United Carpets Group plc

Annual Report

Year ended 31 March 2016

Company number: 05301665

Contents

Chairman's statement

I am pleased to be able to report on an encouraging period of trading for the Group. During the 12 months to 31 March 2016, while the store network remained the same size the Group generated significant increases in revenue and profit before tax, up 6% and 23% respectively. The new financial year has also begun positively and as a result, the Board is recommending an increased final dividend.

At 31 March 2016, the store network totalled 61 (2015: 61) of which 52 were franchised (2015: 47) and 9 were corporate stores (2015: 14).

In the Board's view, demand from our target customers has improved during the 12 months under review, benefiting from a modest increase in consumer confidence. Whilst uncertainty over the outcome of the EU referendum had a negative effect on wider consumer confidence more recently, we believe that market conditions continued to be broadly positive. It will take some time to assess the real impact of the decision to leave the EU, however, the housing market in our core areas appears to have been generally moving forwards a little which may bring some additional benefits to our traditional growth drivers of renovations and home improvements.

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 £56.1m (2015: £54.2m). Revenue, which includes marketing and rental costs incurred by the Group and recharged to franchisees, was £21.4m (2015: £20.1m).

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 5.8%. This was a pleasing result given it is against an improved performance in the prior year and was again helped by a significant increase in the sale of beds.

Gross margin was 63.8% compared to 64.3% 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, increased by £0.4m largely due to increased marketing expenditure. Distribution costs and administrative expenses decreased from 58.8% of revenue to 57.2% principally reflecting the reduction in the proportion of revenue derived from corporate stores.

Profit before tax was £1.49m (2015: £1.21m) and earnings per share was 1.51p (2015: 1.36p).

The statement of financial position included net funds of £1.59m at 31 March 2016 (31 March 2015: £2.53m). This is after the purchase of £1.0m of freehold properties and the payment of a special dividend of 1.0p per share in June 2015 and reflects the cash generative nature of the business.

Dividend

As part of the Board's intention to pay a progressive dividend broadly in line with the future growth of the business, the Board is pleased to be recommending a final dividend of 0.265p per share. Subject to approval at the Annual General Meeting, this dividend will be paid on 14 October 2016 to all shareholders on the register at the close of business on 30 September 2016. The ex-dividend date will be on 29 September 2016.

Operations review

The Group's store network is in good shape with the great majority of stores performing satisfactorily or better. The number of stores remained the same during the financial year totalling 61 although the mix between the number of corporate and franchise stores did change.

At 31 March 2015, there were 61 stores of which 47 were franchised and 14 were corporate stores. Over the following 12 months, 7 corporate stores were matched with new or existing franchisees, 3 franchised stores became corporate stores, 1 new store opened as a franchise and 1 corporate store closed. As a result, at the end of the financial year, the Group had 61 stores of which 52 were franchised and 9 were corporate. In addition, 2 franchised stores and a corporate store were re-located to new sites within their towns. Since the year end, the Group has closed a corporate store and re-located 2 franchised stores to new sites within their towns so currently the store network stands at 60.

There are few underperforming stores in the portfolio now and, subject to Brexit uncertainties, market conditions in our core areas remain generally positive. The Group is therefore again looking at selectively expanding the network while being extremely focused on supporting the core portfolio. Two of the recent re-locations have been to slightly more prominent positions within their towns and results to date have been generally encouraging. The Group is looking for a small number of similar opportunities as they arise to test further the success of such switches.

Supporting the United Carpets franchise network is a primary management focus. The Group is significantly extending the training programme organised for franchisees and corporate stores with the emphasis on customer service and ways to enhance the shopping experience of each store visit. Alongside this, the Group continues to support the network with a centralised programme of marketing, underpinning awareness of the brand and group-wide offers on specific products designed to increase footfall across the store network.

Franchising and Retail

Floor coverings are the Groups' primary driver of sales (predominantly carpet, laminate and vinyl floorings) through both franchised stores and the Group's own corporate stores. The period under review reflected a solid retail performance, with sales up 4.3% on a like for like basis and underpinned by a general improvement in consumer sentiment and the increasing strength of the store network. Trends in fashion are monitored continuously resulting in new products and reflecting the shift in tastes from beige to grey.

Particularly pleasing has been the performance of beds sales which historically has tended to underperform its potential. On a like for like basis beds sales were up 27.2% and while still a small part of the overall sales of the Group, the Board believe the combination of selling flooring and beds works well together and there remains significant further upside to be had from the sale of beds across the Group.

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. Combining the separate Flooring and Beds warehouses into one location and improvements to the infrastructure increased efficiencies and enabled 7 day a week cover for Beds home deliveries. Together with the introduction of new products, like luxury vinyl tiles, this led to our Warehousing division being voted "Most Improved Supplier" by the store network in March 2016.

