United Carpets Group plc

Annual Report

Year ended 31 March 2015

Company number: 05301665

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Chairman's statement

Trading during the financial year ended 31 March 2015 has been positive, benefitting from an improving consumer environment and the restructuring undertaken in 2012 which has created a more stable platform from which the Group can develop. I am therefore pleased to report that the Group recorded a 29% increase in profit before tax to £1.21m, with like for like sales up 2.7% for the year.

At 31 March 2015, the network of stores totalled 61 (2014: 59), of which 47 are franchised (2014: 48) and 14 are operated as corporate stores (2014: 11).

We believe that confidence amongst our target markets has improved. Activity across the housing market appears to be generally increasing which is an important indicator for our sector and this, together with a more stable political environment for the U.K. than many expected, bodes well for the coming year. While these factors are positive, we remain cautious given the continuing uncertainty within the European economy and the expectation that at some point interest rates will rise again which may well impact on consumer spending.

Financial review

Network sales across the Group, including the value of retail sales by our franchisees (to give a measure of the Group's turnover on a more comparable basis to a conventional retailer), were £54.2m (2014: £55.7m). Revenue, which as in previous years includes marketing and rental costs incurred by the Group and recharged to franchisees, was £19.1m (2014: £21.1m).

Like for like sales across the whole of the network (based on stores that have traded throughout both the period under review and the corresponding period in the prior year and thus excluding stores that closed during either period) were up 2.7%. The combination of a strengthening market and an improving contribution from Bed sales made this a satisfying result. The reduction in network sales and revenue in comparison to the prior year principally reflects the change in the Beds sales process, giving more ownership of Beds sales to franchisees, and a reduction in the number of third parties serviced by the warehouse.

Gross margin was 66.8% compared to 61.7% in the prior year primarily reflecting the change in the mix of revenue between Franchising and Retail and Warehousing.

Distribution costs and administrative expenses, which include rent, rates and staff costs at the corporate stores, reduced by £0.5m due to savings in the ongoing cost of supporting the franchise network as a result of improving performance. Distribution costs and administrative expenses excluding exceptional items increased from 58.1% of revenue to 61.1% principally reflecting the reduction in Warehousing revenue.

Profit before tax was £1.21m (2014: £0.94m) and earnings per share was 1.36p (2014: 1.39p). During the prior year, earnings per share benefitted from a deferred tax asset arising in connection with the acquisition of the trade from United Carpets (Northern) Limited in October 2012.

The balance sheet included net funds of £2.53m at 31 March 2015 (31 March 2014: £1.68m).

Dividend

In May 2015, the Board announced, in recognition of the support shown by shareholders and the improved financial position of the Company, a special dividend of 1.0p per share which was paid on 19 June 2015.

As part of the Board's intention to pay a progressive dividend in line with the future growth of the business, the Board is pleased to be recommending a final dividend of 0.25p per share. Subject to approval at the Annual General Meeting, this dividend will be paid on 16 October 2015 to all shareholders on the register at the close of business on 2 October 2015. The ex-dividend date will be on 1 October 2015.

Operations review

Our store network has remained largely unchanged. At the start of the period under review the Group operated 59 stores of which 48 were franchised and 11 were corporate stores. At 31 March 2015, there were 61 stores of which 47 were franchised and 14 were corporate stores. Since then, a new franchised store has opened, a franchised store has relocated to new premises, a corporate store is in the process of relocating, one franchised store has been taken back as a corporate store and one corporate store has been franchised, so that today the Group operates 63 stores.

While the majority of stores are showing encouraging signs for the future, there remains a handful of stores which are underperforming. We are evaluating ways to address this, which may include a small number of further store closures. At the same time we are employing a small and highly selective store opening policy including the opening of our smaller format store concept which, while still in its infancy, is showing some promising signs.

We continue to advertise the United Carpets brand across a range of outlets from TV to radio, focusing on the Group's key points of differentiation in terms of delivering great products and great value for money.

Franchising and Retail

Floor coverings are the Group's primary driver of sales (predominantly carpet, laminate and vinyl flooring) through both franchised stores and the Group's own corporate stores. As shown by the like for like sales performance up 2.7% this was a good retail performance especially when compared with the overall trading performance of the last few years. The main driver for change has been an improving consumer market with confidence gently coming back into the market.

Alongside this, we believe the introduction last year of the new Beds sales process which we aligned with the sale of Flooring thereby improving the potential return to franchisees, has helped increase sales. Those changes combined with further improvements to the Beds ranges and presentation during the year have meant that, while still only a small proportion of overall sales, volumes have increased significantly.

Warehousing

Our in-house cutting operation continues to support the whole network and a small number of third parties, providing a quick, efficient cutting and delivery service enabling attractive retail price points with good margins. The reduction in sales in the year compared to the prior year reflects a reduction in the number of third parties serviced by the warehouse as the demands of our network have grown.

Property

The property division leases properties from third parties and sublets those properties to the store network.

People

The Board would like to emphasise its gratitude to all franchisees, suppliers, employees and other stakeholders connected to the Group for their continued and ongoing support and looks forward to working closely together during the current financial year.

Outlook

Like for like sales for the 15 weeks since the period end to 16 July 2015 have continued the positive trend.

United Carpets is well positioned for the future. Demand for the Group's products has been consistent and the store network is becoming increasingly well balanced. The balance sheet is strengthened, there are no borrowings other than a small number of immaterial finance leases and the marketplace is improving. Just as importantly, the management team are also now able to focus on developing the business and implement changes such as the new sales process for Beds, introduction of the smaller store format and interest free credit all of which are contributing to an improving performance. While there are still ongoing challenges which will no doubt impact the business, the Board is confident that the Group is once again well positioned and looks forward to delivering sustainable growth and returns for shareholders.

Peter Cowgill
Chairman

2 September 2015

Board of directors and advisers

Directors

IF Bowness, aged 58, Finance Director

Ian trained as a chartered accountant with Price Waterhouse and spent 10 years working at Sears plc, latterly as Group Financial Controller. Ian was Finance Director of DFS Furniture Company plc for 8 years before joining United Carpets Group plc.

PA Cowgill, aged 62, Non-Executive Chairman

Peter is Executive Chairman of JD Sports Fashion plc and senior partner in Cowgill Holloway LLP, chartered accountants.

PR Eyre, aged 56, Chief Executive

Paul, a founder of the business, has over 30 years' experience within the carpet sector and came into the industry through the carpet retailing interests of his family. His extensive experience covers suppliers, competitors and background knowledge on store locations throughout the U.K.

D Grayson, aged 53, Commercial Director

Deborah, a founder of the business, also has over 30 years' experience within the carpet sector and came into the industry through the carpet retailing interests of her family. Deborah has primary responsibility for buying, has strong links with the franchise supplier network and supports Paul Eyre in the management of the business. Deborah has also had responsibility for developing the Beds retailing side of the business.

KS Piggott, aged 66, Non-Executive Director

Ken is a former Managing Director of Boots The Chemists Ltd and is a former Executive Director of The Boots Company Plc. In a career spanning over 40 years, he has managed a number of major U.K. retail businesses including Children's World, Do-It-All and Halfords Ltd. He is Chairman of Simplyhealth Group Ltd and Vice-Chairman of Market Harborough Building Society.

Secretary

IF Bowness

Registered office

Moorhead House
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Bramley
Rotherham
South Yorkshire
S66 1YY

Nominated adviser and broker

Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
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Audit committee

KS Piggott
PA Cowgill

Remuneration committee

KS Piggott
PA Cowgill

Auditor

Baker Tilly UK Audit LLP
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Suite A, 7th Floor
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Solicitors

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Registrars

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Company number

Registered number: 05301665

Introduction

The Group's principal activities are carpet and bed retailing and franchising of retail outlets.

