Directors’ report

Board of Directors

Bob Ivell
Non-Executive Chairman
Bob joined the Board as Chairman on 1 November 2014. He is currently Non-Executive Chairman of Mitchells & Butlers plc and senior independent director of Britvic plc and AGA Rangemaster Group plc. He was previously chairman of David Lloyd Leisure Limited, Park Resorts Group Limited, Next Generation Clubs Pacific and a Non-Executive Director of The Restaurant Group plc. He has over 30 years’ experience in the food and beverage industry, holding executive roles with Regent Inns plc, Scottish & Newcastle plc and Whitbread plc, each of which involved the management of large consumer-facing estates. Bob chairs the Nomination Committee.

Wilf Walsh
Chief Executive
Wilf was appointed to the Board as Chief Executive on 21 July 2014. He has held senior positions in various roles, most recently as Chairman of Fortuna Entertainment Group NV, and was the Managing Director of Coral between 2000 and 2008 and prior to that spent six years with HMV Media Group as the Managing Director of HMV Germany and as Operations Director for the UK and Ireland. He is a Non-Executive Director of Gala Coral.

Neil Page
Group Finance Director
Neil joined Carpetright in July 2008 as Group Finance Director. Neil began his career with British Rail and Marks and Spencer. He joined Superdrug in 1991, holding a variety of finance and operational positions before taking up the role of Finance and IT Director for AS Watson (Health & Beauty) UK Ltd in July 2002. He is a Fellow of the Chartered Institute of Management Accountants.
Sandra Turner
Non-Executive Director
Sandra joined the Board in October 2010. She spent 21 years at Tesco and was part of its senior management team, holding senior commercial and operational roles in the UK and Ireland. From 2003 to 2009 she was the Commercial Director of Tesco Ireland. She is the Senior Independent Director of Greggs plc and a Non-executive director of McBride plc, and Huhtamäki Oyj and was previously a Non-Executive Director of Northern Foods plc and Countrywide plc. She chairs the Remuneration Committee.

David Clifford
Non-Executive Director
David, a chartered accountant, joined the Board in December 2011. He was previously a senior partner with KPMG. Throughout his career he held a variety of roles and led the Consumer Markets Unit of KPMG for a period, advising a number of retailers. He is a Trustee and the Treasurer of the Gurkha Welfare Trust and a Non-Executive Director of AmicusHorizon, a housing association. He chairs the Audit Committee.

Andrew Page
Senior Independent Director
Andrew joined the Board in July 2013. He is the Senior Independent Director of Northgate plc, Non-Executive Director of JP Morgan Emerging Markets Investment Trust plc, Schroder UK Mid Cap Fund plc and RPS Group plc. Andrew retired as Chief Executive of The Restaurant Group plc (“TRG”) in September 2014 after thirteen years with TRG. Prior to joining TRG, he held a number of senior positions in the leisure and hospitality industry including Senior Vice President with InterContinental Hotels. Andrew trained and qualified as a Chartered Accountant with KPMG.
Directors’ report continued

Corporate governance

Introduction
One of the Board’s key responsibilities is to ensure that the Company is run in the long-term interests of its shareholders and broader stakeholder base. The Group recognises the importance of high standards of corporate governance and is committed to operating within an effective corporate governance framework.

Application of the UK Corporate Governance Code
The version of the Corporate Governance Code applicable to the current reporting period is the September 2014 UK Corporate Governance Code (the Code). The Code is issued by the Financial Reporting Council and is available for review on its website.

During the financial year ended 2 May 2015, the Company complied with the provisions set out in the UK Corporate Governance Code except as set out below.

The Company did not comply with provision A.2.1 of the UK Corporate Governance Code for the entire period. Lord Harris fulfilled the roles of Chairman and Chief Executive, as Executive Chairman, until Wilf Walsh joined as Chief Executive on 21 July 2014 and on this date the roles were separated.

Between Baroness Noakes stepping down from the Board at the AGM on 4 September 2014 and 16 April 2015, the Board had not appointed a Senior Independent Director. There had been significant changes to the Board and it was happy for this to continue until a reconstituted Board had been established. Andrew Page was appointed as the Senior Independent Director on 16 April 2015.

Governance structure
The structure of the Board and its Committees is set out below:

The Board
There have been significant changes to the Board in the year ended 2 May 2015, with three Executive Directors and two Non-Executive Directors stepping down and a new Chairman and a new Chief Executive joining the Board.

Details of the number of meetings and Board attendance are set out below:

Number of meetings: 11

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Attendance</th>
<th>Meetings eligible to attend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilf Walsh¹</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Neil Page</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Lord Harris²</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Martin Harris³</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Graham Harris⁴</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Notes:
1. Wilf Walsh joined the Board as Chief Executive on 21 July 2014.
2. Lord Harris was Chairman until 31 October 2014 when he stepped down from the Board.
3. Martin Harris stepped down from the Board on 20 May 2014.

<table>
<thead>
<tr>
<th>Non-Executive Directors</th>
<th>Attendance</th>
<th>Meetings eligible to attend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell¹</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Andrew Page</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>David Clifford</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Sandra Turner</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Baroness Noakes²</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Alan Dickinson³</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Notes:
1. Bob Ivell joined the Board as Chairman on 1 November 2014.
2. Baroness Noakes was Deputy Chairman and Senior Independent Director until 4 September 2014 when she stepped down from the Board.
3. Alan Dickinson stepped down from the Board on 4 September 2014.
The Board views that it is appropriately balanced and currently consists of the Chairman, two Executive and three Non-Executive Directors, brief biographies of whom can be found on pages 22 and 23. Bob Ivell joined the Board on 1 November 2014 as Chairman and was independent on appointment. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board and this is described in the section concerning the Nomination Committee on page 25.

The Board believes that its current size and structure are appropriate for managing the Group in an effective and successful manner.

As reported last year, Wilf Walsh joined the Board as Chief Executive on 21 July 2014 and Graham Harris stepped down from the Board on 20 May 2014 following the decision to appoint a Chief Executive. Lord Harris remained on the Board until a new Chairman had been identified, and stepped down from the Board on 31 October 2014.

Following an externally facilitated search, Bob Ivell was appointed as Chairman on 1 November 2014. Baroness Noakes, Martin Harris and Alan Dickinson all stepped down from the Board on 4 September 2014.

Whilst not required by the Code, as the Company is outside the FTSE 350, all Directors will offer themselves for election or re-election (as appropriate) at the Annual General Meeting.

The Non-Executive Directors of the Company play a key governance role and bring an extra dimension to the Board’s deliberations. The Board considered the independence of each Non-Executive Director against the criteria specified in the Code and has determined that each remains fully independent.

An annual process of evaluation of the Board and its Audit, Nomination and Remuneration Committees has been undertaken. This was led by Bob Ivell with the assistance of the Company Secretary. The results have been considered by the Board and confirmed the strength of leadership within the business and a sound governance framework.

The Non-Executive Directors meet, with no Executive Directors present, at least once each year inter alia to review the performance of the Chairman.

The Board is responsible for setting the Group’s objectives and policies, providing effective leadership and for approving the Group strategy, budgets, business plans and major capital expenditure. It has responsibility for the management, direction and performance of the Group and is accountable to the Company’s shareholders for the proper conduct of its business.

The Board has a formal schedule which sets out those matters requiring Board approval and specifically reserved to it for decision.

Directors receive monthly trading results, commentary, briefing notes and reports for their consideration in advance of each Board meeting, including reports on the Group’s operations, to ensure that they remain briefed on the latest developments and are able to make fully informed decisions.

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

**Board committees**

The Board has three Committees, each of which has written terms of reference which are available on the Company’s corporate website (www.carpetright.plc.uk). During the period the responsibilities of the Corporate and Social Responsibility Committee were taken over by executive management.

The Board periodically reviews the membership of its Committees to ensure that it is refreshed. The Company provides the Committees with sufficient resources to undertake their duties. The Company Secretary, or his nominee, acts as Secretary to each Committee.

The role of the Audit Committee, its members and details of how it carried out its duties are set out in the Audit Committee report on pages 27 to 30.

The role of the Remuneration Committee, its members and details of how it carried out its duties are set out in the Remuneration report on pages 31 to 48.

The Nomination Committee was chaired by Baroness Noakes until 4 September 2014. Andrew Page took over as Committee Chairman between Baroness Noakes stepping down from the Board and the first meeting of the Committee following Bob Ivell’s appointment to the Board when Bob was appointed as the Committee Chairman. Details of its membership and attendance are set out below:

**Number of meetings:**

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Meetings eligible to attend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell(^1)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Andrew Page(^2)</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Sandra Turner(^3)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>David Clifford(^4)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Baroness Noakes(^5)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Lord Harris(^6)</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Alan Dickinson(^7)</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes:

1. Bob Ivell became Committee Chairman on 16 April 2015.
2. Andrew Page became the Committee Chairman on 4 September 2014 and stepped down as Chairman on 16 April 2015. He remains a member of the Committee.
3. Sandra Turner joined the Committee on 4 September 2014.
4. David Clifford joined the Committee on 4 September 2014.
5. Baroness Noakes stepped down from the Committee on 4 September 2014.
6. Lord Harris stepped down from the Committee on 31 October 2014.
7. Alan Dickinson stepped down from the Committee on 4 September 2014.
Directors’ report continued

Corporate governance continued

The responsibilities of the Nomination Committee include:

− identifying and nominating candidates for appointment to the Board for the approval of the Board. External search consultants are generally appointed to assist in the search process;
− reviewing development needs of the Executives; and
− making recommendations to the Board on Board composition and balance.

The Committee considers the diversity of the Board (including gender) and the skills and competencies of the existing Directors when drawing up specifications for new appointments. It ensures that the development needs of Executive Directors and other senior managers are addressed appropriately.

An external search consultancy is ordinarily used in relation to the appointment of both Executive and Non-Executive Directors.

The Nomination Committee initiated the search for a new Chairman using an external firm, Spencer Stuart. Spencer Stuart has no connection with the Company beyond acting as an independent search firm. All of the Non-Executive Directors and Lord Harris were involved in the appointment of Bob Ivell as Chairman.

The Committee also considers whether Directors due to retire at an Annual General Meeting should be recommended for re-appointment, and whether the appointment of Non-Executive Directors reaching the end of their three-year term should be renewed. Committee members do not vote on their own re-appointment.

Continuing professional development

All Board members are updated on matters relevant to the Group, including legal and regulatory developments, and members of Board Committees are updated on matters relevant to their Committee membership. In the year, the Remuneration Committee received updates on current best practice from New Bridge Street and individual training was also provided by New Bridge Street to some of the members of the Remuneration Committee.

The performance of individual Directors is considered as part of the annual Board appraisal process. The individual development needs of Executive Directors are overseen by the Nomination Committee.

Non-Executive Directors have access to professional development provided by external bodies. Their continuing competence is considered by the Nomination Committee as part of the annual process of recommending the reappointment of Directors at the AGM.

Share capital

Details of the Company’s share capital and significant shareholders can be found on page 50.
Audit Committee report

I am pleased to introduce the report of the Audit Committee for 2015.

The Committee plays an important part in the governance of the Group, with its principal activities focused on the integrity of financial reporting, quality and effectiveness of internal and external audit, risk management and the system of internal control.

I have set out below the main matters considered by the Committee during the year and the conclusions drawn. We meet formally at key times within our reporting calendar and the agendas are designed to cover significant areas of risk over the course of the year and to provide oversight and challenge to the key financial judgments, controls and processes that operate within the Company.