Property

A unique opportunity arose during the period to acquire the freehold of 2 of the Group's long established stores. Rather than allow ownership to pass to a competitor, the Company acquired the 2 sites plus a further non-core site for £1.0m in February 2016. It is the Group's intention to sell the non-core site in due course.

People

As always the Board would like to thank all of its franchisees, suppliers, employees and other stakeholders connected to the Group directly and indirectly for their contribution to the business and looks forward to continuing to work together in the future.

I am delighted to welcome Paul Newton to the Board. Paul has worked in the flooring sector for some 31 years and has been Operations Director at United Carpets since September 2011. He is responsible for the retail operations of the Group's network of corporate and franchised stores and Paul has made a significant contribution to the recent performance of the Group.

Outlook

Like for like sales for the 15 weeks since the period end to 14 July 2016 have continued to be positive.

The business is in good shape as shown by the positive trading performance driven by a generally improving market environment and the gradual transformation of the Group's store portfolio over the last 3 years creating a stronger base from which to develop. While uncertainties surrounding the decision to leave the EU are likely to continue for some time, the Board are confident the Group can continue to progress in the current environment. The medium term priorities will continue to be to selectively expand the store network whilst safeguarding the core business with the aim of generating consistent and increasingly attractive returns for shareholders.

Peter Cowgill
Chairman

19 August 2016

Board of directors and advisers

Directors

IF Bowness, aged 59, 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 63, Non-Executive Chairman

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

PR Eyre, aged 57, 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 54, 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.

PD Newton, aged 48, Operations Director (appointed 22 June 2016)

Paul has also worked in the flooring sector for over 30 years and has held senior executive roles in two major flooring retailers. Paul is responsible for the retail operations of the Group's network of corporate and franchised stores.

KS Piggott, aged 67, 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
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Nominated adviser and broker

Cantor Fitzgerald Europe
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Audit committee

KS Piggott
PA Cowgill

Remuneration committee

KS Piggott
PA Cowgill

Auditor

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Statutory Auditor
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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. Whilst it is too early to assess the impact of the decision to leave the EU, a period of prolonged uncertainty may adversely affect consumer confidence.

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. Recent declines in the value of sterling following the referendum decision are likely to adversely affect future cost prices and may make increases in retail prices unavoidable.

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

Principal risks and uncertainties (*continued*)

Supply chain (continued)

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.

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 continues to be 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 2016	Year ended 31 March 2015
Network sales (a)	£56.1m	£54.2m
Revenue	£21.4m	£20.1m
Like for like sales (b)		
- Flooring	+4.3%	+1.8%
- Beds	+27.2%	+17.5%
- Combined	+5.8%	+2.7%
Store numbers (year end)		
- Core corporate	2	2
- Other corporate	7	12
- Franchised	52	47
- Total	61	61
Gross margin (c)	63.8%	64.3%
Overheads as a proportion of sales (d)	57.2%	58.8%
Net funds (e)	£1.6m	£2.5m

Comparatives for revenue, gross margin and overheads as a proportion of sales have been restated. Further details are provided in note 1(b) to the financial statements.

(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.

Key performance indicators (*continued*)

(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.

(d) Overheads as a proportion of sales is calculated by dividing total distribution costs and administrative expenses 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

19 August 2016

Directors' report

The Directors present their report and the Group's audited accounts for the year ended 31 March 2016.

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 21 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 and a final dividend of £203,000 in respect of 2014/15 was paid on 16 October 2015.

An interim dividend of £102,000 was paid on 22 January 2016 and a final dividend of £216,000 (2015: £203,000) has been proposed but not provided in the financial statements.

Substantial shareholders

At 12 August 2016, 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%
Secure Nominees Limited Des:SVCLT	8,538,100	10.5%
IF Bowness	2,691,208	3.3%
Wealth Nominees Limited Des:WRAP	2,635,120	3.2%

The mid-market price of ordinary shares at 31 March 2016 was 11.25p. The highest and lowest share prices during the year were 14.25p and 8.06p respectively.

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.

PD Newton was appointed to the Board on 22 June 2016 and will apply for re-election at the next AGM.

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 RSM UK Audit LLP (formerly 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

19 August 2016

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 describes the Company's governance procedures.

Directors

The Board consists of four 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 32 and in the opinion of the Audit Committee do not affect the auditor's independence or objectivity.

The Audit 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 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 who served during the year were 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 2016:

	At 31 March 2015	Lapsed during the year	**At 31 March 2016**
IF Bowness	360,590	-	**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 2016:

	At 31 March 2015	Lapsed during the year	**At 31 March 2016**
IF Bowness	4,275,783	-	**4,275,783**

Further details of the options are given in note 23 to the financial statements.

