19 December 2013

UNITED CARPETS GROUP plc

Interim results for the 6 month period ended 30 September 2013

United Carpets Group plc ("the Group" or "the Company" or "United Carpets"), the second largest chain of specialist retail carpet and floor covering stores in the UK, today announces its interim results for the 6 month period ended 30 September 2013.

Key points

- Network sales* were £28.0m (2012: £34.9m)
- Revenue was £10.3m
- Like for like sales* decreased by 1.6%
- Operating profit increased to £452,000 (2012: £110,000)
- Profit before tax was £452,000 (2012: £113,000)
- Cash and cash equivalents of £1.4m (2012: £0.8m)
- Like for like sales* since the period end to 12 December 2013 up 2.4%

* Network sales and like for like sales are defined under Financial review

Paul Eyre, Chief Executive, said:

"These results should give shareholders increasing confidence in the future of the business. The restructuring programme, begun last year and continued into this year, has reduced the number of stores to 60, down from a peak of 86 stores, removing those which were no longer viable. As a result the business is in a much better position with which to operate successfully in what continues to be a challenging market."

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Chairman's statement

I am pleased to report these results for the 6 month period ended 30 September 2013 which show that the Group is making good progress following a substantial restructuring of the business over the last 12 months. Most notably, the Company has recorded a half year profit before tax from continuing operations of £452,000 compared to £113,000 in the comparable 6 month period ended 5 October 2012.

As part of the restructuring, the Company reduced the number of stores from a peak of 86 to 60; removing stores from the network which had been consistently underperforming and were threatening to undermine the stability of the business. The streamlining of the portfolio together with the renegotiation of rental agreements with existing landlords has meant the new network is made up of a stronger group of stores operating in many cases under improved rental agreements.

Sales for the period of £10.3m decreased in comparison with the prior 6 month period ended 31 March 2013, reflecting the reduction in store numbers to an average of 62 stores contributing to revenues compared to an average of 68 in the prior period.

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 £28.0m. Revenue, which as in previous years includes marketing and rental costs incurred by the Group and recharged to franchisees, was £10.3m.

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 down 1.6%. This is an improvement from the 6 month period ended 31 March 2013 when like for like sales were down by 9.7%. However, whilst like for like sales benefitted from the smaller, more focused store network, consumer spending still remains tight.

Gross margin improved from 62.7% in the 6 months ended 31 March 2013 to 62.8% in the period under review, with an improvement in Flooring gross margin being offset by a reduction in Beds gross margin as stores converted to the new Beds sales process.

Distribution costs and administrative expenses include rent, rates and staff costs at the corporate stores have reduced in comparison to the 6 month period ended 31 March 2013 reflecting the reduction in the scale of the business.

Profit before tax and exceptional items was £452,000. Basic earnings per share improved to 0.38p.

The balance sheet included net funds of £1.4m at 30 September 2013 (2012: £0.8m).

Dividend

The Board is not presently in a position to consider payment of a dividend in the absence of distributable reserves.

Operations review

The Company began this trading period with 64 stores of which 52 were franchised and 12 were corporate. By 30 September 2013, 6 further stores were closed and 2 new stores had been opened, so that the Group was operating from 60 stores of which 51 were franchised and 9 were corporate. Since the end of the period under review, 1 store has been closed and 1 new store has been opened.

Of the 60 stores currently trading, 42 leases have been completed, terms have been agreed in principle for 12 stores and 6 stores are still under negotiation. We anticipate a small number of

Operations review *(continued)*

further closures but the key changes have largely been made and the store network is in a stronger position.

Franchising and Retail

Since the start of the trading period we have added 3 new stores, relocated 1 store, closed 7 stores and introduced new franchisees to 10 stores. We expect some further changes to the store network which we will look to implement once we have completed the key Christmas trading period.

Group revenues are derived predominantly from the sale of floor coverings, such as carpet, laminate and vinyl, and beds through franchised stores and the Group's own corporate stores. The market environment for the period under review continued to be challenging and like for like sales were slightly down by 0.3%. Reduced levels of customer footfall have been largely offset by improved conversion rates and increases in average transaction values as we continue to focus on improving the instore customer experience. We believe we are being more successful at ensuring that potential customers find what they are looking for when they come into stores reflecting improved service levels and the extensive range of products each store can offer.