The Committee will continue to keep its activities under review in the light of regulatory developments and the emergence of best practice. In particular, the 2014 UK Corporate Governance Code will take effect for the first time in our financial year ended 2016. Further, we will be re-tendering the appointment of our statutory auditors during 2016.

Overall, I am satisfied that the activities of the Committee during the year enable it to gain a good understanding of the key matters impacting the Company along with the oversight of the governance and operation of its key controls.

David Clifford
Chairman of the Audit Committee
29 June 2015

During the year the Audit Committee has undertaken the following tasks:

− considered our financial results announcements and financial statements and monitored compliance with relevant statutory and listing requirements;
− reported to the Board on the appropriateness of our accounting policies and practices;
− overseen the relationship with the external auditors including reviewing the independence, objectivity and effectiveness of the external auditors and, on the basis of that review, recommending to the Board their re-appointment at the AGM;
− reviewed the external auditors’ plan for the audit of the Group’s accounts, and approved the terms of engagement for the audit;
− reviewed the process for ensuring that senior management confirm that they have supplied the auditors with relevant audit information;
− approved the audit fees paid to the external auditors and reviewed the application of the policy on non-audit work performed by them together with the non-audit fees payable to them;
− reviewed the scope, resources, results and effectiveness of the activity of the Group internal audit department;
− reviewed the work of the Executive Risk Committee, which oversees the identification and management of the risks to the business, together with reports on the Group’s systems of internal control;
− performed in-depth reviews of specific areas of financial reporting, risk and internal controls and discussed these with the executives responsible for the relevant area;
− considered all matters reported via the whistleblowing line and a report relating to frauds; and
− reviewed its terms of reference and effectiveness.
Directors’ report continued

Audit Committee report continued

Composition
The Committee meets at least four times during the year. Meetings are attended by the members who are independent Non-Executive Directors and, by invitation, the Chairman, the Chief Executive, the Group Finance Director, and the Director of Group Internal Audit. The external auditors, PricewaterhouseCoopers LLP (PwC), are invited to two meetings per year, preceding the announcement of our interim and full-year results. Other relevant people from the business are also invited to attend certain meetings in order to provide a deeper level of insight into certain key issues and developments. There are also regular private meetings with the external and internal auditors without management present.

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company. The terms of reference are regularly reviewed by the Audit Committee and are then referred to the Board for approval. These are available on the Company’s corporate website at www.carpetright.plc.uk.

The Audit Committee is chaired by David Clifford. The Board has determined that David Clifford has recent and relevant financial experience. Baroness Noakes stepped down from the Committee on 23 June 2014 and Andrew Page was appointed in her place. Alan Dickinson stepped down from the Committee on 4 September 2014 and Sandra Turner was appointed in his place. The biographies of the members of the Committee can be found on pages 22 and 23. Details of membership and attendance are set out below:

<table>
<thead>
<tr>
<th>Members</th>
<th>Attendance</th>
<th>Meetings eligible to attend</th>
</tr>
</thead>
<tbody>
<tr>
<td>David Clifford (Chairman)</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Andrew Page</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Sandra Turner</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Alan Dickinson</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Baroness Noakes</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Number of meetings: 4

Financial reporting
The Committee reviewed with management and the external auditors, the half-year and annual financial statements, concentrating on, amongst other matters:

− the appropriateness and application of accounting policies and compliance with the relevant financial reporting requirements;
− material areas in which significant judgments have been applied or there has been discussion with the external auditors; and
− whether the Annual Report and Accounts contains the necessary disclosures to fairly reflect the Group’s financial condition and results of its operations.

To aid its review, the Committee considered reports from the Group Finance Director and also reports from the external auditors on the outcomes of their half-year review and annual audit.

The primary areas of judgment considered by the Committee in relation to the 2015 accounts, and how these were addressed, are set out below. In all cases the Committee discussed with PwC its work in respect of these areas.

Goodwill impairment testing
The judgments in relation to goodwill impairment largely relate to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily the achievement of the long-term business plan and macroeconomic assumptions underlying the valuation process. The Committee addressed these matters through receiving reports from management and discussing the assumptions used. The Committee noted that the weighted average cost of capital used was outside the range used by PwC in its assessment. The Committee agreed that no impairment was necessary.

Impairment of the valuation of property
The Committee has carried out a further review of the property valuations. The Committee noted that the weighted average cost of capital used in the Directors’ valuation was outside the range used by PwC in its assessment. Following discussions with both management and PwC, the Committee is satisfied that no further impairment of the property valuations is necessary.

Onerous lease provision
The practice is to treat a lease as being onerous if the store relative to the lease is closed or if the expected benefits of using the leased property are less than the unavoidable costs. Management makes an assessment as to the cost of exiting the lease based on available information and knowledge of the property market. Following the strategic review, provision has been made in respect of certain loss-making stores. The Committee has discussed with management the judgments and assumptions made in determining the provision and agreed with management that an increase in the onerous lease provision of £7m would be appropriate. Further details can be found in note 5 to the financial statements on page 66.
### Rebates and supplier income

In the year ended 2 May 2015 the Group received income from suppliers by way of both a discount, irrespective of the volume of products purchased, which are pre-negotiated and deducted from the value of each invoice from a supplier, and volume-driven rebates. Given the well-publicised accounting issues at other retail businesses, the Committee carried out a review of the Group’s practice in this area. In the period the Group received around £285m by way of rebates and supplier income. Judgments are made in respect of the latter where volume-driven rebate arrangements span the end of a reporting period. Rebates are accrued based upon management judgment as to the extent to which turnover targets will be met which determines rebates to be earned on those deals. The Committee addressed these matters through receiving reports from management and asking the external auditors to ensure that this is an area of focus for them. The Committee satisfied itself that the accounting treatment in respect of rebates and supplier income is appropriate.

### Inventory

Details of inventory are held in three systems, the store system, the warehouse system and the principal accounting system. Manual intervention is required to check consistency between the systems and to ensure that the correct stock value is used for accounting purposes. During the year management started a programme of work to analyse and reconcile the data in the various systems and to better understand the process flows. PwC were engaged to review the inventory data transfer between the store system and the principal accounting system. The Committee considered the detailed review and findings to date of the programme and is comfortable with the reported stock valuation.

### Internal audit

The Committee considered and approved the Annual Internal Audit plan and at each meeting reviewed reports from the Director of Group Internal Audit, including those showing performance against the plan, and approved changes as appropriate. The reports include updates on audit activities, progress of the Group audit plan, the results of any unsatisfactory audits and the action plans to address these areas, and resource requirements of the Internal Audit department. The internal audit team utilises the services of Deloitte LLP to assist in the discharge of its functions. Private discussions are held with the Director of Group Internal Audit as necessary throughout the year.

### Internal control

The Committee reviewed the process by which the Group evaluated its control environment. Its work here is driven primarily by the work undertaken by the Group’s Internal Audit department, which includes any reported fraud. The Director of Group Internal Audit monitored the timely implementation of any recommendations and reported to the Committee accordingly. The Committee also reviewed the documentation prepared to support the Board’s annual statement on internal controls before its consideration by the full Board.

### Whistleblowing

The Company operates a whistleblowing telephone line in the UK and an email whistleblowing facility in Europe. Both are operated by independent companies and reports are received by the Director of Group Internal Audit, the Company Secretary or the HR Director. Matters reported related to individual treatment by line managers or colleagues, dishonesty, substance abuse and breach of Company policy. In each case the issues were investigated, a judgment was made and action taken where appropriate. The outcome of all matters was reported to the Audit Committee.

### Risk management

The Group’s risk assessment process and the way in which significant business risks are managed is a key area of focus for the Committee. The Committee received and considered reports from the Group Finance Director on the Group’s risk evaluation process and reviewed changes to significant risks identified. It also discussed emerging and potential risks.

The Committee reviewed, in detail, the assessment and controls for the principal risks and uncertainties as set out on page 19. The work included a review of the controls in place to mitigate the risk, the assessment by the Director of Group Internal Audit and a discussion with the risk owner, being a senior executive. The Committee considered in-depth reviews into reputation and marketing strategy and pricing.

The Committee considers these reviews to be an important part of its role, as they allow it to meet executive management responsible for these areas and undertake independent challenge of their activities.

### External audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee discussed the work done by the auditors to test management’s assumptions and estimates around these areas. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting it receives from, and discussions with, PwC at both the half-year and year-end. In addition, the Committee also seeks feedback from management on the effectiveness of the audit process.

For the 2015 financial year, management was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Audit Committee concurred with the view of management.

The Committee holds private meetings with the external auditors twice a year to provide additional opportunity for open dialogue and feedback from the auditors without management being present. Matters discussed include the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management. The Audit Committee chairman also meets with the audit partner from time to time outside the formal committee process.
Appointment and independence
The Committee and Board place great emphasis on the independence and objectivity of the Group’s auditors, PwC, when performing their role in the Group’s reporting to shareholders and considering their re-appointment each year.

The Committee reviews the independence, objectivity and performance of the auditors annually, including the annual report on the auditors produced by the Audit Quality Review Team of the Financial Reporting Council and the auditors’ own annual report on its independence. On the basis of its reviews, the Committee made a recommendation on the reappointment of the auditors to the Board.

The external auditors are required to rotate the audit partner responsible for the Group audit every five years. The audit of this Report and Accounts is the first to be carried out by the current audit partner.

Re-tendering of audit services
PwC have been auditors to the Company since 2005 when they were appointed following a competitive tender. The Company intends to re-tender the audit in spring 2016 in compliance with current regulations, with a resolution being put to shareholders at the AGM in September 2016. The auditors’ tenure runs from one AGM to the next and there are no contractual obligations that restrict the Committee’s choice of external auditors.

Non-audit services
To further safeguard the objectivity and independence of the external auditors from becoming compromised, the Committee has a formal policy governing the engagement of the external auditors to provide non-audit services. No changes have been made to this policy during the year. This precludes PwC from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that PwC should only be engaged for non-audit services where the appointment of alternative supplier would be either impractical or inefficient, bearing in mind the particular circumstances.

The auditors may only provide such services provided that such advice does not conflict with their statutory responsibilities and ethical guidance. There are financial limits in respect of which the engagement of PwC for non-audit services is pre-approved. For all other services, or those permitted services that exceed the specified fee limits, the Audit Committee Chairman’s approval is required before PwC can provide non-audit services.

During the year the only non-audit services work undertaken by PwC related to the review of the inventory referred to on page 29, at a cost of £30k.

Audit and non-audit fees
Details of the auditors’ remuneration for audit work and non-audit fees for the period ended 2 May 2015 are disclosed in note 3 to the financial statements on page 65 and disclosed above. The Committee approved the fees for audit services for 2015 after a review of the level and nature of work to be performed and after being satisfied that the fees were appropriate for the scope of the work required.

Committee evaluation
The Committee’s activities formed part of the review of Board effectiveness performed in the year. Details of this process can be found on page 25. No significant matters were identified which needed to be addressed.
Directors’ remuneration report

Activities of the Committee

During the year the Remuneration Committee made a number of key decisions relating to the departure of Graham Harris, the appointment of Wilf Walsh as Chief Executive and the appointment of Bob Ivell as Chairman. Details of the decisions concerning Graham Harris and Wilf Walsh were disclosed in last year’s Remuneration Report.