Directors' emoluments

The following emoluments were paid to the Directors:

	2016 Salary £'000	2016 Bonuses £'000	2016 Benefits £'000	2016 Pensions £'000	Year ended 31 March 2016 Total £'000	Year ended 31 March 2015 Total £'000
IF Bowness	175	70	32	26	303	302
PA Cowgill	42	-	-	-	42	42
PR Eyre	200	95	2	60	357	370
D Grayson	157	45	30	68	300	299
KS Piggott	35	-	-	-	35	35
	609	210	64	154	1,037	1,048

The emoluments of the highest paid director was £297,000 (2015: £340,000). The value of Group pension contributions to money purchase schemes for the highest paid director were £60,000 (2015: £30,000).

Three directors are accruing benefits under money purchase pension schemes (2015: three). The remuneration of each director who served during the period set out in the table above has been audited by RSM UK Audit LLP, the Group's auditor, as part of their audit of the financial statements.

Service contracts

Executive directors

IF Bowness, PR Eyre and D Grayson each have a service contract with the Company from 10 February 2005 which may be terminated upon 12 month's notice by either party.

PD Newton has a service contract with a subsidiary undertaking from 6 June 2013 which may be terminated upon 6 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

19 August 2016

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 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

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 company's affairs as at 31 March 2016 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 company 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 **RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor**
Suite A, 7th Floor
City Gate East
Tollhouse Hill
Nottingham
NG1 5FS

19 August 2016

Consolidated statement of comprehensive income for the year ended 31 March 2016

	Note	Year ended 31 March 2016 £'000	Year ended 31 March 2015 As restated £'000
Revenue	1, 3	21,369	20,133
Cost of sales		(7,730)	(7,195)
Gross profit		13,639	12,938
Distribution costs		(299)	(334)
Administrative expenses		(11,925)	(11,495)
Other operating income		63	98
Operating profit	6	1,478	1,207
Financial income	7	12	7
Financial expenses		(3)	(3)
Profit before tax		1,487	1,211
Income tax expense	8	(258)	(104)
Profit for the year*		1,229	1,107
Earnings per share	9		
- Basic (pence per share)		1.51p	1.36p
- Diluted (pence per share)		1.49p	1.36p

*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 section of other comprehensive income has been presented.

The notes on pages 23 to 48 form part of these financial statements.

Consolidated and parent company statement of financial position at 31 March 2016
Registered number: 05301665

		Group		Company	
	Note	**At 31 March 2016 £'000**	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Non-current assets					
Property, plant and equipment	12	2,105	1,122	77	111
Investment property	13	100	-	988	-
Investments	14	-	-	200	200
Deferred tax assets	15	208	231	41	36
		2,413	1,353	1,306	347
Current assets					
Inventories	16	1,628	1,374	-	-
Trade and other receivables	17	2,651	2,363	1,513	1,950
Current tax debtor		-	123	-	-
Cash and cash equivalents		1,671	2,610	483	806
		5,950	6,470	1,996	2,756
Total assets		8,363	7,823	3,302	3,103
Capital and reserves					
Issued capital	22	814	814	814	814
Retained earnings		3,361	3,251	1,010	1,571
Total equity attributable to owners of the parent		4,175	4,065	1,824	2,385
Non-current liabilities					
Borrowings – finance leases	18	24	44	6	44
Trade and other payables	19	640	394	-	-
Provisions	20	-	144	-	-
		664	582	6	44
Current liabilities					
Borrowings – finance leases	18	52	38	38	38
Trade and other payables	19	2,984	3,034	1,268	560
Provisions	20	240	104	-	-
Current tax liabilities		248	-	166	76
		3,524	3,176	1,472	674
Total liabilities		4,188	3,758	1,478	718
Total equity and liabilities		8,363	7,823	3,302	3,103

The financial statements were approved by the Board and authorised for issue on 19 August 2016 and were signed on its behalf by:

PR Eyre
Director

D Grayson
Director

IF Bowness
Director

The notes on pages 23 to 48 form part of these financial statements.

Consolidated and parent company statement of changes in equity for the year ended 31 March 2016

Group

	Issued capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
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
Profit for the year	-	-	1,229	1,229
Equity dividends paid	-	-	(1,119)	(1,119)
At 31 March 2016	814	-	3,361	4,175

Company

	Issued capital £'000	Share premium £'000	Retained earnings £'000	Total equity attributable to owners of the parent £'000
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
Profit for the year	-	-	558	558
Equity dividends paid	-	-	(1,119)	(1,119)
At 31 March 2016	814	-	1,010	1,824

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 48 form part of these financial statements.

