

UNITED CARPETS GROUP PLC

(the "Group" or the "Company" or "United Carpets")

Second Unaudited Interim Results for the year ended 31 March 2020

United Carpets Group plc (LSE: UCG), the third largest chain of specialist retail carpet and floor covering stores in the UK, today announces its interim results for the year ended 31 March 2020.

As announced on 25 June 2020, the Group has changed its accounting reference date to 30 September, extending the current accounting period from 31 March 2020 to 30 September 2020. These unaudited, second interim results are for the year ended 31 March 2020 and all comparisons are against the audited results for the year ended 31 March 2019. Audited results for the 18-month period ending 30 September 2020 will be published by no later than 31 March 2021.

Key points

- Revenue for the year increased by 19.2% to £28.58m (2019: £23.98m)
- Like for like sales* decreased by 4.3%. This represented a 1.6% decrease excluding those weeks affected by lockdown
- Loss before tax and IFRS 16 adjustments** of £445,000 (2019: profit before tax of £595,000) was after charging £597,000 of provisions related to the Covid-19 pandemic
- Losses per share before IFRS 16 adjustments were 0.45p (2019: earnings per share of 0.51p)
- Loss before tax after IFRS 16 adjustments was £745,000 (2019 restated: profit before tax of £276,000)
- Losses per share after IFRS 16 adjustments were 0.75p (2019 restated: earnings per share of 0.20p)
- Net funds*** were £1.45m (2019: £2.10m)
- Like for like sales* for the 9 weeks since re-opening have been positive and encouraging

* Like for like sales are defined in the financial review

** IFRS 16 adjustments are explained in note 1

*** Net funds comprise cash and cash equivalents less borrowings - hire purchase liabilities

Paul Eyre, Chief Executive, said:

"Excluding the impact from the Covid-19 pandemic, trading for the year was in line with the update the Company provided in February 2020. Whilst total sales were up 19%, this was as a result of the Group's new instalment payment channel. Like for like sales from the store network, however, decreased by 4.3%, which was a 1.6% decrease excluding those weeks affected by lockdown. This reflected a lacklustre retail environment and, combined with higher start up and servicing costs associated with the instalment payment channel, meant profitability was reduced for the year. Like all businesses, our focus since the year end has been to manage the Group during the current Covid-19 crisis. We reported the opening of the store network from 23 May and it is pleasing to confirm a positive like for like sales performance across our store network for the 9 weeks since then. We recognise that it is still early days, but believe it to be encouraging."

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Chairman's Statement

Overview

The trading performance for the year ended 31 March 2020 reflected a weak retail market. Political uncertainty during the year translated into low consumer demand and despite the decisive general election result in December, the retail environment continued to be challenging over the important run up to Christmas. In light of the Covid-19 pandemic, the Board has prudently reviewed provisions at 31 March 2020, resulting in a charge in the period of £597,000 (see note 3). As a consequence, the Group reported pre-tax losses of £445,000 and losses per share of 0.45p before IFRS16 adjustments.

The Covid-19 pandemic has had a fundamental, global impact. As with all companies, the Group's primary focus has been the wellbeing, safety and health of all employees, customers and suppliers. Following Government guidelines, all stores were closed on 23 March 2020; a small head office staff was retained with the remainder benefitting from the Government's furlough scheme. Management focus switched to cash conservation through a combination of cost saving initiatives, which are expected to be retained for the foreseeable future, alongside making use of the Government tax deferrals and additional funding which has ensured the business has remained in a stable position.

On 23 May 2020 the store network re-opened with new retail protocols in place to maintain social distancing, alongside increased sanitising measures to protect customers and staff. Like for like trading has been positive in the 9 weeks across the store network. This represents an encouraging start for the business, and something to build upon for the remainder of the year.

Financial review

As previously reported (and explained more fully in note 1), from 1 April 2019 the Group has adopted IFRS 16 'Leases' using the full retrospective approach. The adjustments included in this Interim Report are in line with the estimates provided in the Annual Report for the year ended 31 March 2019, reducing profit before tax in the year ended 31 March 2020 by £300,000 (2019: £319,000).