The Committee reviewed Lord Harris’ remuneration as a result of changes to his responsibilities during the year, and agreed that his salary should remain at £400,000 until the AGM in September 2014 to reflect the substantial time commitment to facilitate a successful handover to Wilf Walsh as the incoming Chief Executive, reducing to £125,000 until he left the Board on 31 October 2015.

Bob Ivell was appointed as Chairman with effect from 1 November 2014. The Committee determined that his fees will be £150,000 per annum.

The Committee also reviewed the proposed award levels and targets for the awards under the Carpetright Long-Term Incentive Plan 2013 which were made in July 2014. It is anticipated that awards will normally be made following the announcement of the Company’s annual results. The value of shares over which the first awards were made under the plan was consistent with awards made in January 2014, which were delayed from 2013.

The Committee reviewed the salaries of the Executive Directors in April 2015 and determined that Wilf’s basic salary would increase by 2%, in line with a general increase in basic salaries in the UK business, and Neil’s salary would increase to £300,000 to reflect additional responsibilities he has taken on for the Group’s property portfolio and increased involvement and responsibility for overall strategy and operational activity since Wilf joined the business in July 2014.

Incentive payments

I am pleased to report that financial performance for Executive Directors relating to the 2015 annual bonus results in a bonus between target and maximum. Additionally, Wilf Walsh achieved the strategic and operational objectives which were set for his bonus in his introductory year. The achievement of these targets gives rise to a payment of 85.6% of salary earned in the year to Wilf Walsh and 71.2% of salary earned in the year to Neil Page.

Annual incentive arrangements for the financial year ending 2016 for Executive Directors will be based upon the achievement of underlying profit targets and strategic objectives. Further details of the metrics and targets are provided in the Annual Report on Remuneration. Subject to commercial confidentiality, performance against these targets will be disclosed in next year’s report.

As a result of financial performance in the year ended on 2 May 2015, none of the long-term incentive awards granted in 2012 will vest.

I will be available to answer any questions at the AGM in September and hope that you will support the Directors’ Remuneration Report and Annual Report on Remuneration at our forthcoming meeting.

Sandra Turner
Chairman of the Remuneration Committee

Part 1 – Annual Statement from the Chair of the Committee

Dear Shareholder,

Introduction

I am pleased to present the Directors’ Remuneration Report on behalf of the Board, my first report following my appointment as Chair in September 2014.

Our remuneration policy was approved by shareholders at our AGM on 4 September 2014 and became effective for three years. We have set out our policy again to allow cross-reference against its operation during the year.

This year’s report is separated into the following parts:

– this “Annual Statement”, which identifies the key messages on remuneration for the year under review and explains the business context in which the Committee’s major decisions during the period were taken;

– a forward looking “Directors’ Remuneration Policy Report”, which became binding with effect from the AGM held on 4 September 2014; and

– an “Annual Report on Remuneration”, which provides shareholders with details of the remuneration that was actually delivered to the Company’s Directors during financial year 2015 and explains how the policy referred to above will be applied in financial year 2016 – this final part of the report will be subject to an advisory vote at the forthcoming AGM.

Business strategy and link to remuneration policy

The Committee’s policy is to provide remuneration packages for the Executive Directors that include an appropriate balance between the fixed and variable elements of pay, and which reflect their responsibilities relative to the size and nature of the business.

It is committed to ensuring that the Executives are rewarded for delivering the Company’s growth plans and long-term shareholder value. The Committee aims to set levels of fixed pay that are competitive within the markets within which it competes for talent, and short- and long-term incentive opportunities at levels that are sufficient to motivate Executives to achieve stretching short- and long-term goals without encouraging inappropriate behaviours. The remuneration strategy ensures that a significant element of Executives’ remuneration remains ‘at risk’.

Incentive payments

I am pleased to report that financial performance for Executive Directors relating to the 2015 annual bonus results in a bonus between target and maximum. Additionally, Wilf Walsh achieved the strategic and operational objectives which were set for his bonus in his introductory year. The achievement of these targets gives rise to a payment of 85.6% of salary earned in the year to Wilf Walsh and 71.2% of salary earned in the year to Neil Page.

Annual incentive arrangements for the financial year ending 2016 for Executive Directors will be based upon the achievement of underlying profit targets and strategic objectives. Further details of the metrics and targets are provided in the Annual Report on Remuneration. Subject to commercial confidentiality, performance against these targets will be disclosed in next year’s report.

As a result of financial performance in the year ended on 2 May 2015, none of the long-term incentive awards granted in 2012 will vest.

I will be available to answer any questions at the AGM in September and hope that you will support the Directors’ Remuneration Report and Annual Report on Remuneration at our forthcoming meeting.

Sandra Turner
Chairman of the Remuneration Committee

Activities of the Committee

During the year the Remuneration Committee made a number of key decisions relating to the departure of Graham Harris, the appointment of Wilf Walsh as Chief Executive and the appointment of Bob Ivell as Chairman. Details of the decisions concerning Graham Harris and Wilf Walsh were disclosed in last year’s Remuneration Report.

The Committee reviewed Lord Harris’ remuneration as a result of changes to his responsibilities during the year, and agreed that his salary should remain at £400,000 until the AGM in September 2014 to reflect the substantial time commitment to facilitate a successful handover to Wilf Walsh as the incoming Chief Executive, reducing to £125,000 until he left the Board on 31 October 2015.

Bob Ivell was appointed as Chairman with effect from 1 November 2014. The Committee determined that his fees will be £150,000 per annum.

The Committee also reviewed the proposed award levels and targets for the awards under the Carpetright Long-Term Incentive Plan 2013 which were made in July 2014. It is anticipated that awards will normally be made following the announcement of the Company’s annual results. The value of shares over which the first awards were made under the plan was consistent with awards made in January 2014, which were delayed from 2013.

The Committee reviewed the salaries of the Executive Directors in April 2015 and determined that Wilf’s basic salary would increase by 2%, in line with a general increase in basic salaries in the UK business, and Neil’s salary would increase to £300,000 to reflect additional responsibilities he has taken on for the Group’s property portfolio and increased involvement and responsibility for overall strategy and operational activity since Wilf joined the business in July 2014.

Incentive payments

I am pleased to report that financial performance for Executive Directors relating to the 2015 annual bonus results in a bonus between target and maximum. Additionally, Wilf Walsh achieved the strategic and operational objectives which were set for his bonus in his introductory year. The achievement of these targets gives rise to a payment of 85.6% of salary earned in the year to Wilf Walsh and 71.2% of salary earned in the year to Neil Page.

Annual incentive arrangements for the financial year ending 2016 for Executive Directors will be based upon the achievement of underlying profit targets and strategic objectives. Further details of the metrics and targets are provided in the Annual Report on Remuneration. Subject to commercial confidentiality, performance against these targets will be disclosed in next year’s report.

As a result of financial performance in the year ended on 2 May 2015, none of the long-term incentive awards granted in 2012 will vest.

I will be available to answer any questions at the AGM in September and hope that you will support the Directors’ Remuneration Report and Annual Report on Remuneration at our forthcoming meeting.

Sandra Turner
Chairman of the Remuneration Committee

Part 1 – Annual Statement from the Chair of the Committee

Dear Shareholder,

Introduction

I am pleased to present the Directors’ Remuneration Report on behalf of the Board, my first report following my appointment as Chair in September 2014.

Our remuneration policy was approved by shareholders at our AGM on 4 September 2014 and became effective for three years. We have set out our policy again to allow cross-reference against its operation during the year.

This year’s report is separated into the following parts:

– this “Annual Statement”, which identifies the key messages on remuneration for the year under review and explains the business context in which the Committee’s major decisions during the period were taken;

– a forward looking “Directors’ Remuneration Policy Report”, which became binding with effect from the AGM held on 4 September 2014; and

– an “Annual Report on Remuneration”, which provides shareholders with details of the remuneration that was actually delivered to the Company’s Directors during financial year 2015 and explains how the policy referred to above will be applied in financial year 2016 – this final part of the report will be subject to an advisory vote at the forthcoming AGM.

Business strategy and link to remuneration policy

The Committee’s policy is to provide remuneration packages for the Executive Directors that include an appropriate balance between the fixed and variable elements of pay, and which reflect their responsibilities relative to the size and nature of the business.

It is committed to ensuring that the Executives are rewarded for delivering the Company’s growth plans and long-term shareholder value. The Committee aims to set levels of fixed pay that are competitive within the markets within which it competes for talent, and short- and long-term incentive opportunities at levels that are sufficient to motivate Executives to achieve stretching short- and long-term goals without encouraging inappropriate behaviours. The remuneration strategy ensures that a significant element of Executives’ remuneration remains ‘at risk’.

Incentive payments

I am pleased to report that financial performance for Executive Directors relating to the 2015 annual bonus results in a bonus between target and maximum. Additionally, Wilf Walsh achieved the strategic and operational objectives which were set for his bonus in his introductory year. The achievement of these targets gives rise to a payment of 85.6% of salary earned in the year to Wilf Walsh and 71.2% of salary earned in the year to Neil Page.

Annual incentive arrangements for the financial year ending 2016 for Executive Directors will be based upon the achievement of underlying profit targets and strategic objectives. Further details of the metrics and targets are provided in the Annual Report on Remuneration. Subject to commercial confidentiality, performance against these targets will be disclosed in next year’s report.

As a result of financial performance in the year ended on 2 May 2015, none of the long-term incentive awards granted in 2012 will vest.

I will be available to answer any questions at the AGM in September and hope that you will support the Directors’ Remuneration Report and Annual Report on Remuneration at our forthcoming meeting.

Sandra Turner
Chairman of the Remuneration Committee
Part 2 – Directors’ Remuneration Policy Report

Introduction

This report sets out the information required by Part 4 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report also satisfies the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has applied the principles and complied with the provisions relating to directors’ remuneration in the UK Corporate Governance Code.

As part of its responsibilities the Remuneration Committee prepares the Policy Report, below, which sets out the remuneration policy that has applied to the Directors of the Company since 27 April 2014 and was adopted following a binding vote at the AGM held on 4 September 2014. The policy report has been reproduced for information and updated to reflect the passage of time, such as change in tense and page references and the Executive Directors’ current remuneration packages for the purposes of the chart illustrating the application of the policy in the coming year.

The Committee also determines the remuneration policy for the senior management of the Company, including the Company Secretary and such other members of the senior executive as it is designated to consider by the Board. Its aim is to attract, motivate and retain executives of the appropriate calibre and expertise, so that the Company is managed successfully for the benefit of its stakeholders. The framework has been designed as an integral part of the Company’s overall business strategy.

