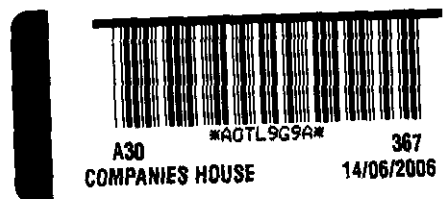


Company Registration No. 2597113 (England and Wales)

ALLIED CARPETS GROUP PLC

ANNUAL REPORT

**FOR THE PERIOD ENDED
31 DECEMBER 2005**



ALLIED CARPETS GROUP PLC

DIRECTORS AND ADVISERS

Directors	G. Mulliez C.O. Hutchings G. Thomas V.A.P. Fauvet
Secretary	A. Milne
Company number	2597113
Registered office	Allied House 76 High Street Orpington Kent BR6 0JQ
Registered auditors	Creaseys LLP 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 31 DECEMBER 2005

In what turned out to be a difficult trading year, I am encouraged with the changes that we continue to make with Allied Carpets in the UK.

Our core business is concentrated on flooring with the progressive withdrawal of beds.

It was a year that saw the largest expansion programme in Allied's recent history, with 23 store openings and 8 closures, which brought us to a total of 222 stores at the end of the year.

Whilst margins and controllable costs were managed, rent reviews remain difficult and unrealistic in the current retail environment.

The year was very much again a year of two halves, giving a strong 1st quarter, but very difficult trading conditions in the 2nd half. Despite this, with the opening of new stores, new product ranges and very keen prices, we were still able to grow market share.

With the current global economy, we do not expect trading conditions to improve in the 1st half of 2006. However, as our new stores grow from strength to strength and our customers demand greater customer service, as well as the best prices, we are in a very strong position for continued growth in the coming years.

I would like to thank both our suppliers and partners for their continued support in providing our customers with both excellent service and choice of products, and my thanks also go to the team at Allied for their hard work and commitment throughout the year.

Gonzague Mulliez

ALLIED CARPETS GROUP PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the period ended 31 December 2005.

Directors

The following directors have held office since 2 January 2005:

G. Mulliez	
J. Mulliez	(Resigned 6 September 2005)
G. Thomas	
C.O. Hutchings	
V.A.P. Fauvet	(Appointed 6 September 2005)

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 £203.7m (2004: £216.5m). In the previous year this included an exceptional amount of £5.8m as set out in note 2. The group's operating loss was £3.4m (2004: £4.0m).

Results and dividends

The consolidated profit and loss account for the period is set out on pages 5 to 6.

The directors are satisfied with the the result for the year. The retained profit of the group was £0.3m (2004: £4.3m after exceptional items). Actuarial losses on the defined benefit pension scheme of £0.9m (2004: £1.5m) 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	
	31 December 2005	2 January 2005
G. Mulliez	-	-
G. Thomas	1	1
C.O. Hutchings	-	-
V.A.P. Fauvet	-	-

The interests of G. 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 31 DECEMBER 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 57 days (2004: 68 days).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Creaseys LLP 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 31 DECEMBER 2005

Directors' responsibilities

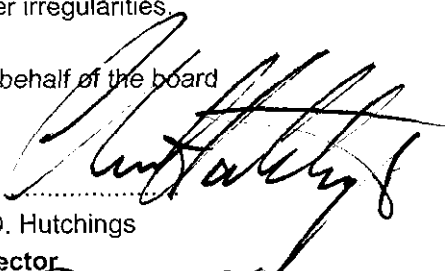
The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year 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 of a company must, in determining how amounts are presented in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practice or principles.

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 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


.....
C.O. Hutchings

Director

6th June 2006
.....

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 31 December 2005. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 International Standards on Auditing (UK and Ireland) 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

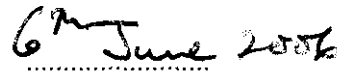
Opinion

We draw attention to Note 3 to the financial statements concerning the accounting treatment of an item in the previous year's profit and loss account as exceptional.

In our opinion the financial statements give a true and fair view in accordance with the United Kingdom Generally Accepted Accounting Practice, of the company's and of the group's affairs as at 31 December 2005 and of the group's result for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and the information given in the Directors' Report is consistent with the financial statements.