Consolidated and parent company statement of cash flows for the year ended 31 March 2016

	Note	Group Year ended 31 March 2016 £'000	Group Year ended31 March 2015 £'000	Company Year ended 31 March 2016 £'000	Company Year ended 31 March 2015 £'000
Cash flows from operating activities					
Cash generated from operations	24	1,396	1,720	1,821	139
Interest paid		(3)	(3)	(2)	(2)
Income tax received/(paid)		136	(198)	(76)	(93)
Net cash flows from operating activities		1,529	1,519	1,743	44
Cash flows from investing activities					
Acquisition of property, plant and equipment		(1,216)	(562)	-	-
Acquisition of investment property		(100)	-	(988)	-
Proceeds from sale of property, plant and equipment		5	23	2	10
Interest received		12	7	77	100
Net cash flows from investing activities		(1,299)	(532)	(909)	110
Cash flows from financing activities					
Payment of finance lease liabilities		(50)	(55)	(38)	(55)
Equity dividends paid		(1,119)	-	(1,119)	-
Net cash flows from financing activities		(1,169)	(55)	(1,157)	(55)
(Decrease)/increase in cash and cash equivalents in the year		(939)	932	(323)	99
Cash and cash equivalents at the start of the year		2,610	1,678	806	707
Cash and cash equivalents at the end of the year		1,671	2,610	483	806

The notes on pages 23 to 48 form part of these financial statements.

1. Significant accounting policies

United Carpets Group plc (the "Company") is a public limited 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 2016 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. These judgements and estimates are based on management's best knowledge of the amount, event or actions although 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 note 2.

(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.

A number of reclassifications between revenue, cost of sales and administrative expenses have been made in the consolidated statement of comprehensive income in the year which are considered to better reflect the Group's operations. There is no (2015:£nil) impact on reported profits. The prior year numbers have been restated to ensure comparability with an increase in revenue of £1,067,000 (2015: £992,000), increase in cost of sales of £915,000 (2015: £849,000) and an increase in administrative expenses of £152,000 (2015: £143,000).

(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

1. Significant accounting policies *(continued)*

(d) Basis of consolidation *(continued)*

(i) Subsidiaries (continued)

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. 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.

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) 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 reporting date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. 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 any impairment losses (see accounting policy 1(m)).

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.

(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.

Operating lease payments are accounted for as described in accounting policy 1(q)*(i)*.

1. Significant accounting policies *(continued)*

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

(iii) Depreciation

Depreciation is calculated so as to write off the cost of an asset to its residual value and is charged to profit or loss 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:

- Investment property	40 years
- Freehold property	40 years
- Leasehold property	term of the lease
- Fixtures and fittings	10 years
- Office and computer equipment	4 years
- Motor vehicles	4 years

The residual value is reassessed annually.

(g) Investment property

Investment property is carried at depreciated historical cost net of any impairment. Investment property is reviewed for impairment when there is an indication of impairment as policy 1(m). The recoverable amount is the higher of fair value less costs to sell and the value in use calculation. Depreciation is calculated as policy 1(f)*(iii).*

(h) 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.

(i) Investment in subsidiaries

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

(j) 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.

(k) 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)*

(l) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and cash floats.

(m) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting 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 profit or loss.

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.

(n) 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 profit or loss 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.

1. Significant accounting policies *(continued)*

(o) Provisions

A provision is recognised in the statement of financial position 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 and the risks specific to the liability.

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.

(p) 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 received net of fees earned for the store launch is recognised over the 10 year term of the franchise arrangement.

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

Lease income is recognised in accordance with policy 1(h).

(q) Expenses

(i) Operating lease payments/receipts

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.

Income received under operating leases is recognised in the income statement on a straight-line basis over the term of the lease.

(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.

(r) Exceptional items

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

1. Significant accounting policies *(continued)*

(s) Tax

Tax on the profit or loss for the periods presented comprises current and deferred tax. Tax is recognised in profit or loss 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 reporting 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 temporary 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 reporting 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.

(t) Dividends

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

(u) 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.

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

The Group is considering the impact of IFRS 16 Leases and IFRS 15 Revenue from Contracts with Customers, which have been issued but are not yet effective. The Group does not consider that any other 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 2016.

2. 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) Impairment of non-financial assets

The Group assesses the impairment of property, plant and equipment including investment property 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.

(ii) 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.

(iii) 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 provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

(iv) Provisions

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.

3. Segment reporting

Segment information is presented in the financial statements 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.

