period ended 31 October 2020

19. Retirement benefit obligations (continued)

2) Reconciliation of movement in net pension deficit:

	Defined benefit obligations		Fair value of assets		Asset ceiling		Net defined benefit obligations	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
As at the beginning of the period	(30.1)	(29.4)	31.3	30.2	(1.8)	(1.6)	(0.6)	(0.8)
Interest (expense)/income	(1.1)	(0.8)	1.2	0.8	—	—	0.1	—
Past service costs	—	(0.4)	—	—	—	—	—	(0.4)
Administration costs of scheme	—	—	(0.3)	(0.1)	—	—	(0.3)	(0.1)
Re-measurements:								
Actuarial gains and losses from:								
Financial assumptions	(4.0)	(1.3)	—	—	—	—	(4.0)	(1.3)
Demographics	0.4	—	—	—	—	—	0.4	—
Experience adjustments	0.5	—	—	—	—	—	0.5	—
Return on plan assets excluding interest	—	—	2.3	1.0	—	—	2.3	1.0
Asset ceiling restriction	—	—	—	—	(0.2)	(0.2)	(0.2)	(0.2)
Contributions:								
Employers	—	—	1.6	1.2	—	—	1.6	1.2
Payments from plan:								
Benefits paid	2.2	1.8	(2.2)	(1.8)	—	—	—	—
As at the end of the period	(32.1)	(30.1)	33.9	31.3	(2.0)	(1.8)	(0.2)	(0.6)

As at the balance sheet date the defined benefit obligations of £12.8m (2019: £15.5m) is due to deferred members and £19.3m (2019: 14.6m) to current pensioners.

3) The fair value of scheme assets split between those which have a quoted market price in an active market and those which are unquoted are as follows:

	2020 Quoted £m	2020 Unquoted £m	2020 Total £m	2019 Quoted £m	2019 Unquoted £m	2019 Total £m
Equities	9.1	—	9.1	8.1	—	8.1
Bonds	15.2	—	15.2	13.8	—	13.8
Insurance policy – unquoted	—	9.1	9.1	—	8.2	8.2
Cash and cash equivalents	0.5	—	0.5	1.2	—	1.2
Total	24.8	9.1	33.9	23.1	8.2	31.3

The unquoted insurance policy has been valued at an amount equal to the present value of the pensions secured, determined using the same actuarial assumptions and methodology as have been used to determine the present value of the obligations under the scheme.

Notes to the accounts for the period ended 31 October 2020

19. Retirement benefit obligations (continued)

4) Key assumptions used:

	2020 %	2019 %
RPI inflation	3.3	3.3
Discount rate	2.5	2.5
CPI inflation	2.0	2.7

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 SN3XA and S2 table on a year of birth usage with CMI_2019 future improvements factors and a long-term rate of improvement of 1.25% (2019: S2NXA and S2 table on a year of birth usage with CMI_2016 future improvements factors and a long-term rate of improvement of 1.25% pa). This results in the following life expectancies:

- male aged 65 now has life expectancy of 22 years (2019 22 years)
- female aged 65 now has life expectancy of 25 years (2019 24 years)

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years and 16 years for the Carpetright and Storey's schemes respectively (2019: 20 years and 16 years respectively). The most significant assumptions are the discount rate, retail and consumer price index and mortality rates, of which the most sensitive assumption is the life expectancy. The table below shows the impact on the present value placed on the plan's liabilities of the stated changes to the actuarial assumptions and has been derived by applying sensitivities determined at the most recent actuarial valuation to the projected liability value. The sensitivity analysis is based on a change in one assumption while holding all others constant. Therefore, interdependencies between the assumptions have not been considered within the analysis.

		2020 £m	2019 £m
Increase/(decrease) by 0.1%	Discount rate	0.6	0.6
Increase/(decrease) by 0.1%	RPI inflation or CPI inflation	0.1	0.2
Increase/(decrease) by 1 year	Life expectancy	1.2	1.0

(b) Multi-employer scheme

The Group's Dutch subsidiary participates in a multi-employer run industry pension scheme which has arrangements like 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 statement of profit or loss. 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. The Group was also unable to obtain details concerning the future funding requirements, and its participation level relative to the other participants. Contributions charged to the statement of profit or loss amounted to £1.2m (2019: £1.2m) and expected contribution to this scheme for the financial period 2021 is £1.2m.