Creaseys LLP

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 31 DECEMBER 2005

	Notes	52 Weeks ended 31 December 2005 £000's	53 Weeks ended 1 January 2005 £000's
Turnover	2	203,724	216,547
Cost of sales		(186,228)	(185,243)
Gross profit		17,496	31,304
Distribution costs		(5,356)	(5,316)
Administrative expenses	3	(15,570)	(29,987)
Operating loss	4	(3,430)	(3,999)
Profit on sale of property		3,427	1,038
Other exceptional items	5	-	7,050
(Loss)/profit on ordinary activities before interest		(3)	4,089
Other interest receivable and similar income	6	403	294
Interest payable and similar charges	7	(104)	(106)
Profit on ordinary activities before taxation	4	296	4,277
Tax on profit on ordinary activities	8	-	-
Profit on ordinary activities after taxation		296	4,277

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

ALLIED CARPETS GROUP PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE PERIOD ENDED 31 DECEMBER 2005

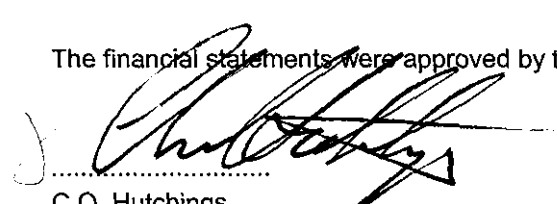
	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Profit for the financial period	296	4,277
Actuarial losses on pension scheme	(941)	(1,517)
	<hr/>	<hr/>
Total recognised gains and losses relating to the period	(645)	2,760
	<hr/> <hr/>	<hr/> <hr/>

ALLIED CARPETS GROUP PLC

BALANCE SHEETS AS AT 31 DECEMBER 2005

	Notes	Group		Company	
		31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Fixed assets					
Tangible assets	10	23,643	21,490	-	-
Investments	11	-	-	55,843	55,843
		<u>23,643</u>	<u>21,490</u>	<u>55,843</u>	<u>55,843</u>
Current assets					
Stocks		17,828	16,781	-	-
Debtors	12	22,821	23,116	3,218	1,978
Cash at bank and in hand		7,048	17,377	-	-
		<u>47,697</u>	<u>57,274</u>	<u>3,218</u>	<u>1,978</u>
Creditors: amounts falling due within one year	13	<u>(44,052)</u>	<u>(51,508)</u>	<u>(3,151)</u>	<u>(2,006)</u>
Net current assets		<u>3,645</u>	<u>5,766</u>	<u>67</u>	<u>(28)</u>
Total assets less current liabilities		<u>27,288</u>	<u>27,256</u>	<u>55,910</u>	<u>55,815</u>
Creditors: amounts falling due after more than one year	14	(126)	(255)	-	-
Provisions for liabilities and charges	15	<u>(15,345)</u>	<u>(14,539)</u>	-	-
		<u>11,817</u>	<u>12,462</u>	<u>55,910</u>	<u>55,815</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	(24,113)	(23,468)	19,980	19,885
Shareholders' funds - equity interests	19	<u>11,817</u>	<u>12,462</u>	<u>55,910</u>	<u>55,815</u>

The financial statements were approved by the board on 6th June 2006


C.O. Hutchings
Director

ALLIED CARPETS GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2005

	52 Weeks ended 31 December 2005 £000's	53 Weeks ended 1 January 2005 £000's
Net cash (outflow)/inflow from operating activities	(9,367)	8,815
Returns on investments and servicing of finance		
Interest received	403	294
Interest paid	(104)	(106)
Net cash inflow for returns on investments and servicing of finance	299	188
Capital expenditure		
Payments to acquire tangible assets	(5,720)	(1,917)
Receipts from sales of tangible assets	4,294	2,412
Net cash (outflow)/inflow for capital expenditure	(1,426)	495
Net cash (outflow)/inflow before management of liquid resources and financing	(10,494)	9,498
Management of liquid resources		
Bank deposits	10,200	(3,200)
	10,200	(3,200)
Financing		
Capital element of finance lease contracts	(46)	-
Net cash outflow from financing	(46)	-
Increase in cash in the period	(340)	6,298

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2005

1	Reconciliation of operating loss to net cash (outflow)/inflow from operating activities	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's	
	Operating loss	(3,430)	(3,999)	
	Depreciation of tangible assets	2,961	3,441	
	Profit on disposal of tangible assets	(8)	-	
	Increase in stocks	(1,047)	(1,568)	
	Decrease/(increase) in debtors	295	(252)	
	(Decrease)/Increase in creditors within one year	(8,003)	(1,605)	
	(Decrease)/increase in pension provision	(135)	11,591	
	Primback creditor write back	-	(5,843)	
	Gain arising on ultimate parent company loan waiver	-	7,050	
	Net cash (outflow)/inflow from operating activities	<u>(9,367)</u>	<u>8,815</u>	
2	Analysis of net (debt)/funds	2 January 2005 £000's	Cash flow Other non- cash changes £000's	31 December 2005 £000's
	Net cash:			
	Cash at bank and in hand	2,077	(129)	1,948
	Bank overdrafts	(2,637)	(211)	(2,848)
		<u>(560)</u>	<u>(340)</u>	<u>(900)</u>
	Liquid resources:			
	Bank deposits	15,300	(10,200)	5,100
	New finance lease	-	(253)	(253)
	Net funds/(debt)	<u>14,740</u>	<u>(10,540)</u>	<u>3,947</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