3. Segment reporting *(continued)*

	Franchising and Retail		Warehousing		Property		Consolidated	
							Year ended 31 March	Year ended 31 March
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015 As restated
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Gross sales	**13,004**	12,636	**8,393**	7,521	**3,076**	2,917	**24,473**	23,074
Inter-segment sales	**-**	-	**(2,426)**	(2,255)	**(678)**	(686)	**(3,104)**	(2,941)
Segment revenue	**13,004**	12,636	**5,967**	5,266	**2,398**	2,231	**21,369**	20,133
Segment results	**1,005**	724	**311**	174	**31**	135	**1,347**	1,033
Unallocated income							**68**	76
Other operating income							**63**	98
Operating profit							**1,478**	1,207
Financial income							**12**	7
Financial expenses							**(3)**	(3)
Income tax expense							**(258)**	(104)
Profit for the year							**1,229**	1,107

	Franchising and Retail		Warehousing		Property		Unallocated		Eliminations		Consolidated	
											At 31 March	At 31 March
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Segment assets:												
Segment assets	**3,157**	4,373	**2,465**	1,753	**989**	803	**1,960**	1,170	**(2,565)**	(2,662)	**6,006**	5,437
Inter-segment balances	**908**	-	**105**	444	**3**	9	**1,341**	1,933	**-**	-	**2,357**	2,386
Balance sheet total assets	**4,065**	4,373	**2,570**	2,197	**992**	812	**3,301**	3,103	**(2,565)**	(2,662)	**8,363**	7,823
Segment liabilities:												
Segment liabilities	**2,393**	2,378	**756**	456	**427**	282	**620**	718	**(2,365)**	(2,462)	**1,831**	1,372
Inter-segment balances	**158**	920	**1,291**	1,416	**50**	50	**858**	-	**-**	-	**2,357**	2,386
Balance sheet total liabilities	**2,551**	3,298	**2,047**	1,872	**477**	332	**1,478**	718	**(2,365)**	(2,462)	**4,188**	3,758
Other profit and loss disclosures												
Depreciation	**129**	70	**45**	42	**-**	-	**34**	26	**-**	-	**208**	138

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

4. Employees

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Staff costs, including directors, consist of:		
Wages and salaries	3,425	3,413
Social security costs	346	354
Pension costs	183	104
	3,954	3,871

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

	Year ended 31 March 2016 Number	Year ended 31 March 2015 Number
Administration	34	38
Warehouse and stores	64	67
	98	105

5. Directors' remuneration

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Remuneration for management services	883	970
Value of Group pension contributions to money purchase schemes	154	78
	1,037	1,048

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

6. Operating profit

Operating profit is arrived at after charging:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Depreciation of property, plant and equipment		
- owned assets	166	91
- leased assets	42	47
Operating leases – land and buildings	3,001	2,716
Staff costs (note 4)	3,954	3,871

Services provided by the Group's auditor

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

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Audit services – statutory audit	50	45
Taxation compliance services	6	16
Taxation advisory services	8	-
Audit related assurance services	7	9
Other services	3	2

Included in the Group audit fees and expenses paid to the Group's auditors are £4,000 paid in respect of the Company (2015: £4,000). Included in the Group audit fees and expenses paid to the Group's auditors are £7,000 paid in respect of the audit of the Group financial statements (2015: £6,000).

7. Financial income

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Interest receivable	12	7

8. Income tax expense

(a) Analysis of charge for the year

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Current tax:		
Current year	269	120
Adjustment in respect of prior periods	(34)	(181)
	235	(61)
Deferred tax:		
Current year	41	131
Adjustment in respect of prior periods	(18)	34
Total income tax expense recognised in the current year	258	104

The acquisition of the trade from a connected company gave rise to a deferred tax asset in United Carpets (Franchisor) Limited. The prior period adjustments in the comparative year principally reflects a re-assessment of the estimate of that deferred tax asset.

(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 20% (2015: 21%). The differences are explained below:

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Profit before tax	1,487	1,211
Profit before tax multiplied by the rate of corporation tax in the UK of 20% (2015: 21%)	297	254
Effect of:		
Expenses not deductible for tax purposes	12	10
Adjustments to tax charge in respect of prior periods	(52)	(147)
Other	1	(13)
Total tax	258	104

(c) Factors affecting future tax charges

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020 was enacted in October 2015. At the 2016 Budget, the government announced a further reduction in the rate to 17% from 1 April 2020 which has not yet been enacted so has not been considered in the determination of deferred tax. The deferred tax balances within these financial statements have been reassessed to reflect these rates within the period that any related timing difference is expected to reverse.

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2016 was based on the profit attributable to ordinary shareholders of £1,229,000 (2015: £1,107,000) and a weighted average number of ordinary shares outstanding during the year ended 31 March 2016 of 81,400,000 (2015: 81,400,000).

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2016 was based on the profit attributable to ordinary shareholders of £1,229,000 (2015: £1,107,000) and a weighted average number of ordinary shares outstanding and potential ordinary shares due to options during the year ended 31 March 2016 of 82,286,571 (2015: 81,400,000).

10. Equity dividends

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Special dividend paid during the year on ordinary shares of 1.0p per share	814	-
Final dividend in respect of 2014/15 paid during the year on ordinary shares of 0.25p per share	203	-
Interim dividend in respect of 2015/16 paid during the year on ordinary shares of 0.125p per share	102	-
	1,119	-

A final dividend of 0.265p per share in respect of the year ended 31 March 2016 has been recommended.