Warehousing and Beds

Turnover increased to £4.0m compared to £3.9m in the 6 month period ended 31 March 2013, despite the reduction in the average number of stores, as franchisees continued to utilize the opportunity to deliver a quick, efficient service at a more attractive price point for customers and, importantly, at an improved margin.

In the period under review, Beds sales accounted for approximately 6% of total sales and performance remained disappointing with like for like sales down 18%.The process of changing the way Beds are sold through the network, giving more ownership of Beds sales to the franchisees, has been rolled out to virtually all stores in preparation for the seasonal upturn in Beds sales in the post Christmas period.

Property

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

People

The Board is extremely grateful for the continued support of all franchisees, staff, suppliers and customers particularly following the changes that have had to take place over the last 12 months. The business is now in a more secure position and can once again begin to focus on growth and to that end the Board now looks forward to building an improved business to the advantage of all stakeholders.

Outlook

As a result of the actions taken last year, the Company has established a sounder, debt free base consisting of a smaller more profitable portfolio of stores on which to build, going forward.

Whilst there has been some encouraging signs of an improvement in the economy, this does not yet appear to have materialised in consumers feeling better off. We are therefore not anticipating an upsurge in consumer spending in the short term; instead we hope to gain market share from a continued focus on customer service and providing genuine value for money offers on good quality products.

Chairman's statement *(continued)*

Outlook *(continued)*

Whilst there is a smaller amount of rationalisation to be completed, like for like sales in the 11 weeks since the half year end have increased by 2.4% showing some improvement and the benefit of operating from a smaller, more robust platform for future growth.

Peter Cowgill
Chairman

Independent review report to United Carpets Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 which comprises the condensed consolidated interim statement of profit or loss and other comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "'Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, and the AIM Rules of the London Stock Exchange.

Baker Tilly Audit Limited

Chartered Accountants
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19 December 2013

Condensed consolidated interim statement of profit or loss and other comprehensive income

For the 6 month period ended 30 September 2013

	Note	6 month period ended 30 September 2013 Unaudited Total £'000	6 month period ended 5 October 2012 Unaudited Total £'000	6 month period ended 31 March 2013 Audited Total £'000
Continuing operations				
Revenue	3	10,288	-	11,302
Cost of sales		(3,824)	-	(4,213)
Gross profit		6,464	-	7,089
Distribution costs		(332)	-	(327)
Administrative expenses		(5,762)	110	(6,573)
Other operating income		82	-	59
Operating profit	2	452	110	248
Financial income		-	3	2
Profit before tax		452	113	250
Income tax expense	4	(140)	(98)	(93)
Profit for the period from continuing operations	3	312	15	157
Loss for the period from discontinued operations		-	(4,129)	-
Profit/(loss) for the period (see below)		312	(4,114)	157
Earnings/(loss) per share	6			
From continuing and discontinued operations				
- Basic (pence per share)		0.38p	(5.06)p	0.19p
- Diluted (pence per share)		0.38p	(5.06)p	0.19p
Loss per share	6			
Discontinued operations				
- Basic (pence per share)		-	(5.07)p	-
- Diluted (pence per share)		-	(5.07)p	-

All amounts are attributable to the equity holders of the parent. There were no items of other comprehensive income and therefore no separate statement of other comprehensive income has been presented.

Condensed consolidated interim statement of financial position

As at 30 September 2013

	Note	At 30 September 2013 Unaudited Total £'000	At 5 October 2012 Unaudited Total £'000	At 31 March 2013 Audited Total £'000
Non-current assets				
Property, plant and equipment	5	371	400	348
Deferred tax assets		27	48	27
		398	448	375
Current assets				
Inventories		1,409	2,200	1,426
Trade and other receivables		2,981	1,450	2,575
Cash and cash equivalents		1,392	757	930
		5,782	4,407	4,931
Total assets		6,180	4,855	5,306
Equity				
Issued capital		4,070	4,070	4,070
Share premium		1,106	1,106	1,106
Share-based payment reserve		598	598	598
Retained earnings		(3,636)	(4,105)	(3,948)
Total shareholders' equity		2,138	1,669	1,826
Non-current liabilities				
Trade and other payables		445	105	229
		445	105	229
Current liabilities				
Financial liabilities – borrowings		-	-	21
Trade and other payables		3,292	2,979	3,056
Current tax liabilities		305	102	174
		3,597	3,081	3,251
Total liabilities		4,042	3,186	3,480
Total equity and liabilities		6,180	4,855	5,306

