

Company Registration No. 2597113 (England and Wales)

ALLIED CARPETS GROUP PLC

ANNUAL REPORT

FOR THE PERIOD ENDED

1 JANUARY 2005



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COMPANIES HOUSE 13/05/05

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COMPANIES HOUSE 13/05/05

ALLIED CARPETS GROUP PLC

DIRECTORS AND ADVISERS

Directors

G. Mulliez
J. Mulliez
G. Thomas
C.O. Hutchings

Secretary

A. Milne

Company number

2597113

Registered office

Allied House
76 High Street
Orpington
Kent
BR6 0JQ

Registered auditors

Creaseys
12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ALLIED CARPETS GROUP PLC

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ALLIED CARPETS GROUP PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 1 JANUARY 2005

I am pleased to report the continued turnaround of Allied Carpets. After significant cost savings, gross margins are stronger and like-for-like sales show improvement in what remains a challenging market place. The Group now enters a stage of growth and expansion, building back up to 220 outlets in 2005.

We will continue to develop efficiency gains from synergies within the group as well as working closely with both suppliers and partners. My thanks for their continued support in providing our customers with the best choice of products, at the best prices and with efficient service.

I would also like to thank each and every member of the team at Allied: it is only as a result of their continued hard work and commitment that we can move forward with a firm foundation for sustainable profitability. It is their skills and enthusiasm that continue to improve the service we provide directly to our customers.

I am confident that over the next two years we will continue to grow market share, deliver substantial profit and increase the value of the company.

Gonzague Mulliez

ALLIED CARPETS GROUP PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 1 JANUARY 2005

The directors present their report and financial statements for the period ended 1 January 2005.

Directors

The following directors have held office since 28 December 2003:

G. Mulliez
J. Mulliez
G. Thomas
C.O. Hutchings

Principal activities and review of the business

The principal activity of the group continued to be that of a retailer of flooring and home furnishings.

The group's turnover was £216.5m (2003: £203.9m) which includes an exceptional amount of £5.8m (2003: £nil) as set out in note 2.

Results and dividends

The consolidated profit and loss account for the period is set out on page 7.

The directors are satisfied with the the result for the year. The retained profit of the group after exceptional items was £4.3m (2003: £7.6m). Actuarial losses on the defined benefit pension scheme of £1.5m (2003: £Nil) have also been incurred and taken directly to reserves. The directors do not recommend payment of a dividend for the year.

Market value of land and buildings

In the opinion of the directors the market value of land and buildings exceeds the current net book value.

Future developments

The future development of the business is described in the Chairman's statement.

Directors' interests

The directors' interests in the shares of the company and other group companies were as stated below:

	Ordinary shares of 10p each	
	1 January 2005	28 December 2003
G. Mulliez	-	-
J. Mulliez	-	-
G. Thomas	1	1
C.O. Hutchings	-	-

The interests of G. Mulliez, J. Mulliez and G. Thomas in the shares of Tapis Saint Maclou SCA, the ultimate parent company, are shown in the accounts of that company.

The directors hold no direct interests in any class of issued share capital of the subsidiary undertakings of this company.

ALLIED CARPETS GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

Consultation of employees

The group places considerable value on the involvement of its employees. It is actively involved in keeping them informed of matters affecting them as employees and of the various factors affecting the performance of the group.

The group has a Staff Association Committee in place to ensure that employees are consulted on a regular basis so that views of employees can be taken into account in making decisions, which are likely to affect their interests.

Disabled persons

Applications for employment by disabled persons are always fully considered. Appointments are made bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 68 days (2003: 65 days).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Creaseys be reappointed as auditors of the company will be put to the Annual General Meeting.