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
(Loss)/profit before tax and IFRS 16 adjustments	(445)	595
IFRS 16 adjustments	(300)	(319)
	<hr/>	<hr/>
(Loss)/profit before tax after IFRS 16 adjustments	(745)	276

Revenue, which as in previous years includes marketing and rental costs incurred by the Group and recharged to franchisees, was £28.58m (2019: £23.98m). The increase in revenues came from the ongoing development of the recently introduced instalment payment channel, with the additional sales from a small increase in the average number of corporate stores, compared to the prior year, offset by a reduction in warehouse throughput.

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 opened or stores that closed during either period) decreased by 4.3%, which was a 1.6% decrease excluding those weeks affected by lockdown.

Gross margin was 61.8% compared to 61.6% in the same period in 2019. The inherently higher margin of the instalment payment channel and a small improvement in warehouse gross margin, more than offset a slight reduction in corporate store margins and the "mix" impact from an increased proportion of total revenue being derived from corporate stores and new business channels (with a corresponding reduction in the proportion of total revenue from franchise related income).

Combined distribution costs and administrative expenses increased by £2.53m from £12.97m in the prior year to £15.5m. Excluding the additional provisions related to Covid-19, distribution costs and administrative expenses increased by £1.93m from £12.97m in the prior year to £14.9m but reduced from 54.1% of revenue to 52.1% reflecting:

- substantial operating costs associated with the new instalment payment channel
- increased costs from non like for like corporate stores opened during the period and in the prior year
- increased property, plant and equipment depreciation (non-cash charge against profit) as a result of controlled expansion and modest ongoing refurbishment of the existing store estate
- an increase in the charge for the potential cost associated with vacating a small number of underperforming stores

Chairman's Statement (continued)

Financial review (continued)

The instalment payment channel suffers an inherently greater risk of default than traditional retailing and an impairment charge of £1.71m (2019: £0.41m) was made during the year against these receivables as this business channel was rapidly expanded. The level of charge incurred is broadly in line with the expected levels of default in our original planning model. A further impairment charge of £0.25m (2018: £0.17m) was made during the year against receivables, reflecting the impact of the prevailing market environment on the franchise network as the Group continues to support its franchisees.

Before the IFRS 16 adjustments, operating loss was £444,000 (2019: operating profit £588,000) and loss before tax was £445,000 (2019: profit before tax £595,000). As a result, basic losses per share before the IFRS 16 adjustments were 0.45p (2019: basic earnings per share 0.51p).

After the IFRS 16 adjustments, operating profit was £210,000 (2019 restated: £1,231,000) and loss before tax was £745,000 (2019 restated: profit before tax £276,000). As a result, basic losses per share were 0.75p (2019 restated: earnings per share 0.20p).

The statement of financial position included net funds of £1.45m as at 31 March 2020 (2019: £2.10m).

Dividend

An interim dividend in respect of 2019/20 of 0.135p per ordinary share was paid on 17 January 2020. While the economic environment remains uncertain no further dividend in respect of the period to 30 September 2020 is currently anticipated.

Operational review

At 31 March 2020, there were 56 stores in the Group estate, of which 46 were franchised and 10 were corporate stores. During the period under review, the Group opened 2 new corporate stores, transferred a corporate store to an experienced franchisee whose lease on a nearby store expired in early 2020 and the landlord indicated that they did not wish to renew. A further 2 franchised stores and 2 corporate stores were also closed.

The focus for the Company is to support the existing store network and maintain trading levels in this extraordinary period post the outbreak of Covid-19. To date, results have been encouraging, however, it is hard to predict how consumers will act over the coming months and the Group will necessarily have to remain flexible to be able to respond to situations as they arise. This is new territory for all retailers, but if restrictions remain limited, a return to normal, longer-term trading levels can hopefully be achieved.

During the lockdown period, the Group reviewed all costs associated with marketing the store network and anticipates that significant cost savings can be achieved through improved marketing and distribution efficiencies and refining the instalment payment channel. The Group will continue to deploy a similar spend on regional advertising campaigns, but with greater emphasis on social media targeting and less reliance on the traditional radio, television and print media, to promote the United Carpets brand and awareness of key sales promotions as they occur during the year.