A description of each of the elements to be comprised in the remuneration package for the Company’s Directors is as follows:

Policy Table – Elements of Directors’ remuneration package

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Base salary</strong></td>
<td>Helps to recruit and retain Executive Directors. Reflects responsibilities, performance, experience and role.</td>
<td>Generally reviewed annually (with any change effective in May) but exceptionally at other times of the year. Set with reference to individual performance, experience and responsibilities, reflecting the market rate for the individual and their role. When reviewing the salaries of the Executive Directors, the Committee also has regard to the impact on the cost of pension provision and pay and conditions elsewhere in the Group. In particular, the Committee takes account of the level of salary increases awarded to other employees of the Group when deciding on increases for Executive Directors.</td>
<td>Annual increases generally in line with the level of standard increase awarded to other employees. More significant increases may be awarded at the discretion of the Committee in connection with: – an increase in the scope and responsibility of the individual’s role; or – the individual’s development and performance in the role following appointment.</td>
<td>Not applicable</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Helps recruit and retain Executive Directors. Executive Directors are entitled to a competitive package of benefits, including car benefits, life assurance and private medical cover.</td>
<td>A car allowance up to a value of £27,500. The cost to the Company of other benefits is not predetermined and may vary from year to year.</td>
<td>Not applicable</td>
<td></td>
</tr>
</tbody>
</table>
### Remuneration element

<table>
<thead>
<tr>
<th>Element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension</strong></td>
<td>Helps recruit and retain Executive Directors.</td>
<td>The Company previously operated a defined benefit pension plan, the Carpetright plc Pension Plan, which closed to future accrual from 30 April 2010. In its place, the Company operates a defined contribution Group Personal Pension Plan (&quot;GPPP&quot;). Executive Directors are offered a specific percentage of their base salary to fund their own pension provision. The Executive Directors are able to choose whether the allowance is paid to the GPPP or to receive the allowance by way of a salary supplement.</td>
<td>Maximum allowance of 20% of base salary.</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

### Annual bonus

Rewards the achievement of annual KPIs and/or other objectives linked to the Company’s strategic goals.

Bonuses are awarded by reference to performance against specific targets measured over a single financial year.

Any amounts awarded to an Executive Director under this arrangement are paid out in full shortly after the assessment of the performance targets has been completed.

Bonuses do not form part of the Executive Directors’ pensionable earnings.

Bonuses are subject to clawback at the discretion of the Committee in the event of a material misstatement of the financial results, an error in assessing the size of the bonus or where the individual had committed an act of gross misconduct during the relevant financial year.

Maximum (as a percentage of salary): 100%

Minimum bonus that can be paid: 0%

The percentage payable for on-target performance is determined by the Committee each year in light of the degree of stretch in the targets and affordability of the resulting bonus payouts relative to budgeted levels of profit.

The measures and targets are set annually by the Committee in order to ensure they are relevant to participants and take account of the most up-to-date business plan and strategy.

All or a significant majority of the bonus opportunity will normally be determined by reference to performance against a demanding Group underlying profit target.

Additional targets applied may relate to the achievement of specific strategic or personal objectives. These measures will be disclosed in the Annual Report on Remuneration, where not deemed commercially sensitive.
### Directors’ remuneration report continued

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
<th>Performance measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long Term Incentive Plan (‘LTIP’)</strong></td>
<td>Incentivises Executive Directors to deliver superior levels of long-term performance for the benefit of shareholders, thereby aligning their interests with those of the Company’s investors.</td>
<td>The current LTIP was approved at the 2013 AGM (Carpetright Long Term Incentive Plan 2013). Awards consist of annual awards of performance shares that vest three years after grant to the extent that performance conditions have been met over a three year performance period. Awards are subject to clawback at the discretion of the Committee in the event of a material misstatement of the financial results, an error in the calculation of performance conditions or if the participant ceases to be employed as a result of misconduct.</td>
<td>Awards made in the 2014 and 2015 financial years: - the rules permit a maximum of 250% of salary, although only approximately 150% of salary was, or will be, awarded. Awards from 2016 financial year onwards: - normal maximum of 150% of salary; and - exceptional circumstances maximum 250% of salary.</td>
<td>Awards made prior to the 2014 financial year are subject to targets based on growth in EPS over three years and are disclosed in the Annual Report on Remuneration. Awards made in the 2014 and 2015 financial years are subject to performance conditions measuring growth in the Company’s underlying profit before tax. For awards made in the 2014 and 2015 financial years, 25% will vest at threshold. The Committee has discretion to set different targets for future awards.</td>
</tr>
<tr>
<td><strong>All employee share schemes, including a Sharesave Plan and Share Incentive Plan (‘SIP’)</strong></td>
<td>Encourages a broad range of employees to become long-term shareholders.</td>
<td>The Company operates HM Revenue and Customs approved Sharesave and SIP plans with standard terms.</td>
<td>Sharesave and SIP participation limits are as set by the UK tax authorities from time to time.</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

**Notes:**

1. A description of how the Company intends to implement the policy set out in the table for the financial year ended 2016 is set out in the Annual Report on Remuneration from page 39.
2. The remuneration policy for the Executive Directors and other senior executives is designed with regard to the policy for employees across the Group as a whole. However, the differences set out above arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and senior executives, a greater emphasis is typically placed on performance-related pay.
3. The following differences exist between the above policy for the remuneration of Directors and its approach to the payment of employees generally: - a lower level of maximum annual bonus opportunity applies to employees other than the Executive Directors and certain senior managers; - store-based colleagues receive commission based upon sales achieved, and field-based colleagues receive bonuses based upon the performance of their sphere of responsibility; - participation in the LTIP is limited to the Executive Directors and certain selected senior managers. Other employees are eligible to participate in the Company’s all employee share schemes; - under the Company’s defined contribution pension scheme, the Company contribution for less senior employees is lower than that provided to Executive Directors; and - benefits offered to other employees generally comprise pension and colleague discount.
4. The Committee may grant awards under the LTIP as conditional share awards or nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so. The Committee may decide that participants will receive a dividend equivalent payment (in cash and/or shares) on or shortly following the vesting of their awards.
5. The choice of the performance metrics applicable to the annual bonus reflect the Committee’s aim that annual incentives should promote growth in underlying earnings, while also promoting the achievement of key non-financial objectives. The LTIP performance measure captures long-term growth in earnings performance, which we believe is most closely aligned with the financial performance expected by our shareholders. In line with the Association of British Insurers’ Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for Executive Directors and senior management will not raise environmental, social or governance risks by inadvertently motivating irresponsible behaviour. More generally, the Committee will ensure that the overall remuneration policy does not encourage inappropriate operational risk-taking.
6. For the LTIP awards made in 2014, the Committee decided to measure performance on a cumulative basis in order to ensure consistent enhanced performance as well as, given the current economic uncertainty, reducing the risk that a change in economic conditions in a single year of the performance period will unduly influence performance against the targets.
7. The Company has a share ownership policy that requires the Executive Directors to build up and maintain a target holding equal to the same multiple of base salary as awards are made under the LTIP. Until such a holding is achieved, an Executive Director is obliged to retain shares with a minimum value equal to 50% of the net of tax gain arising from any vesting or exercise under the Company’s share incentive plans. Details of the extent to which the Executive Directors had complied with this policy as at 2 May 2015 are set out on pages 45 and 46.

---

Carpetright plc Annual report and accounts 2015
**Incentive plan determinations and discretions**

The Committee will operate the annual bonus and LTIP according to their respective rules, the policy set out above and in accordance with the Listing Rules and HMRC rules where relevant. A copy of the LTIP rules is available on request from the Company Secretary. The Committee, consistent with market practice, is required to make certain determinations under and retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- who participates in the plans;
- the timing of grant of award and/or payment;
- the size of an award and/or a payment (within the limits set out in the policy table above);
- the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- determination of good leaver status for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen; and
- making adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, on a change of control and special dividends), provided that the revised conditions or targets are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company’s major shareholders.

**Legacy arrangements**

In approving the Policy Report, authority was given to the Company to honour any commitments entered into with current or former Directors that have been disclosed previously to shareholders. It is also part of this policy that we will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into prior to the effective date of the new policy, or at a time when the relevant individual was not a Director of the Company.

**Consideration of employee views**

Although the Committee does not formally consult employees on executive remuneration, the Committee considers the general basic salary increase as well as pay and conditions for the broader employee population when determining the annual salary increases for the Executive Directors.
Application of Remuneration Policy

The chart above illustrates how the total pay opportunities for the Executive Directors vary under three performance scenarios: Minimum, On-Target and Maximum. It has been updated from last year’s policy report to reflect how the approved policy will be implemented in the next financial year.

Assumptions:

- Fixed only – fixed pay only, including base salary (at current rates), 20% pension allowance (based on current base salary) and benefits as disclosed in the single figure table on page 41;
- On-target – fixed pay, plus 50% of salary annual bonus, plus 37.5% of salary LTIP vesting (Wilf Walsh) / 31.25% of salary LTIP vesting (Neil Page); and
- Maximum – fixed pay, plus 100% of salary annual bonus, plus 150% of salary LTIP vesting (Wilf Walsh) / 125% of salary LTIP vesting (Neil Page).

Service agreements and policy on termination

It is the Company’s policy to employ UK Executive Directors under contracts with an indefinite term subject to termination by notice given by either party, normally of 12 months or less. Non-UK Executive Directors would be employed under contracts with similar terms to those of UK Executive Directors, subject to market practice and laws of any other jurisdiction where an employee is based.

The Company seeks to avoid any payment for failure. The circumstances of the termination (taking into account the individual’s performance) and an individual’s duty and opportunity to mitigate losses are taken into account in every case.
If the Company terminates employment without giving full notice to the Executive Director, under the Service Contracts the Company has the option to either:

- pay damages calculated by reference to common law principles, including an obligation on the Executive Director to mitigate loss; or
- make a payment in lieu of notice calculated by reference to basic salary and benefits only. Such payments may be phased and would be reduced or terminated if alternative employment was secured during the notice period. There is also a requirement to mitigate loss.

The Company also retains flexibility to pay reasonable legal fees and other costs incurred by the individual that are associated with the termination and to provide outplacement services.

In addition, the Company would honour any legal entitlements, such as statutory redundancy payments, that executives may have on termination.

No bonuses are payable to individuals who are no longer employed or are under notice at the end of the financial year.

Long-term incentive awards lapse on cessation of employment other than in certain ‘good leaver’ circumstances (including death, retirement with the agreement of the Committee, redundancy, ill-health, or because the individual’s employing company or part of the business in which employment is transferred out of the Group or as otherwise determined by the Committee). Where an individual is a ‘good leaver’, awards would not lapse but would normally continue to vest at the end of the original performance period but only if, and to the extent that, the applicable performance conditions are satisfied. Awards would also normally be subject to a pro-rata reduction to take account of the proportion of the vesting period that has elapsed, although the Committee has discretion to disapply pro-rating in certain circumstances. On a change of control awards would vest early, subject to performance conditions being achieved, and would normally be subject to a pro-rata reduction, although the Committee has discretion to disapply pro-rating.

Neil Page and Wilf Walsh have contracts of an indefinite term, subject to a 12 month notice period. Non-Executive Directors are entitled to one month’s notice.

**Recruitment remuneration**

Salaries for new hires (including internal promotions) will be set to reflect their skills and experience, the Company’s intended pay positioning and the market rate for the role. If it is considered appropriate to appoint a new Director on a below market salary (for example, to allow them to gain experience in the role), their salary may be increased to a market level over a number of years by way of a series of increases above the general rate of wage growth in the Group and inflation.

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company’s approved remuneration policy in force at the time of appointment. The Committee has discretion to set different targets and/or vary the weightings of the targets used in the annual bonus and LTIP for the first year following appointment. In addition, the Committee may offer additional cash and/or share-based elements if it considers these to be in the best interests of the Company (and therefore shareholders). Any such additional cash and/or share-based payments would be: (i) based solely on remuneration lost when leaving the former employer and would reflect (as far as practicable) the delivery mechanism, time horizons and performance requirement attaching to that remuneration; and (ii) delivered under the Group’s existing incentive arrangements to the extent possible, although awards may also be granted outside these schemes, if necessary, and as permitted under the Listing Rules.