11. 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 2016 amounted to £558,000 (2015: £627,000).

12. Property, plant and equipment

Group	Freehold property £'000	Short leasehold property £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
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
Additions	888	198	130	44	1,260
Disposals	-	(58)	(19)	(56)	(133)
At 31 March 2016	888	529	894	214	2,525
Depreciation					
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
Charge for the period	-	50	107	51	208
Eliminated on disposals	-	(6)	(3)	(55)	(64)
At 31 March 2016	-	69	261	90	420
Net book value					
At 31 March 2016	888	460	633	124	2,105
At 31 March 2015	-	364	626	132	1,122
At 31 March 2014	-	90	444	33	567

Motor vehicles with a cost of £181,000 (2015: £137,000) and net book value of £113,000 (2015: £111,000) were held under finance leases.

Included in disposals are assets at closed stores with a net book value of £62,000. The loss on disposal was £nil as the property provision was utilised (see note 20).

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

Company	**Motor vehicles £'000**	**Total £'000**
Cost		
At 31 March 2014	225	225
Additions	137	137
Disposals	(170)	(170)
At 31 March 2015	192	192
Additions	-	-
Disposals	(55)	(55)
At 31 March 2016	137	137
Depreciation		
At 31 March 2014	225	225
Charge for the period	26	26
Eliminated on disposals	(170)	(170)
At 31 March 2015	81	81
Charge for the period	34	34
Eliminated on disposals	(55)	(55)
At 31 March 2016	60	60
Net book value		
At 31 March 2016	77	77
At 31 March 2015	111	111
At 31 March 2014	-	-

Motor vehicles with a cost of £137,000 (2015: £137,000) and net book value of £77,000 (2015: £111,000) were held under finance leases.

13 Investment property

	Group £'000	Company £'000
Cost		
At 31 March 2015	-	-
Additions	100	988
At 31 March 2016	100	988
Depreciation		
At 31 March 2015 and 31 March 2016	-	-
Net book value		
At 31 March 2016	100	988
At 31 March 2015	-	-

Given the purchase of the properties in February 2016, no impairment was considered necessary with the cost considered to be representative of market value.

14. Investments

	Company shares in subsidiary undertakings at cost £'000
At 31 March 2015 and 31 March 2016	200

The following were subsidiary undertakings at 31 March 2016 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 (entered liquidation on 17 August 2015)	Dormant subsidiary of United Carpets Group plc
Weavers Carpets Limited	Dormant subsidiary of United Carpets Group plc
Nottingham Carpet Warehouse Limited (entered liquidation on 17 August 2015)	Dormant subsidiary of United Carpets Group plc
Carpetmania Limited	Dormant subsidiary of Nottingham Carpet Warehouse Limited
United Carpets (Central) Limited (entered liquidation on 17 August 2015)	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.

15. Deferred tax assets

	Group		Company	
	At 31 March 2016 £'000	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Deferred tax	208	231	41	36

The movement in assets during the year was:

	Group		Company	
	At 31 March 2016 £'000	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Assets at the start of the year	231	396	36	43
(Charge)/credit for the current year	(41)	(131)	5	(3)
Credit/(charge) for prior periods	18	(34)	-	(4)
Assets at the end of the year	208	231	41	36

The deferred tax asset consists of the tax effect of:

	Group				Company			
	Net movement for the year ended 31 March 2016 £'000	**Asset at 31 March 2016** £'000	Net movement for the year ended 31 March 2015 £'000	Asset at 31 March 2015 £'000	**Net movement for the year ended 31 March 2016 £'000**	**Asset at 31 March 2016 £'000**	Net movement for the year ended 31 March 2015 £'000	Asset at 31 March 2015 £'000
Capital allowances	(17)	161	(189)	178	(1)	27	(7)	28
Timing differences	(6)	47	24	53	6	14	-	8
	(23)	208	(165)	231	5	41	(7)	36

The net reversal of deferred tax assets expected in 2016/17 is £76,000.

16. Inventories

		Group
	At 31 March 2016 £'000	At 31 March 2015 £'000
Finished goods for resale	1,628	1,374

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 £7,205,000 (2015: £6,887,000 as restated). The net expense relating to the write down of inventories recognised in the period and included in cost of sales is £5,000 (2015: £310,000) which includes a provision release of £110,000 (2015: £nil).

17. Trade and other receivables

		Group		Company
	At 31 March 2016 £'000	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Trade receivables	1,427	1,540	-	1
Amounts owed by group undertakings	-	-	1,341	1,933
Other debtors	387	7	121	1
Prepayments and accrued income	837	816	51	15
	2,651	2,363	1,513	1,950

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.