Franchising and Retail

Floor coverings are the Group's primary driver of sales (predominantly carpet, laminate and vinyl floorings) through both franchised stores and the Group's own corporate stores. In the period under review, like for like sales for flooring decreased by 3.8%. This represented a 1.0% decrease excluding those weeks affected by lockdown, reflecting the slower overall market and particularly the weaker pre-Christmas period.

Bed sales are a well-established part of the United Carpets retail proposition with over 85% of stores offering beds alongside flooring ranges. However, like for like sales were more affected by the weaker consumer demand and decreased by 10.1% (which was a decrease of 8.2% excluding those weeks affected by lockdown).

The management team remain confident that the brands and product ranges for both flooring and beds are well positioned and appeal to the United Carpet's customer base, with the slowdown in sales during 2019 being a function of the macro environment. Sales volumes since re-opening in May this year demonstrate the customer appeal of our products.

Interest free credit, provided by third party finance companies, continues to be an important part of the business. During the period, take up of this product which is marketed online and in store remained fairly constant at c. 10% of sales although this proportion has reduced in the period post lockdown. There is further potential to expand this offer amongst our customer base. Providing interest free credit tends to lead to substantially higher average transaction values and, carefully managed, is therefore a useful way of increasing sales revenue.

Chairman's Statement (continued)

Instalment payment channel

Sales from the instalment payment channel were £4.83 million. There is substantial demand for this product, however, start up and service costs were higher than anticipated so that this channel was loss making for the year. During the lockdown period, the offer has been restructured to only target our core geographic markets where we can benefit from our scale and existing presence to service and know our clients. In addition, a more efficient and effective approach to cash collection has been adopted which is expected to yield significant benefits over the short to medium term. Once we establish the right balance between growing this channel and managing the customer base it should become a valuable new profit centre for the Group.

Warehousing

Our in-house cutting operation supports the whole network providing a quick, efficient cutting and delivery service enabling our franchisees to offer attractive retail price points with good margins. During the lockdown period, the warehousing operation was reviewed. This identified opportunities to improve the warehouse layout, resulting in staffing efficiencies, whilst maintaining service levels, and these changes are expected to result in significant ongoing annual savings for the Group.

Property

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

People

On behalf of the Board, I would like to say a particularly big thank you to our franchisees, supplier partners, colleagues and everyone involved with the Group for their continued support for United Carpets and for each other during the disruption caused by Covid-19 over the past few months. Hopefully, we are through the worst and we can now focus on getting the business back to normal.

Outlook

2019 was a challenging year and 2020 has brought a new set of difficulties albeit for all businesses. During the lockdown period, we first stabilised the Group ensuring the safety of employees and then ensured the financial security of the business, utilising the support offered by Government. Subsequently, we have used the time whilst the stores were closed to review the ongoing costs of the business and, as a result, have identified significant annual costs savings which are expected to translate into a substantial improvement in operating margin going forward. Aided by the Government's support measures, net funds for the Group are healthy and are expected to be underpinned by the imminent finalisation of additional funding under the Coronavirus Business Interruption Loan Scheme. As a consequence, the Board believes the business will have sufficient liquidity to meet its requirements for the foreseeable future. Similarly, the franchise network has benefitted significantly from the various Government schemes and is well placed to respond to the challenges ahead.

The Board has also reviewed its reporting timetable and concluded that it would be advantageous to change the Group's accounting reference date, extending the current accounting period from 31 March to 30 September. The majority of the impact from Covid-19 should be confined within that extended accounting period whilst, going forwards, the new accounting reference date will place the key trading months in the first quarter of each new financial year, enabling greater flexibility in the management of the business for the remainder of the financial year.

We expect 2020 to be an unpredictable period due to Covid-19. Nevertheless, we believe strongly in the Group's core retail proposition providing great products and great value to our customers and with this as a base the Board is confident the Company is well placed to return the business to a commercially strong position.