Business review

A review of the development of the business during the period and the prospects for the Group is given in the Chairman's statement on pages 2 to 4.

The Chairman's statement contains details of likely future developments within the Group.

The results of the Group for the period are set out on page 19.

Principal risks and uncertainties

Economic factors

The economy is a major influence on consumer spending with trends in housing transactions, unemployment, consumer confidence, mortgage approvals, consumer debt levels and interest rates affecting discretionary spending on the home. Any significant contraction of the market for either flooring or beds would adversely impact the Group as it impacts on the ability of franchisees to meet their financial commitments. Marketing is coordinated at Group level in order to maximise brand value and maintain and improve customer awareness and drive sales during challenging times.

Property costs are a material overhead for the Group and the potential liability associated with long term lease commitments can be significant. New leases are agreed where the Group is reasonably confident that the store can be operated on a basis that will provide a viable future for the franchisee or the Group as appropriate. As part of those negotiations, the Group seeks to reduce the life of the lease commitment, introduce appropriate break clauses, minimise potential dilapidation liabilities as well as reduce the overall rent cost.

The Group's franchise structure should ensure that we have a team which is highly motivated to succeed and retail failures elsewhere may add to our pipeline of experienced franchisee candidates. However, a general hardening of the various banks' attitude to risk may act as a constraint on the availability of funding for potential franchisees.

Supply chain

The Group has established relationships with a number of carpet manufacturers. Carpet manufacturing is a highly competitive sector and alternative sources of supply exist in the event that one of the Group's suppliers experience difficulties. The historic location of the principal carpet manufacturers in Europe means that the Group is exposed to fluctuations in the value of the euro compared with sterling. Prices are agreed in sterling and are regularly reviewed as exchange rates vary.

Availability of credit insurance could potentially constrain supply however, the nature of the franchise network means that any risk to suppliers comprises numerous, relatively small balances with individual entities and is not concentrated into any particularly large amounts. Consequently, the majority of the Group's key suppliers have been prepared to work with the Group with partial or no insurance cover.

Increases in raw material prices would increase pressure on operating margins across the sector and the Group works proactively with its supplier partners to mitigate increases wherever possible and maintain margins at very competitive retail prices.

The Group's in-house cutting operation has significantly improved efficiency and service to the store network and its continued successful operation is expected to yield further benefits in the future as utilisation and economies of scale increase. In the event of a major failure of either the systems used to support the in-house cutting operation or of the physical premises, the Group would need to revert to providing a replacement service via wholesalers which could adversely impact on margins and price competitiveness. Business interruption insurance is reviewed annually and maintained at what is considered to be an appropriate level.

Principal risks and uncertainties (*continued*)

Supply chain (continued)

The Group operates in a highly competitive, price led environment. Changes in competitor numbers and activity can adversely impact Group sales. Wherever possible the Group seeks to protect sales revenue by promoting ranges that have been specifically designed for it, resorting to lower margin branded products only where it cannot realistically offer an own brand alternative.

Personnel

The success of the Group is dependent on the continued service of its key management personnel and franchisees and on its ability to attract, motivate and retain suitably qualified individuals. The Group has competitive reward packages for all staff and significant earnings potential for successful franchisees. The Group seeks to train and develop all staff and franchisees to continually improve product knowledge and customer service.

Financial risk management objectives and policies

The Group seeks to agree arrangements with franchisees to ensure that as many as possible can anticipate a viable future at the same time as re-negotiating lease arrangements to better underpin that objective. Whilst there can be no guarantee of success, progress to date is encouraging.

The Group makes little use of financial instruments other than an operational bank account and trade receivables/payables. Except as noted above, exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Group.

Key performance indicators

	Year ended 31 March 2015	Year ended 31 March 2014
Network sales (a)	£54.2m	£55.7m
Revenue	£19.1m	£21.1m
Like for like sales (b)		
- Flooring	+1.8%	+3.3%
- Beds	+17.5%	(13.4%)
- Combined	+2.7%	+2.2%
Store numbers (period end)		
- Core corporate	2	2
- Other corporate	12	9
- Franchised	47	48
- Total	61	59
Gross margin (c)	66.8%	61.7%
Overheads as a proportion of sales (d)	61.1%	58.1%
Net funds (e)	£2.5m	£1.7m

(a) Network sales includes the value of retail sales by franchisees to give a measure of the Group's turnover on a more comparable basis to a conventional retailer.

(b) Like for like sales is calculated as this period's sales divided by last period's sales for all stores that traded throughout both periods.

(c) Gross margin is calculated as gross profit divided by revenue.

Key performance indicators (*continued*)

(d) Overheads as a proportion of sales is calculated by dividing total distribution costs and administrative expenses (excluding exceptional items, negative goodwill arising on acquisition released to the statement of profit or loss, costs of reducing the number of operational stores and net gains arising in the current period relating to the group reorganisation) by revenue.

(e) Net funds comprises cash and cash equivalents less borrowings - finance leases.

This report was approved by the Board and signed on its behalf.

Peter Cowgill
Chairman

2 September 2015

The Directors present their report and the Group's audited accounts for the year ended 31 March 2015.

These results, together with the comparative results and information, have been determined and presented under IFRS as adopted by the European Union.

This report has been prepared in accordance with requirements outlined within the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Certain information that fulfils the requirements of the directors' report can be found elsewhere in this document and is referred to below.

The strategic report is set out on pages 7 to 9 and is incorporated into this directors' report by reference. The strategic report contains details of likely future developments within the group, key performance indicators and the principal risks and uncertainties affecting the group.

Disclosures relating to financial risk management objectives and policies are set out in note 18 to the consolidated financial statements.

Principal activities

The Group's principal activities are carpet and bed retailing and franchising of retail outlets. The Company's principal activity is as a holding company for the Group.

Dividends

A special dividend of £814,000 was paid on 19 June 2015.

A final dividend of £204,000 (2014: £Nil) has been proposed but not provided in the financial statements.

Substantial shareholders

At 10 August 2015, the directors had been notified of the following interests which amounted to 3% or more of the issued share capital in the Company:

	Number of Shares	Percentage
PR Eyre	38,482,500	47.3%
D Grayson	12,541,392	15.4%
Vidacos Nominees Limited	8,563,100	10.5%
IF Bowness	2,691,208	3.3%
Fitel Nominees Limited Des:DMOD	2,465,399	3.0%

The mid-market price of ordinary shares at 31 March 2015 was 8.06p. The highest and lowest share prices during the year were 6.68p and 9.32p respectively.

Creditor payment policy and practice

It is the Group's policy to settle all trade payables within the normal commercial terms of trade agreed with each supplier. The number of days purchases represented by trade payables at the period end in respect of the Group was 13 (2014: 16). Because of the insignificant level of purchases by the Company the number of days purchases represented by trade payables at the period end in respect of the Company is not meaningful.

Political and charitable donations

During the year the Group made charitable donations of £500 (2014: £600).

No political donations were made during the year (2014: £Nil).

Employees

The Group aims to be an equal opportunities employer with a commitment to help people develop their potential. In relation to disabled people or minority groups, the Group has a policy of giving them full and fair consideration for all vacancies for which they are suitably qualified. Employees who become disabled during employment will be retained wherever possible and retrained if necessary.

The directors recognise that communication with its employees is essential and the Group places importance on the contributions and views of its employees.

Directors

Details of the directors are given on page 5.

During the period, the Group had in place directors' and officers' insurance.

Statement of disclosure of information to auditors

The Directors of the Group have, individually, considered their responsibilities to provide information to the Group's auditor and in so far as each of them is aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps that they ought to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

A resolution proposing to re-appoint Baker Tilly UK Audit LLP as auditor will be put to the members at the Annual General Meeting.