Notes to the accounts for the period ended 31 October 2020

19. Retirement benefit obligations (continued)

(ii) Defined contribution schemes

The Company launched a Group Personal Pension 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 Aegon Insurance Group. Contributions for the period amounted to £2.0m (2019: £1.4m).

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 to the individual company schemes for the period were a net charge of £0.1m (2019: £0.1m) and there were no contributions to industry collective schemes (2019: £nil).

20. Financial instruments

(i) Financial risk management objectives and policies

Risk management

The Group's principal financial instruments comprise 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 is managed in accordance with the Group's treasury risk management strategy, which is also discussed in the Financial Review in the section Current liquidity.

(a) Credit risk

The Group does not have significant concentrations of credit risk as exposure is spread over several 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 customer products held ready for collection (see note 13). 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 is limited because the counterparties are reputable banks. The maximum amount of credit risk is represented by the carrying amounts of financial assets.

(b) Liquidity risk

The Group finances its operations from a mix of retained profits, bank borrowings achieved through revolving credit agreements and overdraft facilities, and a non-bank loan. Daily cash balances are forecast, and surplus cash is placed on treasury deposit with the Group's bankers.

Notes to the accounts for the period ended 31 October 2020

20. Financial instruments (continued)

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

Group	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 31 October 2020					
Interest bearing loans and borrowings	65.2	-	-	-	65.2
Lease liability	86.0	42.6	93.3	78.8	300.7
Trade and other payables	54.5	-	-	-	54.5
	205.7	42.6	93.3	78.8	420.4
At 27 April 2019					
Interest bearing loans and borrowings	25.9	19.2	-	-	45.1
Lease liability	-	-	-	-	-
Finance leases	0.2	0.2	0.4	3.1	3.9
Trade and other payables	53.0	-	-	-	53.0
	79.1	19.4	0.4	3.1	102.0
Company					
At 31 October 2020					
Interest bearing loans and borrowings	65.2	-	-	-	65.2
Lease liability	76.9	37.2	84.8	73.1	272.0
Trade and other payables	50.7	-	-	-	50.7
	192.8	37.2	84.8	73.1	387.9
At 27 April 2019					
Interest bearing loans and borrowings	27.2	19.2	-	-	46.4
Lease liability	-	-	-	-	-
Finance leases	0.1	0.1	0.2	0.1	0.5
Trade and other payables	50.4	-	-	-	50.4
	77.7	19.3	0.2	0.1	97.3

The Group renewed its debt facilities in March 2021 and as at the date of approval of the financial statements, has access to an RCF facility of up to £120.0m.

(c) Foreign exchange risk

Outside the UK, the Group operates in the Netherlands, Belgium and the Republic of Ireland and had cash balances in Poland. Revenues and expenses of these operations are denominated in euros or Zlotys. 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 one-euro cent lower in the period, the exchange difference reported in the statement of comprehensive income would have been £0.3m lower (2019: £0.3m lower). At 31 October 2020, if Sterling had weakened/strengthened by 10% against the euro, the translation of the profit/loss of the European businesses would have increased/decreased by £0.3m (2019: £0.2m).

Notes to the accounts for the period ended 31 October 2020

20. Financial instruments (continued)

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

	euro 2020	euro 2019	Zloty 2020	Zloty 2019
Average rate	1.13	1.13	4.90	4.87
Closing rate	1.11	1.16	5.00	4.96

(d) Interest rate risk

In accordance with IFRS 7, the Group and Company has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared based on a constant amount of net debt and a constant ratio of fixed to floating interest rates as at 31 October 2020 and 27 April 2019 respectively. Consequently, analysis relates to the situation at those dates and is not representative of the periods then ended. Based on the Group and company's net debt position at the period end, a 1% change in interest rates would affect the Group's profit before tax by approximately £0.1m (2019: £0.3m).