Peter Cowgill
Chairman

30 July 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

		Pro forma IAS 17 Year ended 31 March 2020 Unaudited	Impact of IFRS 16 Year ended 31 March 2020 Unaudited	Year ended 31 March 2020 Unaudited	Year ended 31 March 2019 Audited Restated £'000
	Note	£'000	£'000	£'000	
Revenue	2	28,581	-	28,581	23,983
Cost of sales		(10,915)	-	(10,915)	(9,203)
Gross profit		17,666	-	17,666	14,780
Distribution costs		(528)	-	(528)	(453)
Administrative expenses		(15,623)	654	(14,969)	(12,517)
Impairment of receivables		(1,959)	-	(1,959)	(579)
Other operating income		-	-	-	-
Operating profit	3	(444)	654	210	1,231
Financial income		6	-	6	12
Financial expenses		(7)	(954)	(961)	(967)
(Loss)/profit before tax		(445)	(300)	(745)	276
Income tax credit/(expense)	4	81	57	138	(116)
(Loss)/profit for the year*	2	(364)	(243)	(607)	160
(Losses)/earnings per share	6				
- Basic (pence per share)		(0.45)p	(0.30)p	(0.75)p	0.20p
- Diluted (pence per share)		(0.45)p	(0.30)p	(0.75)p	0.20p

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

There were no other recognized gains and losses for the current year other than shown above and therefore no separate Statement of Other Comprehensive Income has been presented.

Consolidated Statement of Financial Position

At 31 March 2020

	Note	At 31 March 2020 Unaudited £'000	At 31 March 2019 Audited Restated £'000
Non-current assets			
Intangible assets		88	109
Right-of-use assets	1	18,919	18,830
Property, plant and equipment	5	3,169	2,846
Investment property		90	93
Deferred tax assets	1	344	350
		22,610	22,228
Current assets			
Inventories		1,808	2,146
Trade and other receivables		4,362	3,663
Current tax receivable		184	13
Cash and cash equivalents		1,875	2,259
		8,229	8,081
Total assets		30,839	30,309
Capital and reserves			
Issued capital		814	814
Retained earnings		2,171	3,120
Total equity attributable to owners of the parent	1	2,985	3,934
Non-current liabilities			
Lease liabilities	1	17,628	17,470
Borrowings – hire purchase liabilities		263	96
Trade and other payables	1	241	320
		18,132	17,886
Current liabilities			
Lease liabilities	1	3,735	3,334
Borrowings – hire purchase liabilities		166	62
Trade and other payables	1	5,076	4,942
Provisions		745	151
		9,722	8,489
Total liabilities		27,854	26,375
Total equity and liabilities		30,839	30,309

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Issued capital £'000	Retained earnings Restated £'000	Total equity attributable to owners of the parent Restated £'000
At 31 March 2018		814	3,302	4,116
Profit for the year		-	160	160
Equity dividends	7	-	(342)	(342)
At 31 March 2019		814	3,120	3,934
Loss for the year		-	(607)	(607)
Equity dividends	7	-	(342)	(342)
At 31 March 2020		814	2,171	2,985

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited Restated £'000
Cash flows from operating activities			
Cash generated from operations	8	3148	3,131
Income tax paid		(27)	(275)
		<hr/>	<hr/>
Net cash flows from operating activities		3,121	2,856
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of intangible assets		(18)	(15)
Acquisition of property, plant and equipment		(402)	(516)
Proceeds from sale of property, plant and equipment		-	39
Interest received		6	12
		<hr/>	<hr/>
Net cash flows from investing activities		(414)	(480)
		<hr/>	<hr/>
Cash flows from financing activities			
Payment of lease liabilities		(2,678)	(2,350)
Payment of hire purchase liabilities		(64)	(60)
Interest paid		(7)	(5)
Equity dividends paid	7	(342)	(342)
		<hr/>	<hr/>
Net cash flows from financing activities		(3,091)	(2,757)
		<hr/>	<hr/>
Decrease in cash and cash equivalents in the year		(384)	(381)
Cash and cash equivalents at the start of the year		2,259	2,640
		<hr/>	<hr/>
Cash and cash equivalents at the end of the year		1,875	2,259
		<hr/>	<hr/>

Notes to the Condensed Consolidated Interim Financial Statements

1. Basis of preparation

United Carpets Group plc (the "Company") is a public limited company incorporated in England and Wales. The Condensed Consolidated Interim Financial Statements of the Company for the year ended 31 March 2020 comprise the Company and its subsidiary undertakings (together referred to as the "Group").