This report was approved by the Board and signed on its behalf.

IF Bowness
Secretary

2 September 2015

There is a commitment to high standards of corporate governance throughout the Group and the Board agrees with the provisions set out in the UK Corporate Governance Code (as appended to the listing rules). The Group does not have a Nomination Committee. The Audit Committee comprises two non-executive directors rather than three non-executives and the Remuneration Committee also comprises two non-executive directors. The Board is of the opinion that the current arrangement for the Audit and Remuneration Committees is appropriate given the size of the Company and the composition of its Board. A Nomination Committee would be formed should a need arise.

The Board is accountable to the Company's shareholders for good governance and the statement set out below describes how the principles are applied by the Company.

Directors

The Board consists of three executives and two non-executive directors and meets regularly throughout the period. The non-executive directors are considered by the Board to be independent of management and free from any relationship which could materially interfere with the exercise of this independent judgement. They receive a fixed fee for their services; the non-executive directors do not have a material interest in the shares of the Company. Concerns relating to the executive management of the Company can be raised with the non-executive directors.

Details of the Board members appear on page 5.

The Board meets generally on a monthly basis and more frequently where business needs require. A formal schedule of matters reserved for the decision of the Board covers key areas of the Group's affairs. This is communicated throughout the senior management of the Group. Procedures have been established to enable directors to obtain independent professional advice, where necessary, at the Company's expense. In addition, every director has access to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

To enable the Board to function effectively and allow directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of Board meetings, this consists of a comprehensive set of papers, including regular operating and progress reports and discussion documents regarding specific matters.

Appointments to the Board

Appointments to the Board of executive directors are considered by the full Board of directors who review the candidates' experience and qualifications. Appointments to the Board of non-executive directors are considered by the Company's executive directors.

Any director appointed during the period is required, under the provision of the Company's Articles of Association, to retire and seek election by the shareholders at the next Annual General Meeting. The Articles also require that up to one third of the directors retire by rotation each year and seek re-election at the Annual General Meeting. The directors required to retire are those in office longest since their previous re-election.

On appointment to the Board, there are procedures to allow for appropriate training in respect of the role and duties as a public company director.

Details of the Directors' service contracts are given in the Board's report on directors' remuneration on pages 14 and 15.

Committees of the Board

The Board has two standing committees, each of which has terms of reference setting out their authority and duties, including the following:

Committees of the Board *(continued)*

The Audit Committee comprises KS Piggott as Chairman, and PA Cowgill. The Committee meets as required. In addition to reviewing the report and accounts and the interim statement (including the Board's statement on internal financial control in the annual report) prior to their submission to the Board for approval, it keeps the scope, cost-effectiveness, independence and objectivity of the external auditor under review; this includes monitoring the level of non-audit fees. These are disclosed on page 33 and in the opinion of the Audit Committee do not affect the auditor's independence or objectivity.

The Committee can meet for private discussion with the external auditor, who attends its meetings, as required. The Company Secretary acts as secretary to the Committee.

The Remuneration Committee comprises KS Piggott as Chairman, and PA Cowgill. The Board's report on directors' remuneration, which includes details of the Remuneration Committee, is set out on pages 14 and 15.

Internal financial control

The Directors acknowledge their responsibility for the Group's system of internal financial control and place considerable importance on maintaining a strong financial control environment. It should be noted that internal financial control can only provide reasonable and not absolute assurance against material errors, losses or fraud.

The system of internal financial control is structured around an assessment and prioritisation of the various risks to the business. The control environment is designed to address particularly those risks that the Board consider to be material to the business, safeguarding the assets against unauthorised use or disposition and maintaining proper accounting records which produce reliable financial information.

The Board has reviewed the effectiveness of the system of internal financial control for the accounting period and the period to the date of approval of the financial statements.

A summary of the key established procedures of internal financial control is as follows:

- Powers reserved to the Board are clearly specified and include the approval of strategic plans and budgets, material capital expenditure, dividend policy, communication with shareholders and Board appointments.
- A simple organisational structure exists with close involvement of the executive directors and senior management.
- The Board meets generally monthly. The senior management team meets generally fortnightly to review and address trading performance and operational issues.
- Detailed budgets covering profits, cash flows and capital expenditure are prepared and are approved by the Directors. Comprehensive monthly reports are produced of performance against forecasts which are prepared and reviewed regularly.
- Stocktakes within the Group's own stores are generally performed at six monthly intervals.

Going concern

The Company's and Group's business activities together with factors likely to affect future development and performance are set out on pages 2 to 4 and 7 to 9. The Company and Group have minimal borrowings and the directors have reviewed and approved Group cash flow forecasts for a period of at least 12 months from this the date of approval of these financial statements and have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

Communication

The Group places a great deal of importance on communication with its shareholders. The Board maintains a dialogue with individual institutional shareholders. All available directors attend the Annual General Meeting and all shareholders have the opportunity to ask questions. Resolutions are proposed on each substantially separate issue. The Group will indicate the level of proxies lodged on each resolution and the balance for and against the resolution at each AGM.

The Remuneration Committee ("The Committee") meets at least annually and comprises KS Piggott and PA Cowgill.

The Committee under the chairmanship of KS Piggott is responsible for the determination of the remuneration policy of the Group's executive directors and senior executives.

Full details of the elements of each director's remuneration is set out below.

Executive remuneration policy

The policy on executive directors' remuneration is to provide a competitive level of reward relevant to the Group's business and the individuals concerned. The principal factors considered in applying the policy are the nature of responsibility carried out, individual performance and relevant external comparisons.

No director participates in decisions about their own remuneration package.

The main elements of remuneration are:

- **Base salary and benefits**

  Base salaries are reviewed annually. All three executive directors are entitled to private medical insurance, company car, permanent health insurance, life assurance cover and pension contributions of 15% of salary. The bonus scheme for executive directors seeks to reward Group performance in excess of the target level of profit before tax, exceptional items and bonus provisions which has been set by the Committee for the year.

  In addition IF Bowness is entitled to participate in a bonus scheme providing for an allocation of shares in the Company, to a maximum value of £700,000 subject to the share price performance of the Company.

- **Share option scheme**

  The Company's Approved Company Share Option Scheme was approved by the Board on 10 February 2005. The Directors had been awarded the following options under this scheme at 31 March 2015:

	At 31 March 2014	Lapsed during the year	**At 31 March 2015**
IF Bowness	760,590	(400,000)	**360,590**

The Company's Unapproved Company Share Option Scheme was approved by the Board on 10 February 2005. The Directors had been awarded the following options under this scheme at 31 March 2015:

	At 31 March 2014	Lapsed during the year	**At 31 March 2015**
IF Bowness	4,675,783	(400,000)	**4,275,783**

Directors' emoluments

The following emoluments were paid to the Directors:

	2015 Salary £’000	2015 Bonuses £’000	2015 Benefits £’000	2015 Pensions £’000	Year ended 31 March 2015 Total £’000	Year ended 31 March 2014 Total £’000
IF Bowness	175	70	31	26	302	258
PA Cowgill	42	-	-	-	42	42
PR Eyre	200	125	15	30	370	318
D Grayson	157	90	30	22	299	234
KS Piggott	35	-	-	-	35	35
	609	285	76	78	1,048	887

Three directors are accruing benefits under money purchase pension schemes (2014: three). The remuneration of each director who served during the period set out in the table above has been audited by Baker Tilly UK Audit LLP, the Group's auditor, as part of their audit of the financial statements on pages 19 to 47.