The interest rate profile of the financial assets and liabilities of the Group is as follows:

	2020					2019				
	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	0.0%	38.9	-	1.6	40.5	0.0%	13.5	-	1.0	14.5
Euro	-	8.2	-	1.3	9.5	-	1.6	-	1.7	3.3
Zloty	-	0.3	-	-	0.3	-	0.3	-	-	0.3
Total financial assets		47.4	-	2.9	50.3		15.4	-	2.7	18.1
Sterling	-	(65.2)	(166.1)	(68.3)	(299.6)	2.3%	(24.6)	(20.4)	(44.3)	(89.3)
Euro	0.0%	(0.0)	(30.6)	(10.3)	(40.9)	-	(1.4)	(0.1)	(8.7)	(10.2)
Total financial liabilities		(65.2)	(196.7)	(78.6)	(340.5)		(26.0)	(20.5)	(53.0)	(99.5)

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and retain financial flexibility in order to continue to provide returns for shareholders and benefits for other stakeholders. The Group considers capital to be equity and net debt. Net debt is disclosed in note 27. The Group manages its capital by continued focus on free cash flow generation; setting the level of capital expenditure and dividend in the context of the current period and forecast free cash flow; and monitoring the level of the Group's financial and leasehold debt in the context of Group performance.

(ii) Fair value of financial assets and liabilities

Financial assets and liabilities are classified in accordance with IFRS 9. Financial instruments have not been reclassified or derecognised in the period. There are no financial assets which have been pledged or held as collateral. The Group does not have any financial assets or liabilities measured at fair value through the statement of profit or loss.

Notes to the accounts for the period ended 31 October 2020

20. Financial instruments (continued)

The carrying values of all other financial assets and liabilities are deemed to reflect fair value.

	Group		Company	
	2020 Amortised costs £m	2019 Amortised costs £m	2020 Amortised costs £m	2019 Amortised costs £m
Cash and cash equivalents	47.4	15.4	41.8	13.7
Trade and other receivables	2.9	2.7	29.1	41.0
Total financial assets	50.3	18.1	70.9	54.7
Borrowings and overdrafts	(65.2)	(44.7)	(65.2)	(44.7)
Finance lease obligations	-	(1.4)	-	(0.4)
Lease liabilities	(220.8)	-	(199.1)	-
Trade and other payables	(54.5)	(53.4)	(50.7)	(51.8)
Total financial liabilities	(340.5)	(99.5)	(315.0)	(96.9)
Net financial liabilities	(290.2)	(81.4)	(244.1)	(42.2)

21. Share capital

Group and Company	Number of allotted, called up and fully paid ordinary shares Millions	Nominal value per share £	Share capital £m	Share premium £m	Treasury shares £m	Total £m
At 28 April 2018	71.3	0.01	0.7	19.1	(1.4)	18.4
Issue of new shares	232.5	0.01	2.3	-	-	2.3
At 27 April 2019	303.8	0.01	3.0	19.1	(1.4)	20.7
Issue of new shares	100.0	0.01	1.0	9.0	-	10.0
Cancellation of treasury shares	-	-	-	-	1.4	1.4
At 31 October 2020	403.8	0.01	4.0	28.1	-	32.1

When the Group shares were traded on the London stock exchange and governed by the listing rules, the Group's Remuneration Committee which would grant contingent rights to shares under the Group's LTIP scheme. Shares were purchased by a Trust and held until they were used to satisfy LTIP awards. As required by IAS 32, grants of such shares were classified as Treasury shares and accordingly were deducted from total equity attributable to equity holders of the parent. However, following the acquisition of the Group by Meditor Holdings Limited the LTIP was terminated, and awards vested on a pro rata basis. The shares held by the Trust were purchased by Meditor Holdings Limited.

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

22. Share based payments

Included within separately reported items is a charge of £0.3m (2019: charge of £0.5m) in respect of equity-settled share-based payments.

The Group's employee share schemes are described below. 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. The scheme was wound up following the acquisition of the Group by Meditor Holdings Limited.

(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 performance.

During the period, contingent entitlements to 3,307,000 shares were granted to senior management (2019: 2,888,526). Following Meditor Holdings Limited acquiring of Carpetright Limited, the LTIP awards vested on a pro rata basis.

The amount recognised in the statement of profit or loss in respect of all LTIP awards is a charge of £0.1m (2019: charge of £0.1m). The fair values of the awards, where there is no market condition, are valued using a Black-Scholes option pricing model. The Group's LTIP Trust is administered by Equity Trust (Jersey) Limited and waives its right to dividends on the shares held.