ALLIED CARPETS GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

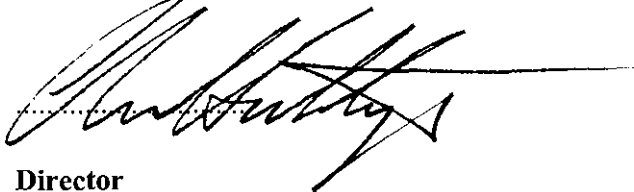
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Director

28th April 2005

ALLIED CARPETS GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALLIED CARPETS GROUP PLC

We have audited the financial statements of Allied Carpets Group Plc on pages 7 to 28 for the period ended 1 January 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the directors and auditors

As described in the statement of directors' responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ALLIED CARPETS GROUP PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF ALLIED CARPETS GROUP PLC

Qualified opinion arising from disagreement about accounting treatment

The group has implemented early adoption of FRS17, which represents a change of accounting policy from SSAP24. It has correctly recognised a charge of £1,517,000 in the Statement of Total Recognised Gains and Losses for the current year, but it has also charged £12,363,000 of the increase in provision for pension liability to the current year's profit and loss account. In accordance with FRS3, £635,000 should be charged to the current year's profit and loss account, with £11,728,000 being accounted for as a prior year adjustment.

Except for the failure to account for the provision for pension liability as required by FRS3, in our opinion the financial statements give a true and fair view of the company's and of the group's affairs as at 1 January 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Creaseys

6th May 2005

Chartered Accountants
Registered Auditor

12 Lonsdale Gardens
Tunbridge Wells
Kent
TN1 1PA

ALLIED CARPETS GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 1 JANUARY 2005

		53 Weeks ended 1 January 2005 £000's	52 Weeks ended 27 December 2003 £000's
Turnover	2	216,547	203,880
Cost of sales		<u>(185,243)</u>	<u>(183,898)</u>
Gross profit		31,304	19,982
Distribution costs		(5,316)	(5,182)
Administrative expenses	3	<u>(29,987)</u>	<u>(17,494)</u>
Operating loss	4	(3,999)	(2,694)
Profit on sale of property		1,038	3,264
Other exceptional items	5	<u>7,050</u>	<u>7,035</u>
Profit on ordinary activities before interest		4,089	7,605
Other interest receivable and similar income	6	294	192
Interest payable and similar charges	7	<u>(106)</u>	<u>(184)</u>
Profit on ordinary activities before taxation		4,277	7,613
Tax on profit on ordinary activities	8	-	-
Profit on ordinary activities after taxation		<u>4,277</u>	<u>7,613</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ALLIED CARPETS GROUP PLC

STATEMENT OF RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 1 JANUARY 2005

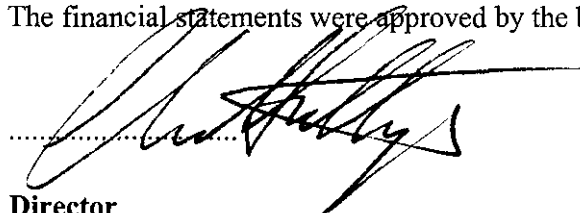
	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Profit for the financial period	4,277	7,613
Actuarial losses on pension scheme	(1,517)	-
Total recognised gains and losses relating to the period	2,760	7,613

ALLIED CARPETS GROUP PLC

BALANCE SHEETS AS AT 1 JANUARY 2005

	Notes	Group		Company	
		1 January 2005 £000's	27 December 2003 £000's	1 January 2005 £000's	27 December 2003 £000's
Fixed assets					
Tangible assets	10	21,490	24,388	-	-
Investments	11	-	-	55,843	55,843
		<u>21,490</u>	<u>24,388</u>	<u>55,843</u>	<u>55,843</u>
Current assets					
Stocks		16,781	15,213	-	-
Debtors	12	23,116	22,864	1,978	-
Cash at bank and in hand		17,377	13,701	-	-
		<u>57,274</u>	<u>51,778</u>	<u>1,978</u>	<u>-</u>
Creditors: amounts falling due within one year	13	<u>(51,508)</u>	<u>(57,015)</u>	<u>(2,006)</u>	<u>(6,026)</u>
Net current assets/(liabilities)		<u>5,766</u>	<u>(5,237)</u>	<u>(28)</u>	<u>(6,026)</u>
Total assets less current liabilities		<u>27,256</u>	<u>19,151</u>	<u>55,815</u>	<u>49,817</u>
Creditors: amounts falling due after more than one year	14	(255)	(8,018)	-	(950)
Provisions for liabilities and charges	15	<u>(14,539)</u>	<u>(1,431)</u>	<u>-</u>	<u>-</u>
		<u>12,462</u>	<u>9,702</u>	<u>55,815</u>	<u>48,867</u>
Capital and reserves					
Called up share capital	17	9,057	9,057	9,057	9,057
Share premium account	18	26,872	26,872	26,872	26,872
Other reserves	18	1	1	1	1
Profit and loss account	18	(23,468)	(26,228)	19,885	12,937
Shareholders' funds - equity interests	19	<u>12,462</u>	<u>9,702</u>	<u>55,815</u>	<u>48,867</u>