Condensed consolidated interim statement of changes in equity

For the 6 month period ended 30 September 2013

	Share capital £'000	Share premium £'000	Retained earnings £'000	Merger reserve £'000	Share-based payment reserve £'000
At 31 March 2012	4,070	1,106	3,119	(3,110)	588
Loss for the period	-	-	(4,114)	-	-
Transfer on disposal	-	-	(3,110)	3,110	-
Share-based payments	-	-	-	-	10
At 5 October 2012	4,070	1,106	(4,105)	-	598
Profit for the period	-	-	157	-	-
At 31 March 2013	4,070	1,106	(3,948)	-	598
Profit for the period	-	-	312	-	-
At 30 September 2013	4,070	1,106	(3,636)	-	598

Condensed consolidated interim statement of cash flows

For the 6 month period ended 30 September 2013

	Note	6 month period ended 30 September 2013 Unaudited Total £'000	6 month period ended 5 October 2012 Unaudited Total £'000	6 month period ended 31 March 2013 Audited Total £'000
Cash flows from operating activities				
Cash generated from operations	9	607	54	628
Income tax paid		(9)	-	-
Net cash flows from operating activities of continuing operations		598	54	628
Net cash flows from operating activities of discontinued operations		-	550	-
Net cash flow from operating activities		598	604	628
Cash flows from investing activities				
Acquisition of trade and assets		-	(642)	(475)
Acquisition of property, plant and equipment		(115)	-	(3)
Interest received		-	3	2
Net cash flows from investing activities of continuing operations		(115)	(639)	(476)
Net cash flows from investing activities of discontinued operations		-	(636)	-
Net cash flow from investing activities		(115)	(1,275)	(476)
Increase/(decrease) in cash and cash equivalents in the period		483	(671)	152
Cash and cash equivalents at the start of the period		909	1,428	757
Cash and cash equivalents at the end of the period		1,392	757	909

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

United Carpets Group plc (the "Company") is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company for the 6 month period ended 30 September 2013 comprise the Company and its subsidiary undertakings (together referred to as the "Group").

The Group financial statements for the 6 month period ended 31 March 2013 were prepared in accordance with IFRSs as adopted by the European Union, approved by the Board of Directors on 6 September 2013 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498(2) and 498(3) of the Companies Act 2006. These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. These condensed consolidated interim financial statements for the 6 month period ended 30 September 2013 are unaudited but have been reviewed by the auditors in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" and their Independent Review Report is included within these statements.

The accounting policies applied are consistent with those of the financial statements for the 6 month period ended 31 March 2013 and those that are to be adopted in the financial statements for the year ending 31 March 2014.

2. Operating profit

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

	6 month period ended 30 September 2013 £'000	6 month period ended 5 October 2012 £'000	6 month period ended 31 March 2013 £'000
Negative goodwill arising on acquisition released to the statement of profit or loss	-	(560)	-
Net gains arising in the current period relating to the group reorganisation	(25)	-	(385)
Costs of reducing the number of operational stores	56	-	66
Other exceptional income	(97)	-	-

Other exceptional income was compensation received as a result of the compulsory purchase of one of the properties operated by the Group.

3. Segment reporting

On 4 October 2012 administrators were appointed to United Carpets (Northern) Ltd. At that point control was lost of the main trading subsidiary and the activities of that company have been treated as discontinued in the comparatives.

Segment information is presented in the condensed consolidated interim 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. 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.