Reconciliation of movements in the period ended 31 October 2020

	LTIP Oct 2019		LTIP Oct 2018		LTIP Sept 2017		LTIP Sept 2016		LTIP July 2015	
	Share awards	Fair value	Share awards	Fair value	Share awards	Fair value	Share awards	Fair value	Share awards	Fair value
	'000s	£m	'000s	£m	'000s	£m	'000s	£m	'000s	£m
Outstanding at 28 April 2018	–	–	–	–	1,503.5	2.7	1,084.6	2.5	416.9	2.3
Granted	–	–	2,888.5	0.5	–	–	–	–	–	–
Forfeited	–	–	(230.4)	–	(384.1)	(0.7)	(245.5)	(0.6)	–	–
Lapsed	–	–	–	–	–	–	–	–	–	–
Exercised/vested	–	–	–	–	–	–	–	–	–	–
Expired/lapsed	–	–	–	–	–	–	–	–	(416.9)	(2.3)
Outstanding at 27 April 2019	–	–	2,658.1	0.5	1,119.4	2.0	839.1	1.9	–	–
Granted	3,037.9	0.4	–	–	–	–	–	–	–	–
Forfeited	–	–	–	–	–	–	–	–	–	–
Cancelled	(2,712.6)	(0.4)	(1,615.8)	(0.3)	(1,119.4)	(2.0)	(839.1)	(1.9)	–	–
Exercised/vested	(325.3)	(0.0)	(1,042.3)	(0.2)	–	–	–	–	–	–
Expired/lapsed	–	–	–	–	–	–	–	–	–	–
Outstanding at 31 October 2020	–	–	–	–	–	–	–	–	–	–
Exercisable at 31 October 2020	–	–	–	–	–	–	–	–	–	–
Exercisable at 27 April 2019	–	–	–	–	–	–	–	–	–	–

Notes to the accounts for the period ended 31 October 2020

22. Share based payments (continued)

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

Valuation assumptions	LTIP Oct 2019 award	LTIP Oct 2018 award	LTIP July 2017 award	LTIP Sept 2016 award	LTIP July 2015 award
Fair value per share (pence)	13	19	179	231	560
Share price at grant (pence)	13	20	189	241	577
Exercise price (pence)	0.0	0.0	0.0	0.0	0.0
Expected volatility (%) ¹	82.3	55.3	44.0	38.5	32.4
Vesting period (years)	3.0	3.0	3.0	3.0	3.0
Dividend yield (%)	-	0.0	0.0	0.0	0.0
Risk free interest rate (%)	0.4	1.0	0.4	1.6	1.0

- Expected volatility is based on historical volatility over the three-year period 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")

The Group operates three and five-year SAYE schemes. Employees and Executive Directors are invited to subscribe for options over shares in the Company at a 20% discount to market price. The options are ordinarily 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 £500 (2019: £500) per month from salary. Share options were valued using a Black-Scholes option-pricing model. The cost charged to the statement of profit or loss in respect of this scheme is £0.2m (2019: £0.4m).

Reconciliation of movements in the period ended 31 October 2020

	SAYE 2019		SAYE 2018		SAYE 2017		SAYE 2016		SAYE 2015		SAYE 2014	
	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr	3 yr	5 yr
	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s	Number of options '000s
Outstanding at 28 April 2018	-	-	217.8	45.9	1,844.8	250.4	24.6	5.9	43.4	31.1	(0.0)	4.9
Granted	25,338.8	2,103.8	-	-	-	-	-	-	-	-	-	-
Forfeited	-	-	(164.7)	(33.6)	(1,648.9)	(225.0)	(10.1)	(5.5)	-	(23.8)	-	(3.7)
Expired	-	-	-	-	-	-	-	-	(43.4)	-	-	-
Outstanding at 27 April 2019	25,338.8	2,103.8	53.1	12.3	195.9	25.4	14.5	0.4	-	7.3	-	1.2
Granted	-	-	-	-	-	-	-	-	-	-	-	-
Forfeited	(2,846.0)	(292.5)	(2.2)	(6.4)	-	(25.3)	-	-	-	-	-	-
Expired	(22,492.8)	(1,811.3)	(50.9)	(5.9)	(195.9)	(0.1)	(14.5)	(0.4)	-	(7.3)	-	(1.2)
Outstanding at 31 October 2020	-	-	-	-	-	-	-	-	-	-	-	-
Exercisable at 27 April 2019	-	-	-	-	-	-	-	-	14.5	-	-	-