The financial statements were approved by the board on 28TH APRIL 2005



Director

ALLIED CARPETS GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 1 JANUARY 2005

	53 Weeks ended 1 January 2005 £000's	52 Weeks ended 27 December 2003 £000's
Net cash inflow/(outflow) from operating activities	8,815	(5,065)
Returns on investments and servicing of finance		
Interest received	294	192
Interest paid	(106)	240
Net cash inflow for returns on investments and servicing of finance	188	432
Capital expenditure		
Payments to acquire tangible assets	(1,917)	(2,101)
Receipts from sales of tangible assets	2,412	4,517
Net cash outflow for capital expenditure	495	2,416
Net cash inflow/(outflow) before management of liquid resources and financing	9,498	(2,217)
Management of liquid resources		
Bank deposits	(3,200)	(5,963)
	(3,200)	(5,963)
Increase/(decrease) in cash in the period	6,298	(8,180)

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 1 JANUARY 2005

1 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Operating loss	(3,999)	(2,694)
Depreciation of tangible assets	3,441	3,999
(Increase)/decrease in stocks	(1,568)	755
(Increase)/decrease in debtors	(252)	3,219
Increase/(decrease) in creditors within one year	(1,605)	(18,009)
Increase in pension provision	11,591	630
Primback creditor write back	(5,843)	-
Gain arising on ultimate parent company loan waiver	7,050	7,035
Net cash inflow/(outflow) from operating activities	8,815	(5,065)

2 Analysis of net funds/(debt)	28 December 2003 £000's	Cash flow £000's	Other non- cash changes £000's	1 January 2005 £000's
Net cash:				
Cash at bank and in hand	1,601	476	-	2,077
Bank overdrafts	(8,459)	5,822	-	(2,637)
	<u>(6,858)</u>	<u>6,298</u>	<u>-</u>	<u>(560)</u>
Liquid resources:				
Bank deposits	12,100	3,200	-	15,300
Net (debt)/funds	<u>5,242</u>	<u>9,498</u>	<u>-</u>	<u>14,740</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

3 Reconciliation of net cash flow to movement in net debt	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Increase/(decrease) in cash in the period	6,298	(8,180)
Cash outflow from increase in liquid resources	3,200	5,963
Change in net debt resulting from cash flows	9,498	(2,217)
Movement in net funds/(debt) in the period	9,498	(2,217)
Opening net (debt)/funds	5,242	7,459
Closing net funds/(debt)	14,740	5,242

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 1 JANUARY 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 1 January 2005. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.3 Turnover

Turnover represents amounts receivable for goods net of VAT, trade discounts and intra-group transactions. Turnover is recognised once the goods have been invoiced to the customer and are available for delivery.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	50 years on a straight-line basis
Long leasehold property	the lower of 50 years, or term of the lease, on an equal annual basis
Fixtures, fittings & equipment	3 to 7 years on a straight-line basis
Motor vehicles	4 years on a straight-line basis

Freehold land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. Benefits, such as rent-free periods and reverse premiums, received as an incentive to sign a lease are spread on a straight-line basis over the lease term, or over the period to the date on which the rent is first adjusted to the prevailing market rate if shorter than the full lease term.

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value

The carrying values of fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

1 Accounting policies

(continued)

1.7 Stocks

Stocks comprise finished goods held for resale and are valued at the lower of cost and net realisable value. There is no material difference between the balance sheet value of stocks and their replacement cost.