As announced on 25 June 2020, the Group has changed its accounting reference date to 30 September, extending the current accounting period from 31 March 2020 to 30 September 2020. These unaudited, second interim results are for the year ended 31 March 2020 and all comparisons are against the audited results for the year ended 31 March 2019.

The Group financial statements for the year ended 31 March 2019 were prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union, approved by the Board on 23 August 2019 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 sections 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 and the accompanying notes for the year ended 31 March 2020 are unaudited.

The accounting policies applied are consistent with those of the financial statements for the year ended 31 March 2019 and those that are expected to be adopted in the audited financial statements for the 18-month period ending 30 September 2020.

IFRS 16 'Leases'

IFRS 16 'Leases' has been applied in preparing these Condensed Consolidated Interim Financial Statements. IFRS 16 'Leases' replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Subject to exceptions, a right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a right-of-use asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease is recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition is replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

Under IFRS 16, the Group has recognised right-of-use assets of £18,919,000, capitalised lease liabilities of £21,363,000 and released a lease incentive accrual of £434,000 which in total, after an associated tax credit of £354,000, has reduced net assets by £1,656,000. The Group has recognised financial expenses on the lease liabilities of £954,000, reversed lease costs of £2,848,000 and recognised depreciation on the right-of-use assets of £2,194,000. The net impact on the Consolidated Statement of Comprehensive Income for the year ended 31 March 2020 being a reduction in profit before tax of £300,000. The following tables summarise the impacts of adopting IFRS 16 on the Group's Consolidated Statement of Financial Position at 31 March 2020 and its Consolidated Statement of Comprehensive Income for the year ended 31 March 2020.

Impact on the Consolidated Statement of Financial Position at 31 March 2020

	As reported Unaudited £000	Adjustments Unaudited £000	Amounts without adoption of IFRS 16 Unaudited £000
Non-current assets			
Right-of-use assets	18,919	(18,919)	-
Deferred tax assets	344	(344)	-
	<hr/>	<hr/>	<hr/>
Non-current liabilities			
Lease liabilities	17,628	(17,628)	-
Trade and other payables	241	420	661
Deferred tax liabilities	-	10	10
	<hr/>	<hr/>	<hr/>
Current liabilities			
Lease liabilities	3,735	(3,735)	-
Trade and other payables	5,076	14	5,090
	<hr/>	<hr/>	<hr/>
Total equity attributable to owners of the parent			
Retained earnings	2,985	1,656	4,641
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Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

1. Basis of preparation (*continued*)

Impact on the Consolidated Statement of Comprehensive Income for the year ended 31 March 2020

	As reported Unaudited £000	Adjustments Unaudited £000	Amounts without adoption of IFRS 16 Unaudited £000
Administrative expenses	(14,969)	(654)	(15,623)
Financial expenses	(961)	954	(7)

Reconciliation of total equity attributable to owners of the parent

	At 31 March 2019 Audited Restated £000	At 31 March 2020 Unaudited £000
Total equity attributable to owners of the parent as previously reported	5,347	4,641
IFRS 16 adjustments	(1,413)	(1,656)
Equity as reported	3,934	2,985

Reconciliation of profit for the year

	Year ended 31 March 2019 Audited Restated £000
Profit for the year as previously reported	418
IFRS 16 adjustments	(258)
Profit for the year as reported	160

2. Segment reporting

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.

Franchising and Retail is the income that the Group receives from its franchise activities together with the results of its corporate stores. The Instalment Payment Channel offers customers fixed, weekly payments with no hidden costs or extra charges. Warehousing reflects the results of the Group's in-house cutting operation which services the franchised and corporate stores and some 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.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

2. Segment reporting (continued)

	Franchising and Retail		Instalment Payment Channel		Warehousing		Property		Consolidated Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited Restated £'000
	2020	2019	2020	2019	2020	2019	2020	2019		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross sales	15,105	14,479	4,934	-	10,790	9,676	3,474	3,236	34,303	27,391
Inter-segment sales	-	-	(99)	-	(4,478)	(2,521)	(1,145)	(887)	(5,722)	(3,408)
Segment revenue	15,105	14,479	4,835	-	6,312	7,155	2,329	2,349	28,581	23,983
Segment results	(15)	561	(522)	-	148	144	577	421	188	1,126
Unallocated income									22	105
Operating profit									210	1,231
Financial income									6	12
Financial expenses									(961)	(967)
Income tax credit/(expense)									138	(116)
(Loss)/profit for the year									(607)	160