In the case of an internal appointment, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

The Committee may also agree that the Company will compensate executives, both internal and external, for certain relocation expenses as appropriate. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. Legal fees and other costs incurred by the individual may also be paid by the Company.

Fees for new Non-Executive Directors would be set in line with the policy on page 38.
Outside appointments of the Chairman and Executive Directors

Executive Directors retain remuneration from outside non-executive directorships. During the year Lord Harris waived his directors’ fees payable by Arsenal Holdings plc and Arsenal Football Club plc. Wilf Walsh is a non-executive director of Gala Coral and retained his fees from this directorship (£60,000).

Policy for Non-Executive Directors

The Non-Executive Directors do not have service contracts. They are appointed for an initial three year period, subject to being re-elected by members annually.

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>Purpose and link to strategy</th>
<th>Operation</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Executive Directors’ fees</td>
<td>Helps recruit and retain high quality, experienced individuals.</td>
<td>Consist of annual basic fee plus additional fees payable to the Deputy Chairman, and the Chair of each of its Committees. Limited benefits relating to travel, accommodation and hospitality may be provided in relation to the performance of any Directors’ duties. Non-Executive Directors’ fees are set by the Executive Directors with reference to external data on fee levels in similar businesses, having taken account of the responsibilities of individual Directors and their expected annual time commitment.</td>
<td>The aggregate amount of Directors’ fees is limited by the Company’s Articles of Association.</td>
</tr>
</tbody>
</table>

All Non-Executive Directors are entitled to receive one month’s notice under their respective letters of appointment.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received on the Directors’ Remuneration Report each year and guidance from shareholder representative bodies more generally. Shareholders’ views are key inputs when shaping remuneration policy.

Details of votes cast for and against the resolution to approve last year’s Remuneration Policy and Annual Report on Remuneration, and any matters discussed with shareholders during the year are set out in the Annual Report on Remuneration.
Part 3 – Annual report on remuneration

Introduction

This annual report on remuneration provides details of the way in which the Committee implemented its policy during the financial year to 2 May 2015. It also summarises how the policy contained within the Directors’ Remuneration Policy Report on pages 32 to 38 will be applied in the financial year ending 30 April 2016.

It has been prepared in accordance with Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). In accordance with the Regulations, this part of the report will be subject to an advisory vote at the forthcoming AGM on 10 September 2015.

The Company’s auditors are required to report to Carpetright’s shareholders on the “auditable parts” of this Annual Report on Remuneration (which have been highlighted as such below) and to state whether, in their opinion, those parts have been properly prepared in accordance with the Regulations and the Companies Act 2006.

Operation of the Remuneration Committee during year ended 2015

The Remuneration Committee is chaired by Sandra Turner. Details of its membership and attendance are set out below:

<table>
<thead>
<tr>
<th>Number of meetings: 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
</tr>
<tr>
<td>Sandra Turner¹</td>
</tr>
<tr>
<td>Committee Chairman</td>
</tr>
<tr>
<td>Andrew Page</td>
</tr>
<tr>
<td>David Clifford²</td>
</tr>
<tr>
<td>Alan Dickinson³</td>
</tr>
<tr>
<td>Baroness Noakes⁴</td>
</tr>
</tbody>
</table>

Notes:
1. Chairman from 4 September 2014.
2. From 4 September 2014.
3. Chairman and Committee member until 4 September 2014.
4. Committee member until 23 June 2014.

The Non-Executive Directors who served on the Committee had no personal financial interest (other than as shareholders) in the matters decided, no potential conflicts of interest from cross-directorships and no day-to-day involvement in running the business. Biographical information on the current Committee members is shown on pages 22 and 23. The Company Secretary (Jeremy Sampson) acts as secretary to the Committee.

At the invitation of the Committee, the Chairman (Lord Harris until 31 October 2014 and Bob Ivell since), the Chief Executive (Wilf Walsh), Group Finance Director (Neil Page), and the Director of Human Resources regularly attend Committee meetings. The Committee considers their views when reviewing the remuneration of the Executive Directors and senior executives. They are not involved in decisions concerning their own remuneration.

The responsibilities of the Committee include:
- determining and agreeing with the Board the broad remuneration policy for the Chairman, Executive Directors and senior executives;
- setting individual remuneration arrangements for the Chairman and Executive Directors;
- recommending and monitoring the level and structure of remuneration for those members of senior management within the scope of the Committee; and
- approving the service agreements of each Executive Director, including termination arrangements.

The Committee’s terms of reference are available on the Company’s corporate website (www.carpetright.plc.uk).
Directors’ remuneration report continued

The Committee is authorised by the Board to appoint external advisers if it considers this beneficial. Over the course of the year, the Committee was advised by New Bridge Street (a trading name of Aon Hewitt Limited, part of Aon plc). New Bridge Street was appointed as advisers in 2010 following a competitive tender. The Committee’s advisers attended two of the four Committee meetings. New Bridge Street, which is a signatory to the Remuneration Consultants’ Group Code of Conduct for Executive Remuneration Consultants, did not provide other services to the Company. Fees paid by the Company to New Bridge Street during the year amounted to £44k (2014: £51k). Although other members of the Aon plc group of companies provided insurance broking and advisory services to the Company, the Committee is satisfied that the provision of such services did not create any conflict of interest. The Committee reviews the effectiveness and independence of its advisers at a Committee meeting on an annual basis.

As outlined in the Annual Statement, during the year the Remuneration Committee needed to make a number of key decisions relating to the departure of Graham Harris, the appointment of Wilf Walsh as Chief Executive and the appointment of Bob Ivell as Chairman. The Committee reviewed Lord Harris’ remuneration as a result of changes to his responsibilities during the year, and agreed his salary remained at £400,000 until the AGM in September 2014 to reflect the substantial time commitment to facilitate a successful handover to Wilf Walsh as the incoming Chief Executive, and reduced to £125,000 until he left the Board on 31 October 2014.

On appointment of Bob Ivell as Chairman with effect from 1 November 2014, the Committee has determined that his fees will be £150,000 per annum.

In addition, it also considered the following:

– the level of executive and all employee salary increases;
– performance against the targets for the 2014 annual bonus (and following the year end, the 2015 annual bonus);
– the content of the Directors’ remuneration report; and
– the launch of an annual invitation under the SAYE scheme.

Statement of shareholder voting at the 2014 AGM

The table below shows the voting outcome at the 4 September 2014 AGM for the 2014 Directors’ remuneration report and approval of the remuneration policy:

<table>
<thead>
<tr>
<th></th>
<th>For (including discretionary votes)</th>
<th>Against</th>
<th>Total votes cast (for and against excluding votes withheld)</th>
<th>Votes withheld</th>
<th>Total votes cast (including withheld votes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>To approve the Remuneration Report</td>
<td>49,452,647</td>
<td>37,284</td>
<td>49,489,931</td>
<td>194,535</td>
<td>49,684,466</td>
</tr>
<tr>
<td>% votes cast</td>
<td>99.92%</td>
<td>0.08%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To approve the Remuneration Policy</td>
<td>43,087,903</td>
<td>6,407,766</td>
<td>49,495,669</td>
<td>188,797</td>
<td>49,684,466</td>
</tr>
<tr>
<td>% votes cast</td>
<td>87.05%</td>
<td>12.95%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note:

1. A vote withheld is not a vote in law.
## Single total figure table for the 2015 financial year (audited)

The remuneration of the Directors for the year was as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Salary and fees</th>
<th>Benefits</th>
<th>Pension</th>
<th>Subtotal fixed remuneration</th>
<th>Bonus</th>
<th>Long-term incentives</th>
<th>Subtotal variable remuneration</th>
<th>Single figure for total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lord Harris</td>
<td>5</td>
<td>160</td>
<td>10</td>
<td>–</td>
<td>170</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Wilf Walsh</td>
<td>6</td>
<td>353</td>
<td>23</td>
<td>71</td>
<td>447</td>
<td>302</td>
<td>–</td>
<td>302</td>
</tr>
<tr>
<td>Neil Page</td>
<td>7</td>
<td>280</td>
<td>29</td>
<td>56</td>
<td>365</td>
<td>190</td>
<td>–</td>
<td>190</td>
</tr>
<tr>
<td>Graham Harris</td>
<td>8</td>
<td>180</td>
<td>15</td>
<td>36</td>
<td>231</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Martin Harris</td>
<td>8</td>
<td>98</td>
<td>11</td>
<td>20</td>
<td>129</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Non-Executive

<table>
<thead>
<tr>
<th>Notes</th>
<th>Salary and fees</th>
<th>Benefits</th>
<th>Pension</th>
<th>Subtotal fixed remuneration</th>
<th>Bonus</th>
<th>Long-term incentives</th>
<th>Subtotal variable remuneration</th>
<th>Single figure for total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Ivell</td>
<td>9</td>
<td>75</td>
<td>–</td>
<td>–</td>
<td>75</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sandra Turner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Clifford</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Andrew Page</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Baroness Noakes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alan Dickinson</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The remuneration of the Directors for the 2014 financial year was as follows:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Salary and fees</th>
<th>Benefits</th>
<th>Pension</th>
<th>Subtotal fixed remuneration</th>
<th>Bonus</th>
<th>Long-term incentives</th>
<th>Subtotal variable remuneration</th>
<th>Single figure for total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lord Harris</td>
<td>332</td>
<td>33</td>
<td>–</td>
<td>365</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>365</strong></td>
</tr>
<tr>
<td>Neil Page</td>
<td>280</td>
<td>29</td>
<td>56</td>
<td>365</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>365</strong></td>
</tr>
<tr>
<td>Graham Harris</td>
<td>10</td>
<td>187</td>
<td>16</td>
<td>38</td>
<td>241</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Martin Harris</td>
<td>280</td>
<td>32</td>
<td>56</td>
<td>368</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>368</strong></td>
</tr>
<tr>
<td>Darren Shapland</td>
<td>10</td>
<td>191</td>
<td>12</td>
<td>38</td>
<td>241</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Non-Executive

<table>
<thead>
<tr>
<th>Notes</th>
<th>Salary and fees</th>
<th>Benefits</th>
<th>Pension</th>
<th>Subtotal fixed remuneration</th>
<th>Bonus</th>
<th>Long-term incentives</th>
<th>Subtotal variable remuneration</th>
<th>Single figure for total remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sandra Turner</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>44</strong></td>
</tr>
<tr>
<td>David Clifford</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>44</strong></td>
</tr>
<tr>
<td>Andrew Page</td>
<td>33</td>
<td>–</td>
<td>–</td>
<td>33</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>33</strong></td>
</tr>
<tr>
<td>Baroness Noakes</td>
<td>60</td>
<td>–</td>
<td>–</td>
<td>60</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>60</strong></td>
</tr>
<tr>
<td>Alan Dickinson</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>44</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td><strong>44</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. The main benefits available to the Executive Directors during 2015 were a car allowance, life assurance (4 times salary) and private medical cover.
2. Additional disclosures relating to the pension provision for the Executive Directors during 2015 are set out on page 42.
3. This column shows the amount of bonus paid or payable in respect of the year in question. Further information in relation to the annual bonus for 2015 is provided on pages 42 and 43.
4. This column shows the value of shares that vested in respect of LTIP awards with performance conditions that ended during the relevant period. Details of the vesting of the 20 September 2012 awards (included in the 2015 Single Figure) are provided on page 43. The LTIP award granted on 20 September 2011 was based on EPS performance over the three years ended 26 April 2014 (included in the 2014 Single Figure); the condition was not met so no awards vested. Further details of the LTIP’s operation during 2015 are provided on page 44.
5. Payments were made to 31 October 2014, when Lord Harris retired from the Board. No post-termination payments were made.
7. Graham Harris’s salary and benefits include payments made since Graham stepped down from the Board on 20 May 2014. As part of his termination arrangements he continued to receive phased payments for the balance of his six month notice period whilst on garden leave. If the outstanding long-term incentive awards vest, there will be a pro-rata reduction in the number of shares on a time basis.
8. Payments were made to 4 September 2014 when Martin Harris stepped down from the Board. No post-termination payments were made.
9. Fees of £150,000 p.a. were agreed. Payment of the full amount has not been made, pending adoption of new Articles of Association at the forthcoming AGM.
10. Part year only.
Payments to past directors (audited)
Darren Shapland stood down as Chief Executive and from the Board on 3 October 2013 and his employment ceased at the end of April 2014. As disclosed last year, as part of his termination arrangements Darren received phased payments for the balance of his 12 month notice period. In respect of the period since 30 April 2014 Darren received payment of £143,090 representing his loss of salary, benefits and pension allowance to 3 October 2014. The maximum amount that would have been payable (£248,325) was reduced by fee income received by Darren from other non-executive directorships acquired since he left the Board.