1.8 Pensions

Defined contribution scheme

The group currently operates a defined contribution pension scheme.

Defined benefit scheme

The group also operated a defined benefit pension scheme, which was closed to new members with effect from 11 December 2001. Having previously accounted for its defined benefit pension scheme costs in accordance with SSAP24 'Accounting for Pension Costs', the group has implemented early adoption of FRS17 'Retirement Benefits'. On the occasion of this change in accounting policy, the group charges in the financial statements of the present accounting period the whole cost resulting from adoption of FRS17.

1.9 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

In November 2004, HM Customs & Excise notified the group that they were withdrawing VAT assessments totalling £5.8m, for which provision had been made in previous years' accounts. Accordingly, this amount has been credited to the profit and loss accounts as an exceptional item in "Turnover".

3 Administrative expenses

The group has implemented early adoption of FRS17, which represents a change of accounting policy from SSAP24. It has recognised a charge of £1,517,000 in the Statement of Total Recognised Gains and Losses for the current year and it has also charged £12,363,000 of the increase in provision for pension liability to the current year's profit and loss account, where it is included as an exceptional item in "Administrative expenses".

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

4 Operating loss	53 weeks ended 1 January 2005	52 weeks ended 27 December 2003
	£000's	£000's
Operating loss is stated after charging:		
Increase in pension fund provision	13,108	630
Depreciation of tangible assets	3,441	3,999
Operating lease rentals - plant and machinery	585	913
Auditors' remuneration	44	42
Remuneration of auditors for non-audit work	70	60
	<u> </u>	<u> </u>

Auditors' remuneration is paid by AC (UK) Limited (a 100% owned subsidiary of Allied Carpets Group Plc).

	53 weeks ended 1 January 2005			52 weeks ended 27 December 2003	Variance
	Before exceptional items £000's	Exceptional items £000's	Total £000's	£000's	Before exceptional items £000's
Turnover:					
- Normal	210,704	-	210,704	203,880	6,824
- Primback	-	5,843	5,843	-	-
	<u>210,704</u>	<u>5,843</u>	<u>216,547</u>	<u>203,880</u>	<u>6,824</u>
Cost of sales	(185,243)	-	(185,243)	(183,898)	(1,345)
	<u>25,461</u>	<u>5,843</u>	<u>31,304</u>	<u>19,982</u>	<u>5,479</u>
Gross profit					
Distribution costs	(5,316)	-	(5,316)	(5,182)	(134)
Administrative expenses:					
- Normal	(17,624)	-	(17,624)	(17,494)	(130)
- Pension cost	-	(12,363)	(12,363)	-	-
	<u>2,521</u>	<u>(6,520)</u>	<u>(3,999)</u>	<u>(2,694)</u>	<u>5,215</u>
Operating result					

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

5 Other exceptional items

The group's parent company, Tapis Saint Maclou SCA, has formally waived the sum of £7,050,000 (€10,000,000), in addition to £7,035,000 (€10,000,000) waived in 2003, all of which was due to it by the group at the balance sheet date. The terms of the waiver are such that these sums are not payable by the group in its present circumstances.

As and when the Allied Carpets Group of companies returns to profitability in the future, it will become liable to make payments to Tapis Saint Maclou SCA to the extent of at least 25% of its annual profits, until the waived amount is fully reimbursed.

6 Income from investments, other interest receivable and similar income

	53 weeks ended 1 January 2005	52 weeks ended 27 December 2003
Bank interest	285	169
Other interest	9	23
	<u>294</u>	<u>192</u>

7 Interest payable

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
On amounts payable to group companies	-	424
Other interest	106	(240)
	<u>106</u>	<u>184</u>

Other interest includes amounts accrued in respect of the Primback liability, as detailed in note 13 to these accounts.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

8 Taxation	53 weeks ended 1 January 2005	52 weeks ended 27 December 2003
Current tax charge	-	-
Factors affecting the tax charge for the period		
Profit on ordinary activities before taxation	4,277	7,613
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	1,283	2,284
Effects of:		
Non deductible expenses	3,545	216
Depreciation add back	1,033	1,200
Capital allowances	(744)	(888)
Tax losses brought forward	(2,698)	-
Adjustments to previous periods	25	-
Capital disposals adjustment	(300)	(694)
Loan waiver	(2,115)	(2,109)
Other tax adjustments	(29)	(9)
Current tax charge	-	-

The group has estimated losses of £12.5m (2003: £21.1m, as amended) available for carry forward against future trading profits.