3. Operating profit

Operating profit is arrived at after charging the following additional provisions related to the Covid-19 pandemic:

	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Additional operating costs provision	118	-
Provision for the impairment of intangible assets and property, plant and equipment	318	-
Additional inventory provision	161	-
	597	-

In view of the far-reaching effects of the Covid-19 pandemic, the Board has assessed the impact of additional operating costs associated with the pandemic and reviewed the potential impact on assets and inventories.

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

4. Income tax (credit)/expense

(a) Analysis of charge for the year

	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited Restated £'000
Current tax:		
Current year	(101)	87
Adjustment in respect of prior years	(43)	44
	<hr/>	<hr/>
	(144)	131
	<hr/>	<hr/>
Deferred tax:		
Current year	(27)	(22)
Adjustment in respect of prior years	33	7
	<hr/>	<hr/>
	6	(15)
	<hr/>	<hr/>
Total income tax (credit)/expense recognised in the current year	(138)	116
	<hr/> <hr/>	<hr/> <hr/>

(b) Reconciliation of total tax charge for the year

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited Restated £'000
(Loss)/profit before tax	(745)	276
	<hr/>	<hr/>
(Loss)/profit before tax multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	(141)	52
Effect of:		
Expenses not deductible for tax purposes	8	8
Adjustments in respect of prior years	(9)	51
Other	4	5
	<hr/>	<hr/>
Total tax	(138)	116
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Consolidated Interim Financial Statements (*continued*)

5. 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 2019	888	922	1,706	285	3,801
Additions	-	85	652	-	737
Disposals	-	(19)	(31)	-	(50)
At 31 March 2020	888	988	2,327	285	4,488
Depreciation					
At 31 March 2019	66	252	541	96	955
Charge for the year	23	99	192	52	366
Eliminated on disposal	-	(1)	(1)	-	(2)
At 31 March 2020	89	350	732	148	1,319
Net book value					
At 31 March 2020	799	638	1,595	137	3,169
At 31 March 2019	822	670	1,165	189	2,846

6. (Losses)/earnings per share

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 March 2020 was based on the loss attributable to ordinary shareholders of £607,000 (2019 restated: profit of £160,000) and a weighted average number of ordinary shares outstanding of 81,400,000 for each year.

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 March 2020 was based on the loss attributable to ordinary shareholders of £607,000 (2019 restated: profit of £160,000) and a weighted average number of ordinary shares outstanding and potential ordinary shares of 81,400,000 for each year.

7. Equity dividends paid

	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited £'000
Final dividend in respect of 2017/18 of 0.285p per ordinary share, paid on 11 October 2018	-	232
Interim dividend in respect of 2018/19 of 0.135p per ordinary share, paid on 18 January 2019	-	110
Final dividend in respect of 2018/19 of 0.285p per ordinary share, paid on 10 October 2019	232	-
Interim dividend in respect of 2019/20 of 0.135p per ordinary share, paid on 17 January 2020	110	-
	342	342

Notes to the Condensed Consolidated Interim Financial Statements (continued)

8. Cash generated from operations

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

	Year ended 31 March 2020 Unaudited £'000	Year ended 31 March 2019 Audited Restated £'000
(Loss)/profit before tax	(745)	276
Depreciation and other non-cash items:		
Amortisation of intangible assets	39	33
Depreciation of right-of-use assets	2,194	1,877
Depreciation of property, plant and equipment	366	292
Depreciation of investment property	3	2
Loss/(profit) on disposal of property, plant and equipment	48	(31)
Changes in working capital:		
Decrease/(Increase) in inventories	338	(256)
Increase in trade and other receivables	(699)	(1,421)
Increase in trade and other payables	55	1,404
Increase in provisions	594	-
Financial income	(6)	(12)
Financial expenses	961	967
	<hr/>	<hr/>
Cash generated from operations	3,148	3,131
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