Service contracts

Each executive director has a service contract with the Company from 10 February 2005 which may be terminated upon 12 month’s notice by either party.

Non-executive directors

The service of the non-executive directors are provided under the terms of letters of appointment from the Company dated 11 February 2005, for an initial period of 12 months, continuing thereafter subject to termination upon at least 3 months written notice.

The Committee is directly accountable to shareholders. A representative of the Committee will be available at the Annual General Meeting to answer questions about the remuneration of the Directors.

KS Piggott
Chairman, Remuneration Committee

2 September 2015

Statement of directors' responsibilities

The Directors are responsible for preparing the strategic report and the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group and the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 . They are also responsible for safeguarding the assets of the Group and the Company 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 included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of United Carpets Group plc

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We have audited the Group and parent company financial statements ("the financial statements") which comprise the consolidated statement of comprehensive income, consolidated and parent company statement of financial position, consolidated and parent company statement of changes in equity and consolidated and parent company statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the statement of directors' responsibilities, set out on page 16, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards' (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 March 2015 and of the Group's profit for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Neil Stephenson, Senior Statutory Auditor
For and on behalf of **Baker Tilly UK Audit LLP, Statutory Auditor**
Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

3 September 2015

Consolidated statement of comprehensive income for the year ended 31 March 2015

	Note	**Year ended 31 March 2015 £'000**	Year ended 31 March 2014 £'000
Revenue	2	19,141	21,059
Cost of sales		(6,346)	(8,073)
Gross profit		12,795	12,986
Distribution costs		(334)	(546)
Administrative expenses		(11,352)	(11,634)
Other operating income		98	128
Operating profit	5	1,207	934
Financial income	6	7	13
Financial expenses		(3)	(10)
Profit before tax		1,211	937
Income tax (expense)/credit	7	(104)	195
Profit for the year*		1,107	1,132
Earnings per share	8		
- Basic (pence per share)		1.36p	1.39p
- Diluted (pence per share)		1.36p	1.39p

*All activities relate to continuing operations and are attributed to the owners of the parent.

There were no items of other comprehensive income and therefore no separate statement of other comprehensive income has been presented.

The notes on pages 23 to 47 form part of these financial statements.

Consolidated and parent company statement of financial position at 31 March 2015
Registered number: 05301665

	Note	Group		Company	
		At 31 March 2015 £'000	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Non-current assets					
Property, plant and equipment	10	1,122	567	111	-
Investments	11	-	-	200	200
Deferred tax assets	12	231	396	36	43
		1,353	963	347	243
Current assets					
Inventories	13	1,374	1,100	-	-
Trade and other receivables	14	2,363	2,628	1,950	1,261
Current tax debtor		123	-	-	-
Cash and cash equivalents	22	2,610	1,678	806	707
		6,470	5,406	2,756	1,968
Total assets		7,823	6,369	3,103	2,211
Capital and reserves					
Issued capital	19	814	4,070	814	4,070
Share premium		-	1,106	-	1,106
Retained earnings*		3,251	(2,218)	1,571	(3,418)
Total equity attributable to owners of the parent		4,065	2,958	2,385	1,758
Non-current liabilities					
Borrowings – finance leases	15	44	-	44	-
Trade and other payables	16	394	476	-	-
Provisions	17	144	-	-	-
		582	476	44	-
Current liabilities					
Borrowings – finance leases	15	38	-	38	-
Trade and other payables	16	3,034	2,799	560	360
Provisions	17	104	-	-	-
Current tax liabilities		-	136	76	93
		3,176	2,935	674	453
Total liabilities		3,758	3,411	718	453
Total equity and liabilities		7,823	6,369	3,103	2,211

*See consolidated statement of changes in equity for details of presentational changes in the year.

The financial statements were approved by the Board and authorised for issue on 2 September 2015 and were signed on its behalf by:

PR Eyre
Director

D Grayson
Director

IF Bowness
Director

The notes on pages 23 to 47 form part of these financial statements.

Consolidated and parent company statement of changes in equity for the year ended 31 March 2015

Group

	Issued capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 31 March 2013	4,070	1,106	(3,350)	1,826
Profit for the year	-	-	1,132	1,132
At 31 March 2014	4,070	1,106	(2,218)	2,958
Profit for the year	-	-	1,107	1,107
Capital restructuring	(3,256)	(1,106)	4,362	-
At 31 March 2015	814	-	3,251	4,065

Company

	Issued capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
At 31 March 2013	4,070	1,106	(3,916)	1,260
Profit for the year	-	-	498	498
At 31 March 2014	4,070	1,106	(3,418)	1,758
Profit for the year	-	-	627	627
Capital restructuring	(3,256)	(1,106)	4,362	-
At 31 March 2015	814	-	1,571	2,385

The share-based payment reserve of £598,000 previously shown separately, has been combined with retained earnings for presentational purposes. Further information about share-based payments to employees is set out in note 20.

Following approval by shareholders on 20 August 2014 and by the High Court on 17 September 2014, the nominal value of the Company's issued share capital was reduced from 5p to 1p each and the share premium reserve was cancelled.

The notes on pages 23 to 47 form part of these financial statements.

Consolidated and parent company statement of cash flows for the year ended 31 March 2015

	Note	Group Year ended 31 March 2015 £'000	Group Year ended 31 March 2014 £'000	Company Year ended 31 March 2015 £'000	Company Year ended 31 March 2014 £'000
Cash flows from operating activities					
Cash generated from operations	21	1,720	1,338	139	338
Interest paid		(3)	(10)	(2)	-
Income tax paid		(198)	(212)	(93)	(22)
Net cash flows from operating activities		1,519	1,116	44	316
Cash flows from investing activities					
Acquisition of property, plant and equipment		(562)	(362)	-	-
Proceeds from sale of property, plant and equipment		23	2	10	-
Purchase of investment in subsidiaries		-	-	-	(200)
Interest received		7	13	100	13
Net cash flows from investing activities		(532)	(347)	110	(187)
Cash flows from financing activities					
Payment of finance lease liabilities		(55)	-	(55)	-
Net cash flows from financing activities		(55)	-	(55)	-
Increase in cash and cash equivalents in the year		932	769	99	129
Cash and cash equivalents at the start of the year		1,678	909	707	578
Cash and cash equivalents at the end of the year		2,610	1,678	806	707

The notes on pages 23 to 47 form part of these financial statements.

1. Significant accounting policies

United Carpets Group plc (the "Company") is a company incorporated in England and Wales. The address of its registered office is disclosed on page 5. The consolidated financial statements of the Company for the year ended 31 March 2015 comprise the Company and its subsidiary undertakings (together referred to as the "Group").

(a) Statement of compliance

The Group's consolidated financial statements and the Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS.

The financial information has been prepared under the historical cost convention, except for the cost of share options granted under the terms of employee share schemes which, in accordance with IFRS 2, are accounted for at fair value.

The preparation of the financial information requires management to make judgements and estimates in the selection and application of accounting policies. Although these judgements and estimates are based on management's best knowledge of the amount, event or actions and actual results may ultimately differ from these. In the preparation of this financial information, estimates and assumptions have been made by management; further details in respect of these are included in accounting policy 1(v).

(b) Basis of preparation

The Group consolidated financial statements and the Company's financial statements have been prepared on the basis of IFRSs in issue that are effective at the Group's reporting date. The accounting policies have been applied consistently throughout the Group for the purposes of these consolidated financial statements. In particular, consideration has been given to IFRS 10 'Consolidated Financial Statements' and the Board has concluded that the operations of the franchisees are not required to be consolidated as control of the relevant activities rests with franchisees.