The group has claimed rollover relief against chargeable gains arising. This represents £0.2m (2003: £nil) of the 'Capital disposals adjustments' above.

9 Result for the financial period

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The profit for the financial period is made up as follows:

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Holding company's result for the financial period	6,948	4,000

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

10 Tangible fixed assets Group

	Freehold buildings	Long leasehold property	Short leasehold property	Fixtures, fittings & equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost						
At 28 December 2003	12,541	3,616	676	47,241	1,297	65,371
Additions	-	-	-	1,768	149	1,917
Disposals	(1,225)	-	-	(748)	(11)	(1,984)
At 1 January 2005	11,316	3,616	676	48,261	1,435	65,304
Depreciation						
At 28 December 2003	1,317	730	274	38,116	546	40,983
On disposals	(191)	-	-	(408)	(11)	(610)
Charge for the period	166	72	25	2,870	308	3,441
At 1 January 2005	1,292	802	299	40,578	843	43,814
Net book value						
At 1 January 2005	10,024	2,814	377	7,683	592	21,490
At 27 December 2003	11,224	2,886	402	9,128	751	24,391

Freehold land amounting to £4,400,575 has not been depreciated (2003: £4,409,908).

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

11 Fixed asset investments

Company

	Shares in group undertakings	Loans to group undertakings	Total
	£000's	£000's	£000's
Cost			
At 28 December 2003 & at 1 January 2005	<u>45,434</u>	<u>10,409</u>	<u>55,843</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
AC (UK) Limited	England & Wales	Ordinary	100
Allied Carpets Properties Limited	England & Wales	Ordinary	100
		Preference	100

The principal activity of these undertakings for the last relevant financial period was as follows:

	Principal activity
AC (UK) Limited	Retailer of home furnishings
Allied Carpets Properties Limited	Property rental

The above investments are included in the consolidated accounts.

The company also holds 100% of the share capital of a number of dormant subsidiary companies. The investment in each company is £2. The aggregate amount is immaterial and, in the opinion of the directors, disclosure of these investments is not considered necessary. These companies do not form part of the consolidated accounts.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

12 Debtors

	Group		Company	
	1 January 2005	27 December 2003	1 January 2005	27 December 2003
	£000's	£000's	£000's	£000's
Trade debtors	4,728	5,516	-	-
Amounts owed by group undertakings	-	-	1,978	-
Other debtors	1,385	1,904	-	-
Prepayments and accrued income	17,003	15,444	-	-
	<u>23,116</u>	<u>22,864</u>	<u>1,978</u>	<u>-</u>

13 Creditors : amounts falling due within one year

	Group		Company	
	1 January 2005	27 December 2003	1 January 2005	27 December 2003
	£000's	£000's	£000's	£000's
Bank loans and overdrafts	2,637	8,459	-	-
Payments received on account	8,330	6,000	-	-
Trade creditors	19,452	19,958	-	-
Amounts due to ultimate parent undertaking	1,056	77	1,056	-
Amounts owed to subsidiary undertakings	-	-	-	6,026
Taxes and social security costs	2,511	5,286	-	-
Primback creditor (see below)	1,920	1,200	950	-
Other creditors	2,055	1,853	-	-
Accruals and deferred income	13,547	14,182	-	-
	<u>51,508</u>	<u>57,015</u>	<u>2,006</u>	<u>6,026</u>

The group accounts include an overall liability of £2,175,000 to HM Customs and Excise ("the Primback creditor"), of which £950,000 is included in the accounts of Allied Carpets Group plc. The group is making payments toward this creditor in accordance with an agreement with HM Customs and Excise dated 24 July 2003. In November 2004, HM Customs & Excise notified the group that they were withdrawing VAT assessments totalling £5,843,000 for which provision had been made in previous years' accounts. Accordingly, this amount has been released from creditors falling due after more than one year.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