3 Reconciliation of net cash flow to movement in net debt	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
(Decrease)/increase in cash in the period	(340)	6,298
Cash inflow/(outflow) from decrease/(increase) in liquid resources	(10,200)	3,200
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(10,540)	9,498
New finance lease	(253)	-
	<hr/>	<hr/>
Movement in net (debt)/funds in the period	(10,793)	9,498
Opening net funds/(debt)	14,740	5,242
	<hr/>	<hr/>
Closing net (debt)/funds	3,947	14,740
	<hr/> <hr/>	<hr/> <hr/>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated).

1.3 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 31 December 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.

1.4 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.

1.5 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.

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

1 Accounting policies (continued)

1.7 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.

1.8 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.

1.9 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 formerly accounted for its defined benefit pension scheme costs in accordance with SSAP24 'Accounting for Pension Costs', the group implemented early adoption of FRS17 'Retirement Benefits' in the previous accounting period. On the occasion of this change in accounting policy, the group charged the whole cost resulting from adoption of FRS17 in the financial statements of that period.

1.10 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.

1.11 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 the 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 earlier years' accounts. Accordingly, this amount was credited to the 2004 profit and loss account as an exceptional item in "Turnover".

3 Administrative expenses

In the previous accounting period, the group implemented early adoption of FRS17, which represented a change of accounting policy from SSAP24. A charge of £1,517,000 was recognised in the Statement of Total Recognised Gains and Losses and £12,363,000 of the increase in provision for pension liability was charged to the 2004 profit and loss account, where it was included as an exceptional item in "Administration expenses".

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

4 Operating loss	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Operating loss is stated after charging:		
Charge to pension fund provision	806	12,363
Depreciation of tangible assets	2,961	3,441
Operating lease rentals - plant and machinery	552	585
Operating lease rentals - land and buildings	35,129	33,466
Auditors' remuneration	50	44
Remuneration of auditors for non-audit work	48	70
and after crediting:		
Profit on disposal of tangible assets	(8)	-

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

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

5 Other exceptional items

In the previous accounting period, the group's parent company, Tapis Saint Maclou SCA, formally waived the sum of £7,050,000 (€10,000,000), in addition to £7,035,000 (€10,000,000) waived in 2003. 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	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
	Bank interest	237	285
	Other interest	166	9
		<u>403</u>	<u>294</u>

7	Interest payable	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
	Hire purchase interest	8	-
	Other interest	96	106
		<u>104</u>	<u>106</u>

In the year to 1 January 2005 other interest included 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 31 DECEMBER 2005

8 Taxation	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Current tax charge	-	-
Factors affecting the tax charge for the period		
Profit on ordinary activities before taxation	296	4,277
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	89	1,283
Effects of:		
Non deductible expenses	(51)	3,545
Depreciation add back	885	1,033
Capital allowances	(979)	(744)
Tax losses brought forward	(59)	(2,698)
Tax losses carried forward	302	25
Capital disposals adjustment	(128)	(300)
Loan waiver	-	(2,115)
Other tax adjustments	(59)	(29)
	(89)	(1,283)
Current tax charge	-	-

The company has estimated losses of £ 14m (2004: £ 13m) available for carry forward against future trading profits.

The group has claimed rollover relief against chargeable gains arising. This represents £nil (2004: £0.2m) of the 'Capital disposals adjustments' above.

9 Profit 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:

	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Holding company's profit for the financial period	95	6,948

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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 2 January 2005	11,316	3,616	676	48,261	1,435	65,304
Additions	-	-	-	5,917	56	5,973
Disposals	-	(996)	-	(1,826)	(51)	(2,873)
At 31 December 2005	11,316	2,620	676	52,352	1,440	68,404
Depreciation						
At 2 January 2005	1,292	802	299	40,578	843	43,814
On disposals	-	(236)	-	(1,727)	(51)	(2,014)
Charge for the period	146	67	25	2,436	287	2,961
At 31 December 2005	1,438	633	324	41,287	1,079	44,761
Net book value						
At 31 December 2005	9,878	1,987	352	11,065	361	23,643
At 1 January 2005	10,024	2,814	377	7,683	592	21,490

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment	Motor vehicles	Total
	£000's	£000's	£000's
Net book values			
At 31 December 2005	235	-	235
Depreciation charge for the period			
31 December 2005	18	-	18

Freehold land amounting to £4,000,575 has not been depreciated (2004: £4,000,575).