(c) Going concern

The directors have assessed the financial position of the Group. In assessing the going concern of the business they have considered the projected future trading and cash flows of the business. Using the evidence available to them they have concluded that it is appropriate to present the financial statements on a going concern basis, as they consider that the Group will continue as a going concern for a period of at least 12 months from the date of approval of these financial statements.

(d) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the accounting reference date each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to benefit from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

1. Significant accounting policies *(continued)*

(d) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

(ii) Uniting of interests method

The results of the Group and all of its subsidiary undertakings were consolidated using the uniting of interests' method of accounting for any business combinations which took place before transition to IFRS and using the acquisition method (see note 1(d)*(i)* for any business combinations which took place subsequent to the transition to IFRS). The investment is recorded in the Company's balance sheet at the nominal value of the shares issued, together with the fair value of any additional consideration paid.

Merged subsidiary undertakings are treated as if they had always been a member of the Group, for any business combinations which took place before transition to IFRS. This treatment is permitted under the exemption in IFRS 1 to not restate acquisitions before transition.

(iii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing these consolidated financial statements.

(e) Foreign currency

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentational currency.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1(k)).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

1. Significant accounting policies *(continued)*

(f) Property, plant and equipment *(continued)*

(ii) Leased assets

Leased items of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets used by the Group which have been funded through finance leases are capitalised in property, plant and equipment and the resulting lease obligations are included in liabilities. The assets are depreciated over their useful lives. The interest element of the lease payments is charged to the income statement over the period of the lease.

Lease payments are accounted for as described in accounting policy 1(o)*(i)*.

(iii) Depreciation

Depreciation is calculated so as to write off the cost of an asset to its residual value and is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold property	over the term of the lease
- Fixtures and fittings	10% straight line
- Office and computer equipment	25% straight line
- Motor vehicles	25% straight line

The residual value is reassessed annually.

(iv) Leases: Accounting by lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

All leases granted by the Group are sub-leases of property that is leased by the Group under operating leases with third parties.

Lease income is recognised over the term of the lease on a straight-line basis.

(g) Investment in subsidiaries

The company's investment in subsidiary undertakings is recognised at cost and is accounted for net of impairment losses.

(h) Trade receivables and payables

Trade receivables and payables are initially recognised at fair value and subsequently adjusted to the amount receivable or payable. Receivables are stated at their estimated recoverable amount after allowance for impairment losses.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

1. Significant accounting policies *(continued)*

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances in hand and at bank and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Cash-generating units are used where an individual asset does not generate cash flows which are independent of other assets. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. Significant accounting policies *(continued)*

(l) Employee benefits

(i) Defined contribution plans

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options based on the Group's best estimate of the instruments that will vest. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are discounted at a rate that reflects the time value of money.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

(n) Revenue

Franchise commission is recognised net of VAT on the provision of services to franchises in the period in which the services are provided. The initial franchise fee is recognised over the 10 year term of the franchise arrangement.

Other turnover and operating income represents amounts receivable for goods and services provided in the United Kingdom net of VAT. Turnover on retail and trade products is recognised when products have been delivered.

1. Significant accounting policies *(continued)*

(o) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) Financial income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Financial income is recognised in the income statement as it accrues, using the effective interest method.

(p) Exceptional items

Non-recurring transactions which are material by virtue of their nature or size are disclosed as exceptional items.

(q) Tax

Tax on the profit or loss for the periods presented comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax liabilities are the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following timing differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Dividends

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

(s) Segment reporting

An operating segment is a component that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s chief operating decision maker (the Board) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

1. Significant accounting policies *(continued)*

(t) Employee benefit trust

The Group has established trusts for the benefit of employees, former employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the Group retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the Group until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the Group on the basis of employees' past services to the business and the Group can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the Group are charged to the the income statement in the period to which they relate.

(u) New and revised IFRS's in issue but not yet effective

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board (IASB) but not yet applicable will have a significant impact on the financial statements of the Group when the relevant standards come into effect for periods commencing on or after 1 April 2015.

(v) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. Details of the deferred tax assets are given in note 12.

(ii) Impairment of non-current assets

The Group assesses the impairment of property, plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- significant underperformance relative to historical or projected future operating results;
- significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- significant negative industry or economic trends.

(iii) Impairment of other assets.

The Group reviews the carrying value of all other assets for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount. This process will usually involve the estimation of future cash flows which are likely to be generated by the asset.

1. Significant accounting policies *(continued)*

(v) Critical accounting estimates and judgements *(continued)*

(iv) Provisions to write inventories down to net realisable value

The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events.

(v) Trade and other receivables

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

(vi) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

(vii) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

2. Segment reporting

Segment information is presented in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Franchising and Retail is the income that the Group receives from its franchise activities together with the results of its corporate stores. Warehousing reflects the results of the Group's in-house cutting operation which services the franchised and corporate stores and a small number of third parties. The Property division leases properties from third parties and sublets those properties to the store network.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Franchising and Retail		Warehousing		Property		Consolidated	
							Year ended 31 March	Year ended 31 March
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Segment revenue	11,644	10,397	5,266	8,250	2,231	2,412	19,141	21,059
Segment results	724	593	174	(3)	135	164	1,033	754
Unallocated income							76	52
Other operating income							98	128
Operating profit							1,207	934
Financial income							7	13
Financial expenses							(3)	(10)
Income tax (expense)/credit							(104)	195
Profit for the year							1,107	1,132

	Franchising and Retail		Warehousing		Property		Unallocated		Eliminations		Consolidated	
											At 31 March	At 31 March
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Operating assets	2,953	2,717	2,017	1,463	607	566	2,297	1,504	(2,661)	(1,559)	5,213	4,691
Net cash	1,420	559	179	317	205	95	806	707	-	-	2,610	1,678
Operating liabilities	(3,298)	(2,400)	(1,871)	(1,585)	(332)	(332)	(718)	(453)	2,461	1,359	(3,758)	(3,411)
Total shareholders' equity	1,075	876	325	195	480	329	2,385	1,758	(200)	(200)	4,065	2,958
Additions to non-current assets	528	226	34	136	-	-	137	-	-	-	699	362
Depreciation	71	35	43	35	-	-	24	-	-	-	138	70

The Group's operations were undertaken entirely within the United Kingdom.

3. Employees

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Staff costs, including directors, consist of:		
Wages and salaries	3,413	3,236
Social security costs	354	362
Pension costs	104	102
	3,871	3,700

The average monthly number of employees, including directors, during the year was as follows:

	Year ended 31 March 2015 Number	Year ended 31 March 2014 Number
Administration	38	40
Warehouse and stores	67	73
	105	113

4. Directors' remuneration

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Remuneration for management services	970	824
Value of Group pension contributions to money purchase schemes	78	63
	1,048	887

Further details of directors' remuneration are set out in the Board's report on directors' remuneration on pages 14 and 15.

5. Operating profit

Operating profit is arrived at after charging/(crediting):

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Depreciation of property, plant and equipment		
- owned assets	91	65
- leased assets	47	5
Operating leases – land and buildings	2,716	2,913
Staff costs (note 3)	3,871	3,700
Costs of reducing the number of operational stores	-	117
Net gains arising in the current period relating to the Group reorganisation	-	(73)
Other exceptional income	-	(97)

During the year ended 31 March 2015, no items charged/(credited) to operating profit were considered to require separate disclosure as exceptional items either as a result of their nature or size. Other exceptional income in the prior year was compensation received as a result of the compulsory purchase of one of the properties operated by the Group.

Services provided by the Group's auditor

A summary of the audit and non-audit fees in respect of services provided by Baker Tilly UK Audit LLP and its related entities charged to operating profit in the year is set out below:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Audit services – statutory audit	45	38
Taxation services	16	6
Other services	11	-

Included in the Group audit fees and expenses paid to the Group's auditors are £4,000 paid in respect of the Company (2014: £3,000). Included in the Group audit fees and expenses paid to the Group's auditors are £6,000 paid in respect of the audit of the Group financial statements (2014: £5,000).