14 Creditors : amounts falling due after more than one year

	Group		Company	
	1 January 2005 £000's	27 December 2003 £000's	1 January 2005 £000's	27 December 2003 £000's
Primback creditor	255	8,018	-	950

15 Provisions for liabilities and charges

	Group		Company	
	1 January 2005 £000's	27 December 2003 £000's	1 January 2005 £000's	27 December 2003 £000's
Provision for pension liability				
Balance at 28 December 2003	1,431	801	-	-
Charge for the period	13,108	630	-	-
Balance at 1 January 2005	14,539	1,431	-	-

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

16 Pension costs

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Defined contribution scheme	146	148
Defined benefit scheme	12,363	1,311
	<u>12,509</u>	<u>1,459</u>

Defined contribution

From 1 June 2002 the group has operated a defined contribution pension scheme to which it contributes 2.5% for those employees who were previously pension scheme members.

Defined benefit

The Group operates a defined benefit pension scheme, providing benefits in retirement and on death in service. The scheme was closed to new members with effect from 11 December 2001, and to future accrual for existing members on 31 March 2002. The most recent formal actuarial valuation was carried out as at 1 April 2004 using the projected unit method.

The group recognises that there is a shortfall both against its Minimum Funding Requirement and in meeting its past commitments to its existing members. The group therefore accepted the advice of its actuaries and has stated its intention to contribute sufficient sums over a period of ten years to fully replenish the current past service deficit, although this cannot be guaranteed.

During the period, the group has implemented early adoption of FRS17, which represents a change in accounting policy from SSAP24. Comparative figures in the primary statements are disclosed in accordance with SSAP24, but ensuing information in this note is disclosed in accordance with the requirements of FRS17 and is therefore notional as regards the position at 27 December 2003 and the consequential effects on the results for both periods.

	1 January 2005 %	27 December 2003 %
The major assumptions used by the actuary were:		
Rate of increase in pensions in payment	2.90	3.00
Rate of increase in salaries	2.90	3.00
Discount rate	5.30	5.50
Inflation assumption	2.90	3.00
The long term expected rates of return are as follows:		
Equities	6.55	7.00
Bonds	5.30	4.80
Cash	4.75	3.75

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

16 Pension costs

(continued)

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
The assets in the scheme are as follows:		
Equities	8,231	7,338
Bonds and cash	6,886	6,127
Total market value of assets	15,117	13,465
Present value of scheme liabilities	(29,656)	(26,624)
Deficit in scheme	(14,539)	(13,159)
Net pension liability	(14,539)	(13,159)

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Movement in deficit during the period		
Deficit in scheme at 28 December 2003	(13,159)	(12,455)
Movement in the year:		
Contributions made	772	681
Actuarial losses	(1,517)	(825)
Net return from other finance income	(635)	(560)
Deficit in scheme at 1 January 2005	(14,539)	(13,159)

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Analysis of the amount credited to other finance income		
Expected return on assets	819	757
Interest on liabilities	(1,454)	(1,317)
Net return	(635)	(560)

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

16 Pension costs

(continued)

	53 weeks ended 1 January 2005 £000's	52 weeks ended 27 December 2003 £000's
Analysis of amount recognised in the statement of total recognised gains and losses		
Actual return less expected return on assets	426	594
Experience gains/(losses) on the liabilities	465	(448)
Changes in assumptions	<u>(2,408)</u>	<u>(971)</u>
Actual gain recognised	<u><u>(1,517)</u></u>	<u><u>(825)</u></u>

1 January 2005 27 December 2003

History of experience gains and losses

Difference between the expected and actual return on assets:

Amount (£'000)	426	594
Percentage of scheme assets	2.8%	4.4%

Experience gains and losses on liabilities:

Amount (£'000)	465	(448)
Percentage of the present value of the scheme liabilities	1.6%	(1.7)%