Notes to the accounts for the period ended 31 October 2020

22. Share based payments (continued)

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

Valuation assumptions	SAYE 2019		SAYE 2018		SAYE 2017		SAYE 2016		SAYE 2015	
	3yr	5yr	3yr	5yr	3yr	5 yr	3 yr	5 yr	3 yr	5 yr
Fair value per share (pence)	9	12	71	80	62	67	148	178	148	184
Share price at grant (pence)	20	20	168	168	162	162	446	446	446	446
Exercise price (pence)	16	16	134	134	130	130	356	356	347	347
Expected volatility (%) ¹	56.7	70.8	50.5	45.3	43.2	37.3	34.3	34.7	31.5	34.8
Vesting period (years)	3.0	5.0	3.0	5.0	3.0	5.0	3.1	5.1	3.1	5.1
Dividend yield (%)	–	–	–	–	–	–	–	–	–	–
Risk free interest rate (%)	0.7	0.7	0.9	1.1	0.3	0.6	0.5	0.8	0.7	1.0
Possibility of ceasing employment before vesting (%)	42	50	40	50	40	50	40	50	40	50

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")

Carpetright operated an Employee Share Ownership Plan under which employees could contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. The scheme was closed on 12 January 2015 as there were fewer than 50 active participants.

The Group does not incur a share-based payment charge in respect of this scheme since the Company shares have been acquired at market value and are not subject to an accumulation period

23. Capital and other financial commitments

Capital commitments at 31 October contracted for but not yet incurred are:

	Group 2020 £m	Group 2019 £m	Company 2020 £m	Company 2019 £m
Intangible assets – software costs	-	0.5	-	0.5
Total capital and financial commitments	-	0.5	-	0.5

The Group has a financial commitment of £11.7m for service charges on the leased properties.

Notes to the accounts for the period ended 31 October 2020

24. Leases and Right-of-use asset

The Group adopted IFRS 16 'Leases' on the 28 April 2019, the first day of the current financial year. IFRS 16 replaces IAS 17.

The Group transitioned to IFRS 16 using the modified retrospective approach and as such has not restated prior years. The key assumptions adopted on the adoption of IFRS 16:

1. Apply the standard to leases previously identified in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease.
2. Calculate a lease liability as at 28 April 2019 based on the remaining lease payments payable after that date. calculate the lease term according to management's appetite for exercising any available extension/break/purchase options.
3. Discount the remaining gross lease payments using the applicable interest rate, which will generally be the incremental borrowing rate, as at 28 April 2019 applicable to each relevant business unit, asset type, currency of the arrangement and weighted average length of the lease term starting on the commencement date.
4. Recognise right-of-use assets as at 28 April 2019 at an amount equal to the lease liability, less any onerous provisions, prepayments, and accruals.

The Group has not taken the exemption to exclude leases for 'low value' assets, as permitted by the standard.

Right-of-use asset

Group

	Land and building £m	Motor vehicles £m	Other £m	Total £m
Cost:				
At 28 April 2019 (transition)	230.3	1.1	3.0	234.4
Exchange movement	1.5	-	-	1.5
Additions	5.1	-	0.4	5.5
Modifications	(3.6)	-	-	(3.6)
Disposals	(11.6)	(0.1)	(0.8)	(12.5)
At 31 October 2020	221.7	1.0	2.6	225.3

Depreciation and amortisation:

At 28 April 2019 (transition)	-	-	-	-
Charged in period	64.5	0.5	2.0	67.0
Exchange movement	0.2	-	-	0.2
Impairments	4.3	-	-	4.3
Disposals Depreciation	(5.2)	(0.1)	(0.8)	(6.1)
At 31 October 2020	63.8	0.4	1.2	65.4
At 31 October 2020	157.9	0.6	1.4	159.9

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

24. Leases and Right-of-use asset (continued)

Right-of-use asset (continued)

Company

	Land and building £m	Motor vehicles £m	Other £m	Total £m
Cost:				
At 28 April 2019 (transition)	204.0	0.3	2.8	207.1
Exchange movement	-	-	-	-
Additions	3.3	-	0.3	3.6
Modifications	(4.3)	-	-	(4.3)
Disposals	(11.6)	-	-	(11.6)
At 31 October 2020	191.4	0.3	3.1	194.8
Depreciation and amortisation:				
At 28 April 2019 (transition)	-	-	-	-
Charged in period	54.1	0.1	1.9	56.1
Impairments	3.7	-	-	3.7
Disposals Depreciation	(5.0)	-	-	(5.0)
At 31 October 2020	52.8	0.1	1.9	54.8
At 31 October 2020	138.6	0.2	1.2	140.0