Notes to the condensed consolidated interim financial statements *(continued)*

3. Segment reporting *(continued)*

	Franchising and Retail		Warehousing and Beds		Property		Consolidated	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000	6 month period ended 30 September 2013 £'000	6 month period ended 5 October 2012 £'000
Segment revenue	5,056	-	4,001	-	1,231	-	10,288	-
Segment results	(4)	-	246	-	108	-	350	-
Unallocated income							20	110
Other operating income							82	-
Operating profit							452	110
Financial income							-	3
Income tax expense							(140)	(98)
Profit for the period from continuing operations							312	15

4. Income tax expense

The tax charge accrued in these interim results reflects an estimated effective tax rate of 31% (5 October 2012: 87%, 31 March 2013: 37%) as a result of expenses not deductible for tax purposes and non-qualifying depreciation.

5. Property, plant and equipment

Acquisitions and disposals

During the 6 month period ended 30 September 2013 the Group acquired assets with a cost of £115,000 (6 month period ended 5 October 2012: £636,000, 6 month period ended 31 March 2013: £3,000). Assets with a net book value of £59,000 were disposed of during the 6 month period ended 30 September 2013 (6 month period ended 5 October 2012: £5,492,000, 6 month period ended 31 March 2013: £36,000), resulting in a loss on disposal of £59,000 (6 month period ended 5 October 2012: £5,457,000, 6 month period ended 31 March 2013: £36,000).

Capital commitments

There were no capital commitments contracted for but not provided for at the period end (5 October 2012: £Nil, 31 March 2013 £Nil).

6. Basic and diluted earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings per share for the 6 month period ended 30 September 2013 was based on the profit attributable to ordinary shareholders of £312,000 (6 month period ended 5 October 2012: loss of £4,114,000, 6 month period ended 31 March 2013: £157,000) and a weighted average number of ordinary shares outstanding during the 6 month period ended 30 September 2013 of 81,400,000 (6 month period ended 5 October 2012: 81,400,000, 6 month period ended 31 March 2013: 81,400,000).

Diluted earnings/(loss) per share

Diluted earnings per share for the periods ended 30 September 2013, 5 October 2012 and 31 March 2013 was the same as basic earnings per share as the share options in issue were non-dilutive in any of those periods.

Notes to the condensed consolidated interim financial statements *(continued)*

6. Basic and diluted earnings/(loss) per share *(continued)*

Basic loss per share – discontinued operations

The calculation of basic earnings per share for the 6 month period ended 30 September 2013 was based on the profit attributable to ordinary shareholders of £Nil (6 month period ended 5 October 2012: loss of £4,129,000, 6 month period ended 31 March 2013: profit of £Nil) and a weighted average number of ordinary shares outstanding during the 6 month period ended 30 September 2013 of 81,400,000 (6 month period ended 5 October 2012: 81,400,000, 6 month period ended 31 March 2013: 81,400,000).

Diluted loss per share – discontinued operations

Diluted earnings per share for the periods ended 30 September 2013, 5 October 2012 and 31 March 2013 was the same as basic earnings per share as the share options in issue were non-dilutive in any of those periods.

7. Employee benefits

Pensions

The Group operates various defined contribution pension schemes, the details of which are disclosed in the most recent financial statements. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income represents contributions payable by the Group to the funds and amounted to £54,000 (6 month period ended 5 October 2012: £61,000, 6 month period ended 31 March 2013: £43,000).

8. Financial instruments

Trade and other receivables/payables

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

9. Cash flows from operating activities

	6 month period ended 30 September 2013 £'000	6 month period ended 5 October 2012 £'000	6 month period ended 31 March 2013 £'000
Profit before tax	452	113	250
Depreciation and other non-cash items:			
Depreciation of property, plant and equipment	33	-	19
Loss on disposal of fixed assets	59	-	36
Negative goodwill written off	-	(560)	-
Share-based payments	-	10	-
Acquisition costs written off	-	49	-
Changes in working capital:			
Decrease/(increase) in inventories	17	(1,361)	796
(Increase)/decrease in trade and other receivables	(406)	15	(1,148)
Increase in trade and other payables	452	1,791	677
Financial income	-	(3)	(2)
Cash generated from operating activities	607	54	628