6. Financial income

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Interest receivable	7	13

7. Income tax expense/(credit)

(a) Analysis of charge for the year

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Current tax:		
Current year	120	131
Prior periods	(181)	43
	(61)	174
Deferred tax:		
Current year	131	118
Prior periods	34	(487)
Total income tax expense/(credit) recognised in the current year	104	(195)

The acquisition of the trade from a connected company (United Carpets (Northern) Limited) gave rise to a deferred tax asset in United Carpets (Franchisor) Limited. The prior period adjustment in the comparative year principally reflects an estimate of that deferred tax asset following the submission of the tax computations for the period to 5 October 2012 by UNCN Realisations 2012 Limited (formerly United Carpets (Northern) Limited).

(b) Reconciliation of total tax charge for the period

The tax charge for the year differs from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Profit before tax	1,211	937
Profit before tax multiplied by the rate of corporation tax in the UK of 21% (2014: 23%)	254	216
Effect of:		
Expenses not deductible for tax purposes	10	12
Change in tax rate	-	21
Prior period adjustments	(147)	(444)
Other	(13)	-
Total tax	104	(195)

(c) Factors affecting future tax charges

The corporation tax rate will be 20% from 1 April 2015. From 1 April 2017 this will reduce to 19% and from 1 April 2020 it will reduce further to 18% however, this has not yet been ratified in law.

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2015 was based on the profit attributable to ordinary shareholders of £1,107,000 (2014: £1,132,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2015 of 81,400,000 (2014: 81,400,000).

Diluted earnings per share

Diluted earnings per share for the periods ended 31 March 2015 and 31 March 2014 was the same as basic earnings per share as the share options in issue were non-dilutive in either period.

9. Company profit and loss account

The Company has not presented its own statement of profit or loss as permitted by Section 408 of the Companies Act 2006.

The Company's profit after taxation for the year ended 31 March 2015 amounted to £627,000 (2014: £498,000).

10. Property, plant and equipment

Group	Leasehold property £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 31 March 2013	-	351	241	592
Additions	126	208	28	362
Disposals	(32)	(39)	(4)	(75)
At 31 March 2014	94	520	265	879
Additions	295	267	137	699
Disposals	-	(4)	(176)	(180)
At 31 March 2015	389	783	226	1,398
Depreciation				
At 31 March 2013	-	17	227	244
Charge for the period	5	59	6	70
Eliminated on disposals	(1)	-	(1)	(2)
At 31 March 2014	4	76	232	312
Charge for the period	21	82	35	138
Eliminated on disposals	-	(1)	(173)	(174)
At 31 March 2015	25	157	94	276
Net book value				
At 31 March 2015	364	626	132	1,122
At 31 March 2014	90	444	33	567
At 31 March 2013	-	334	14	348

Motor vehicles with a cost of £137,000 (2014: £Nil) and net book value of £111,000 (2014: £Nil) were held under finance leases.

10. Property, plant and equipment *(continued)*

Company	Motor vehicles £'000	Total £'000
Cost		
At 31 March 2013 and 31 March 2014	225	225
Additions	137	137
Disposals	(170)	(170)
At 31 March 2015	192	192
Depreciation		
At 31 March 2013 and 31 March 2014	225	225
Charge for the year	26	26
Eliminated on disposals	(170)	(170)
At 31 March 2015	81	81
Net book value		
At 31 March 2015	111	111
At 31 March 2013 and 31 March 2014	-	-

Motor vehicles with a cost of £137,000 (2014: £Nil) and net book value of £111,000 (2014: £Nil) were held under finance leases.

11. Investments

	Company Shares in subsidiary undertakings at cost £'000
At 31 March 2014 and 31 March 2015	200

The following were subsidiary undertakings at 31 March 2015 and have all been included in the consolidated financial statements.

Company:	*Principal activity:*
United Carpets (Franchisor) Limited	Retailing of carpets and beds and the franchising of carpet retail outlets.
United Carpets (Commercial) Limited	Trade sales, retailer of beds and carpet resale agents.
United Carpets (Property) Limited	Leasing and sub-letting retail units.
Online Flooring and Beds Limited	Non-trading subsidiary of United Carpets Group plc
Debrik Investments Limited	Dormant subsidiary of United Carpets Group plc
Weavers Carpets Limited	Dormant subsidiary of United Carpets Group plc
Nottingham Carpet Warehouse Limited	Dormant subsidiary of United Carpets Group plc
Carpetmania Limited	Dormant subsidiary of Nottingham Carpet Warehouse Limited
United Carpets (Central) Limited	Dormant subsidiary of United Carpets Group plc

The Group controls 100% of the voting rights and ordinary share capital of each company. All companies are incorporated in England and Wales.

12. Deferred tax assets

	Group		Company	
	At 31 March 2015 £'000	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Deferred tax	231	396	36	43

The movement in assets during the year was:

	Group		Company	
	At 31 March 2015 £'000	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Assets at the start of the year	396	27	43	47
Charge for the current year	(131)	(118)	(3)	(4)
(Charge)/credit for prior periods	(34)	487	(4)	-
Assets at the end of the year	231	396	36	43

The deferred tax asset consists of the tax effect of temporary differences in respect of:

	Group		Company	
	At 31 March 2015 £'000	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Accelerated capital allowances	178	367	28	35
Temporary differences	53	29	8	8
	231	396	36	43

13. Inventories

	Group	
	At 31 March 2015 £'000	At 31 March 2014 £'000
Finished goods for resale	1,374	1,100

In the opinion of the directors, there is no material difference between the replacement cost of stock and the amounts stated above.

The cost of inventories recognised as expense and included in cost of sales amount to £6,038,000 (2014: £7,633,000). The net expense relating to the write down of inventories recognised in the period and included in cost of sales is £310,000 (2014: £316,000).

14. Trade and other receivables

		Group		Company
	At 31 March 2015 £'000	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Trade receivables	1,540	1,326	1	-
Amounts owed by group undertakings	-	-	1,933	1,238
Other debtors	7	328	1	16
Prepayments and accrued income	816	974	15	7
	2,363	2,628	1,950	1,261

The Group principally extends credit to its franchisee partners. Receivable balances are monitored on an on-going basis with the aim of minimising the Group's exposure to bad debts or being unable to realise amounts recoverable on contracts.

			At 31 March 2015			At 31 March 2014
	Gross £'000	**Provision £'000**	**Net £'000**	Gross £'000	Provision £'000	Net £'000
Current	1,484	(280)	1,204	1,671	(767)	904
Overdue	921	(585)	336	772	(350)	422
	2,405	(865)	1,540	2,443	(1,117)	1,326

At 31 March 2015, trade receivables of £1,445,000 (2014: £1,537,000) were impaired and a provision of £865,000 had been made (2014: £1,117,000). The Group is working with those debtors to achieve a viable outcome for them and the Group in order to recover as much of that debt as feasible. At 31 March 2015, the Group had trade receivables of £227,000 (2014: £422,000) which were overdue and not impaired.

Movement on the provision is shown below:

		Group
	At 31 March 2015 £'000	At 31 March 2014 £'000
At 1 April 2014	1,117	938
Utilised	(358)	(124)
Charge for the year	299	589
Release for the year	(193)	(286)
At 31 March 2015	865	1,117

14. Trade and other receivables *(continued)*

The creation and release of provision for impaired receivables has been included in administrative expenses. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

15. Borrowings – finance leases

The Group seeks to ensure that it has sufficient cash resources available to meet all short term cash requirements and to meet its capital expenditure programme for the foreseeable future. At the year end there were no committed undrawn facilities (2014: £Nil).