Lease liabilities presented in the balance sheet is as follows:

	Group 2020 £m	Company 2020 £m
within one year	65.2	58.3
between one and five years	94.6	83.7
after five years	61.0	57.1
	220.8	199.1

Notes to the accounts for the period ended 31 October 2020

24. Leases and Right-of-use asset (continued)

The table below shows the impact of IFRS 16 on statement of profit or loss:

	Group 2020 £m	Company 2020 £m
Interest (included within finance costs) on lease liability	34.6	30.8
Depreciation and amortisation on right-of-use asset	67.0	56.1
Total impact on income statement	101.6	86.9

The Group also availed itself of the amendment to IFRS 16 regarding covid-19 rent concessions. During the period the group recognised a credit to the statement of profit or loss for £6.5m of rent waivers and discounts. The company received £6.3m of the £6.5m of rent waivers and discounts. A further £1.4m of rent waivers had been agreed and will be released to the statement of profit or loss in the following year.

Key assumptions relating to lease liability

1. The discount rate – a discount rate has been applied on a portfolio basis, thus assets with similar characteristic, nature and lease terms, have been grouped.
2. Lease term - the Group has applied judgment to determine the lease term for those lease contracts that include a renewal or break option. The assessment of whether it is reasonably certain to exercise a renewal option or reasonably certain not to exercise a break option significantly impacts the value of lease liabilities and right-of-use assets recognised on the balance sheet. Extension options and break clauses are included in several Carpetright' leases

These are used to maximise flexibility in terms of managing the assets used in Carpetright's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not utilise a break clause. Extension options (or periods after break clauses) are only included in the lease term if the lease is reasonably certain to be extended (or break clause not utilised).

The weighted average incremental borrowing rate was 9.4% and at the date of transition.

The lease liability at the date of transition, 28 April 2019, £261.1m

The audited accounts for the year ended 27 April 2019 showed operating lease commitments of £323.3m, the table below shows the reconciliation between IAS 17 and IFRS 16 as at 28 April 2019:

	Group 2020 £m
Operating lease commitment at 28 April 2019	323.3
Discounting	(106.0)
Change in lease terms resulting from the enactment of the CVA	42.6
Movement in rental values	2.7
IFRS 16 terms to exact days	(3.0)
Indexation on rental payments	1.4
Other movements	0.1
Lease liability - IFRS 16 on 28 April 2019	261.1

Notes to the accounts for the period ended 31 October 2020

25. Operating lease commitments

All leases now fall within the scope of IFRS 16, unless exempted. The Group has no operating lease charges in the period, as it has not taken the low value and the short-term exemption permitted within IFRS 16. Due to the full implementation of IFRS 16 in the current year, there are no operating lease payable commitments applicable for the Group or the Company in 2020 the operating lease commitments in the prior year are:

	2020		2019	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Group				
Operating leases payable:				
Amounts receivable within one year	–	–	51.9	1.7
Amounts receivable between one and five years	–	–	151.3	1.5
Amounts receivable after five years	–	–	116.9	–
	–	–	320.1	3.2

	2020		2019	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Company				
Operating leases payable:				
Amounts receivable within one year	–	–	51.6	1.6
Amounts receivable between one and five years	–	–	139.1	1.2
Amounts receivable after five years	–	–	101.6	–
	–	–	292.3	2.8

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 as shown below:

	2020	2019
	Land and buildings £m	Land and buildings £m
Group		
Operating leases receivable:		
Amounts receivable within one year	1.1	1.5
Amounts receivable between one and five years	1.4	3.0
Amounts receivable after five years	0.3	1.1
	2.8	5.6

	2020	2019
	Land and buildings £m	Land and buildings £m
Company		
Operating leases receivable:		
Amounts receivable within one year	0.5	0.5
Amounts receivable between one and five years	0.1	0.8
Amounts receivable after five years	–	0.5
	0.6	1.8

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Notes to the accounts for the period ended 31 October 2020

26. Contingent liabilities

We continually review our leasehold property portfolio for potential contingent liabilities. Considering the current challenges surrounding the retail market, the Board has assessed a possible risk in relation to the reversion of assigned leases, with a potential rental value of £3.2m to the end of the lease (2019: £6.8m). This has not been recognised in the financial statements.

The Group has no other contingent liabilities.