No payment following termination was made to Lord Harris or Martin Harris.

In respect of Graham Harris, all payments following him stepping down from the Board are reflected in the single total figure table above.

Pensions (audited)
As explained in the Directors’ remuneration policy report set out on page 33, the Company operates a defined contribution pension scheme and a legacy defined benefit scheme.

Executive Directors are offered an allowance of 20% of their base salary to fund their own pension provision. The individual is able to choose whether this allowance is paid to the Company’s defined contribution Group Personal Pension Plan (“GPPP”) or paid by way of a salary supplement.

Wilf Walsh, Neil Page, Martin Harris and Graham Harris received their allowance as a salary supplement. Lord Harris was in receipt of a pension and did not receive a salary supplement.

Martin Harris is a deferred member of the Carpetright plc Pension Plan, which is a defined benefit scheme and closed to future accrual from 30 April 2010. Lord Harris receives a pension under the plan.

Details of pensions earned by the Directors who are members of the Plan are shown below:

<table>
<thead>
<tr>
<th>Accrued pension</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension accrued at 26 April 2014</td>
<td>Pension accrued at 2 May 2015</td>
<td>Increase in accrued pension during the year</td>
<td>Increase in pension during the year net of inflation</td>
<td>Normal retirement age</td>
<td>Transfer value increase in year</td>
</tr>
<tr>
<td>£000 pa</td>
<td>£000pa</td>
<td>£000 pa</td>
<td>£000 pa</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Lord Harris 3</td>
<td>32.0</td>
<td>32.9</td>
<td>0.9</td>
<td>–</td>
<td>Retired</td>
</tr>
<tr>
<td>Martin Harris</td>
<td>18.2</td>
<td>18.5</td>
<td>0.3</td>
<td>–</td>
<td>60</td>
</tr>
</tbody>
</table>

Notes:
1. The cost to the Plan of the increase represents the incremental value to the Director of his service during the period, calculated on service to 30 April 2010. It is based on the increase in accrued pension net of inflation after deducting the Director’s contribution.
2. The total change in value includes the effects of fluctuations in the transfer value due to factors beyond the control of the Company and the Directors, such as stock market movements. It is calculated after deducting Directors’ contributions.
3. Lord Harris has been in receipt of pension since September 2007.

Annual incentives – 2015 structure and outcome (audited)
In respect of the financial year ended 2015, Executive Directors were eligible to receive an annual performance bonus based on the achievement of the annual budgeted underlying profit and, for Wilf Walsh, the achievement of strategic and operational objectives.

The financial targets for the 2015 bonus were determined based on the budget for the 2015 financial year and were agreed before Wilf joined. Therefore, the Committee determined that 50% of Wilf Walsh’s maximum bonus entitlement should be based upon financial targets (set by reference to the budget), and 50% based on non-financial strategic and operational objectives. Neil Page’s bonus was 100% based upon financial targets set by reference to the budget.
The strategic and operational objectives for Wilf were as follows:

**Strategic objectives**
- To develop a clear, comprehensive Brand strategy and proposition based on customer insight and data analysis;
- To initiate and execute a process driven marketing, digital, buying and promotional plan;
- To review the existing store development strategy and reshape/test a clear store format plan that is appropriate for medium/long term; and
- To deliver a five year retail space strategy.

**Operational objectives**
- To assess and add value to the existing recovery plan for Europe and ensure its sustainability; and
- To assess the capability of the leadership team and reshape/upgrade as necessary.

The maximum bonus opportunity for Executive Directors for the 2015 financial year was 100% (2014: 100%) of basic salary earned in the financial year. In 2015, 40% (2014: 40%) of the financial element was payable for on-target performance.

The Committee considered the extent to which Wilf had achieved the Strategic and Operational objectives, and agreed that they had been met in full, as set out in the table below.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Threshold</th>
<th>Target</th>
<th>Maximum</th>
<th>Actual performance</th>
<th>Will Walsh</th>
<th>Net Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(10% payout)</td>
<td>(40% payout)</td>
<td>(100% payout)</td>
<td>Maximum percentage of bonus</td>
<td>Actual percentage of bonus</td>
<td>Maximum percentage of bonus</td>
</tr>
<tr>
<td>Underlying profit before tax (£m)</td>
<td>5.0</td>
<td>10.1</td>
<td>18.0</td>
<td>14.2</td>
<td>50%</td>
<td>35.6%</td>
</tr>
<tr>
<td>Strategic objectives</td>
<td>35%</td>
<td>35.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operational objectives</td>
<td>15%</td>
<td>15.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonus payout</td>
<td>100%</td>
<td>85.6%</td>
<td>100%</td>
<td></td>
<td>71.2%</td>
<td></td>
</tr>
</tbody>
</table>

**Long-term incentives (audited)**

**LTIP granted 20 September 2012 (included in 2015 column in Single Figure Table above)**
The LTIP awards granted on 20 September 2012 were based on performance to the year ended 2 May 2015. There was a single EPS performance condition relating to these awards:

<table>
<thead>
<tr>
<th>Underlying EPS for the financial year ended 2 May 2015</th>
<th>Vesting level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 21.1 pence</td>
<td>0%</td>
</tr>
<tr>
<td>21.1 pence</td>
<td>25%</td>
</tr>
<tr>
<td>Between 21.1 pence and 24.0 pence</td>
<td>25% ~ 100% pro rata</td>
</tr>
<tr>
<td>24.0 pence or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

Actual underlying EPS for the full year ended 2 May 2015 was 15.5p. As a result, none of the awards will vest.
Grants made under the 2013 LTIP in financial year ended 2015
The grants made under the LTIP in July 2014, which will vest in July 2017 based on performance over the three financial years beginning 27 April 2014, are shown in the table below:

<table>
<thead>
<tr>
<th>Performance measure</th>
<th>Performance condition</th>
<th>Threshold vesting</th>
<th>Maximum vesting</th>
<th>Type of award</th>
<th>Basis of grant</th>
<th>Share price at date of grant (31 July 2014)</th>
<th>Number of shares over which award was granted</th>
<th>Face value of award1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cumulative underlying profit before tax to the financial year ended 2017</td>
<td>Wilf Walsh</td>
<td>Nil cost option</td>
<td>150% of salary</td>
<td>525.5p</td>
<td>128,449</td>
<td>£674,999</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Neil Page</td>
<td>Nil cost option</td>
<td>125% of salary</td>
<td>525.5p</td>
<td>66,603</td>
<td>£349,999</td>
<td>25%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Awards will vest according to performance against the cumulative underlying profit before tax, as set out below:

<table>
<thead>
<tr>
<th>Cumulative underlying profit before tax over the performance period</th>
<th>Vesting level</th>
<th>% of award that vests (on a straight line basis between points)</th>
<th>Compounded growth from 5% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than £35.2m</td>
<td>Nil</td>
<td>0%</td>
<td>&lt;55%p</td>
</tr>
<tr>
<td>£35.2m - £51.2m</td>
<td>Threshold</td>
<td>25%</td>
<td>55%p</td>
</tr>
<tr>
<td>£51.2m</td>
<td>Maximum</td>
<td>100%</td>
<td>81.8%p</td>
</tr>
</tbody>
</table>

All-employee share plans
Sharesave
Details of options awarded to the Executive Directors under the Sharesave plan during the course of the year are as follows:

<table>
<thead>
<tr>
<th>Granted during year</th>
<th>Exercise price pence</th>
<th>First exercise date</th>
<th>Last exercise date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilf Walsh</td>
<td>5,187</td>
<td>347</td>
<td>Apr 18</td>
</tr>
<tr>
<td>Neil Page</td>
<td>2,593</td>
<td>347</td>
<td>Apr 18</td>
</tr>
</tbody>
</table>

Share Incentive Plan
Carpetright operated a SIP under which employees could contribute up to £125 per month from pre-tax salary to purchase Carpetright shares. The SIP was closed on 12 January 2015 as there were fewer than 50 active participants. Prior to leaving the business, or closure of the plan, Lord Harris, Martin Harris and Neil Page participated in the SIP, each contributing £125 per month.
Summary of all share awards to Directors under the Long-term incentive and Sharesave plans

Set out below is a summary of all share awards as at 2 May 2015.