		Group		Company
Current	**At 31 March 2015 £'000**	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Finance leases	38	-	38	-

		Group		Company
Non-current	**At 31 March 2015 £'000**	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Finance leases	44	-	44	-

Of the non-current finance leases balance, £38,000 is payable between 1 and 2 years and £6,000 is payable between 2 and 5 years.

16. Trade and other payables

		Group		Company
Current	**At 31 March 2015 £'000**	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Trade payables	607	813	2	3
Social security and other taxes	685	740	90	102
Other creditors	485	413	-	-
Accruals and deferred income	1,257	833	468	255
	3,034	2,799	560	360

		Group		Company
Non-current	**At 31 March 2015 £'000**	At 31 March 2014 £'000	**At 31 March 2015 £'000**	At 31 March 2014 £'000
Accruals and deferred income	394	476	-	-

17. Provisions

Current	At 31 March 2015 £'000	Group At 31 March 2014 £'000
At 1 April 2014	-	-
Transferred from accruals and deferred income	104	-
At 31 March 2015	104	-

Non-current	At 31 March 2015 £'000	Group At 31 March 2014 £'000
At 1 April 2014	-	-
Transferred from accruals and deferred income	24	-
Charge for the year	120	-
At 31 March 2015	144	-

The above provision reflects an estimate of the potential cost associated with vacating a small number of underperforming stores.

18. Financial instruments

The Group makes little use of financial instruments other than an operational bank account and trade and other receivables/payables. Except as noted in the strategic report and critical accounting estimates and judgements, exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Group.

Trade and other receivables/payables

The carrying value is deemed to reflect the fair value for all trade and other receivables/payables.

Risk management

(a) Credit risk

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

(b) Liquidity risk and interest rate risk

The Group finances its operations from operational cash flows and has no borrowings other than a small number of immaterial finance leases. Cash flows and forecasts are managed to minimise net interest expense, are monitored daily and are reviewed by the Board.

(c) Foreign exchange risk

The Group does not operate outside of the United Kingdom. However, as discussed in the strategic report, a number of the Group's suppliers are based in Europe which means that the Group is exposed to fluctuations in the value of the euro compared with sterling. Prices are agreed in sterling and are regularly reviewed as exchange rates vary.

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19. Issued capital

Group and Company	At 31 March 2015 £'000	At 31 March 2014 £'000
Authorised		
200,000,000 ordinary shares of 1p (2014: 5p) each	2,000	10,000

	At 31 March 2015 £'000	At 31 March 2014 '000
Allotted, called up and fully paid		
81,400,000 ordinary shares of 1p (2014: 5p) each	814	4,070

Following approval by shareholders on 20 August 2014 and by the High Court on 17 September 2014, the nominal value of the company's issued share capital was reduced from 5p to 1p each and the share premium reserve was cancelled.

20. Share-based payments

No options were granted during the year. The number of options outstanding at 31 March 2015 under the Group's share option schemes were as follows:

	Out-Standing Number 2015	Out-Standing Number 2014
Granted 10 February 2005:		
Approved Company Share Option Scheme	-	930,000
Unapproved Company Share Option Scheme	-	400,000
Granted 20 July 2006:		
Approved Company Share Option Scheme	114,285	114,285
Unapproved Company Share Option Scheme	1,314,286	1,314,286
Granted 20 July 2007:		
Unapproved Company Share Option Scheme	1,052,631	1,052,631
Granted 29 August 2009:		
Approved Company Share Option Scheme	246,305	246,305
Unapproved Company Share Option Scheme	1,908,866	1,908,866
	4,636,373	5,966,373

At 10 February 2005, the Group established a share option programme that entitles key management personnel and senior employees to purchase shares in the entity. All option exercises are to be settled by physical delivery of shares.

20. Share-based payments *(continued)*

The options granted on 20 July 2006, 20 July 2007 and 29 August 2009 were exercisable at the year end. No other options were exercisable at the year end.

The fair value of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model. The expected volatility is based on the average historical volatility of comparable listed companies. The contractual life of the option (10 years) is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes model.

Fair value of share options and assumptions for awards

	29 August 2009	**20 July 2007**	**20 July 2006**	**10 February 2005**
Fair value at measurement date	3.5p	4.9p	2.4p	10.3p/9.6p
Share price	8.12p	14.25p	8.75p	25.0p
Exercise price	8.12p	14.25p	8.75p	22.5p/25.0p
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes model)	80%	55%	55%	55%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	4 years	4 years	4 years	4 years
Expected dividends	6.15%	5.25%	8.0%	3.0%
Risk-free interest rate (based on national government bonds)	2.4%	5.6%	4.7%	4.4%

During the period no options were exercised (2014: Nil) and 1,330,000 options lapsed (2014: 1,772,151).

The performance target applicable to the options granted on the dates above is that an option may only be exercised if, over the period of three consecutive financial years of the Company commencing with the financial year in which the option was granted, the percentage growth in earnings per share of the company equals or exceeds the percentage growth in the Retail Prices Index over the same period by at least 3 per cent per annum. In the event that the performance targets are not satisfied in the vested period, the cumulative growth in earnings per share over a three year period specified above will be retested at the end of the following two financial years. The options are exercisable not earlier than three years after the date at which they were granted.

21. Cash generated from operations

Reconciliation of the result for the period to cash generated from operations:

	Group		Company	
	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000	**Year ended 31 March 2015 £'000**	Year ended 31 March 2014 £'000
Profit before tax	1,211	937	710	595
Depreciation and other non-cash items:				
Depreciation of property, plant and equipment	138	70	26	-
(Profit)/loss on disposal of property, plant and equipment	(17)	71	(10)	-
Changes in working capital:				
(Increase)/decrease in inventories	(274)	326	-	-
Decrease/(increase) in trade and other receivables	265	(53)	(689)	(443)
Increase/(decrease) in trade and other payables	153	(10)	200	199
Increase in provisions	248	-	-	-
Financial income	(7)	(13)	(100)	(13)
Financial expenses	3	10	2	-
Cash generated from operations	1,720	1,338	139	338

22. Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash floats.

23. Operating lease and capital commitments

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The remaining lease terms are for various periods up to 14 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At 31 March 2015, the Group had commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	At 31 March 2015 £'000	At 31 March 2014 £'000
Not later than one year	1,564	1,848
Later than one year and not later than five years	5,146	5,276
Later than five years	2,802	2,435
	9,512	9,559

At 31 March 2015, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Land and buildings	
	At 31 March 2015 £'000	At 31 March 2014 £'000
Not later than one year	1,275	1,655
Later than one year and not later than five years	2,648	2,875
Later than five years	945	461
	4,868	4,991

There were no unprovided capital commitments at the period end (2014: £Nil).

24. Related party transactions

During the period the Group traded with UC Developments Limited, a company in which PR Eyre is a director and shareholder. All trading was on normal commercial terms. United Carpets (Franchisor) Limited made purchases of £1,000 (2014: £Nil). United Carpets (Commercial) Limited made purchases of £84,000 (2014: £33,000). At 31 March 2015, £7,000 (2014: £Nil) was owed to United Carpets (Commercial) Limited by UC Developments Limited. United Carpets (Property) Limited made purchases of £446,000 (2014: £586,000). At 31 March 2015, £42,000 (2014: £44,000) was owed to UC Developments Limited by United Carpets (Property) Limited.