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

11 Fixed asset investments

Company

	Shares in group undertakings £000's	Loans to group undertakings £000's	Total £000's
Cost			
At 1 January 2005 & at 31 December 2005	45,434	10,409	55,843

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 year 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 31 DECEMBER 2005

12 Debtors

	Group		Company	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Trade debtors	3,000	4,728	-	-
Amounts owed by group undertakings	-	-	3,218	1,978
Other debtors	3,247	1,385	-	-
Prepayments and accrued income	16,574	17,003	-	-
	<u>22,821</u>	<u>23,116</u>	<u>3,218</u>	<u>1,978</u>

Amounts falling due after more than one year and included in the debtors above are:

	Group		Company	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Amounts owed by group undertakings	-	-	3,218	1,978
	<u>-</u>	<u>-</u>	<u>3,218</u>	<u>1,978</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

13 Creditors : amounts falling due within one year

	Group		Company	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Bank loans and overdrafts	2,848	2,637	-	-
Payments received on account	6,915	8,330	-	-
Net obligations under finance lease and hire purchase contracts	82	-	-	-
Trade creditors	15,706	19,452	-	-
Amounts owed to group undertakings	2,461	1,056	2,461	-
Amounts owed to subsidiary undertakings	-	-	-	1,056
Taxes and social security costs	2,509	2,511	-	-
Other creditors	1,750	3,975	690	950
Accruals and deferred income	11,781	13,547	-	-
	<u>44,052</u>	<u>51,508</u>	<u>3,151</u>	<u>2,006</u>

The group accounts include an overall liability of £690,348 (2004: £2,175,000) to HM Customs and Excise ("the Primback creditor"), all of which (2004: £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.

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

14 Creditors : amounts falling due after more than one year

	Group		Company	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Net obligations under finance leases and hire purchase agreements	126	-	-	-
Primback creditor	-	255	-	-
	<u>126</u>	<u>255</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	92	-	-	-
Repayable between one and five years	131	-	-	-
	<u>223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Finance charges and interest allocated to future accounting periods	(15)	-	-	-
	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(82)	-	-	-
	<u>126</u>	<u>-</u>	<u>-</u>	<u>-</u>

15 Provisions for liabilities and charges

Group

	Group		Company	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Provision for pension liability				
Balance at 2 January 2005	14,539	1,431	-	-
Increase in the period	806	13,108	-	-
	<u>15,345</u>	<u>14,539</u>	<u>-</u>	<u>-</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

16 Pension costs

	52 weeks ended 31 December 2005	53 weeks ended 1 January 2005
	£'000	£'000
Defined contribution scheme	141	146
Defined benefit scheme	645	12,363
	<u>786</u>	<u>12,509</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 members of the defined benefit scheme.

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. Under this method, the current service cost will increase as the members of the scheme approach retirement.

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.

The main financial assumptions are as follows:

	31 December 2005	1 January 2005
	%	%
Revaluation rate for deferred pensioners	2.90	2.90
Rate of increase in pensions payment	2.90	2.90
Discount rate	4.80	5.30
Inflation assumption	2.90	2.90
	<u> </u>	<u> </u>

The long term expected rates of return are as follows:

Equities	6.05	6.55
Bonds	4.80	5.30
Other assets	4.50	4.75
	<u> </u>	<u> </u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

	31 December 2005 £000's	1 January 2005 £000's
The fair values of assets in the scheme are as follows:		
Equities	10,015	8,231
Bonds	8,419	6,880
Other assets	70	6
	<u>18,504</u>	<u>15,117</u>
Present value of scheme liabilities	33,849	29,656
	<u>(15,345)</u>	<u>(14,539)</u>
Deficit in scheme	(15,345)	(14,539)
Net pension liability	<u>(15,345)</u>	<u>(14,539)</u>

	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Movement in deficit during the period:		
Deficit in scheme at 2 January 2005	(14,539)	(13,159)
Movement in the year:		
Contributions	780	772
Actuarial losses	(941)	(1,517)
Net return from other finance income	(645)	(635)
	<u>(15,345)</u>	<u>(14,539)</u>
Deficit in scheme at 31 December 2005	<u>(15,345)</u>	<u>(14,539)</u>