			At 31 March 2016			At 31 March 2015
	Gross £'000	**Provision £'000**	**Net £'000**	Gross £'000	Provision £'000	Net £'000
Current	1,321	(141)	1,180	1,484	(280)	1,204
Overdue	756	(509)	247	921	(585)	336
	2,077	(650)	1,427	2,405	(865)	1,540

At 31 March 2016, trade receivables of £1,199,000 (2015: £1,445,000) were impaired and a provision of £650,000 had been made (2015: £865,000). 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 2016, the Group had trade receivables of £243,000 (2015: £227,000) which were overdue and not impaired.

17. Trade and other receivables (continued)

Movement on the provision is shown below:

		Group
	At 31 March 2016 £'000	At 31 March 2015 £'000
At 1 April 2015	865	1,117
Utilised	(257)	(358)
Charge for the year	311	299
Release for the year	(269)	(193)
At 31 March 2016	650	865

18. 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 2016 £'000**	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Finance leases	52	38	38	38

		Group		Company
Non-current	**At 31 March 2016 £'000**	At 31 March 2015 £'000	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Finance leases	24	44	6	44

Of the non-current finance leases balance, £20,000 (2015: £38,000) is payable between 1 and 2 years and £4,000 (2015: £6,000) is payable between 2 and 5 years.

19. Trade and other payables

Current	Group At 31 March 2016 £'000	Group At 31 March 2015 £'000	Company At 31 March 2016 £'000	Company At 31 March 2015 £'000
Trade payables	807	607	1	2
Amounts owed to group undertakings	-	-	858	-
Social security and other taxes	711	685	31	90
Other creditors	392	485	-	-
Accruals and deferred income	1,074	1,257	378	468
	2,984	3,034	1,268	560

Non-current	Group At 31 March 2016 £'000	Group At 31 March 2015 £'000	Company At 31 March 2016 £'000	Company At 31 March 2015 £'000
Accruals and deferred income	640	394	-	-

20. Provisions

Current	Group At 31 March 2016 £'000	Group At 31 March 2015 £'000
At the beginning of the period	104	-
Transferred from accruals and deferred income	-	104
Transferred from non-current	144	-
Utilised:		
Impairment of property, plant and equipment	(62)	-
Store closure costs	(30)	-
Charge for the year	213	-
Release for the year	(129)	-
At the end of the period	240	104

20. Provisions *(continued)*

Non-current	**At 31 March 2016 £'000**	**Group** At 31 March 2015 £'000
At the beginning of the period	144	-
Transferred from accruals and deferred income	-	24
Transferred to current	(144)	-
Charge for the year	-	120
At the end of the period	-	144

The above provision reflects an estimate of the potential cost associated with vacating a small number of underperforming stores. It is expected that these costs will be incurred in the next financial year.

21. 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 or Company.

Trade and other receivables/payables

The carrying value is deemed to reflect the fair value for all cash, trade and other receivables/payables and finance lease liabilities.

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 but are regularly reviewed as exchange rates vary.

21. Financial instruments *(continued)*

Capital management

The Group's objective when managing capital, which is deemed to be total equity plus total debt of £4,251,000 (2015: £4,147,000, is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, through the optimisation of the debt and equity balance, and to maintain a strong credit rating. The Group manages its capital structure and makes appropriate decisions in the light of the current economic conditions and strategic objectives of the Group.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and sustain future development of the business.

The funding requirements of the Group are met by the utilisation of finance leases together with available cash.

22. Issued capital

Group and Company	**At 31 March 2016 £'000**	At 31 March 2015 £'000
Authorised		
200,000,000 ordinary shares of 1p each	2,000	2,000

	At 31 March 2016 £'000	At 31 March 2015 £'000
Allotted, called up and fully paid		
81,400,000 ordinary shares of 1p each	814	814

23. Share-based payments

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.

No options were granted during the year. The number of options outstanding at 31 March 2016 under the Group's share option schemes were as follows:

	Out-Standing Number 2016	Out-Standing Number 2015
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	4,636,373

All 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**
Fair value at measurement date	3.5p	4.9p	2.4p
Share price	8.12p	14.25p	8.75p
Exercise price	8.12p	14.25p	8.75p
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes model)	80%	55%	55%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	4 years	4 years	4 years
Expected dividends	6.15%	5.25%	8.0%
Risk-free interest rate (based on national government bonds)	2.4%	5.6%	4.7%

During the period no options were exercised (2015: Nil) and no options lapsed (2015: 1,330,000).

23. Share-based payments *(continued)*

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.