<table>
<thead>
<tr>
<th>Date granted</th>
<th>Balance at 26 April 2014</th>
<th>Granted during year</th>
<th>Lapsed during year</th>
<th>Balance at 2 May 2015</th>
<th>Share price at grant/invitation (p)</th>
<th>Exercise price (p)</th>
<th>Market price date of vesting</th>
<th>Market price date of exercise</th>
<th>Amount realised on exercising £000</th>
<th>Date from which exercisable</th>
<th>Expiry date</th>
<th>Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilf Walsh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 14</td>
<td>– 128,449</td>
<td>–</td>
<td>–</td>
<td>– 128,449</td>
<td>525.5</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Jul 17</td>
<td>Jul 27</td>
<td>LTIP</td>
</tr>
<tr>
<td>Apr 15</td>
<td>– 5,187</td>
<td>–</td>
<td>–</td>
<td>– 5,187</td>
<td>433</td>
<td>347</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Apr 18</td>
<td>Oct 18</td>
<td>SAYE</td>
</tr>
<tr>
<td></td>
<td>– 133,636</td>
<td>–</td>
<td>–</td>
<td>– 133,636</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neil Page</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sep 11</td>
<td>57,601</td>
<td>–</td>
<td>–</td>
<td>57,601</td>
<td>– 486</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Sep 14</td>
<td>Mar 15</td>
<td>LTIP</td>
</tr>
<tr>
<td>Sep 12</td>
<td>42,200</td>
<td>–</td>
<td>–</td>
<td>42,200</td>
<td>664</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Sep 15</td>
<td>Mar 16</td>
<td>LTIP</td>
</tr>
<tr>
<td>Jan 14</td>
<td>69,169</td>
<td>–</td>
<td>–</td>
<td>69,169</td>
<td>506</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Jan 17</td>
<td>Jan 17</td>
<td>LTIP</td>
</tr>
<tr>
<td>Apr 14</td>
<td>2,227</td>
<td>–</td>
<td>–</td>
<td>2,227</td>
<td>505</td>
<td>404</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Apr 17</td>
<td>Oct 17</td>
<td>SAYE</td>
</tr>
<tr>
<td>Jul 14</td>
<td>– 66,603</td>
<td>–</td>
<td>–</td>
<td>– 66,603</td>
<td>525.5</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Jul 17</td>
<td>Jul 27</td>
<td>LTIP</td>
</tr>
<tr>
<td>Apr 15</td>
<td>– 2,593</td>
<td>–</td>
<td>–</td>
<td>– 2,593</td>
<td>433</td>
<td>347</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Apr 18</td>
<td>Oct 18</td>
<td>SAYE</td>
</tr>
<tr>
<td></td>
<td>171,197</td>
<td>69,169</td>
<td>–</td>
<td>182,792</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lord Harris</td>
<td>Apr 14</td>
<td>3,712</td>
<td>–</td>
<td>3,712</td>
<td>– 505</td>
<td>404</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Apr 19</td>
<td>Oct 19</td>
<td>SAYE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,712</td>
<td>–</td>
<td>3,712</td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martin Harris</td>
<td>Sep 11</td>
<td>57,601</td>
<td>–</td>
<td>57,601</td>
<td>– 486</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Sep 14</td>
<td>Mar 15</td>
<td>LTIP</td>
</tr>
<tr>
<td>Sep 12</td>
<td>42,200</td>
<td>–</td>
<td>–</td>
<td>42,200</td>
<td>664</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Sep 15</td>
<td>Mar 16</td>
<td>LTIP</td>
</tr>
<tr>
<td>Jan 14</td>
<td>55,335</td>
<td>–</td>
<td>–</td>
<td>55,335</td>
<td>506</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Jan 17</td>
<td>Jan 17</td>
<td>LTIP</td>
</tr>
<tr>
<td></td>
<td>155,136</td>
<td>–</td>
<td>–</td>
<td>– 155,136</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Graham Harris</td>
<td>Jan 14</td>
<td>97,826</td>
<td>–</td>
<td>97,826</td>
<td>– 506</td>
<td>nil</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>Jan 17</td>
<td>Jan 27</td>
<td>LTIP</td>
</tr>
<tr>
<td>Apr 14</td>
<td>3,712</td>
<td>– 556</td>
<td>3,156</td>
<td>505</td>
<td>404</td>
<td>483</td>
<td>3</td>
<td>Apr 19</td>
<td>Oct 19</td>
<td>SAYE</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>101,538</td>
<td>556</td>
<td>3,156</td>
<td>97,826</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. The 2011 awards were measured by reference to percentage growth in underlying EPS. The performance condition was not met and the awards lapsed in September 2014.
2. None of the 2012 awards vest if underlying EPS is less than 21.1p in the financial year ended 2015. If underlying EPS is 21.1p then 25% of the award vests and if EPS is 24.0p all of the award vests. For growth between these two points between 25% and 100% vests on a sliding scale. The performance condition was not met and the awards will lapse in September 2015 (see page 43).
3. None of the awards made in January 2014 will vest if underlying cumulative profit in the three financial years ended 2016 is less than £44m. If cumulative underlying profit is £44m, 25% of the award vests and if cumulative underlying profit is £60m all the award vests. For growth between the two points between 25% and 100% vests on a sliding scale. The performance condition is unlikely to be met and it is anticipated that the awards will lapse.
4. The performance conditions relative to the awards are described on page 44. The awards, which are expressed as options, are subject to an exercise price of £nil.
5. Graham Harris is a good leaver under the rules of the scheme and if these vest there will be a pro-rata reduction in the number of shares. The maximum number that could vest is 10,969 shares.
Share ownership and shareholding guidelines for Directors (audited)
The Company has a share ownership policy that requires the Executive Directors to build up and maintain a target holding equal to the same multiple of base salary as awards are made under the LTIP (150% for Wilf Walsh, 125% for Neil Page). Until such a holding is achieved, an Executive Director is obliged to retain shares with a minimum value equal to 50% of the net of tax gain arising from any vesting or exercise under the Company’s share incentive plans. As no LTIP awards have vested, all Directors have complied with the guidelines, although the holdings of Wilf Walsh and Neil Page were below the target holding of base salary.

The beneficial interests of those individuals who were Directors as at 2 May 2015 and their immediate families in the ordinary shares of the Company are set out in the table below. Additionally, the Executive Directors have an indirect interest in 51,440 shares held in trust to satisfy awards made under the LTIP.

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th>Ordinary shares held in the SIP</th>
<th>Total holding of ordinary shares</th>
<th>Value of holding as a % of salary on 2 May 2015</th>
<th>Ordinary shares under option under the Sharesave Plan</th>
<th>Ordinary shares subject to outstanding unvested awards under the LTIP</th>
<th>Total interest in ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wilf Walsh</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>5,187</td>
<td>128,449</td>
<td>133,636</td>
</tr>
<tr>
<td>Neil Page</td>
<td>14,816</td>
<td>1,216</td>
<td>16,032</td>
<td>25%</td>
<td>4,820</td>
<td>177,972</td>
</tr>
<tr>
<td><strong>Non-Executive</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bob Ivell</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Sandra Turner</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>David Clifford</td>
<td>5,000</td>
<td>–</td>
<td>5,000</td>
<td>–</td>
<td>–</td>
<td>5,000</td>
</tr>
<tr>
<td>Andrew Page</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Notes:
1. Under the rules of the SIP, certain shares awarded to participants must be retained in the plan for a specified “holding period” of up to five years. The receipt of these shares is not subject to the satisfaction of performance conditions. The shares held in the SIP will reduce over time as the SIP has closed. Please see page 44.
2. Share price used is the price as at 2 May 2015: 469p.
3. None of these options are subject to a performance condition. Details of the Sharesave interests can be found on page 45.
4. This column shows all unvested and outstanding awards under the LTIP that were held by the Executive Director concerned as at 2 May 2015 (i.e. including those granted during the year). Details of these entitlements, the vesting of which is subject to the satisfaction of performance conditions, are set out on page 45.
5. The salary used for determining the value of the holding is £300k p.a.

To the best of the Director’s knowledge, the beneficial interests as at 2 May 2015 of those individuals who ceased to be Directors during the year are set out below:

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th>Ordinary shares held in the SIP</th>
<th>Total holding of ordinary shares</th>
<th>Value of holding as a % of salary on 2 May 2015</th>
<th>Ordinary shares under option under the Sharesave Plan</th>
<th>Ordinary shares subject to outstanding unvested awards under the LTIP</th>
<th>Total interest in ordinary shares</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Director</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lord Harris</td>
<td>15,556</td>
<td>–</td>
<td>15,556</td>
<td>–</td>
<td>–</td>
<td>15,556</td>
</tr>
<tr>
<td>Martin Harris</td>
<td>2,093</td>
<td>–</td>
<td>2,093</td>
<td>–</td>
<td>–</td>
<td>2,093</td>
</tr>
<tr>
<td>Baroness Noakes</td>
<td>33,225</td>
<td>–</td>
<td>33,225</td>
<td>–</td>
<td>–</td>
<td>33,225</td>
</tr>
<tr>
<td>Alan Dickinson</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Graham Harris</td>
<td>556</td>
<td>–</td>
<td>556</td>
<td>97,826</td>
<td>97,826</td>
<td>97,826</td>
</tr>
</tbody>
</table>

Notes:
1. All shares under option under the Sharesave Plan have subsequently either been exercised or lapsed, as shown in the table on page 45.
2. Graham Harris is a good leaver under the rules of the scheme and if these vest there will be a pro-rata reduction in the number of shares. The maximum number that could vest is 10,869 shares.

Application of the remuneration policy for the financial years ending 2015 and 2016

**Basic salary**

Executive Directors’ basic salaries have been reviewed and Wilf Walsh’s salary has been increased from 1 May 2015 by 2%, in line with a general increase in respect of the UK business. The Remuneration Committee recognised the additional responsibilities taken on by Neil Page, particularly taking responsibility for the property portfolio, and agreed to increase his salary to £300,000 from 1 May 2015. The current salaries of the Executive Directors are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Base salary as at 26 April 2014</th>
<th>Current base salary</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wilf Walsh</td>
<td>£450,000</td>
<td>£459,000</td>
<td>2%</td>
</tr>
<tr>
<td>Neil Page</td>
<td>£280,000</td>
<td>£300,000</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note:
1. Salary on appointment.
Benefits and pension
Benefits and pension will operate in the financial year ended 2016 as per their respective policies set out in the Policy Report on pages 32 to 38.

Annual bonus plan performance targets
The annual bonus plan for the financial year ended 2016 will operate consistently with the policy detailed in the Policy Report on page 33. Performance targets for the Executive Directors in 2015/16 will be based on a combination of Group underlying profit (80% of the total opportunity) and strategic metrics linked to property and customer service (20% of the total opportunity). Payment in respect of the achievement of strategic objectives will also be subject to an underpin based on the Group’s financial performance. Consistent with our policy and the Group’s practice over a number of years, the Committee has set the percentage of bonus payable for on-target performance in light of the degree of stretch in the targets and the affordability of the payouts to the Group. The range will be to pay 0% unless a threshold level of performance has been achieved, 20% of maximum at threshold and 50% of maximum for achieving target. Further details of the targets are currently commercially sensitive and the Company will not be disclosing them at the start of the year. However, they will be disclosed retrospectively in the 2016 Annual Report and Accounts.

Long-term incentive awards in the financial year ended 2016
The Committee intends to make the next awards under the LTIP during the summer of 2015. The terms of these awards have not yet been determined. However, it is currently intended that these would be based upon growth in underlying earnings per share measured on a cumulative basis. This is considered a better measure as it takes account of changes in share capital and tax, thereby creating better alignment with shareholders.

It is anticipated that the awards for the Executive Directors will be at 150% of base salary for Wilf Walsh and 125% for Neil Page. The performance targets will be set taking account of quantum of the awards.

Non-Executive Directors’ fees
Non-Executive Directors’ fees have been reviewed. Andrew Page’s base fee was increased from £39,000 to £44,000 upon being appointed as the Senior Independent Director. The Chairman is not paid an additional fee for chairing the Nomination Committee. No increase has been made to the other fees. The current fees are as follows:

<table>
<thead>
<tr>
<th>Basis fee</th>
<th>Base fee for SID</th>
<th>Chairman fee (including base fee)</th>
<th>Additional fee for Committee Chairman</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current fees</td>
<td>£39,000</td>
<td>£44,000</td>
<td>£150,000</td>
</tr>
</tbody>
</table>

Other information
Performance graph
The graph below shows the value, at 2 May 2015, of £100 in Carpetright plc shares on 2 May 2009 compared with that of £100 invested in the FTSE 250 Index or the FTSE 350 General Retail Index, which the Directors believe to be the most suitable broad comparators. The other points plotted are the values at intervening financial year-ends.
Statement of change in total remuneration of the Chief Executive
Total remuneration of individuals undertaking the role of Chief Executive in each of the past five years is as follows:

<table>
<thead>
<tr>
<th>Financial year ended</th>
<th>Combined remuneration</th>
<th>Total remuneration of Chief Executive £'000</th>
<th>Annual variable element award rates for Chief Executive (as % of max. opportunity)</th>
<th>Long-term incentive vesting rates for Chief Executive (as % of max. opportunity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Wilf Walsh</td>
<td>842</td>
<td>749</td>
<td>85.6%</td>
<td>0%</td>
</tr>
<tr>
<td>2015 Lord Harris</td>
<td>749</td>
<td>93</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2014 Combined remuneration</td>
<td>490</td>
<td>249</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2014 Lord Harris</td>
<td>249</td>
<td>241</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2013 Combined remuneration</td>
<td>1,025</td>
<td>1,007</td>
<td>29%</td>
<td>0%</td>
</tr>
<tr>
<td>2013 Darren Shapland</td>
<td>1,007</td>
<td>18</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2012 Lord Harris</td>
<td>522</td>
<td>18</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2011 Lord Harris</td>
<td>522</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2010 Lord Harris</td>
<td>721</td>
<td>721</td>
<td>37%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Notes:
1. Lord Harris stood down as Chief Executive in May 2012, at which point Darren Shapland was appointed Chief Executive. Darren Shapland stood down on 3 October 2013, at which point Lord Harris was appointed as full-time Executive Chairman. Wilf Walsh joined as Chief Executive on 21 June 2014, at which point Lord Harris ceased to fulfil that role.
2. The amounts shown in this column have been calculated using the same methodology prescribed by the Regulations for the purposes of preparing the single total figure table shown on page 41.