27. Net (debt)/cash

Group £m	Total 2019	Cash flow	Exchange differences	Other non-cash	Total 2020
<i>Current assets:</i>					
Cash and cash equivalents in the balance sheet	15.4				47.4
Bank overdraft	(2.5)				-
Cash and cash equivalents in the cash flow statement*	12.9	34.5	-	-	47.4
<i>Current liabilities:</i>					
Current borrowing	(23.0)	(42.0)	-	-	(65.0)
Non-current borrowings	(15.9)	18.3	-	(2.4)	-
	(38.9)	(23.7)	-	(2.4)	(65.0)
<i>Lease liabilities:</i>					
Current	-	(53.8)	-	(11.4)	(65.2)
Non- Current	-	-	-	(155.6)	(155.6)
	-	(53.8)	-	(167.0)	(220.8)
<i>Obligations under finance leases:</i>					
Current obligations under finance leases	(0.1)	-	-	0.1	-
Non-current obligations under finance leases	(1.3)	-	-	1.3	-
	(1.4)	-	-	1.4	-
Total net (debt)/cash	(27.4)	(43.0)	-	(168.0)	(238.4)

Note * these numbers have not been disaggregated

Group £m	Total 2018	Cash flow	Exchange differences	Other non-cash	Total 2019
<i>Current assets:</i>					
Cash and cash equivalents in the balance sheet	6.6				15.4
Bank overdraft	(1.8)				(2.5)
Cash and cash equivalents in the cash flow statement	4.8	8.1	-	-	12.9
<i>Current liabilities:</i>					
Current borrowing	(56.0)	34.5	-	(1.5)	(23.0)
Non – current borrowing	-	(14.9)	-	(1.0)	(15.9)
	(56.0)	19.6	-	(2.5)	(38.9)
<i>Obligations under finance leases:</i>					
Current obligations under finance leases	(0.1)	-	-	-	(0.1)
Non-current obligations under finance leases	(1.7)	-	-	-	(1.3)
	(1.8)	0.2	-	0.2	(1.4)
Total net (debt)/cash	(53.0)	27.9	-	(2.3)	(27.4)

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Notes to the accounts for the period ended 31 October 2020

27. Net (debt)/cash (continued)

Company £m	Total 2019	Cash flow	Exchange differences	Other non-cash	Total 2020
<i>Current assets:</i>					
Cash and cash equivalents in the balance sheet *	13.7				41.8
Bank overdraft *	(2.5)				-
Cash and cash equivalents in the cash flow statement	11.2	30.7	(0.1)	-	41.8
<i>Current liabilities:</i>					
Current borrowing	(23.0)	(42.0)	-	-	(65.0)
Non-current borrowings	(15.9)	18.3	-	(2.4)	-
	(38.9)	(23.7)	-	(2.4)	(65.0)
<i>Lease Liabilities:</i>					
Current	-	(44.4)	-	(13.9)	(58.3)
Non- Current	-	-	-	(140.8)	(140.8)
	-	(44.4)	-	(154.7)	(199.1)
<i>Obligations under finance leases:</i>					
Current obligations under finance leases	(0.1)	-	-	0.1	-
Non-current obligations under finance leases	(0.3)	-	-	0.3	-
	(0.4)	-	-	0.4	-
Total net (debt)/cash	(28.1)	(37.4)	(0.1)	(156.7)	(222.3)

Note * these numbers have not been disaggregated

Company £m	Total 2018	Cash flow	Exchange differences	Other non-cash	Total 2019
<i>Current assets:</i>					
Cash and cash equivalents in the balance sheet *	4.3				13.7
Bank overdraft *	(1.8)				(2.5)
Cash and cash equivalents in the cash flow statement	2.5	8.6	0.1	-	11.2
<i>Current liabilities:</i>					
Current borrowing	(56.0)	34.5	-	(1.5)	(23.0)
Non – current borrowing	-	(14.9)	-	(1.0)	(15.9)
	(56.0)	19.6	-	(2.5)	(38.9)
<i>Obligations under finance leases:</i>					
Current obligations under finance leases	(0.1)	-	-	-	(0.1)
Non-current obligations under finance leases	(0.7)	0.1	-	0.3	(0.3)
	(0.8)	0.1	-	0.3	(0.4)
Total net (debt)/cash	(54.3)	19.5	-	(2.2)	(28.1)