24. Cash generated from operations

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

		Group		Company
	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000	**Year ended 31 March 2016 £'000**	Year ended 31 March 2015 £'000
Profit before tax	1,487	1,211	719	710
Depreciation and other non-cash items:				
Depreciation of property, plant and equipment	208	138	34	26
Impairment of property, plant and equipment	62	-	-	-
Loss/(profit) on disposal of property, plant and equipment	2	(17)	(2)	(10)
Changes in working capital:				
Increase in inventories	(254)	(274)	-	-
(Increase)/decrease in trade and other receivables	(288)	265	437	(689)
Increase in trade and other payables	196	153	708	200
(Decrease)/increase in provisions	(8)	248	-	-
Financial income	(12)	(7)	(77)	(100)
Financial expenses	3	3	2	2
Cash generated from operations	1,396	1,720	1,821	139

25. 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 15 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At 31 March 2016, the Group had commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	At 31 March 2016 £'000	At 31 March 2015 £'000
Not later than one year	1,704	1,564
Later than one year and not later than five years	5,198	5,146
Later than five years	3,578	2,802
	10,480	9,512

As described in note 3, the Group leases properties to the franchisee store network and has one investment property (see note 13).

At 31 March 2016, the future minimum lease payments receivable under non-cancellable operating leases are as follows:

	Land and buildings	
	At 31 March 2016 £'000	At 31 March 2015 £'000
Not later than one year	1,518	1,275
Later than one year and not later than five years	3,325	2,648
Later than five years	1,307	945
	6,150	4,868

The Company holds 3 investment properties which generate an annual rent of £71,000.

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

26. Related party transactions

Transactions between the Company and its subsidiary undertakings, which are related parties, amounted to £2,078,000 in the year. These transactions related to recharges to subsidiaries and were charged on a cost plus basis. Balances with subsidiary undertakings are shown in notes 17 and 19. Details of transactions between the Group and other related parties are disclosed below.

During the year 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 Group plc made sales of £4,000 (2015: £nil), United Carpets (Franchisor) Limited made purchases of £nil (2015: £1,000), United Carpets (Commercial) Limited made purchases of £nil (2015: £84,000) and United Carpets (Property) Limited made purchases of £526,000 (2015: £446,000). At 31 March 2016, £nil (2015: £7,000) was owed to United Carpets (Commercial) Limited by UC Developments Limited and £29,000 (2015: £42,000) was owed to UC Developments Limited by United Carpets (Property) Limited.

26. Related party transactions *(continued)*

During the year 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 Group plc made sales of £1,000 (2015: £nil), United Carpets (Franchisor) Limited made sales of £7,000 (2015: £nil) and purchases of £1,920,000 (2015: £1,874,000), United Carpets (Commercial) Limited made purchases of £25,000 (2015: £25,000) and United Carpets (Property) Limited made purchases of £514,000 (2015: £516,000). At 31 March 2016, £nil (2015: £94,000) was owed by United Carpets (Franchisor) Limited to United Carpets Holdings Limited, £3,000 (2015: £2,000) was owed by United Carpets (Commercial) Limited to United Carpets Holdings Limited and £113,000 (2015: £98,000) was owed to United Carpets (Property) Limited by United Carpets Holdings Limited.

During the year the Group leased a property from PA Grayson and D Grayson. All trading was on normal commercial terms. United Carpets (Property) Limited made purchases of £39,000 (2015: £35,000). At 31 March 2016, £6,000 (2015: £6,000) was owed by United Carpets (Property) Limited to PA Grayson and D Grayson.

During the year the Group traded with Cowgill Holloway LLP, a company in which PA Cowgill is senior partner. All trading was on normal commercial terms. United Carpets (Franchisor) Limited made purchases of £6,000 (2015: £nil). At 31 March 2016, £nil was owed by United Carpets (Franchisor) Limited to Cowgill Holloway LLP (2015: £nil).

Transactions with key management personnel

Key management personnel are the directors who together have authority and responsibility for planning, directing and controlling the activities of the group. Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 £'000
Emoluments	883	970
Pensions	154	78
Employers national insurance	111	130
	1,148	1,178

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

27. 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 27 September 2016 at 12 noon for the transaction of the following business:

To consider and, if thought fit, to pass the following resolutions, numbers 1 to 10 of which will be proposed as ordinary resolutions and numbers 11 and 12 as special resolutions:

Ordinary Resolutions

1 THAT the accounts for the year ended 31 March 2016, together with the report of the directors and of the auditor thereon, be received and adopted.

2 THAT a final dividend of 0.265p per share be declared on the ordinary shares.

3 (a) THAT RSM UK Audit LLP (formerly 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 IF Bowness be re-elected as a director.

5 THAT PA Cowgill be re-elected as a director.

6 THAT PD Newton be elected as a director.

7 THAT KS Piggott be re-elected as a director

8 THAT the Board's report on directors' remuneration for the year ended 31 March 2016 be approved.

9 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.

10 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 December 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 10 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

11. THAT, subject to the passing of resolution 10 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 10 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 11 shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and 31 December 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.

12. 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 December 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.

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

By Order of the Board

IF Bowness
Secretary

19 August 2016

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 25 September 2016.

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 25 September 2016 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 19 August 2016 (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 19 August 2016 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.