During the period the Group traded with United Carpets Holdings Limited, a company in which PR Eyre is a director and majority shareholder. All trading was on normal commercial terms. United Carpets (Franchisor) Limited made purchases of £1,874,000 (2014: £1,815,000). At 31 March 2015, £94,000 (2014: £29,000) was owed by United Carpets (Franchisor) Limited to United Carpets Holdings Limited. United Carpets (Commercial) Limited made purchases of £25,000 (2014: £14,000). At 31 March 2015, £2,000 (2014: £1,000) was owed by United Carpets (Commercial) Limited to United Carpets Holdings Limited. United Carpets (Property) Limited made purchases of £516,000 (2014: £547,000). At 31 March 2015, £98,000 (2014:£98,000) was owed to United Carpets (Property) Limited by United Carpets Holdings Limited.

24. Related party transactions *(continued)*

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of £1,048,000 for the year ended 31 March 2015 (year ended 31 March 2014: £887,000).

25. Contingencies

HM Revenue & Customs are enquiring into Employee Benefit Trusts set up by certain Group companies in 2004. The directors have formed the view, after taking detailed legal advice, that legal precedent is in the Group's favour and that it will be concluded that no additional taxation liabilities will arise to the Group in respect of the Employee Benefit Trust contributions. No provision has thus been made for any future economic outflows in this matter.

It may take several years before the position is finally established and as such there is a possibility, which the directors have assessed as more than remote, that liabilities will arise. Whilst HMRC has issued PAYE and NIC determinations showing amounts of £820,000, it is not possible at this stage to predict with any reasonable degree of certainty the likelihood of these sums being payable, the amount of such sums and the date on which they could become payable together with any associated interest.

The Group has the benefit of indemnities given by director shareholders in respect of these potential liabilities.

26. Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.

NOTICE is hereby given that the ANNUAL GENERAL MEETING of UNITED CARPETS GROUP PLC (the "Company") will be held at Moorhead House, Moorhead Way, Bramley, Rotherham, South Yorkshire, S66 1YY on Tuesday 29 September 2015 at 12 noon for the transaction of the following business:

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 7 of which will be proposed as ordinary resolutions and numbers 8 and 9 as special resolutions:

Ordinary Resolutions

1 THAT the accounts for the year ended 31 March 2015, together with the report of the directors and of the auditor thereon, be received and adopted.

2 THAT a final dividend of 0.25p per share be declared on the ordinary shares.

3 (a) THAT Baker Tilly UK Audit LLP be re-appointed as auditor to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company; and

(b) THAT the directors be authorised to agree and determine the remuneration of the auditors of the Company.

4 THAT D Grayson be re-elected as a director.

5 THAT the Board’s report on directors’ remuneration for the year ended 31 March 2015 be approved.

6 THAT the Company be and is hereby generally and unconditionally authorised to (a) make political donations to political parties and/or independent election candidates; (b) make political donations to political organisations other than political parties; and (c) incur political expenditure, in each case during the period of one year beginning with the date of the passing of this resolution, the aggregate donations and expenditure under (a), (b) and (c) above not to exceed £20,000. For the purposes of this resolution the terms "political donation", "political parties", "independent election candidates", "political organisation" and "political expenditure" have the meanings given by sections 363 to 365 of the Companies Act 2006.

7 THAT, subject to and in accordance with Article 16 of the Articles of Association of the Company the directors be and are generally and unconditionally authorised to exercise all powers of the Company in accordance with Section 551 of the Companies Act 2006 to allot Relevant Securities (as defined below) up to a maximum aggregate nominal amount of £271,300 (being approximately one third of the current issued share capital) provided that such authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 January 2017, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require Relevant Securities to be allotted after such expiry and the directors shall be entitled to allot Relevant Securities pursuant to any such offer or agreement as if this authority had not expired.

For the purposes of this resolution, "Relevant Securities" means:

(a) shares in the Company other than shares allotted pursuant to:

(i) an employee share scheme (as defined by Section 1166 of Companies Act 2006);

(ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or

(iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

(b) any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by Section 1166 of the Companies Act 2006).

References to the allotment of Relevant Securities in this resolution include the grant of such rights.

This resolution 7 revokes and replaces all unexercised authorities previously granted to the directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special Resolutions

8. THAT, subject to the passing of resolution 7 in this notice of AGM, and in accordance with Article 17 of the Articles of Association of the Company, the directors be and are empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of that Act) for cash, pursuant to the general authority conferred by resolution 7 above, as if sub-section (1) of Section 561 of the said Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of ordinary shareholders on the register of members on such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to, as near as may be practicable, the respective numbers of ordinary shares held or deemed to be held by them but subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with treasury shares, fractional entitlements, record dates or legal or practical problems arising in or under the laws of any territory or regulations or requirements of any regulatory authority or any stock exchange in any territory;

(b) the allotment of equity securities pursuant to the terms of any share scheme for employees of the Company; and

(c) the allotment (otherwise than pursuant to sub-paragraph (a) and (b) of this resolution) of equity securities, up to an aggregate nominal amount not exceeding £40,700 (being approximately 5 per cent of the current nominal amount of the issued ordinary share capital of the Company).

The authority conferred on the directors to allot equity securities under this resolution 8 shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 January 2017, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

This resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if Section 561(1) of the Companies Act 2006 did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such powers.

9. THAT the Company be and is hereby generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases pursuant to Section 693 of that Act (as defined in Section 693(4) of the said Act), of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:

(a) the maximum number of Ordinary Shares which may be purchased is 4,070,000 being approximately 5% of the Company's issued ordinary share capital;

(b) the minimum price which may be paid for an Ordinary Share is 1p per share, being the nominal amount thereof (exclusive of expenses);

(c) the maximum price which may be paid for each share (exclusive of expenses) shall not be more than 5% above the average of the middle market quotations for ordinary shares as derived from the London Stock Exchange Daily Official List for the 5 business days before the date on which the contract for the purchase is made; and

(d) the authority herein contained shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 January 2017 (except in relation to the purchase of shares the contracts for which were concluded before such date and which are executed wholly or partly after such date) unless such authority is renewed or revoked prior to such time.

Ordinary Shares purchased pursuant to the authority conferred by this resolution shall be either: (i) cancelled immediately upon completion of the purchase; or (ii) be held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Companies Act 2006.

By Order of the Board
IF Bowness
Secretary

2 September 2015

Registered Office:
Moorhead House
Moorhead Way
Bramley
Rotherham
South Yorkshire
S66 1YY

Notes:

1. Copies of the following documents will be available for inspection at the Company's registered office at Moorhead House, Moorhead Way, Bramley, Rotherham, South Yorkshire, S66 1YY during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice of AGM until the conclusion of the AGM and at the place of the AGM itself from 15 minutes before the AGM until the conclusion of the AGM:

1.1 the service contracts of each of the executive directors of the Company; and

1.2 the letters of appointment between the Company and each of the non-executive directors of the Company.

2. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the AGM. A shareholder may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Where more than one proxy is appointed, a member must specify the number of shares the rights in respect of which each proxy is entitled to exercise. A proxy need not be a shareholder of the Company.

3. The return of a completed form of proxy will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

4. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

5. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice.

6. To be valid, the form of proxy must be completed and signed and received by the Company's registrars at Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 12 noon on 27 September 2015.

7. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 12 noon on 27 September 2015 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at such time. If the AGM is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00pm on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the AGM.

8. Persons who are not shareholders (or duly appointed proxies or corporate representatives of shareholders) in the Company will not be admitted to the AGM unless prior arrangements are made with the Company.

9. As at 14 August 2015 (being the latest practicable date to the publication of this document), the Company's issued share capital consists of 81,400,000 ordinary shares of 1p each and which each carry one vote. Therefore, the total voting rights in the Company as at 14 August 2015 are 81,400,000.

10. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.