Note * these numbers have not been disaggregated

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

28. Reconciliation of liabilities arising from financing activities

Group £m	Total 2019	Net cash flow	Other non-cash	Total 2020
Revolving credit facility	(23.0)	(42.0)	-	(65.0)
Non-bank loans	(15.9)	18.3	(2.4)	-
Finance leases	(1.4)	-	1.4	-
Lease Liability	-	(53.8)	(167.0)	(220.8)
Liabilities	(40.3)	(77.5)	(168.0)	(285.8)

Group £m	Total 2018	Net cash flow	Other non-cash	Total 2019
Revolving credit facility	(45.0)	22.0	-	(23.0)
Non-bank loans	(11.0)	(2.4)	(2.5)	(15.9)
Finance leases	(1.8)	0.2	0.2	(1.4)
Liabilities	(57.8)	19.8	(2.3)	(40.3)

Non-cash movements of £2.4m (2019: £2.5m) primarily relates to amortisation of non-bank loan fees.

Company £m	Total 2019	Net cash flow	Other non-cash	Total 2020
Revolving credit facility	(23.0)	(42.0)	-	(65.0)
Non-bank loans	(15.9)	18.3	(2.4)	-
Finance leases	(0.4)	-	0.4	-
Lease Liability	-	(44.4)	(154.7)	(199.1)
Liabilities	(39.3)	(68.1)	(156.7)	(264.1)

Company £m	Total 2018	Net cash flow	Other non-cash	Total 2019
Revolving credit facility	(45.0)	22.0	-	(23.0)
Non-bank loans	(11.0)	(2.4)	(2.5)	(15.9)
Finance leases	(0.8)	0.2	0.2	(0.4)
Liabilities	(56.8)	19.8	(2.3)	(39.3)

CARPETRIGHT LIMITED

Notes to the accounts for the period ended 31 October 2020

29. Related parties

Group

The Group considers key management to be the Executive Directors only, details of directors' emoluments and share based payments are disclosed on page 37 note 3.

During the period the Group undertook a review of the Group structure and as a result transferred, at net book value, its interest in Nestware Properties Limited to Nestware Holdings Limited. The Group also transferred, at market value, all UK freehold and long leasehold properties to Nestware Properties Limited.

Nestware Properties Limited was a wholly owned subsidiary of Carpetright Limited and at the reporting date, 31 October 2020, is a wholly owned subsidiary of Nestware Holdings Limited.

The Group drew a further related party loan from Meditor European Master Fund Limited, (MEMFL) for £10.0m (gross of fees). The Group repaid all share holder loans and associated interest, in the period - the Shareholder loans for £17.25m and the loan for £10.0m.

The Groups' RCF facility of £70m was provided by MEMFL – a related party. In March 2021 this facility was acquired by Nestware Holdings Limited and increased to £120m.

Company

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

	Sale of freehold property	Provision of services/ Recharges £m	Total £m	Amounts due from related parties £m	Amounts due to related parties £m
Subsidiary undertakings					
2020	9.4	2.1	11.5	27.6	5.7
2019	–	0.4	0.4	39.8	5.4

30. Ultimate and immediate Controlling Party

The company is a wholly owned subsidiary undertaking of Meditor Holdings Limited, a company registered in England and Wales. The ultimate controlling party is the Trustee of the Nineveh Trust, a Trust incorporated and registered and in Bermuda.

The smallest and largest company in which the results of the Company will be consolidated in, is that headed by Meditor Holdings Limited. The consolidated financial statements of Meditor Holdings Limited are available to the public and may be obtained from the Company Secretary, Nestware House, Purfleet Bypass, Purfleet, Essex, RM19 1TT.

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Notes to the accounts for the period ended 31 October 2020

31. Events after the reporting period

On 3 November 2020 Meditor Holdings Limited undertook a share for share exchange with Nestware Holding Limited. This resulted in Nestware Holdings Limited becoming the immediate parent entity for Carpetright Limited.

In March 2021 Carpetright Limited renewed its financing facility, increasing the total facility from £70m to £120m and extended the date of maturity to 31 December 2024 - see page 6, in the strategic report.

Since the period end the Group has sold two freehold properties for £7.1m. The Properties were impaired at October 2020 to £7.1m.

COVID-19 has created a huge level of uncertainty across all business sectors and the retail sector. At the time of approval of the financial statements the material effects of the pandemic have eased, and the UK and European economies are open and regaining normality.