	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Analysis of the amount credited to other finance income:		
Expected return on pension scheme assets	923	819
Interest on pension scheme liabilities	(1,568)	(1,454)
	<u>(645)</u>	<u>(635)</u>
Net Return	<u>(645)</u>	<u>(635)</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on assets	1,770	426
Experience gains and losses arising on liabilities	54	465
Changes in assumptions	(2,765)	(2,408)
Actual loss recognised	<u>(941)</u>	<u>(1,517)</u>
	31 December 2005	1 January 2005
History of experience gains and losses:		
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	1,770	426
Percentage of scheme assets	9.6%	2.8%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	54	465
Percentage of the present value of the scheme liabilities	0.2%	1.6%
Total amount recognised in statement of recognised gains and losses:		
Amount (£'000)	(941)	(1,517)
Percentage of the present value of scheme liabilities	(3.0)%	(5.1)%
17 Share capital	31 December 2005	1 January 2005
	£000's	£000's
Authorised		
140,000,000 Ordinary shares of 10p each	<u>14,000</u>	<u>14,000</u>
Allotted, called up and fully paid		
90,576,455 Ordinary shares of 10p each	<u>9,057</u>	<u>9,057</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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 2 January 2005	26,872	1	(23,468)
Retained profit for the period	-	-	296
Losses recognised in statement of total recognised gains and losses	-	-	(941)
Balance at 31 December 2005	<u>26,872</u>	<u>1</u>	<u>(24,113)</u>

Company

	Share premium account £000's	Other reserves £000's	Profit and loss account £000's
Balance at 2 January 2005	26,872	1	19,885
Retained profit for the period	-	-	95
Balance at 31 December 2005	<u>26,872</u>	<u>1</u>	<u>19,980</u>

19 Reconciliation of movements in shareholders' funds Group

	31 December 2005 £000's	1 January 2005 £000's
Profit for the financial period	296	4,277
Other recognised gains and losses	(941)	(1,517)
Net (depletion in)/addition to shareholders' funds	(645)	2,760
Opening shareholders' funds	12,462	9,702
Closing shareholders' funds	<u>11,817</u>	<u>12,462</u>

Company

	31 December 2005 £000's	1 January 2005 £000's
Profit for the financial period	95	6,948
Opening shareholders' funds	55,815	48,867
Closing shareholders' funds	<u>55,910</u>	<u>55,815</u>

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2005

20 Contingent liabilities

Group

In 2004 and 2003, the group's parent company, Tapis Saint Maclou SCA, formally waived the sums of £7,050,000 and £7,035,000, respectively. Of these amounts £7,050,000 and £4,004,000, respectively, were originally included in the accounts of Allied Carpets Group plc. The terms of the waiver were such that these sums are not payable by the company in its present circumstances.

As and when the Allied Carpets Group of companies returns to profitability, 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.

21 Financial commitments

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	31 December 2005 £000's	1 January 2005 £000's	31 December 2005 £000's	1 January 2005 £000's
Expiry date:				
Within one year	437	311	247	125
Between two and five years	1,728	1,415	337	397
In over five years	32,663	31,361	-	-
	<u>34,828</u>	<u>33,087</u>	<u>584</u>	<u>522</u>

22 Directors' emoluments

	52 weeks ended 31 December 2005 £000's	53 weeks ended 1 January 2005 £000's
Emoluments for qualifying services	171	170
Company pension contributions to money purchase schemes	4	2
	<u>175</u>	<u>172</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2005- 1).

ALLIED CARPETS GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005

23 Employees

Number of employees

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

	31 December 2005 Number	1 January 2005 Number
Sales	1,582	1,528
Distribution	85	81
Administration	92	90
	<u>1,759</u>	<u>1,699</u>
The equivalent number of employees working full time was:	<u>1,654</u>	<u>1,594</u>

Employment costs

	£000's	£000's
Wages and salaries	33,268	33,328
Social security costs	3,092	3,181
Other pension costs	786	12,509
	<u>37,146</u>	<u>49,018</u>

24 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.

25 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 £0.06m (2004: £0.10m). During 2005, the parent company waived its entitlement to receive payments of the loans outstanding at the 2004 balance sheet date. The waiver amounted to £7.05m and was reflected in the 2004 accounts. At the balance sheet date the amount owed to the parent company was £2.46m (2004: £1.06m).

During the year, the group was invoiced by Societe Mouvalloise de Conseil, an amount of £130,000 (2004: £130,000) in respect of management services provided by Gonzague Mulliez, a director of the group. An amount of £130,000 (2004: £130,000) is included in accruals at the balance sheet date in anticipation of this charge.