Statement of change in pay of individuals undertaking the role of Chief Executive compared to other employees

<table>
<thead>
<tr>
<th></th>
<th>2015 £'000</th>
<th>2014 £'000</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– salary</td>
<td>441</td>
<td>421</td>
<td>4.7</td>
</tr>
<tr>
<td>– benefits</td>
<td>26</td>
<td>31</td>
<td>(13)</td>
</tr>
<tr>
<td>– bonus / payments as a result of performance</td>
<td>302</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Average per employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– salary</td>
<td>21</td>
<td>21</td>
<td>0%</td>
</tr>
<tr>
<td>– benefits</td>
<td>1</td>
<td>1</td>
<td>0%</td>
</tr>
<tr>
<td>– bonus / payments as a result of performance</td>
<td>7</td>
<td>6</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: the average per employee for 2014 has been amended to accurately reflect the elements of remuneration in that year.

The table above shows the movement in the remuneration for the role of Chief Executive between the current and previous financial year compared to the average (per full-time equivalent) for all employees. The same methodology has been applied as for the Statement of Change in Total Remuneration for the Chief Executive by apportioning remuneration between Darren Shapland and Lord Harris for 2014 and between Wilf Walsh and Lord Harris for 2015. Bonus figures include commission payments.

Relative importance of spend on pay
The table below illustrates the change in expenditure on remuneration paid to all the employees of the Group and distributions to shareholders from the financial year ending 26 April 2014 to the financial year ending 2 May 2015:

<table>
<thead>
<tr>
<th></th>
<th>2015 £million</th>
<th>2014 £million</th>
<th>Percentage change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall expenditure on pay</td>
<td>102.0</td>
<td>99.1</td>
<td>2.8%</td>
</tr>
<tr>
<td>Dividend plus share buyback</td>
<td>–</td>
<td>–</td>
<td>0%</td>
</tr>
</tbody>
</table>

These matters were selected to be shown as they represent key distributions by the Group to its stakeholders. Further details on overall expenditure on pay can be found in note 4 to the financial statements on page 65.

By order of the Board

Sandra Turner
Chairman of the Remuneration Committee

29 June 2015
Other information

This section contains the remaining matters on which the Directors are required to report each year, which do not appear elsewhere in this Directors’ Report. Certain other matters required to be reported on appear elsewhere in the Report and Accounts as detailed below:

− the Strategic Report appears from the Inside Front Cover to page 21;
− the Directors’ Remuneration Report appears on pages 31 to 48;
− reporting on the Company’s carbon footprint appears on page 21;
− a list of the subsidiary and associated undertakings, including branches outside the UK, principally affecting the profits or net assets of the Group in the year appears on page 74;
− changes in asset values are set out in the consolidated balance sheet on page 56 and in the notes to the financial statements on pages 58 to 88;
− the Group’s profit before taxation and the profit after taxation and minority interests appear in the consolidated income statement on page 54;
− a detailed statement of the Group’s treasury management and funding is set out in note 23 to the financial statements on pages 82 to 84;
− a statement that this Annual Report and Accounts meets the requirements of Provision C.1.1 of the UK Corporate Governance Code (the Code) is set out on page 24; and
− in accordance with Listing Rule 9.8.4, details of dividend waivers appears on page 50.

Directors’ interests

Directors’ share interests are disclosed in the Directors’ report on remuneration on page 46. Except as disclosed in this report, no Director had a material interest in any contract or arrangement with the Company during the year, other than through their respective service contracts.

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

<table>
<thead>
<tr>
<th>Lease and concession agreement payments made</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edinburgh Retail LLP</td>
<td>£150</td>
<td>£301</td>
</tr>
<tr>
<td>Greenock Retail Ltd</td>
<td>48</td>
<td>256</td>
</tr>
<tr>
<td>Harris Ventures Ltd</td>
<td>31</td>
<td>63</td>
</tr>
<tr>
<td>Hull Unit Trust</td>
<td>193</td>
<td>388</td>
</tr>
</tbody>
</table>

As at 2 May 2015, the Group owed related parties £nil (2014: £nil).

Directors’ indemnity arrangements

The Company has provided qualifying third-party indemnities for the benefit of each Director and former Director who held office during the financial year ended 2015. The Company has also purchased and maintained Directors’ and Officers’ liability insurance throughout the financial year ended 2015.

Significant agreements – change of control

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as bank loan agreements and employee share plans. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole, except for:

− a term loan and revolving facilities agreement dated 19 March 2008, as amended and restated most recently on 29 April 2015. There is a revolving credit facility of £45m, which provides that on a change of control all lenders’ commitments are cancelled and all outstanding loans, together with accrued interest, will become immediately due and payable and an uncommitted overdraft of £7.5m. Details of balances at the financial year end can be found in note 23 to the consolidated financial statements; and
− under the Company’s all-employee and discretionary share schemes, a change of control of the Company would normally be a vesting event, facilitating the exercise or transfer of awards, subject to any relevant performance conditions being satisfied.

The Company does not have agreements with any Director or officer that would provide compensation for loss of office or employment resulting from a takeover, except that provisions in the Company’s share plans may cause options and awards granted under such plans to vest on a takeover.

There is no information that the Company would be required to disclose about persons with whom it has contractual or other arrangements which are essential to the business of the Company.
Share capital
Details of the Company’s issued share capital can be found in note 24 to the financial statements. All of the Company’s issued ordinary shares are fully paid up and rank equally in all respects.

The rights and obligations attaching to the Company’s ordinary shares, in addition to those conferred on their holders by law, are contained in the Company’s Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary. The holders of ordinary shares are entitled to receive the Company’s report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except (i) where the Company has exercised its right to suspend their voting rights or to prohibit their transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006 or (ii) where their holder is precluded from exercising voting rights by the FCA’s Listing Rules or the City Code on Takeovers and Mergers.

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

Shares acquired through Carpetright’s employee share schemes rank equally with all other ordinary shares in issue and have no special rights. The Trustee of the Company’s Employee Benefit Trust (‘EBT’) has waived its rights to dividends on shares held by the EBT and does not exercise its right to vote in respect of such shares. Shares held in trust on behalf of participants in the All Employee Share Ownership Plan are voted by the Trustee as directed by the participants. Details of share-based payments, including information regarding the shares held by the EBT, can be found in notes 24 and 25 to the financial statements on pages 84 to 86.

Substantial shareholdings
As at 29 June 2015, the Company has been notified of the following substantial shareholdings, other than those of the Directors, in the issued share capital of the Company:

<table>
<thead>
<tr>
<th>Percentage of shares held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin Templeton Institutional, LLC</td>
</tr>
<tr>
<td>Neptune Investment Management</td>
</tr>
<tr>
<td>The Olayan Group</td>
</tr>
<tr>
<td>FIL Limited</td>
</tr>
<tr>
<td>Phoenix Asset Management Partners Limited</td>
</tr>
<tr>
<td>Cascade Investments LLP</td>
</tr>
</tbody>
</table>

Donations
No political donations were made (2014: £nil).

Shareholders’ views
There is a formal investor relations programme based around the results presentations and interim management statements. All of the Non-Executive Directors are available to attend meetings should shareholders so request. The Chairman and Executive Directors feed back any investor comments to the Board. All Directors normally attend the Annual General Meeting and are available to answer any questions that shareholders may raise.

All shareholders will have at least 20 working days’ notice of the Annual General Meeting. As required by the Code the Board will, at the 2015 Annual General Meeting, announce the proxy votes in favour of and against each resolution following a vote by a show of hands, and the votes cast will be posted on the corporate website.
Authority to purchase own shares
At the 2014 Annual General Meeting, shareholders gave the Company renewed authority to purchase a maximum of 6,778,160 shares of one penny each. This resolution remains valid until the date of this year’s Annual General Meeting. As at 2 May 2015, the Directors had not used this authority. The Company’s present intention is to cancel any shares acquired under such authority, unless purchased to satisfy outstanding awards under employee share incentive plans. A resolution seeking renewal of the authority will be proposed at this year’s Annual General Meeting.

Statement of directors’ responsibilities
The Directors are responsible for preparing the Annual Report, the Directors’ Remuneration Report and the financial statements in accordance with applicable laws and regulations.

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

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Company’s websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors whose names and details are set out on pages 22 and 23 of this report confirms that to the best of their knowledge:

− the financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
− the Strategic Report and the Directors’ Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This Director’s Report, including the Statement of Directors’ responsibilities, has been approved by the Board.
Statement of the directors in respect of the annual report and financial statements

As required by the Code, the Directors confirm that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes, including the following:

- the Annual Report is drafted by appropriate senior management with overall co-ordination by the Group Finance Director to ensure consistency across sections;
- an extensive verification exercise is undertaken to ensure factual accuracy;
- comprehensive reviews of drafts of the Report are undertaken by the Executive Directors and other senior management; and
- a draft is considered by the Audit Committee prior to consideration by the Board.

Going concern

The Group is principally funded through shareholders’ funds and bank debt. The principal banking facility, which includes a revolving credit facility for £45 million, is committed to the end of July 2019. The Directors have considered the future cash requirements of the Group and are satisfied that the facilities are sufficient to meet its liquidity needs.

The facilities are subject to a number of financial covenants, being a leverage covenant, a fixed charge cover covenant, and a capital expenditure covenant. The fixed charge cover covenant is the most sensitive to changes in the Group’s profitability.

The Directors have considered the expected performance of the business over at least the next 12 months and modelled this performance against the covenants that have been set. In addition, the Directors have considered the trading performance necessary to breach the banking covenants as well as mitigating factors that would be available and actionable in the event that the adverse trading performance became reality.

The Directors confirm that, after considering the matters set out above, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next financial year and the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details of the Group’s liquidity are given in the financial review on page 16.

Disclosure of information 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 themselves aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Annual General Meeting

The 2015 Annual General Meeting of the Company will be held on 10 September 2015 at Harris House, Purfleet Bypass, Purfleet, Essex RM19 1TT at 12:00 p.m.. A full description of the business to be conducted at the meeting is set out in the separate Notice of Annual General Meeting.

The Strategic Report and the Directors’ Report were each approved by the Board and authorised for issue on 29 June 2015.

By order of the Board

Jeremy Sampson
Company Secretary and Legal Director
29 June 2015