Total amount recognised in statement of recognised gains and losses:

Amount (£'000)	(1,517)	(825)
Percentage of the present value of scheme liabilities	<u>(5.1)%</u>	<u>(3.1)%</u>

17 Share capital

1 January 2005 27 December 2003
£000's £000's

Authorised

140,000,000 Ordinary shares of 10p each	<u>14,000</u>	<u>14,000</u>
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Allotted, called up and fully paid

90,576,455 Ordinary shares of 10p each	<u>9,057</u>	<u>9,057</u>
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ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

18 Statement of movements on reserves

Group

	Share premium account £000's	Capital redemption reserve £000's	Profit and loss account £000's
Balance at 28 December 2003	26,872	1	(26,228)
Retained profit for the period	-	-	4,277
Losses recognised in statement of total recognised gains and losses	-	-	(1,517)
Balance at 1 January 2005	<u>26,872</u>	<u>1</u>	<u>(23,468)</u>

Company

	Share premium account £000's	Capital redemption reserve £000's	Profit and loss account £000's
Balance at 28 December 2003	26,872	1	12,937
Retained profit for the period	-	-	6,948
Balance at 1 January 2005	<u>26,872</u>	<u>1</u>	<u>19,885</u>

19 Reconciliation of movements in shareholders' funds

Group

	1 January 2005 £000's	27 December 2003 £000's
Profit for the financial period	4,277	7,613
Other recognised gains and losses	(1,517)	-
Opening shareholders' funds	<u>9,702</u>	<u>2,089</u>
Closing shareholders' funds	<u>12,462</u>	<u>9,702</u>

Company

	1 January 2005 £000's	27 December 2003 £000's
Result for the financial period	6,948	4,000
Opening shareholders' funds	<u>48,867</u>	<u>44,867</u>
Closing shareholders' funds	<u>55,815</u>	<u>48,867</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

20 Financial commitments

At 1 January 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1 January 2005	27 December 2003	1 January 2005	27 December 2003
	£000's	£000's	£000's	£000's
Expiry date:				
Within one year	311	490	125	272
Between two and five years	1,415	575	397	374
In over five years	31,361	30,502	-	-
	<u>33,087</u>	<u>31,567</u>	<u>522</u>	<u>646</u>

21 Directors' emoluments

	53 weeks ended 1 January 2005	52 weeks ended 27 December 2003
	£000's	£000's
Emoluments for qualifying services	170	135
Payments to defined contribution schemes	2	2
	<u>172</u>	<u>137</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2003: 1).

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

22 Employees

The average monthly number of employees (including directors) during the period was:

	1 January 2005	27 December 2003
	Number	Number
Sales	1,528	1,637
Distribution	81	82
Administration	90	104
	<u>1,699</u>	<u>1,823</u>

The equivalent number of employees working full time was:

	<u>1,594</u>	<u>1,684</u>
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Employment costs

	£000's	£000's
Wages and salaries	36,509	36,101
Social security costs	3,181	3,047
Other pension costs	12,509	1,459
	<u>52,199</u>	<u>40,607</u>

23 Control

In the Directors' opinion, the Company's immediate and ultimate parent company and controlling party is Tapis Saint Maclou SCA, which is incorporated in France. The Company's accounts are included in the group accounts of Tapis Saint Maclou SCA, which are not available to the public.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 1 JANUARY 2005

24 Related party transactions

During the year the group received funds from its ultimate parent company, Tapis Saint Maclou SCA, by way of working capital advances. Interest charged on these loans during the year was £0.10m (2003: £0.43m). After the balance sheet date, the parent company waived its entitlement to receive payments of the loans outstanding at the balance sheet date. The waiver amounts to £7.05m (2003: £7.04m) and has been reflected in these accounts. At the balance sheet date the amount owed to the parent company was £1.06m (2003: £0.08m).

After the balance sheet date, the group was invoiced by Societe Mouvalloise de Conseil, an amount €233,000 in respect of management services provided by Gonzague Mulliez, a director of the group. An amount of €200,000 is included in accruals at the balance sheet date in anticipation of this charge.